



Foreign Affairs Committee

Foreign and Commonwealth Office performance and finances 2012-13 HC 696

Tuesday 5 November 2013

Ordered by the House of Commons to be published on 5 November 2013

Written evidence from witnesses:

- [Peter Horrocks, Director, BBC Global News; Richard Thomas, Chief Operating Officer, BBC Global News](#)
- [Sir Vernon Ellis, Chair, British Council, Martin Davidson, CMG, Chief Executive, British Council](#)

[Watch the meeting](#)

Members present: Richard Ottaway (Chair), Sir Menzies Campbell (Chair), Sandra Osborne, Andrew Rosindell, Mr Frank Roy, Rory Stewart

Questions 1-96

- Witnesses: **Peter Horrocks**, Director, BBC Global News; **Richard Thomas**, Chief Operating Officer, BBC Global News gave evidence.

Q1 Chair: I welcome members of the public to the first evidence session of the Committee's inquiry into the FCO's performance and finances in 2012-13. I am delighted to see Peter Horrocks, director of BBC Global News, returning again, and Richard Thomas, the chief operating officer. I warmly welcome you both. Thank you for finding the time to come and see us. Is there anything you would like to say by way of an opening statement, Mr Horrocks?

Peter Horrocks: I have just a couple of very brief notes. Thank you for your welcome. The World Service has achieved its highest ever audience this year. The Committee will remember that our audiences took a bit of a dip over the past couple of years, following some reductions we had to make, but they are at a record level, which is positive.

The other thing I would like to note is that because of the change in funding of the World Service from next April, when it moves from grant in aid funding from the Foreign Office to the licence fee, this will be the last time that the director of the World Service will appear in this form in front of the Committee. I wanted to note that and thank the Committee for its support for the World Service over many years, which is much appreciated.

Q2 Chair: Thank you. The Committee has always enjoyed the relationship with the World Service. We like to think we have been a constructive friend over the years. A draft letter is in preparation between myself and Mr Whittingdale, the Chairman of the Culture, Media and Sport Committee, which we will share with you once we have finalised it. It will set out the relationship. Primarily, the responsibility clearly falls to that Committee, though as you are well aware, the Foreign Secretary still has a responsibility for the priorities and direction of the World Service, so there is a residual hangover. How it is dealt with time-wise remains to be worked out. We recognise that the world is moving on.

Mr Horrocks, I will start with the first question. You have spoken of doubling the Global News audience by 2022. How much of that will be down to the World Service, and how much to commercial activities?

Peter Horrocks: The director-general of the BBC, Lord Hall, announced that aspiration as part of his overall statement of his ambition for the BBC. He has talked about reaching that figure of 0.5 billion by the time of the BBC's centenary in 2022. That is why that date has been chosen. The BBC's international news services—both the World Service and the commercially funded world news and website—will play a large part in that. BBC Worldwide, with its channels and its websites, will also play a part in that. I would expect the majority of that to be achieved by the news services.

It is an important representation of the BBC's ambition, how the World Service coming into the licence fee is making the BBC take on perhaps more of a global role and aspect than it has in the past. I hope that will be of benefit to licence-fee payers in terms of building business for Britain, but also helping the BBC's own content making for the UK. For instance, the interviews that we get around the world that BBC News transmits in are assisted by the huge presence and reputation that BBC international news has, so I believe it is a significant moment for the director-general to have set that target.

Q3 Chair: Are you comfortable that you will hit the target of doubling the audience by 2022?

Peter Horrocks: I am not at all comfortable—I talked last year about not feeling in the least bit complacent. I was in China only a few weeks ago and saw the extraordinary resources that CCTV of China is throwing at its international broadcasting, so the competition—the market—is proving really tough. We have certainly not yet got a plan: it was only a few weeks ago that Lord Hall announced that target, but I am very pleased that that target has been set. It is now the job of myself and colleagues such as Tim Davie of BBC Worldwide to come up with the plans to achieve that long-term ambition.

Q4 Chair: What risks do you think you will face over the next few years?

Peter Horrocks: I think the primary risk is that level of competition. We held a seminar at BBC Broadcasting House yesterday evening, at which we looked at the range of activities of al-Jazeera, Russia Today and Press TV of Iran, as well as the enormous efforts

by the Chinese. That represents a significant challenge. The development in the countries to which we broadcast is also a challenge, but also clearly something that is positive. Media freedom is growing in some places—certainly media access is growing around the world—so we are going to have to work harder in order to get there. However, looking at those competitors and also the news picture around the world, there are very few quality, impartial, independent news providers out there. The BBC has been that for more than 80 years, and that strength of our heritage and the values that we represent will continue to be an enormous strength, as long as we modernise and invest to be able to take that tradition into the future.

Q5 Chair: You confirmed in your opening remarks what we all know: that you are moving to a licence-funded operation in five months' time. Will the public see anything different or will the presentational aspects go on as before?

Peter Horrocks: The character of the World Service, as set out by the BBC Trust, who some months ago published an operating licence and launched a public consultation around it, and the global perspective that the World Service represents will continue to be of the essence of the World Service. One thing that the BBC Trust is asking us to do rather more than has been the case in the past is to make sure that that perspective—that expertise—is made available to audiences in the UK as well as around the world.

Members may have heard or seen BBC World Service correspondents increasingly appearing on air in the UK and interviews being gained because of the World Service's access. You may have heard, for instance, an extraordinary interview only a few days ago on the "Today" programme on Radio 4 with a young woman in Mali who had suffered a terrible experience with the deaths of her family and others she was travelling with. That was obtained by a member of the BBC's Hausa service, working closely with the World Service English service and the "Today" programme. That is a very good example of the kind of thing we can bring to the UK.

The BBC Trust is asking us to put a particular emphasis on making sure that our language service content is available for minority populations in the UK—Somali speakers, Urdu speakers and so on. We have a number of proposals about that and we will be informing the communities in the UK, which in many cases are now substantial, about the World Service's content. However, the fundamentals of what the World Service stands for and its editorial ethos will stay the same.

Chair: I did hear that interview and I quite agree that it was remarkable.

Q6 Sir Menzies Campbell: You mentioned the draft operating licence. Can you tell us how many responses were received in relation to the consultation?

Peter Horrocks: It is a matter for the BBC Trust, but I understand that it was 17 or 20, or something like that—a relatively small number.

Q7 Sir Menzies Campbell: All from within the United Kingdom, or some from abroad?

Peter Horrocks: I think there were one or two from abroad, but mostly from the United Kingdom.

Q8 Sir Menzies Campbell: Do you expect substantial revision to the draft, in the light of what you have just said about the representations? Maybe the answer to that question is, probably not much.

Peter Horrocks: No. From what I understand from the BBC Trust, who will be considering it in the next few weeks, I would not expect substantial revisions—there may be the odd wording which alters as a result of some of the points that were made.

Q9 Sir Menzies Campbell: Did the World Service have any representations to make once the draft was issued, or did you on behalf of the World Service?

Peter Horrocks: No, we didn't. We have been in a position to have input to the BBC Trust in its deliberations before the operating licence was drafted, and I was very comfortable with the document that was published, so we did not make a separate input ourselves.

Q10 Sir Menzies Campbell: Last year, Mr Horrocks, you told us that the one thing that you would really like to be able to do is complement the existing Burmese language radio service with a television service. You noted the particular relationship between Burma and the United Kingdom; and of course, Burma is in a state of continuing change. There is no mention of a television service yet. Would you still like to do that, and if so, do you have the funding to do it?

Peter Horrocks: We have the funds for a small television operation. We have conducted a television bulletin pilot in the last six months, and we have been talking to distributors and television companies in Burma about it. We have also seen progress in a number of ways in Burma and Myanmar over the last year. BBC World News television is now broadcast there. The Burmese service radio content is available as well, and we have also been conducting an important training programme with the state broadcaster in Myanmar through our charity offshoot, BBC Media Action. So things have generally been progressing.

There have been one or two setbacks. For instance, one of our reports on political problems with human rights in Burma was recently censored by the Burmese distributors. When the report from the BBC's Jonah Fisher came on air, it was blanked out, which shows that some elements are still not committed to complete openness. However, we think it is progressing and we would like to be able to conclude a deal for Burmese television to be available. I hope that will happen in the course of the next year.

Q11 Sir Menzies Campbell: And that censorship was conducted by the state broadcasting corporation.

Peter Horrocks: No, it was probably by a private broadcaster, but clearly state control is very strong there.

Q12 Sir Menzies Campbell: I was going to ask you about that. How visible is the division between the state and the kind of broadcasting companies that you are dealing with?

Peter Horrocks: Political control is still quite strong, but it is changing rapidly. The team who have been in Myanmar training their journalists report that there has been remarkable progress. When I went there myself a year ago, the newsroom had no journalists in it. The reason, they explained to me, was that the news had not yet arrived—because it came out of a fax once a day from the Ministry of Information. Now they are having editorial meetings, going out and doing interviews, and talking to members of the public. Those things would have been unheard of a year ago, and they have really been possible because of that opening up, but also because they trust the BBC to be training them in the kind of editorial values that the World Service represents.

Q13 Sir Menzies Campbell: How did the opportunity arise to train journalists in Myanmar?

Peter Horrocks: I travelled there myself with a colleague from BBC Media Action in September last year, and we went to see ministry officials and suggested that if they were serious about openness, the BBC would be able to assist them with that. We said that unless we were given the freedom to train journalists in an appropriate, editorially independent way, we would not do it. They said that they would give us that independence, and the team there report that, by and large, they have been given the freedom to inculcate the kind of values that we stand for.

Q14 Sir Menzies Campbell: Apart from that one instance you gave a moment ago, have there been any other instances where there has been a restriction of any kind on our output?

Peter Horrocks: Not that have affected us. There was a recent raid on a magazine, where some computers were seized, so it is slightly fitful, as you would expect in a country that is evolving from such a level of information repression. Generally it has been a story of progress. Clearly we need to keep our critical judgment on it and report when there are setbacks, as there clearly are in some of the human rights situations throughout the country.

Q15 Sir Menzies Campbell: One last question on Burma: are you optimistic that the pilot will convert into something greater?

Peter Horrocks: I am certainly optimistic that the pilot will become something that is ongoing, yes.

Q16 Sir Menzies Campbell: No doubt you will keep us or the appropriate Committee up to date. It is, of course, not the objective of the World Service, either in its present or future form, to advance Government's foreign policy, but are you conscious of occasions when there is an alignment between the output of the World Service and foreign policy? Do you monitor that?

Peter Horrocks: I would say it is an alignment between long-term British national interest and the representation of British values with the values of the broadcasting that we represent—so, by creating a relationship, an affinity, and an attraction towards Britain. We have very good evidence for this—the respect that audiences around the world feel for the BBC translates into respect and affection for the United Kingdom. We have recently conducted a survey of 900 business leaders around the world, which showed very strongly that those who consume the BBC have a strong view of Britain—its culture and creativity—and that they are more prepared to trade with Britain. So these business leaders—56%, I think was the figure—said, the survey showed, that they were more ready to trade with Britain because of what they learned about the UK through the BBC.

I would say that that is where the alignment is in that long-term interest. It is very important that we are editorially independent and of course that we do not represent short-term foreign policy interests. It is important that we report on the activities of the British Government with the same degree of editorial independence that we do any country around the world.

Q17 Sir Menzies Campbell: I was going to ask you about that. Do you envisage, or are you aware of, circumstances in which the output may reflect Government policy here and criticism of that policy from within the United Kingdom?

Peter Horrocks: Yes, and when I go to speak to conferences of international journalists, many of whom work under conditions of much less independence than we do, I give them examples. After the vote on Syria, for instance, I quoted from Nick Robinson, who described the vote as being humiliating for the Prime Minister and said that the Government's foreign policy was in tatters. I quote that and ask them who might have broadcast those words—"Was it Russia Today or the Iranians?" Then I say, "No, it was the BBC." The BBC's political editor has that judgment and the World Service will broadcast those words around the world because that is a proper, independent judgment about the political situation in the UK. That has the paradoxical effect of increasing the respect for us as an organisation, and for the UK for providing the support for the World Service, because all the audiences to whom we are broadcasting are not used to their public or state broadcasters ever having the kind of independence that is so much part of the BBC.

Q18 Sir Menzies Campbell: Do you ever show them the Jeremy Paxman interview with Michael Howard?

Peter Horrocks: I was editor of “Newsnight” when that happened, so that is an interview that I recall with great clarity.

Q19 Sir Menzies Campbell: What is the World Service’s current position on the provision of a Korean service broadcasting into North Korea?

Peter Horrocks: If we were able to do it cost-effectively and if it were effective, we would like to do it, because the lack of information in Korea is probably the most severe in the world. However, the practical problems mean that our current position is that we will not be going ahead with a specific North Korean service, because there is no realistic means of being able to get a broadcasting signal into that country. I am afraid that it would cost us a significant amount of money to set something up, and we have no means of knowing whether it would have any effect at all. So we are not currently proceeding with it, but we are open to it, if conditions were to change.

Q20 Sir Menzies Campbell: I was going to ask you that. Are you keeping that position under review?

Peter Horrocks: Yes. One of the things that makes it more difficult is that not only is it very difficult to broadcast on short wave into North Korea, because of the lack of sets that can be tuned, but broadcasting strong FM signals is not possible, because the South Korean Government do not allow foreign broadcasters to broadcast from South Korean soil. I know we have a state visit happening today, so if that position were to change, for instance, that would be a material alteration, which might make us look at it again. Our minds are not closed to it, but we are not currently moving ahead.

Q21 Sir Menzies Campbell: It has been represented—I do not necessarily share this representation—that the World Service English radio schedule is overwhelmingly tilted towards news and documentaries. As a political anorak, I do not object to that, but is consideration given to the balance of the output, in particular programmes that might reflect more than they do at the moment the cultural elements of life in this country?

Peter Horrocks: There is arts output. There is a general interest programme called “Outlook”, which has arts content within it and is on every day. Of course, our news sequence programmes will cover arts stories, but more from the journalistic perspective; we have a range of documentaries, which look at science and business; and sports plays a very significant part in our schedule. There is less space than there used to be for pure culture—the Proms, dramas and those kind of things. I think it is a loss that we no longer have those in the schedule, but they were some of the most expensive things that we broadcast. You know the financial pressures that the World Service has been under. We also talk to our audiences and

ask them what they most want from us, and what they most want from us is impartial, independent news. That is why that is the mainstay, but not the totality, of our schedule.

Q22 Sir Menzies Campbell: How much resistance has there been to the use of advertising, among both the staff and the audience, since its introduction by the World Service?

Peter Horrocks: Very little resistance or complaint from either group. We have had trials of three of our language service websites, in Arabic, Spanish and Russian, and we have also introduced advertising on our World Service English relay in Berlin. The number of complaints or concerns has been a handful in all cases. The BBC Trust is currently considering proposals for a more widespread commercial activity across the World Service, obviously to be done under proper editorial guidelines. If that is approved it would help us to be able to make our money go further, but that is a matter for the BBC Trust to decide.

Q23 Rory Stewart: What is the current position in terms of institutional protections for the World Service, not necessarily during your time in office but that of your successors? We were told in the Committee that we could rely on the fact that the director of the World Service reported directly to the executive board. Is that still the case?

Peter Horrocks: There are a number of protections that have been put in place for the World Service's future. I will give an outline of them and then we can go into the detail. The most important protections are provided by the BBC Trust. They define what the World Service stands for in the operating licence which we referred to earlier. They have also provided clear funding for the next three years, until the end of the charter period, which is as far ahead as the BBC can give any guarantee about anything. The funding for the World Service goes up in that period. Our funding next year will be higher than this year's funding from the Foreign Office, so I would regard that as being a positive set of protections.

Within the BBC's management, it is the responsibility of the executive board to carry out the requirements of that operating licence. The responsibility of that is obviously held by the director-general and by the new director of news, James Harding, who has responsibility within his remit for the World Service. He represents the World Service's interest on the BBC executive board. I should say that James has arrived relatively recently. He may be known to some members of the Committee as a former editor of the *Times*, a former foreign correspondent and someone with a very strong international interest. He has been very supportive, particularly of the contribution that the World Service is making to the BBC's airwaves in the UK.

Q24 Rory Stewart: I am just trying to clarify the exact institutional relationship. Are you on the management board of the BBC? How exactly is this working at the moment?

Peter Horrocks: No, I am on neither the executive board nor the management board of the BBC.

Q25 Rory Stewart: Were you on the management board of the BBC twelve months ago?

Peter Horrocks: There was a previous body which was known as the BBC direction group, which was in effect the equivalent of the management board. The previous director-general, George Entwistle, decided to reduce the number of people to make it a more effective, smaller decision-making body. Along with a number of colleagues, I was no longer on the management board after that point.

Q26 Rory Stewart: So in effect, the head of the World Service has been demoted one level further down, after we in the Committee were assured last time we took evidence—I can see here that it was November 2011—that the position would be protected. It seems as though in fact the position of the director of the World Service has been further downgraded since November 2011. Is that right?

Peter Horrocks: I would not personally use the term “demoted”, because of the positive things which I have described about the conditions being provided for the World Service to be successful. I can totally understand the point you are making about the symbolism of representation, but it is also important to consider its effectiveness and what the BBC says about the audience target of half a billion, the funding that is being provided and so on. I regard those as all being positive signs for the World Service.

Q27 Rory Stewart: In terms of the practical, concrete steps that you would need to take if you wanted, for example, to get hold of technicians and send them out to fix a World Service facility in Africa, have the procedures changed for that over the last few years? Is it as easy for the director of the World Service to mobilise their own engineers and technicians, or are you dependent on trying to take from a common pool and beg or borrow resources shared with other departments?

Peter Horrocks: It has moved to a more centralised model—you may want to come in on this in a minute, Richard—and some of that had already happened before the transfer of the funding, because that is an effective way of working. We have a protected budget and we have to be able to report to the BBC Trust that the £245 million has been spent on World Service activity. We need to work with our colleagues in the domestic BBC to ensure that the services, which used to be all owned and run directly by the World Service, can be effective in this more shared operation. It will be my responsibility and that of the director of news to ensure that those other departments are supporting the international activity. It is clearly something to keep a close eye on.

Q28 Rory Stewart: So to put it very bluntly, you are no longer on the management board of the BBC. If you want to send a technician to Africa to mend a bit of kit and that same technician is wanted by “Newsnight” to mend a bit of kit in London, what procedures

are in place to ensure that you get the resources that you need? How would you resolve that situation? What kind of institutional power do you have to ensure that you get what you need?

Peter Horrocks: It comes back to the requirements that the BBC Trust has set of the World Service—the audience target, the resources that we have and the importance that is attached to the international role that the BBC plays by the director-general and the executive board. It happens in the same way that it has to balance the interests of “Newsnight” or Radio 3 or Radio Berkshire. Those central departments have to balance the different interests of the organisation and ensure an effectively delivery for all of the BBC’s services. The new element is that the World Service will be licence-fee funded and is part of that balance that they have to strike.

Q29 Rory Stewart: So to conclude, would I be right in characterising what has happened as an increasing reliance on the good will, the charter and your relationships with people such as the director of news, but without clear constitutional institutional protections? The reason that matters is that the relationship between yourself and James Harding may not continue with your successors. Am I right in saying that we are putting an enormous amount of reliance on good will and informal procedures? From the Committee’s point of view, which wants to defend and ensure the autonomy of the BBC World Service, there could be a case for stronger institutional and constitutional protections.

Peter Horrocks: It is certainly true that the situation has changed when compared with the shortwave era of 15 or 20 years ago when the World Service had all its own autonomous resources. It has changed for good reason, because the World Service can benefit as we try to deliver digitally. We have a world-famous digital department in the future media department that helps to ensure that our websites and mobile offerings work more effectively for all of our audiences. Some of that centralisation is definitely helpful to achieving the World Service’s strategy, but we are working in a more integrated world in which we are more reliant on those colleagues to deliver. I am relying on the strong signals that the BBC at the top has sent about the importance of what the World Service represents to ensure that that delivery continues. Is it less specifically under our control than it was? Yes, that is definitely the case.

Q30 Sandra Osborne: I would like to ask you some question about delivery and performance, initially relating to your operating expenditure. You have changed the format of the segmental analysis in your annual review. The tables in your annual review are different, which makes it difficult to compare with previous years. Even where the production areas are the same, the amounts for 2011-12 are different in some cases. For World Service English, it is £45.7 million but the new format states £47 million. Accommodation, support and central areas is £37.9 million in the old format and £45.6 million in the new format. How can that be? Can you inform the Committee so that we can make a proper analysis by way of comparison?

Richard Thomas: We changed the format because we have changed the way that we organise the business in some areas. In particular, you will see that there are more categories in the breakdown of languages, because we reorganised it into hubs, partly so that we could have better co-ordination of activity from language services in similar areas, which did enable us to reduce management costs by a little. We did restate the previous year, so some of those differences that you are seeing are actually down to changes in the business rather than in the reporting, but if you go back to the previous year, it was bigger categories. If you wanted to go back to the previous years, we could give you the analysis, if that would be helpful. On the ones you mentioned, the accommodation stuff went up because we are paying more for the accommodation in New Broadcasting House, and there are various other things going on, too. Some of those are real differences and are not due to the changes in reporting.

Q31 Sandra Osborne: Can you account for the steep rises in some areas? Africa, accommodation and support in central areas and depreciation have all gone up quite substantially.

Richard Thomas: We actually spent more in Africa. We have developed two television services for Africa so, although we have been saving money because of the reduction in some areas, we have also saved money so that we can invest in certain areas. We launched two TV services in Africa, so the spend there has gone up. The new accommodation is more expensive because when we looked at the move we were comparing it with staying in Bush House and having to upgrade it. We also make savings from the new accommodation because the rent we are now paying covers everything in the building, whereas the rent before excluded all the capital items. If the boiler in Bush house broke, the World Service had to repair it, whereas that sort of thing is included in the rent charge that we are now paying.

What were the other ones you asked about?

Q32 Sandra Osborne: Depreciation, accommodation and support in central areas and Africa.

Richard Thomas: The depreciation charge has gone up by quite a lot this year because we had to write off quite a few things when we moved out of Bush House and into the new building. Some of the stuff that we capitalised had to be written off very quickly. We could not capitalise some of the move costs over a long period. We also stopped transmitting from Cyprus, so we had to devalue some of the assets there because they were not going to be used in the business for as long. The depreciation is a consequence of some of the changes in accommodation both in the UK and overseas. That did not affect the cash we were spending in the year, because obviously what we depreciated had been spent quite a long time ago. That is very much a consequence of moving out of Cyprus and moving buildings in London.

Q33 Sandra Osborne: Have all the cutbacks in services and staffing that were announced over the past two years been implemented?

Richard Thomas: The huge cut was the one we announced in January 2011, which has all been implemented. We announced the closure of about 70 posts this time last year, and we are nearly through those. The major changes from the CSR reduction have all gone through, but in future years we obviously expect to have to make further savings because the business does not stand still. We know we need to invest in multimedia and TV output, and we will not be able to do that unless we make savings elsewhere so that we can free up money. There will never be an end to savings, but the big programmes that we had to do to deal with the CSR reduction in funding have all gone through.

Q34 Sandra Osborne: Can we be confident that the language services listed in the draft operating licence have at least a short-term future?

Richard Thomas: We have no plans to close any at the moment. Obviously, the Foreign Secretary still retains the yes or no on any of that, so we would have to come back to the Foreign Office, as well as go to the Trust, if we wanted to do it.

Q35 Sandra Osborne: You use Saudi Arabian audiences to monitor audience reaction. Do you think that is representative of the perception of BBC Arabic services as a lone indicator?

Peter Horrocks: No, it isn't. We intended to do surveys in other countries, but because of the political disruption across the region it wasn't possible to do that in some of the other countries. Saudi Arabia happened to be the only country where we were able to carry out a survey. I completely agree that it is not representative of the region as a whole.

Q36 Sandra Osborne: I see. For two years running, the World Service has missed targets for numbers using grant-in-aid funded areas of the website. Is that because of underperformance, or is the target unrealistic?

Peter Horrocks: The targets were quite stretching, but I was still very pleased with the increase that we had. We missed the target by a few percentage points but, actually, the audiences for our digital services went up by more than 25%, which I think is a strong performance by any measure. The performance since the reporting year in question has increased further, so we are now at about the level of the previous target. I think it is right to set stretching targets. If you set easier targets and you achieve them, people say, "You weren't ambitious enough." I think we are in a reasonably good place there. Some of the targets we just missed by a bit, and others we over-achieved on.

Q37 Mr Roy: On the same point, you mentioned that 70 posts had been lost. Can you tell me how many of those 70 posts were management as opposed to staff? What is the percentage of those losses?

Richard Thomas: I would have to dig out the exact figures for you, but very few of them were management posts.

Q38 Mr Roy: Shock. Could you get us the figures?

Richard Thomas: Sure¹.

Peter Horrocks: The restructuring that Mr Thomas referred to in response to the previous question was earlier, when we took out a big management layer to create that new structure.

Q39 Mr Roy: I remember that, but there was a perception that there did not seem to be many managers going, while an awful lot of other people were going.

Peter Horrocks: In the most recent year, that is true. Earlier on, there was a very substantial reduction in managers.

Q40 Rory Stewart: Despite the savings programme and recruitment controls, the number of staff went up last year, though the number of senior managers halved. Why did the number overall increase? Was the reduction in senior managers a direct consequence of service closures?

Peter Horrocks: The senior management change is more of a reporting one, which Richard can talk about. Our staffing has gone back up again, because we are able to reinvest. Sometimes you can have reductions in staff in one area and move new people in. Over the year in question, we were launching for the first time a television service in English for Africa, and services in Swahili, Urdu and Hindi. We needed to recruit new people for those services, so that was where the growth came from.

Richard Thomas: On the point about senior managers, the figure goes down from about 22 to 11—that excludes the people on the board. There are a number of factors. About three or four were working on projects, and those just happened to finish during the year. One or two people left and were replaced on lower grades; the rest was just from reorganisations. There was no one leading factor, but obviously we are trying to reduce costs at all times.

¹ See supplementary written evidence from the BBC World Service

Q41 Rory Stewart: The figures seem to suggest that you have had a 75:25 split, home to abroad. Can you break down how those figures work and explain how that split comes about?

Peter Horrocks: We have moved the editorial control of some of the services to our international locations. The Hindi service is run out of Delhi rather than London now. The Nepali service is run out of Kathmandu. A number of our African services have substantial bases. For instance, we have moved our Swahili radio services to Tanzania and Kenya. We do that when it will be cost-effective and when the journalism is easier to do, because you can operate safely and effectively nearer to where the stories are coming from.

Obviously, we have to be aware of when there may be pressure on journalists or safety factors, and there are some countries where it would not be prudent or it would be impossible. In the case of Iran, as the Committee knows, we have had the terrible intimidation of the families of our staff members. We cannot have BBC people based there at all, so it is zero in Iran. It is really a judgment about what the most practical and cost-effective way of delivering the journalism to that particular part of the world is.

Q42 Rory Stewart: Just roughly, how does the 25% break down by reporters, technical staff and managers?

Peter Horrocks: It would be a similar proportion to the position as a whole. When a service is based overseas, it needs the range of services—technical support and local management. So it would be broadly in the same proportions as London.

Q43 Rory Stewart: On safety and security, you have raised the case of Iran, which is a different kind of situation. Can you tell us a bit more about the BBC High Risk Team and how that operates in relation to the World Service?

Peter Horrocks: It is a team that supports all the BBC's international activities, particularly news and the World Service. They are people who have real expertise. Many of them are ex-military, so they have a real understanding of the places where we operate. They use the expertise, of course, of the World Service staff who live in and know those countries extremely well, and also that of BBC Monitoring, which gives us very good background knowledge on which to base our judgments. Every one of the BBC staff who operates in any kind of hostile environment must have gone on hostile environment safety training. Safety assessments need to be completed for any high-risk assignment, so they would be required for filming in Afghanistan and many of the areas in Africa where we operate.

The High Risk Team will support those safety assessments and, in some cases, it will go on location. For instance, with the operations that we have been doing in Syria with correspondents such as Ian Pannell and Paul Wood, they will travel with a high-risk adviser and perhaps a number of other people as well to ensure that they have the right kind of back-up. It is everything from safety training right through to close protection in the field that the high-risk operation provides, and it does a very effective job.

In the last year, the BBC hasn't had any fatalities, but it is difficult ever to be certain that that cannot happen. Only in the past few days, two French journalists working for Radio France International in Mali were executed in the course of carrying out their journalistic duties, so those kinds of dangers are ever present. Whatever steps one takes, with whatever resource or level of skill, it is impossible, unfortunately, to prevent those kinds of things happening in the increasingly difficult environment in which we are working.

Q44 Mr Roy: We heard earlier that you are paying more for New Broadcasting House than what you were in Bush House. What share does the BBC World Service contribute towards accommodation at New Broadcasting House? What is your share of the cost of New Broadcasting House?

Richard Thomas: It is worked out on percentages per square foot—something like that—so I guess it is something like 20%².

Q45 Mr Roy: How does that compare with accommodation costs at Bush House? Is a direct comparison possible?

Richard Thomas: We are paying roughly £20 million a year for New Broadcasting House, and we were probably paying £14 or £15 million for the rent in Bush. But, as I said, we are also responsible for the capital element, so we make a saving on that. It was all in the business case that we put together.

Q46 Mr Roy: So what is the comparison with what went out of your bank account, although I know that you had other issues with Bush House? At the end of the day, what went out of your account compared with what is going out now? What is the difference?

Richard Thomas: In terms of the budget that we run, we are looking to find another £3 million a year because we are in the new building.

Q47 Mr Roy: Was that £3 million?

Richard Thomas: Roughly, and it would go up and down in different years depending on what was going on.

Q48 Mr Roy: Why would it go down?

² See supplementary written evidence from the BBC World Service

Richard Thomas: Just because the capital elements would be different in different years.

Q49 Mr Roy: But highly unlikely.

Richard Thomas: Obviously, but while we were in Bush House, we were trying to make everything last as long as possible and to spend as little as possible, just as you would do if you were moving out your house—you don't put a new boiler in before you go.

Q50 Mr Roy: Can you summarise for us the latest on the World Service's property holdings overseas? For example, can you tell us the purpose and typical nature, and whether it is leased or owned?

Richard Thomas: We own hardly anything. Two thirds of the assets overseas that you see on the balance sheet are transmission sites in six venues around the world. A lot of those are on agreements with overseas Governments and the remaining third would be bureaux, and practically all those are leased. The expenditure is much more on the kit—studios, cameras and things like that—rather than on the buildings themselves.

Q51 Mr Roy: You say that that is hardly anything, but is the overall value of the assets continuing to decline?

Richard Thomas: It will decline, partly because we are getting a much smaller capital budget than we used to have, so the amount we spend each year will be a lot less than the amount that we are writing off, because obviously we are depreciating when we spend more. That comes through in a depreciation charge and, at the moment, that is greater than the new money that we are spending, so the net book value we carry on in the accounts will reduce over time. The other factor is that as the business changes, we are moving out of shortwave radio, which is engineering-heavy, and moving into an era in which we will spend much more on content and distribute that through partners. That will enable us to move money out of big fixed engineering assets and more into journalism. As a result, the assets on our balance sheet will reduce, because we will not need as much.

Q52 Mr Roy: We noticed that you omitted from the 2012-13 annual review a table that shows the geographic split of non-current assets. Why is that?

Richard Thomas: There is a split. I think it is part-way through—

Q53 Mr Roy: Do you want to come back to that?

Richard Thomas: We did a geographic split, but it is quite top line. You may just need more detail³.

Q54 Chair: Last question, Mr Horrocks. I do not know whether you have had a chance to look at the human rights report that we published the other day, but we focused in one section on freedom of expression in the broadcast media and our concerns about jamming around the world. As far as satellite jamming was concerned, we felt that the solution lay with the private owners of the satellites, and putting some more advanced technology in the next generation of satellites. When it came to protecting online services, we felt that the solution lay with the BBC and its need to invest more in such protection. Are we making any progress with that, and is that something that you are pursuing at the moment?

Peter Horrocks: We do put some resource into that, but largely we have been encouraging technology companies to provide the solutions, because there is a real level of expertise required. Fortunately, some of the major technology providers have an interest in this. Recently, Google announced new technology that would allow users in countries such as Iran to disguise their computer's identity and therefore access content as though they were outside the country—something called uProxy. It is really about highlighting the importance of the need for these kinds of techniques and working with technology providers. We can do some of our own technology investment, but the kinds of techniques we are talking about require substantial technological skill.

Q55 Chair: Does that mean more resources?

Peter Horrocks: Extra resources could certainly help, but we see our main job as creating the content and getting it out there. The desire of audiences to be able to access content, and the smartness that they show in adopting new techniques and that technology suppliers show in providing them will, we think, with the right encouragement, probably be the way forward. What we can do is to give people the information. We can use our own content services to help people to find those sources of information, and we do a lot of that. Providing tips on the best ways of circumventing some of the problems is the kind of thing that we can do. We think that that is probably more effective than us trying to develop our own BBC-specific solutions when users around the world want to be able to access content from many websites beyond the BBC's.

Q56 Chair: So nothing is holding progress back on this one.

Peter Horrocks: I don't think so. It is an endless cat-and-mouse battle, and some Governments—the Chinese and Iranian Governments—are determined to repress information.

³ Note by witness: See page 22 of the BBC World Service Annual Review 2012/13.

Just briefly on conventional jamming, which you very helpfully referred to in your report, we have had further significant issues in China in the last year: not only interference with the broadcasting of BBC world news, the complete blocking of the BBC's Chinese-language website and the intermittent blocking of our English-language website, but the blocking of World Service English radio, which is affecting potential listeners in not only China, but large parts of Asia. I have raised that concern with the Ministry of Foreign Affairs in China and with the ambassador here, who has not even replied to the concerns that we have raised. It is a useful opportunity to make people aware that this kind of repression of information is regular in China. Unfortunately, it is very difficult even to get any responses from the Chinese authorities to jamming that our technicians are absolutely certain is coming from within China.

Chair: Very good. I am glad you have been following it closely. Thank you both very much indeed. It has been a very helpful session as far as we are concerned.

Examination of Witnesses

Witnesses: **Sir Vernon Ellis**, Chair, British Council, and **Martin Davidson CMG**, Chief Executive, British Council, gave evidence.

Q57 Chair: May I welcome our witnesses from the British Council? We have Sir Vernon Ellis, the chairman, and Martin Davidson, the chief executive. A warm welcome to you both—it is good to see you here again.

Sir Vernon, would you like to say anything by way of opening remarks?

Sir Vernon Ellis: It is very good to be here. I am sorry that I was not here last year; unfortunately I was delayed in America.

This is a good time. We will surely come on to the triennial review, which is a good stimulus for thinking about things, but also, over the past couple of years, it seemed to me that when I sat down and thought about this that we have really made tremendous progress. I think of the scale and measureable impact of what we do, the way we understand and communicate our core purpose—always tricky, but we have improved it hugely—about how we deliver benefit to the UK through how we develop trust, the consistency with which we do that internally and externally, and how we deliver it through what we have called in our memorandum the entrepreneurial public service model.

On scale, seeing is believing. Over the last year I have been in China, and seeing 900 students stream through a university to take IELTS is quite powerful. More than half a million students take IELTS in China every year. I have just come back from Pakistan where I saw how we are transforming the education system in the Punjab—an enormous project—and how we are actively engaging with students in Pakistani universities to interact with people outside and become active citizens, thus effectively impacting 5 million to 10 million

people right across Pakistan. I am convinced that the trajectory we are on will deliver increasing benefits to the UK in a cost-effective way.

The triennial review has been very helpful, because it has stimulated us to think about these things quite deeply. Of course, because I think we have become more noticeable, we have become more subject to scrutiny—to comment—and that is a good thing.

My only concern with the triennial review is that, by its very nature, it will invite comments segment by segment without necessary regard to the impact on the whole thing, and the whole being more than the sum of its parts is what we are about. We do hear, from some quarters in Whitehall, views that are perhaps based on a somewhat limited understanding of what we do, and of how the whole is the greater than the sum of the parts, and some views that are perhaps without regard to the power of the mixed economy, the semi-independent status we have and our indirect approach.

These views vary widely. Some come from a presumption that the private sector is innately superior to the mixed economy. Some come from a desire to control us more directly. Some, perhaps, are led particularly by some views of others, some with vested interests. I think they focus on two areas where, actually, I think we have made tremendous progress, although that is not to say that we could not make even more progress, and we have talked about that. One is how we can open up economic opportunities for others in sectors, especially education, and the second is how aligned we are, and how aligned we can be, with the Government agenda. Many of those arguments are internally inconsistent, in the sense that if you accepted one, you would go down one route, but if you accepted others, you would go down a different route. None the less, if some of those arguments prevailed, there is a risk of really great damage. The logical extension of some of those arguments would be either a loss of the bulk of our earned income or, alternatively, a loss of the bulk of our grant. In either case, we would, as a result, be much diminished in our size but, much more importantly, we would be much more diminished in the benefits that we can bring to the UK. That would seem odd at a time when other countries seem to be more and more envious of, and trying to emulate, the British Council model for cultural and educational relations.

Q58 Chair: Thank you very much indeed; there were some interesting points there.

You mentioned the triennial review at the beginning. That might not be the most welcome thing going on in the British Council at the moment, but it is rather necessary. How is it going and would it be done any differently, if you had a choice?

Sir Vernon Ellis: It has been done in a very logical way. As I have said, we welcome it because some of these things are important. They deserve examination and, as far as we can tell, they are being examined in a very thorough and good way. They are inviting a lot of comments. As I have said, the only reservation I have is that when you invite comments, especially comments such as, “Would you do this bit in a different way,” the answer is sometimes, “Yes, we would like you to do that bit in a different way.” Whether that is compatible with the whole and whether it takes sufficient account of the direction and momentum of the whole has to be determined in due course. At the moment, they have been evidence taking and they are forming some views. We will probably gather what some of

those views are in the coming weeks. Quite what the processes are, particularly if there are differences in different parts of Whitehall and the Government, I am not entirely sure, but they will probably become clear over the coming weeks.

Q59 Chair: Have you had a chance to discuss any of the findings with the review team?

Sir Vernon Ellis: Not at any high level. Obviously issues arise, but only in the next week or so will we know the sort of broad findings. To what extent those are findings in the sense that we found this to be a problem, and to what extent they are emerging recommendations, I am not yet clear. We will know when we get them.

Q60 Chair: Do you have access to what other people have been saying about you?

Sir Vernon Ellis: Not as far as I know, and not in terms of what they have written, unless someone happens to have copied us in. My understanding from a number of sources is that a lot of people are writing full of praise for what we do, and that it has been very ebullient in some quarters. We have also had quite a lot of people who have an axe to grind or a particular thing they would like to be done in a different way. Quite a lot of those are coming from different sources, particularly from the private sector, where there could be views that we are somehow overlapping it or cutting it out.

Q61 Chair: Sir Vernon, there is no policy known to man that has universal support. If there was a cut in your funding, what would be the likely casualty? What would change?

Sir Vernon Ellis: May I remind the Committee of a simple arithmetical fact, because I did discover a few months ago that there was a slight misunderstanding in this? It is easy to talk. Sometimes we talk about income when we should be talking about revenues. When we say that our grant is only about 20% of our revenues—it is a bit over that—it means that that is a grant directly supporting certain operations around the world, particularly in difficult and dangerous places and in new places where there is not much opportunity to earn income. Someone once said to me, “Well you are so good at raising revenue that you could easily replace that.” I said, “I think what is in your mind is that if you took £50 million out of our grant, we would just need to replace it with £50 million of revenue.” “Yes,” he said, “that’s about right, and you’re pretty good.” I said, “No, because to increase our revenues—to increase our bottom line that would replace that grant—we have to talk about a margin out of those earned revenues, because those earned revenues, whether they are English exams or whatever, usually bring with them a lot of costs.” Let us say that that bottom-line margin that can offset loss in grant is about a 5% to 10% margin. If you have to replace £50 million of grant, you have to grow your revenues by somewhere between half a billion and a billion pounds, and that is quite an ask. We are quite good at growing revenues but that is quite an ask. This has come up in this Committee before; I wonder whether it would distort the nature of the organisation by going hell for leather for that.

Q62 Chair: Would it be within the scope of the review to tell you to sell off your education services—sorry—language services?

Sir Vernon Ellis: That is certainly a suggestion that is floating around. We have heard it from some parts of Whitehall.

Q63 Chair: What would be the consequence if that happened? Presumably you would lose the revenue stream you are talking about.

Sir Vernon Ellis: Yes, but there is a number of things here. First, English language teaching is indeed a revenue thing. Even in the most commercial operations, where we are face-to-face English language teaching in developed countries, that brings a cultural relations effect.

People come to British Council often at a higher price for teaching than other people because they value the brand, but they also value the wider ethos of Britain. We would lose that. We would lose scale and presence. We would lose our main presence in many developed countries. More than that, we would also lose the capability of the learning, and the presence and knowledge that we have from teaching, and the technology of teaching, that can inform and help our work in state sector.

We reckon there are about 1.5 billion or 1.6 billion people learning English around the world. Most of those are in the state school system. They are not in commercial English language teaching things. They are important; they produce revenue. We can work and are increasingly working with the ministry of education, often with the support of the president, in countries in improving English language teaching in the state system, but also changing the way teachers evolve, changing the way the system is administered, changing the way that tests are conducted.

By the way, that often takes us and increasingly partners into other parts of the school system. I believe that if we were cut off from the English language teaching on the commercial side, not only would we lose revenue, but we would lose the knowledge and the relationships that come from that wider presence. Martin, this is such an important matter maybe you would like to add to that.

Martin Davidson: I think it is a really important issue. The English language teaching provides presence on the ground, which would simply not be possible without the income it generates. Secondly, it is credibility in the space. One reason why international education authorities want to be involved with us is on the back of the English language.

It gives us an opportunity to engage in parts of the world that is simply not possible on a purely commercial basis. The income we generate in the developed world is absolutely used to help fund our presence in other parts of the world. The final thing to say is that there is not a single cultural relations organisation in the world that does not headline its work internationally through the spread of its language, whether that is French, German, Japanese,

Korean or Turkish; they all start from the position of spreading engagement through language.

Chair: For the reasons that you have both set out, the idea seems to be bonkers, but there you are.

Q64 Sir Menzies Campbell: I don't know if "bonkers" is or is not parliamentary language. I draw on my own experience. It is a while since I visited the British Council headquarters in Hong Kong, but the last time I did I was bowled over by the sense of excitement and buzz generated on those premises, and by the fact that you could hardly get a seat for people queuing up to learn English. I can't think of anything less helpful to the overall purposes of the organisation if that were to be taken away from it.

Sir Vernon Ellis: We know that English is a prime means of inter-cultural communications that lead to trust. There are various studies showing that. Like you, I was in the West Bank a while ago where we have just set up English language teaching and got six young Palestinian women. They were brilliant, very focused and excited to try to do something for their country. Some had come back from America for example.

Sudan is a difficult country where we have started commercial English language teaching. I can't imagine many other people wanting to do that, but we have. By the way, in both Sudan and Ethiopia where I went, we are training in each country about 25,000 army officers and soldiers who are engaged in UN peacekeeping, which is very vital work.

Q65 Sir Menzies Campbell: You mentioned various proposals for the council from various parts of Whitehall. Can I ask about the Foreign and Commonwealth Office? Did it ever offer friendly advice, or give you a steer, or issue something that might be interpreted as an instruction about the countries you were to operate in?

Sir Vernon Ellis: Absolutely. Sir Simon Fraser is on our board; he was brought back on to the board when he became Permanent Under-Secretary. That was about two years ago, or something like that. More formally, we have to align within our corporate plan, which we update each year and which is signed off by the Foreign Office. More formally, too, if we open a new location or close a location we have to agree that with the Foreign Office. More strategically, we are joined up in a general view of which countries are important and which are less important. We get into dialogue with them on that.

Martin Davidson: That is at the very heart of ensuring alignment between the British Council and the broader foreign policy agenda; we have to have regular dialogue. I would be disappointed if the Foreign Office felt it had to offer an instruction to the British Council, as that would be a failure of the sort of engagement that we should have. You only have to look at the conversations and discussions we had around north Africa following the Arab spring and the way in which we have put significant additional resources in there. That is very much our reflection of the importance of what is happening in that part of the world, and an

understanding of how we can add value to the UK relationship there. In discussion with the Foreign Office, we are identifying ways in which we should build our premises.

Q66 Sir Menzies Campbell: It is probably an impossible question to answer, but it would be interesting for the Committee to hear the extent to which the council shares premises with British Foreign Office posts. I do not for a moment imagine that you carry that information in your head, but it would be quite interesting to know.

Sir Vernon Ellis: We share premises in about 30 countries. We have plans in Calcutta, for example—I was there recently—to share with the high commission. Sometimes it is not appropriate, particularly in capitals and big cities where there is a historical building for the embassy. We want to have places which lots of young people can use, with teaching classrooms and so on, so sometimes it is simply not possible.

There is also a fine balance, to be honest, in how you present yourself to the outside world. We don't want to be seen as part of the Foreign Office. Increasingly, I think that we are interested in having something like a British centre, particularly in second cities—I have been fond of this idea for a long time—with a consulate or assistant high commission, a British Council, and maybe chambers of commerce or other British institutions. That says something about Britishness, but does not make us part of the embassy.

In Pakistan we are opening up our premises in Karachi and Lahore. We have a very fine building in Lahore; it is behind two great big gates at the moment, but it is lovely to have more people coming in. There are security considerations. In Karachi, the building is part of a compound, but there is an empty building and we are talking with the Foreign Office about being on the edge of the compound and having a separate entrance. That will mean that we are associated with but at the same time separate, and that is right.

Q67 Sir Menzies Campbell: To change topic slightly, you continued to operate both in Burma or Myanmar and in Libya during the many years that those countries were isolated internationally. That must have caused crazy challenges and demands. Did you feel that you achieved some benefit from that continuing presence as the isolation came to an end—was there a bonus, as it were, for your determination to stay there?

Sir Vernon Ellis: I will talk about Burma and perhaps Martin can talk about Libya. I haven't been to Libya, but he knows it well.

Aung San Suu Kyi was in London the Saturday before last—we held a joint event with Oxford university in our office. The warmth with which she regards the fact that we were in that country during those difficult years—all through that period something like 200,000 people a year were going to our libraries in Rangoon and Mandalay—was palpable. The platform that gives for being involved, as we are going to be—indeed we are already—with education reform in Burma is incalculable.

Martin Davidson: That is right. One of the things that we could offer through our spaces in both Tripoli and Myanmar was a safe place for people to connect with other parts of

the world and with others in their community when it was otherwise virtually impossible for them to meet. In the case of Libya, the Libyan Government have been very clear that they welcome the continuing presence of the British Council. They very much welcomed the speed with which we reopened our office—as soon as we could—after the fall of the Gaddafi regime. It is translating—we hope; the discussions are still ongoing at the moment—into a very substantial programme of scholarships, which the Libyan Government wish to fund in order to send people to study here in this country.

One of the things that I think is really illustrative of the value that is attached to this is the way in which local residents around our office in Tripoli actually protected the office during the time when it was empty and the insurgency was going on, and prevented people coming to ransack it. It was seen as an important part of the locality and something that people wished to personally protect.

Q68 Sir Menzies Campbell: That suggests a great deal of affection.

Can I ask you about Iran? You suspended operations there in 2009, I think. I don't believe that you had any choice but to do that.

Martin Davidson: That is correct.

Q69 Sir Menzies Campbell: But perhaps you could explain briefly what the background of that was, in the context of whether you have had any discussions recently with the Iranians on restarting activities, although I think you have kept some activities going—if I can put it this way—at arm's length digitally towards Iran. Perhaps you can give us an indication of what you feel about Iran and what the potential might be.

Martin Davidson: Perhaps I can give a little bit of background. We were forced to close our operations because of the way in which the Iranian authorities were treating our local staff, because in Iran—as elsewhere—we are hugely dependent upon local staff. We had a further member of staff based in the embassy, but when the embassy came under attack, that obviously also required us to withdraw.

We felt it was critically important to maintain some sort of programme with Iran, and we worked closely with the BBC on English for Persian, through their Persian service, and a number of programmes have been put together for Iran. We also have a small Iran team based here in the UK and also in Dubai, which has continued to work with Iranians who have come out from the country, and we are supporting continued links between institutions—universities and other institutions here—though we don't seek to attach our name to any particular programme, which I think would be unhelpful.

We are in discussion with the Foreign Office at the moment about the extent to which it believes the system is beginning to open up and we might be able to go back. I don't think it is likely in the short term that we would put a British Council office back into Iran, but if it looks as if the circumstances are propitious, I think we would want to increase the arm's

length work that we are doing at the moment, probably build that over the coming year and then look to see what the situation is like at that point.

Q70 Sir Menzies Campbell: Are there any countries where you don't have a physical presence where you think you could have one and, as it were, pay your way?

Martin Davidson: I am not sure I could immediately identify one. There are certainly some countries where we would like to build up a physical presence—for example, Angola, where we have had some conversation with the Foreign Office about opening in Luanda, which happens to be one of the most expensive cities in the world. It would be extremely complex, but I believe there is an opportunity there.

We have a very small operation—well, a number of teachers attached to universities in North Korea, in Pyongyang, at the moment, and I think that is an operation we should look at. I can't see that becoming a self-sustainable one in the short term. We have considerable demand coming from central Africa. But rather than thinking about opening up offices in Brazzaville or in other cities, one of the things that we are considering at the moment is how we might construct an English language offer for, say, central Africa—Francophone Africa—which would be managed out of a neighbouring country. It may require one or two people in-country, but I think we would want to avoid the formal opening of a British Council presence, because that carries with it a very substantial overhead and of course an expectation of longevity, which I think would be difficult in the present circumstances for us to sustain.

Q71 Sir Menzies Campbell: I believe there are plans for a UK-Russia year of culture in 2014. Given the history of the attitude towards the British Council in Moscow, are you confident that your staff will be able to carry out their duties unimpeded?

Martin Davidson: Yes. The arrangements that we have in place include a very high level organising committee. On the Russian side, it is chaired by the deputy Prime Minister and Baroness D'Souza is chairing that committee on the UK side. The first meeting of the shared organising committee will be in two weeks time here in London. The programme is beginning to look very good indeed. I do not have any concerns about our being able to make an effective programme of activity for the year.

The challenge for us is to ensure that that is not simply a firework that goes off, but the beginning of a stronger set of relationships between Russia and the UK through culture. We want to focus not just on the arts exchange but on the education exchange within that year. It is a year of culture, not a year of the arts. We are focused on ensuring that there is a wider involvement, particularly in education. I have to say that within the overall context, that is probably more difficult than simply the arts agenda, but we see this as an opportunity to build a stronger set of links in that area.

Sir Vernon Ellis: Talking to the ambassador at the Foreign Office a few months ago, I was struck—I have not been to Russia yet wearing my hat; I am going in December—by the extent to which he said, “This can be a very powerful way in.” Small things can sometimes

have a big impact. For example, the statue of Yuri Gagarin outside our office was not the most elegant statue in the world. It is difficult to make an elegant statue of a man in a spacesuit, but it was terribly important to the Russians. They took huge delight in it and they were thrilled that it was there. It was an important statement somehow of a connection. It was quite remarkable. The ambassador said that that was a stepping stone to unthawing some relationships. It is always going to be difficult, but that was a step.

Q72 Mr Roy: May I ask about the worldwide platform and the costs associated? How have you brought down the costs of your platform? Has it been through cuts in staff costs or premises costs or both?

Martin Davidson: I will give one example of how we have brought down costs. We have reconfigured our UK estate over the past year. We have let two floors of our main office in London to NICE. We have moved in Edinburgh into better purpose-built space, which is significantly cheaper. We are putting in new space in both Cardiff and Northern Ireland. That has reduced our overall costs on office space by £3 million a year, and part of that has been through the introduction of hot-desking. We supply one desk to nearly 1.5 members of staff. Our staff are travelling for a significant amount of time, so for every individual to have their own desk is expensive. It has required staff to go through a significant change in their approach to work space. Some staff have welcomed it, and others have found it more difficult.

Q73 Mr Roy: What about overseas?

Martin Davidson: Overseas, one of the biggest shifts is in building our shared services centre in Delhi. The Committee may remember that we opened that a couple of years ago. We are moving more support services such as IT to Delhi. We have moved more of our finance support staff into Delhi. We expect to do more on the HR side there.

We are also building our regional hubs so that each of our overseas hubs is able to provide proper support to the smaller operations. It remains an issue for us, and I would not claim that we have got this right yet, that far too much staff time in our various operations is taken up with administration. One of the things that we particularly want to do is move that to a more centralised system so that staff time is spent on operations and not on administration. That includes premises change, including co-location in a number of places.

Then there is a host of fairly small-scale but important initiatives that help, such as shared procurement and things of that kind. Although the individual sum of any one of those moves is relatively small, the combination will be significant.

Sir Vernon Ellis: Overall, over a 30-year period—this is quite interesting; I have looked at it—we have increased the number of countries in which we are working by 40%; we have increased the number of people, excluding teachers, working abroad by a factor of two; we have increased the number of teachers by a factor of three; and we have halved the

number of people working in the UK. Since our impact is abroad, I think that is the right thing.

Q74 Mr Roy: We have witnessed different premises across the world. In Tunis, you have a stand-alone main street location; in Ankara, your premises are on the second or third floor of a shopping mall; in Riyadh, the premises are down a side-street with no passing traffic; in Tripoli, the premises are in a residential area outside the city; and there are two new teaching centres in Bangkok, which are in busy shopping malls. What factors are uppermost in your mind when you select premises overseas, and how important is visibility?

Martin Davidson: Each set of premises has to be selected according to the range of activities and services we wish to offer and the local environment. In the case of both Riyadh and Tripoli, security was of high importance. In those cities we had to find premises that had the requisite security environment. We had to consider distance from passing traffic, stand-off and those sorts of issues, as well as the external security environment. In Riyadh, for example, our premises are inside the diplomatic quarter, which has high levels of security around it. Another issue that was important for us there is that we wanted to ensure we were able to offer services for both women and men. We had to be able to have a women's centre, and there were a number of places where we could not have that. It was very limited indeed, so that drove the selection.

Generally, we want to build our premises as close to the customer as we possibly can. That is particularly important where we offer direct English language teaching services; it gives the "people buzz" that Sir Menzies Campbell was talking about. That does not necessarily mean downtown premises. In a number of cities, the ability to move around is extremely difficult. It may well mean that we have some premises that look as though they are a bit out of the main downtown district, but which are more convenient for the customers. Access to customers, ease of access, transport and security are big drivers for us in making the selection.

Q75 Mr Roy: More specifically, in 2012-13, what agreements for co-location with other publicly funded bodies—for example, the FCO, UKTI and VisitBritain—were reached?

Sir Vernon Ellis: In the next six months, we will be opening in Calcutta. In Istanbul, we are co-locating with a consulate general, as we are in Shanghai, because it seems to make sense. They are in good locations, and we can get that kind of atmosphere there. Those are the only two I know about.

Q76 Mr Roy: Did you say "in the next few months"?

Sir Vernon Ellis: That is in the next six months.

Q77 Mr Roy: What about the past year—2012-13?

Martin Davidson: I cannot recall. I will certainly check that and write to the Committee⁴, but there are a number of places where we have co-located. Our overall policy is to do it where it makes sense, in terms of the access to the public that we want. We spoke about the buzz of large numbers of young people in our offices. Unfortunately, that is not always welcome to ambassadors.

Mr Roy: Surely not.

Sir Vernon Ellis: A great example is Rome. Everyone who has been to the Rome embassy will know that it is a rather grand building with an unfortunate past. Our office is right by the Spanish Steps. There are umbrellas with “British Council” written on them, and a tremendous buzz from people coming in and out. It is quite a different kind of feel from embassies elsewhere, and that is appropriate because so much of the office in Rome is about English and exams.

Q78 Andrew Rosindell: I want to continue with that theme, but go back to what you said to Sir Menzies earlier about the idea of a British centre that might encompass a number of British institutions represented in these countries. Could you elaborate on that a little, Sir Vernon?

Sir Vernon Ellis: There are two thoughts in that. One is that it is convenient. We are about a sense of being British—we are the British Council, not something else—but we are not an agent of the British Government. Therefore, if we are positioned with an office that is part of the embassy, that puts us in a slightly different category. Part of this is about co-positioning, not being part of somebody else’s premises.

The second thing is linked to that. It is not quite the same point, but I might as well raise it. There has been quite a lot of thought to developing centres. Over the years, we have closed many libraries. It has probably been a subject for discussion in this Committee over the years, because it is often regarded with regret that we have closed libraries. The economic case for that was absolutely compelling: fewer and fewer and older and older people were going; and libraries are rather hard to maintain, because they occupy a lot of space and shelving. None the less, when I was in Cairo a young journalist put it to me, “You’ve lost something that’s a convening place, a place people could drop into, a knowledge centre.” It is the sort of thing that has gone on in Myanmar, and that still does go on in Myanmar.

We have been giving some thought to this, and now we are beginning to experiment, particularly in India, with a centre that is a British Council centre that might be associated with a club or a knowledge resource, and it may even have some books, but is somewhere where people can drop in and be part of it, and associate with ideas. We want to push on that idea, which would of course fit naturally if you had a wider centre as well.

Martin Davidson: Perhaps I can give two examples of the sort of thing we are talking about. In Sao Paulo, there is the Brazilian British Centre. It is a fantastic building, which is

⁴ See supplementary written evidence from the BBC World Service

actually owned by the Cultura Inglesa in Sao Paulo. We are located there, the Consulate General and the trade office are located there, and there is a British library there. It gives a sense of a British presence. That is the sort of approach that we would welcome looking to see how we could replicate.

One of the discussions that we are having at the moment—it is very preliminary—is with the UK India Business Council, which is going to expand its physical presence in India. Is it possible for us to do that in collaboration—to build something that is more than either a business or a cultural centre, but looks more British as a whole? That is the sort of view that we are beginning to develop.

Q79 Sandra Osborne: You have a target of £70 million savings from grant-funded work by 2015, and you have so far achieved £40 million, with £30 million to go. Has the easy stuff been done, and you are now moving on to the difficult stuff? How are you going to achieve that?

Martin Davidson: It probably would be fair to say that some of the easier things have been done. I am not sure that we have simply done the easy stuff and left the difficult stuff to later, so much as that some of the challenges we now face have required a longer lead time. Perhaps the most important set of changes is going to be around the future of our presence in western Europe, where—because of the shape of our grant, with more and more of it denominated as overseas development assistance—we are, in essence, going to have to create an operation in western Europe that fully covers its cost through earned income.

We have a physical presence in the 28 EU countries, and being able to sustain that is going to be quite challenging. We are looking at the moment, for example, not at stopping work in all those countries, but asking whether the physical presence in those countries adds value or is essentially a nominal presence that costs a significant sum of money without delivering a great deal of value. Those are the sorts of challenges that we are now beginning to come to.

We will also have to look at our presence in parts of east Asia and probably the Gulf, and at our ability to maintain a proper and effective programme of activity there, with less and less grant available to us. Those are the challenges that we are now having to deal with in order to be able to meet the next £30 million of reductions.

Q80 Sandra Osborne: Further cuts were announced in the autumn statement last year. What was the net effect on the British Council?

Martin Davidson: We were very grateful that the Foreign Office managed to constrain those cuts considerably. We lost £600,000 against grant for this financial year and a further £500,000 for the following year. In the overall scheme of things, it was a very modest cut. Obviously, there has also been the 2015-16 spending review since then, which resulted in a further £2.5 million cut in grant, but it was also matched by an additional sum of money from the ODA agenda amounting to some £13 million. The overall scale of the grant went up,

but the amount that we had available to spend in the developed world went down significantly. That remains the squeeze that we as an organisation are feeling. Our ability to deploy grant into the developed world is becoming more and more constrained.

Q81 Sandra Osborne: Why do you feel that the ring-fencing of the grant for ODA spending has such a grievous effect on the council's work in countries such as Japan and Korea? Are these not the areas where there is the biggest demand for English language services and the best commercial models? Is that not where the commercial model is strongest?

Martin Davidson: Both countries will inevitably have to be able to stand more on their own two feet. Both are quite complex environments in which to work; Korea is probably slightly easier than Japan. We have found that the environment in Japan has become much more open and conducive to the work of the British Council over the last year to 18 months. Japan has won the 2020 Olympics, and the demand is now coming through for English language. There is a recognition that, for example, the number of Japanese students studying overseas has dropped year on year for a very considerable period of time, and the Government now wish to reverse that.

All of that opens new opportunity for us as an organisation, and we will be putting significant effort into trying to seize it. Already we have had conversations with the Japanese authorities, and there is huge interest in English language, the volunteering programme and the Cultural Olympiad around the build-up to the Japanese Olympics. We hope to be part of that agenda.

Sir Vernon Ellis: Just to exemplify the remark made earlier, take South Korea. There is £1.36 million in grant and £7.47 million in other turnover, which is the earned income, so we do quite a lot, but I think we can do more. That grant enables us to do services. Given the squeeze on our total non-ODA grant, which is coming down considerably, we have to allocate it where we can. If we were to eliminate that, using the same logic I used earlier, replacing £1.36 million in grant could require up to an extra £10 million to £20 million in revenues. That would be a considerable ask.

Q82 Rory Stewart: You seem to do a very good job of setting targets and indications, and the Committee's experience of the British Council has been quite positive. One troubling thing that came out of your targets, though, is that there seems to be a relatively low number of people—just over 50%—prepared to recommend your services to other people, and that number seems to be declining slightly. Can you explain why that is and what can be done about it?

Martin Davidson: It is one of the areas that we have looked at very carefully. It is a disappointing result, there is no question. I think that there are probably a couple of factors driving it. One is that usually, the people asked about recommendation are mainly those buying services, such as examinations and English language services. There is no doubt that around the world, in times of hardship and austerity, customer expectations of levels of

services are going up. We need to make sure that we are staying abreast of people's expectations of us. I think that those numbers perhaps suggest that their expectations have risen faster than the quality of our response, and we need to be able to deal with that.

The second thing is that some of the answers to questions we have asked indicated that individuals are looking for more than simply going through a class. They are looking for a connection to the UK and to each other, and one area that we are also particularly looking at is how we build alumni services, clubs and connections that allow people to stay connected with the UK through the work of the British Council and their initial purchase, if you like, of a set of services with us.

So the challenge to us is to recognise a growing demand for quality, a growing demand for value for money, and also a growing demand for connection, and to make sure that we are able to respond to that.

Sir Vernon Ellis: It is quite interesting, because—there is a technical thing here—traditionally, as I understand it, the percentage who are satisfied in that area is lower among those who take English in exams. So there is a certain mixed element here, because the proportion of those who responded is increased by 10%, so there is actually a mixed variance hidden in there, which of course is not to say that we should not work on this, because those connections are important. I was reflecting as you said that—seeing these 900 people going through a Chinese university, when they are almost strip-searched to make sure that they do not cheat—that it is quite difficult, actually, to get that extra value added in that context, but it should be worth trying.

Martin Davidson: Yes, there is more we can do.

Q83 Rory Stewart: Just in terms of developing that idea of extensive connection, one of the challenges has been that you have been reducing the number of your UK-based staff. You are increasingly reliant on locally engaged staff. Many of those locally engaged staff are not UK nationals. In the case of some of the Committee visits we have made, we have discovered that a very large number of them have never been to the United Kingdom. Therefore, their ability to really represent British culture to people is limited. Are there any ways in which you could be more imaginative in including expatriate British communities in those places? They may not be your staff or employees, but can you bring them into British Council activities to increase connections with the locals?

Martin Davidson: It is certainly true that we have a number of country operations now managed by staff who are local nationals rather than from the UK. While I think it is certainly true that in a number of places some of our staff will not have visited the UK, I do not think that is the case with our directors or senior staff. We would normally expect those staff to be coming to the UK at least once a year, and the truth of the matter is that it is probably more often than that. Most of those staff will also have a strong personal connection to the UK, either through study or other means of connection, and we have some very fine local staff.

However, the core point you are making is something that is worth our while thinking about more seriously than perhaps we have in the past, and that is how we also create more opportunities for other British expatriates to have a stronger involvement with British Council work. It is probably true to say that on the whole we have thought about that in terms of direct employment—or not—rather than a broader association. Certainly, if we are going to build these alumni associations, clubs and relationships, having local expatriate Brits as part of that would add a great deal of value.

Chair: Before you start, Sir Vernon, may I just share a problem with you? We have the President of Korea coming shortly, and a number of us are expected on parade, so we would be grateful if questions are kept short and answers concise.

Q84 Rory Stewart: Two final questions from me. What is the main reason for the decline in income from contracts in 2012-13? Secondly, the final target for face-to-face contacts over the four-year period was far exceeded. Was it set too low? Those are two slightly unfair questions. In one case you seem to have dropped below the target; in the other case you seem to have exceeded it.

Martin Davidson: I will deal with those very quickly. In the case of the face-to-face targets, we made a decision when we published our corporate plan for this year and subsequent years that we would revise the targets upwards.

Sir Vernon Ellis: They were set in 2011—that is the key thing—and they have been greatly exceeded since. They go back a long way.

Martin Davidson: But rather than just saying, “Okay, we have exceeded those”, we have reset them, so we are actually going to be more challenged.

In the case of contracts, there are two issues. One is that this is an extremely lumpy business. Winning one very large contract will make you hit the target, and losing one will make you miss it. We probably lost a couple of contracts that we had hoped to win, and central to this is building a really effective forward programme of contracts that we will be seeking to win. I very much hope that we will have some good news on that soon.

Sir Vernon Ellis: Increasingly, we are trying to look at our whole operation as entrepreneurial, in the sense of creating things of value for which someone wants to pay. Traditionally, there has been rather a separation between contract business and everything else, but actually everything that we do should create value, and we are trying to be much more fluid about how we go about this. So this is getting a lot of attention at the moment—a lot of attention.

Chair: I am handing over the Chair for the final questions to Sir Menzies Campbell. Thank you both very much for your evidence.

(Sir Menzies Campbell was called to the Chair)

Q85 Chair: I think this is known as a battlefield commission in another context.

I have some figures on staff here which I am sure you will recognise. In 2011-12 you had 6,836 staff and in 2012-13 you had 7,334 staff. Total wage and salary bill in 2011-12 was £252.4 million and in 2012-13 £282.9 million. These are, on the face of it, quite substantial increases. Can you explain them to the Committee?

Martin Davidson: I want to say a couple of things. First, the British Council entered a pay freeze for its UK-based staff a year before the Government mandated a pay freeze. The two-year freeze came off two years ago, and we therefore began quite low-level increases—1% in 2011 and another 1% pay increase in 2012. So we have not been generous in terms of increasing pay for UK-based staff. It has been a real challenge, and I would like to pay tribute to the response from my colleagues, which has been tremendous, in continuing to work at the rate that they have.

The other side of this is that we are continuing to grow the organisation very substantially, and that requires continued growth in staff numbers. For example, in East Asia numbers are up by 16%; in the Americas our income is up by 50% over the past couple of years, and we expect it to grow by another 73%, against an increase of 9% in staff. So as we continue to grow as an organisation—our ambitions remain considerable in terms of overall growth of revenue—that will require additional staff.

The issue for me is the separation between operational staff—those staff required to deliver the purpose of the organisation—and staff involved in administration. We are expecting to reduce the administrative overheads of the organisation from 19% to 14% of revenue over the period of the spending review.

You will have noticed in the figures that there has been a jump in the number of staff employed in the UK. Those are by and large—some 200 out of the 800 in there—staff associated with investment projects, and they are short-term contractors, rather than full-time, long-term staff of the organisation.

Q86 Chair: Just to take a couple of illustrations from what we have been talking about already, does something like the Russian year of culture require additional staff?

Martin Davidson: Yes.

Q87 Chair: And the opening up of opportunities in Japan in and around the Olympics, will that also require additional staff?

Martin Davidson: Yes, it will. However, for example, some of the staff who worked on the UK-China year in 2012 have moved on to work on the Russia year, so they are not all completely new staff—some of them will be new staff, brought in for that particular purpose. Clearly, when they are located in-country, they will be brought in, be employed for that year and then leave at the end of the period.

Q88 Chair: Penultimate question. Can you tell us about the use of global teams, and if you draw people together in that way is there any risk of losing in-depth local knowledge that individuals may possess and which inevitably erodes over a period if they are away from the area in which they have expertise and understanding?

Martin Davidson: We are trying to develop global teams by embedding staff in the local environment. For example, we have a global arts team of about 300. Previously, that was a couple of individuals in, say, Beijing, Rio, Paris or wherever, focused purely on the local arts programme. We are seeking to build that group, so that people work much more coherently with one another, but are still embedded. The individual in Paris will stay in Paris, but will be part of and answerable to some extent to the head of arts in London, rather than purely to the local country director. We have a number of new regional arts leads who have been put in place in, for example, India, and we have a local Indian there. In Cairo, we have an expatriate British arts specialist who is based in the country.

So the concept of the global team is about people embedded in the country and the region, but able to operate and share their knowledge much more effectively than in the past. One difficulty we have often had is that we have outstandingly good programmes in a particular place, but we do not share that knowledge adequately enough across the organisation as a whole.

Q89 Mr Roy: In the last year, a survey was sent to 1,800 of your staff, 66% of whom responded, which is a lot higher than you would normally expect and certainly than I have ever come across. How are you addressing staff concern about the speed of change, and what do you think is at the root of that concern highlighted by your staff?

Sir Vernon Ellis: We are a people organisation so every year you look at staff surveys to see what we can learn and what we can do. The results are interesting with very high levels of satisfaction—80% of staff are proud to work for the British Council and 72% support the council's overall direction. Those are much higher than norms in the private sector or the public sector globally.

There is a 32% negative reaction to the pace of change and I sometimes wonder what people have in mind. Do they think it is too slow or too much?

Q90 Mr Roy: Well, have you asked them?

Sir Vernon Ellis: It is a good question, and it might be worth making that more explicit next year. I can make a good guess because I travel around a lot.

Q91 Mr Roy: You are not supposed to guess. With all due respect, you are supposed to ask them. It should not be guesswork; you should be asking them directly, "If you have a problem, what is it?" I would have thought that would be good management.

Sir Vernon Ellis: Indeed, and part of the way of dealing with that is not from the top, but by getting local managers to talk to local staff. A lot of that goes on. Each of these are put out and go to countries and local staff teams, where they are talked about and there are open conversations about them. I said it is a guess because I base it on my conversations with them as I go around and what I pick up is that some people want more change because they like the way we are going, which is good, and they want to get there faster. Some people are uncomfortable with change, and in any organisation some people want things to get better but don't want change. They love other departments to change, but not their own, or they like the general process of change, but don't like the specifics. You always get that because it's human nature so I would expect a noise level. It is at the centre of what we want to talk to staff about because we are taking them through a lot of change. It really is a lot of change from the comfortable way in which we have traditionally done things.

Q92 Mr Roy: Okay. Another satisfaction level was on pay. Can you explain the way you do pay negotiations and collective bargaining? Are all your staff in trade unions or not? Obviously there is a problem if so many are complaining about pay levels.

Martin Davidson: A quick comment on the change agenda is that we have put a lot of effort into asking staff what they are concerned about. There is a lot of personal anxiety. There is a lot of change in particular parts of the world, most particularly Europe, and people are anxious about what that means to them. I absolutely understand that and it is really important to be able to give that clarity quickly.

There is significant concern about work-life balance. We are on a very rapid growth trajectory as an organisation. We are pushing our staff very hard indeed and that falls into the question of pay. People believe that their recompense is not keeping pace with the pressure for continued growth and performance that we are putting on staff.

Q93 Mr Roy: So you had the freeze the year before. I would also like to know how you negotiate wage levels with your staff. Is it collective bargaining?

Martin Davidson: It is.

Q94 Mr Roy: What percentage of your staff are in trade unions or whatever?

Martin Davidson: It obviously varies from place to place. Our UK-based staff are represented by the PCS and I think that at the moment something like 60% or 65% of staff belong to the PCS, and we have collective pay bargaining with it. We also have a European works council, which is not a pay bargaining entity, but is the route through which we consult on change. I do not know the number off the top of my head—I can check and let the Committee know—but the vast majority of staff are members of a staff association of one sort or another in the country⁵.

⁵ See supplementary written evidence from the BBC World Service

Q95 Mr Roy: Could you let us know?

Martin Davidson: And pay negotiations are with staff associations. On the whole, staff are not with national trade unions in the countries concerned. Relatively few—again, I will let you know exactly how many—are members of a national trade union.

Q96 Chair: Sir Vernon, Mr Davidson, thank you very much again for your evidence. I hope both your presence and our questions convince you of our continuing interest in the Council and all its work. Indeed, on our visits we have on almost every occasion been thoroughly impressed by what is done and the people who are doing it on your and our behalf.

Sir Vernon Ellis: We really welcome that interest, and your visits. I know that they are also appreciated overseas.