

Dame Emily Thornberry MP
Chair, Foreign Affairs Select Committee
House of Commons
SW1A 0AA

26 February 2025

Dear Dame Emily,

Thank you for your letter dated 27 January and for affording myself and Kate Ewart-Biggs the opportunity to appear before the committee on 13 January 2025 to discuss the work of – and challenges and opportunities facing – the British Council. Such scrutiny sessions are very valuable and important to us as an accountable public organisation. I am grateful to you and your committee colleagues for giving us the opportunity to share our work and performance with the committee and with Parliament.

Please find my responses to the points we wanted to clarify, below:

1. Influence on international students

I attach our latest Study UK return on investment evaluation report, for 2023-24, which contains detail of how we arrive at the statement that 25% of international students who come to study in the UK have been influenced by the British Council. In short, we do an annual survey of more than 7,000 such students and 25% of them responded that the Study UK campaign (a partnership between the British Council and the UK Government GREAT Campaign) was a significant influence on their decision to study in the UK. I should add, however, that the 25% figure only relates to our work on the Study UK programme. There is lots of other work that we do that encourages international students to study here. This includes:

- a) Training agents and counsellors. Research suggests that more than 50% of international students use the services of agents and counsellors.
- b) Administering large scale scholarship programmes – such as Chevening and Marshall.
- c) Providing insight to UK providers who are able to sponsor international students, in order to help them with their recruitment strategies.
- d) Working with counsellors around the world in partnership with UCAS, as the national admission service.
- e) Administering the IELTS English language test in 140 countries. There are more than 4 million IELTS takers every year, and many international students undertake IELTS prior to their university courses.

In its totality, this work reaches across several programmes, so it is not easy to arrive at an overall figure of the percentage of international students we influence to study in the UK. What I can tell you is that with the Study UK evaluation as our baseline, it is much higher than 25% of all international students.

2. Fluctuating income and expenditure post-pandemic

As you observe in your letter, the years following the start of the pandemic saw fluctuation in our net income and expenditure. There are three significant factors behind this. The first is that the rapid onset on lockdown protocols around the world meant the part of our operation that brings in significant income, English teaching and exams, effectively closed overnight. This necessitated the second and third factors. The second factor is that to remain solvent we had to take on the emergency pandemic loan of approximately £250m from the UK Government, which was applied at a commercial rate but without repayment terms at the point of issue. The third factor is that in order to pay off a significant part of this debt as quickly as we could, we sold our stake in one of our most significant assets, which was our ownership of the IELTS business in India, which delivered a repayment on disposal of £50m to HM Treasury.

The underlying loss profile was impacted by gain on sale of IELTS India (please see the table below). The sale was reported to Parliament by the then-FCDO Minister for Asia, Nigel Adams MP, on 22/7/2021¹.

	2019/20 (£)	2020/21 (£)	2021/22 (£)	2022/23 (£)
Net Income & Expenditure	-7.5m	-90.8m	82.25m	-53.1m
Net Income & Expenditure exc. IELTS India disposal	-7.5m	-90.8m	-46.65m	-53.1m
IELTS India gain on disposal			128.9m	

3. Circumstances of a £1m loss on joint venture in China, in FY 2022-23

This relates to an accounting impairment as a result of an investment in a commercial joint venture in China that did not come to fruition. The accounting impairment was subsequently approved by the FCDO and HMT.

¹ <https://hansard.parliament.uk/commons/2021-07-22/debates/21072214000021/BritishCouncilSaleOfIELTSInIndia#contribution-127984ED-3E0F-4391-BD17-B9A3081440BF>

4. Detailed breakdown of fraud losses at the British Council

I include the list of British Council Fraud Cases 2022-2023 in **Appendix 1**. This can also be found on our website². The committee might also be interested in the Counter Fraud Reports³ we publish each year. Though we are not legally obliged to publish these counter fraud reports, we have done so annually since my predecessor was last before your committee in January 2015, at which it was suggested we do so. My understanding is that we are one of the only major institutions to have this level of transparency voluntarily.

5. Gender pay gap increase

Broadly speaking the main reason our pay gaps have grown is we've seen an increase in the proportion of women in junior roles, from 60% in March 2017 to 65.6% in March 2023, whereas the proportion of women in more senior roles has remained largely static, where it was 49% in March 2017 and 49.4% in March 2023. The increase in the proportion of women in junior roles (which are lower paid) has pushed the female median downwards in comparison to the male median, hence the growing gap.

The main reason why we have seen an increasing proportion of women in the junior roles is largely down to recruitment patterns – a large proportion of applicants are female and therefore a large proportion of recruits are also female. For more senior roles we have set targets for female representation, and we have seen higher promotion rates and recruitment rates for women into senior management. We have seen an improvement over the last three years with promotion and recruitment rates for women into senior management still higher than for men, and therefore the proportion of women in senior management has increased which in turn has increased the proportion of women paid higher salaries. As a result, we have started to see our pay gaps come down (in March 2024 the median pay gap has come down to 16.8%).

In terms of action planning during this period, much of our focus has been getting more women into senior management. There have been a range of career development initiatives to facilitate this and as seen by the higher promotion rates for women into senior management we are starting to see positive outcomes from these interventions. However, tackling the main cause of our pay gap where we have proportionally more women in junior grades is more challenging. While our internal promotion trends show that many women who join us at lower grades are getting promoted to higher grades, they are being replaced by more women – recruitment into our junior grades is typically between 60 and 70% female. So, it is very difficult to shift the high proportion of females in our lower grades who are paid lower than the median salary. We are planning to refresh our employer brand to making it more appealing to early career men, but we don't expect this to shift things significantly and as such a high proportion of females in the lower grades is always going to be a significant

² British Council 2022/23 Fraud Report

https://www.britishcouncil.org/sites/default/files/british_council_fraud_report_2022-23.pdf

³ British Council annual Counter Fraud Reports

https://www.britishcouncil.org/sites/default/files/british_council_fraud_report_2022-23.pdf

contributor to our pay gap, but hopefully over time we will see the gap narrow as we get more women into senior roles (as we've started to see over the last few years).

As the effects of the pandemic have eased, we have still had to prioritise responding to the deep financial impact on operations and we have embarked on a significant transformation programme that has reduced headcount significantly, which resulted in limited resources and time being spent on gender pay gap reporting. For these reasons, for the last few years, we have continued to report gender pay gap numbers but not produce a narrative report – however internally the numbers and their meaning are discussed by the senior leadership team.

As we finish the first phase of transformation, within the People Function, we now have the resources and time to develop a narrative report for gender pay gap reporting – our intention is to publish a narrative for our 2023/24 report, and this will include a summary of our reports for 2021/22 and 2022/23. Then our intention is to publish a narrative on an annual basis.

6. Restructuring costs

Regarding how much of our £200m emergency pandemic loan facility we spent on restructuring, I have reviewed our exchange on this in Hansard and can offer some additional clarity. I believe what happened was that I was referring to the same restructuring costs as you, but I was also including broader transformation costs and using 'restructuring' as the shorthand. When you asked about how much of the loan we spent on restructuring costs, citing the figure of £27.7m you alighted on from our FY19-20, FY20-21, FY21-22 and FY22-23 annual reports (which you referenced in your letter), I responded with the total figure of what we spent on both that amount, which was effectively the money we used when paying redundancies to staff we had to let go, and also the cost of broader transformation costs funded by the HMT loan – which included investment to transform our business areas through for example investment in technology and changes to new operating models.

I firmly believe that the work my colleagues at the British Council do around the world is of significant value to the UK Government and the UK as a whole, and we hope to receive an increased Spending Review settlement from FCDO so that we can halt non-strategic country closures and instead deliver even higher impact against FCDO and UK priorities.

I look forward to working with colleagues to ensure we submit evidence to the committee's current inquiry into Soft Power. We have much to contribute on the subject and look forward to supporting the committee as you explore this vital area of work.

Yours sincerely,



Scott McDonald
Chief Executive

Enc: Appendix

Appendix 1 – British Council Fraud Cases 2022-2023*

Date	Location	Allegation	Outcome	Financial Losses (£ gross)
Apr-22	EA (East Asia)	Unauthorised access to security room	Investigation complete - disciplinary outcomes	zero
Apr-22	EA	Allegation of exam misconduct	Investigation complete - Recommendations for control improvements made.	zero
Apr-22	SSA (Sub-Saharan Africa)	Allegation of exam misconduct	investigation complete - no fraud identified. Performance management issues	zero
Apr-22	MENA (Middle East, North Africa)	Discrepancy in payments on teaching systems	Investigation complete - Recommendations for control improvements made.	4,580
Apr-22	EU (European Union)	Stolen mobile phone	Investigation complete - reported to police	67
Apr-22	SSA	Alleged procurement fraud - vendor requested payment into personal bank account	Investigation complete – existing controls prevented fraud	2,000
Apr-22	SA (South Asia)	Alleged forged documents by partners - re payments to trainers	Investigation complete - recommendations for control improvements made.	2,632
Apr-22	SA	Alleged corruption on project	Investigation complete - no evidence of fraud investigated.	zero
Apr-22	SSA	Allegation of misuse of funds on project where a partner appears to have removed funds from bank account	Investigation complete - recommendations for control improvements made.	1,155
May-22	EU	Theft of British Council stamp(s) used on official certificate	investigation complete - reported to police	zero
May-22	SSA	Allegation of exam misconduct	Investigation complete – incident recorded	zero
May-22	EA	Theft of nine laptops	Investigation complete - recommended for control improvements made	7,947
May-22	SA	Staff member offered a suspicious payment	Investigation complete - recommended for control improvements made	zero

May-22	SA	Allegation that salary on programme has not been paid	Investigation complete - recommendations for control improvements made	65
May-22	MENA	Hacking of PBX phone exchange system	Investigation report complete - loss to British Council	2,462
Jun-22	UK	Allegation re misuse of project funds	Investigation complete - no evidence of fraud identified	1,000
Jun-22	MENA	Allegation of money laundering - where sum of money was sent to British Council account by mistake	Resolved by bank - money refunded by them	12,750
Jun-22	MENA	Theft of laptops by external security guard	Investigation complete - recommendations for control improvements made.	3,024
Jun-22	SA	Allegation of conflict of interest in recruitment process	investigation complete - no fraud identified	zero
Jun-22	SSC (Shared Service Centre – India)	Allegation of nepotism in HR processes where staff are treated unfairly re pay	investigation complete - no fraud identified	zero
Jun-22	SSC	Theft of plumbing equipment (pump and copper pipe)	Investigation completed. Zero losses as it's covered by building maintenance company.	187
Jun-22	SSA	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made.	zero
Jun-22	AME (Americas)	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made. Disciplinary requested from partner agency.	zero
Jun-22	SA	Attempted burglary where individual entered classroom and took property	Property was recovered - security reviewed	zero
Jun-22	MENA	Allegation of nepotism / Conflict of Interest (CoI) in recruitment processes with venue staff	Investigation completed - no fraud identified.	zero
Jun-22	EA	3x overpayments to Exam IT outsourcing staff	Investigation complete - losses already repaid. Recommendations for control improvements made.	11,000

Jun-22	SSA	Alleged Exam malpractice	Investigation complete - Recommendations for control improvements made.	zero
Jun-22	UK	Alleged Exam malpractice	Investigation complete - Recommendations for control improvements made.	zero
Jun-22	AME	Alleged Exam malpractice	Investigation complete - Recommendations for control improvements made.	zero
Jul-22	SA	Alleged Exam malpractice	Investigation complete - Recommendations for control improvements made. Money recovered.	1,773
Jul-22	UK	Duplicate expenses claim	Investigation complete - appears error rather than fraud. Advise provided.	175
Jul-22	EU	Duplicate expenses claim	Investigation complete - appears error rather than fraud. Advise provided.	141
Jul-22	UK	Duplicate expenses claim	Investigation complete - individual has left the British Council	165
Jul-22	SSA	Report of Col between member of staff and vendor	Investigation complete - no fraud identified	zero
Jul-22	EA	Alleged Col between vendor and staff member	Investigation complete - disciplinary outcome	zero
Jul-22	WE (Wider Europe)	Col reported in Arts project - relating to catering services	investigation complete - Recommendations for improvements made.	zero
Aug-22	WE	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made	zero
Aug-22	EA	Allegation of historical conflict of interest between member of staff and their spouse, who is a vendor	Investigation complete – inconclusive due to lack of evidence.	zero
Aug-22	EA	Duplicate expenses claim	Investigation complete - appears error rather than fraud. Advise provided.	98

Aug-22	SSA	Allegation of nepotism in venue staff deployment	Investigation complete - recommendations for control improvements made.	zero
Aug-22	MENA	Alleged Exam malpractice	Investigation complete - recommended for control improvements made	zero
Aug-22	SSA	Allegation of malpractice on programme	Investigation complete - individual dismissed.	6,000
Aug-22	SSA	Allegation of mandate fraud	Fraud prevented before payment made - summary report completed	zero
Aug-22	EA	Alleged procurement fraud	Investigation complete - no fraud identified	zero
Aug-22	EA	Allegation a vendor was overpaid for services that do not appear to have been provided	Investigation complete - recommendations for control improvements made. Money recovered.	8,300
Sep-22	EA	Concern around high charges from taxi company - allegation of unjustified trips	Investigation complete - no fraud identified. Policy changes made.	zero
Sep-22	SA	Allegation of fraud on programme involving partner organisation	Investigation complete - no evidence of fraud identified. Compliance failings.	zero
Sep-22	SSA	Alleged theft of programme property	Investigation complete - recommendations for control improvements made. Zero losses to British Council.	15,000
Sep-22	EU	Alleged theft of laptop	Investigation complete – zero value and not being replaced.	zero
Sep-22	SA	Allegation of nepotism within selection of exam staff	Investigation complete - recommendations for control improvements made.	zero
Sep-22	AME	Burglary of office where laptops were stolen	Investigation complete - summary report completed.	900
Sep-22	EA	Alleged creation of a fake tender document	Summary investigation report completed - individual concerned has already left British Council	zero

Sep-22	SA	Alleged fraud in procurement of exams venues	Investigation complete - recommendations for control improvements made.	zero
Sep-22	SA	Alleged forged document	Investigation complete - individual concerned left British Council prior to conclusion of investigation - recommendations for control improvements made.	zero
Sep-22	SA	Alleged fraud in procurement of exams venues	Investigation complete - recommendations for control improvements made	zero
Sep-22	SA	Theft from vehicle of British Council laptop	Investigation complete - recommendations for control improvements made	980
Oct-22	SA	Alleged theft of a candidate's property	Investigation complete - recommendations for control improvements made	zero
Oct-22	EU	Petty cash/cheque mismanagement	investigation complete - summary report completed	zero
Oct-22	EA	Procurement concerns involving purchase of projectors	Investigation complete. Individual dismissed. No loss as achieved VfM.	zero
Oct-22	AME	Theft of laptop from person	investigation complete - advice provided	1,000
Oct-22	EA	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made	zero
Oct-22	SSA	Attempted fraud of programme	Investigation complete - existing controls prevented fraud	23,523
Oct-22	EA	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made	zero
Oct-22	SSA	PABX phone hacking - to call premium rate numbers	Investigation complete - no fraud identified.	3,702
Oct-22	AME	Allegation that digital signature used fraudulent to open bank account	Following investigation no evidence of fraud identified.	zero

Oct-22	SSA	Allegation bribe was requested by third party	Investigation complete - recorded for transparency purposes	zero
Oct-22	SSA	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made	zero
Oct-22	EU	Theft of laptop	Investigation complete - recommendations for control improvements made	5,437
Oct-22	SSA	Burglary where laptop was stolen	Investigation complete - summary investigation report	1,064
Oct-22	SSA	Procurement fraud involving inflating prices of mobile phones	Investigation complete - no fraud identified. Recommendations for control improvements made.	2,130
Oct-22	UK	Report of Col between members of staff	Following investigation no evidence of fraud identified.	zero
Nov-22	SA	Bribe offered by third party	Investigation complete, bribe refused - summary investigation report completed	zero
Nov-22	EA	Alleged hacked email account	Investigation complete - external scam attempt. Summary report completed.	zero
Nov-22	SSA	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made	zero
Nov-22	SA	Allegation data theft – reported to GIS	Investigation complete - summary report submitted	zero
Nov-22	SA	Allegation theft of IP	Following investigation, no fraud by British Council staff members has been identified	zero
Nov-22	SA	Potential conflict of interest in procurement	Investigation completed - no fraud identified. Recommendations for control improvements made.	zero
Nov-22	EA	Theft of laptop	Investigation complete - recommendations for control improvements made	1,100
Nov-22	SA	Alleged theft of candidate's property	Property recovered - summary investigation report completed	32

Nov-22	SA	Alleged theft of mobile phone	Investigation complete - recommendations for control improvements made.	100
Nov-22	SSA	Alleged conflict of interest re medical insurance company	Investigation complete - recommendations for control improvements made	zero
Nov-22	MENA	Alleged nepotism in recruitment	Investigation complete - no evidence of fraud identified	zero
Dec-22	SA	Alleged misconduct by partner on programme	Investigation completed - no fraud identified. Recommendations for control improvements made.	zero
Dec-22	SSA	Theft of petty cash	Investigation complete - recommendations for control improvements made	10
Dec-22	SSC	Concern(s) re dual employment	Investigation complete - recommendations for control improvements made	zero
Dec-22	SSA	Allegation staff member has requested loans from colleagues	Investigation complete - recommendations for control improvements made. Individual concerned dismissed.	zero
Dec-22	SSA	Alleged procurement fraud involving forged documents	Investigation complete - document altered to cover error - management advice provided	zero
Dec-22	EU	Unauthorised Direct debits	Investigation complete - recommendations for control improvements made	zero
Dec-22	SSC	Theft (from MV) of property	Investigation complete. Disciplinary outcome.	zero
Jan-23	WE	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made	zero
Jan-23	SSA	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made	zero
Jan-23	SA	Candidate using bank deposit receipt to register for exam six times	Investigation complete - recommendations for control improvements made	774

Jan-23	SA	Alleged favouritism in recruitment	Investigation complete - no fraud identified. Guidance re Col provided	zero
Jan-23	SA	Alleged misappropriate of funds	Investigation complete - recommendations for control improvements made. More non-compliance than fraud.	zero
Jan-23	MENA	Allegations of misconduct by project partner	Investigation complete - recommendations for control improvements made. Money recovered.	19,999
Jan-23	MENA	Allegation staff used contracted colleagues for administrative work without appropriate approval	Investigation complete - Management outcome.	zero
Jan-23	SSA	Allegation individual applied for role claiming to have qualifications they didn't have	Investigation complete – existing controls prevented fraud from taking place.	zero
Jan-23	EU	Alleged proof of payment provided via forged receipt	Investigation complete - recommendations for control improvements made	zero
Jan-23	WE	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made	zero
Feb-23	SSA	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made	zero
Feb-23	SA	Allegation of procurement fraud	Investigation complete - recommendations for control improvements made	zero
Feb-23	SSC	Allegation of kickback in procurement	Investigation complete. Failure of management rather than fraud.	zero
Feb-23	SSC	Allegation team members signing for other colleagues	Investigation complete - recommendations for control improvements made	zero
Feb-23	SA	Alleged recruitment fraud.	Investigation complete - recommendations for control improvements made	zero

Feb-23	SSC	Allegation bribe was offered	Investigation complete – reported for transparency reasons	zero
Feb-23	SSA	Allegation concerning dual employment by staff	Investigation complete - recommendations for control improvements made	zero
Feb-23	SSA	Alleged mandate fraud	Investigation complete - recommendations for control improvements made	zero
Feb-23	SA	Alleged Exam malpractice	Investigation complete – contracts cancelled	9
Feb-23	SA	Allegation of theft	Investigation complete - recommendations for control improvements made	zero
Feb-23	EA	Bid rigging on procurement process	Investigation complete - recommendations for control improvements made	zero
Feb-23	MENA	Allegation of theft	Investigation complete - recommendations for control improvements made. Individual concerned dismissed.	15
Feb-23	SA	Alleged fraud by a vendor	Under investigation	TBC
Feb-23	SA	Alleged expenses fraud by a grantee	Investigation complete - recommendations for control improvements made	zero
Feb-23	SA	Alleged tax fraud by vendor	Investigation complete - no fraud identified. Recommendations for control improvements made.	zero
Mar-23	EU	Concerns raised about member of staff - red flags re behaviour	investigation complete - no fraud identified	zero
Mar-23	SSA	Allegation of nepotism by consultant	Under investigation	TBC
Mar-23	SA	Allegation of malpractice and nepotism on programme	Under investigation	TBC
Mar-23	EA	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made	zero

Mar-23	EU	Accountancy issue	summary report completed- no fraud identified	zero
Mar-23	MENA	Alleged Exam malpractice	Investigation complete - recommendations for control improvements made	zero
Mar-23	MENA	Allegation external contractor has not been paid	Investigation complete - recommendation for control improvements made	350
Mar-23	SA	Alleged non-declaration of Col	Under investigation	TBC
Mar-23	SSA	Misuse of taxis for personal trips	Investigation complete - recommendation for control improvements made	zero
Mar-23	SSA	Allegation of misuse of procurement card	Under investigation	TBC
Mar-23	SSA	Gift received but not declared	Under investigation	TBC
Mar-23	SSA	Allegation of expenses fraud	Investigation complete - recommendation for control improvements made	4,819

**at time of writing 18.10.23*



**Foreign Affairs
Committee**

27 January 2025

Scott McDonald
Chief Executive of the British Council

[By email]

Dear Mr McDonald

Thank you for your attendance at the Foreign Affairs Committee earlier this month.

In the session, you agreed to provide further information about certain reports and details from the British Council's annual reports and accounts. A Committee staff member has spoken to your team and clarified the detail of these requests. I'd be grateful if you could provide:

1. The evaluation study supporting the statement that the British Council influenced 25% of international students who come to the UK.
2. An explanation of why the British Council's annual net income or expenditure has begun to fluctuate significantly since 2020. Prior to 2020, annual results remained close to breakeven, however, more recent results have been far more volatile.
3. A description of the circumstances whereby £1 million was lost on a loan to a joint venture in China in the 2022-23 financial year.
4. A detailed breakdown of fraud losses at the British Council.
5. An explanation of why the British Council's gender pay gap has increase since 2017-18, and why the British Council ceased publishing detailed narrative reports about the gender pay gap on its website in 2019.
6. Confirmation of how much of the £200 million loan facility the British Council has spent on restructuring costs, and an explanation of how that figure reconciles to the £27.7 million reported as 'restructuring costs' in the annual reports and accounts from 2019-20 to 2022-23.



**Foreign Affairs
Committee**

As is usual practice, I will be placing a copy of this letter and your response in the public domain.

The Committee was also grateful for the time that Anne Duncan, the British Council Director France, and her colleagues gave to us when we visited the office in Paris last week. It was very interesting to see the work on the ground so soon after having heard from you and Kate Ewart-Biggs from the senior management perspective.

*Yours
E Thornberry*

**Dame Emily Thornberry MP
Chair, Foreign Affairs Committee**