



National Audit Office

**THE BRITISH COUNCIL**  
Report on Change Management  
and Support Services

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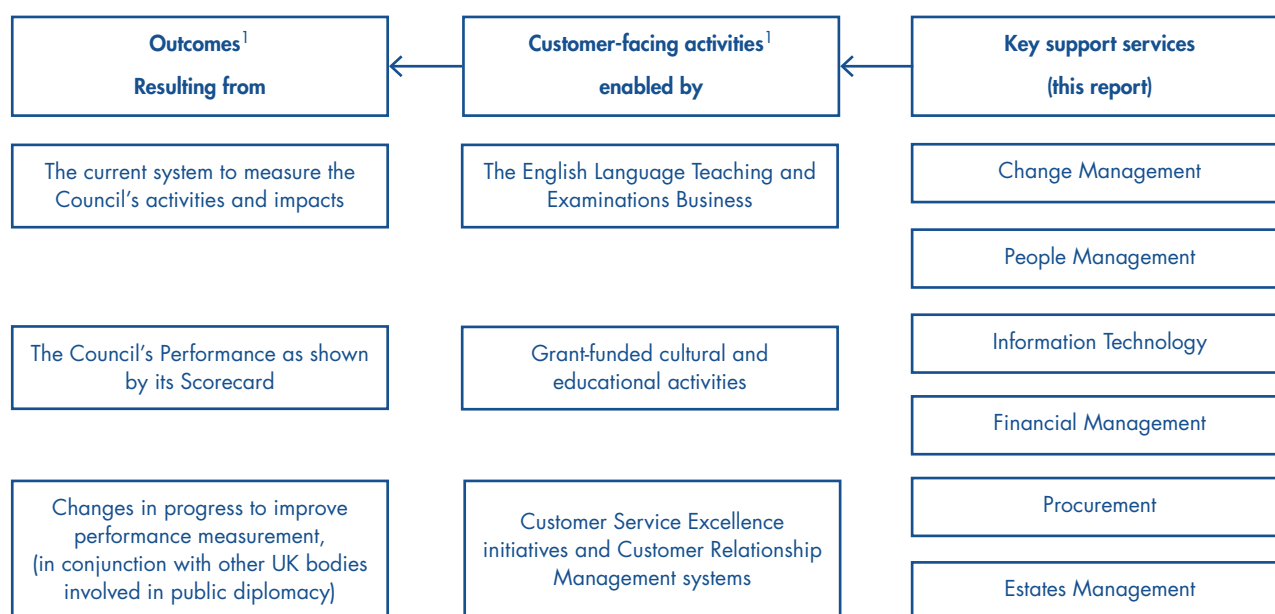
# SUMMARY

**1** The British Council is a Registered Charity, an executive Non-Departmental Public Body and a Public Corporation. The Council is operationally independent of Government and its aim is to build mutually beneficial relationships between people in the United Kingdom and other countries, and to increase appreciation of the United Kingdom's creative ideas and achievements. It has described itself as the UK's international organisation for educational opportunities and cultural relations, and operates in some 110 countries. In 2006-2007 it received some £195 million from public grants, mainly from the Foreign and Commonwealth Office, and earned a further £350 million, principally by teaching English, delivering examinations overseas and managing client funded contracts.

**2** The role of the British Council was considered by Lord Carter of Coles in his review of UK Public Diplomacy in 2005 and again by the Select Committee for Foreign Affairs in 2006.<sup>1</sup> The Select Committee noted that the Carter review did not have a value-for-money focus as part of its remit, and recommended that the National Audit Office consider conducting a Value for Money Report on the Council. In their deliberations, the Committee for Foreign Affairs expressed wide-ranging interest; both in how the Council used its resources and in how it measured its performance. Our examination, summarised in **Figure 1**, included the Council's key support services, the way it develops and delivers services to customers, and its Performance Measurement systems. This report focuses on the internal management

<sup>1</sup> Public Diplomacy is defined as "Work aiming to inform and engage individuals and organisations overseas, in order to improve understanding of and influence for the United Kingdom in a manner consistent with governmental medium and long term goals". Review of UK Public Diplomacy by Lord Carter of Coles December 2005.

## 1 The scope of the National Audit Office examination (main features)



Source: National Audit Office

### NOTES

1 The findings from our work on how the Council achieves impact and measures its performance are available online at <http://www.nao.org.uk/publications/index.htm>.

2 The main exclusion from the scope of the study was the Council's work under contract for a range of UK and International agencies, mainly in support of International Development Programmes. Such work is won under competition and at least covers its costs overall. Primary responsibility for the value for money of this work lies with the agencies procuring it.

of the British Council, principally change management and support services. A separate report has been published on the Council's external relationships, its programmes and performance.<sup>2</sup>

**3** Our overall conclusion, based on our work overseas and in the UK, is that the British Council's performance is strong and valued by its customers and stakeholders, although it is a challenge to secure consistently good performance across such a dispersed global network. The Council is flexibly allocating its resources to align with new UK priorities, and continues to implement numerous and extensive change programmes aimed at increasing its effectiveness and efficiency. Managing so many simultaneous and inter-dependent projects has presented challenges. There is a need for improvement in support functions and in terms of the management information and tools that it has in place to run its businesses.

**4** Effective support services are vital to enable the British Council's staff to deliver consistently high quality services to customers around the world. The provision of support services has been affected by the Council's transition from an organisation in which 110 Country teams dealt directly with the UK, to one in which they are grouped under 12 Regions. In principle this allows for stronger oversight and more consistent decision-making. The new Regional offices are a sensible location from which to bring specialist expertise to bear on country operations, but only regional financial and human resource management have had significant impact to date. Furthermore, management information for most support services is weak across the overseas network, with basic measures either collected inconsistently or not at all. The Council's new Resource Management system provides a tool to help address this.

<sup>2</sup> National Audit Office *The British Council: Achieving Impact*, HC 625 2007/2008.

5 With respect to particular services, our main findings are that:

- The Council now has a generally high performing **Information Technology** network, but there is much to do to put in place modern systems that enable customers to interact easily with the Council through web-based and other channels. Accessible online services will be increasingly vital in enabling the Council to broaden its reach.
- **Financial Management** practices appear under most criteria as good as, or better than, those in UK government departments. An investment of over £100 million in a new resource management system will require consistency in use, and further tailoring to meet the Council's needs, if it is to realise its full potential.
- **Estates Management** is clearly stronger in the UK than overseas, where information on the relative costs and efficiency of premises is incomplete, subjective or inconsistent, maintenance planning and programming is weak, and qualified property expertise is scarce. Most skilled staff, based in London, have been focused on delivering works projects in premises being adapted, refitted or upgraded to meet new security requirements or business needs, rather than strategically on the estate as a whole.
- **Human Resource Management** is challenging for such a globally dispersed organisation. Metrics, such as turnover and sick leave are readily available for UK-appointed staff, but are patchy or non-existent for those appointed locally. Differing terms and conditions of service also contribute to tensions between UK and country-appointed staff. The Council is increasing its HR expertise at a Regional level through a network of Regional Strategic Business Partners.
- At present, very little **Procurement** of goods and services is undertaken by purchasing specialists, and until 2007 the Council has not had adequate management information to understand what it buys and where. It has only a very small team of procurement specialists. Work is now underway to consolidate more procurement, with a view to obtaining the benefits of increased purchasing power and to greatly reduce the number of suppliers used and invoices processed.

## Conclusions and Recommendations

Our recommendations are expanded on in greater detail at Appendix 1.

- 1 The rapid pace of change in the Council and the large number of parallel change programmes means that programmes are difficult to integrate, and some projects within the overseas change programme have faced delays and rescheduling. **The Council should adopt more robust portfolio management and governance practices to better match its change programmes with its capacity for change. This should help avoid slippage or worse than expected dips in operational output.**
- 2 The Council has identified regional management as the right place to insert expert oversight and direction of support services in its 110 country operations. But there is more to do to get this working consistently well. **The Council should focus its pool of estates, human resource and procurement specialists at regional level to ensure that these services reach consistent standards, and to be accountable for these service standards to the corporate centre.**
- 3 While the Council maintains a good level of management information on the performance of UK corporate services, the Council does not maintain comparable data on the performance of support services across the global network. **It needs consistent performance metrics for its overseas estates, procurement and human resource functions, with consistent reporting of progress to the corporate centre.**

# PART ONE

## Change Management

**1.1** The Council's Strategy 2010 introduced a five year programme of change affecting the whole organisation. It comprised two main change programmes for overseas and UK operations, and linked with these the introduction of a new resource management system (FABS) and a move from locally designed and delivered projects to larger scale Regional and Global projects. This large programme of reorganisation has not been completed to its original schedule.

### The extent of change

**1.2** The Council's change programmes have been ambitious in both scope and timing. The UK Operational Change Programme aimed to enhance the efficiency and capability of UK operations, introduce an improved, standardised project and contract management process, increase professional sector expertise, and enhance capability to support innovation and customer service in the UK and Overseas.

**1.3** The Overseas Change Programme grouped 110 separate country operations within 12 Regions. This became the platform to deliver seven substantial enabling projects.<sup>3</sup> Regions had discretion to implement the projects in the most appropriate way for them, under Regional Change Programme Managers. Each produced business plans setting out how they intended to deliver their Regional Change Programmes, including additional projects to meet specific regional needs. On this basis, the Council is starting to review the Regional change programmes to identify good practice and successes, and has carried out a Health check in the Middle East Region. The Overseas Change Programme cost £15.9 million in the two years 2006-07 and 2007-08 and has generated total savings of £8.3 million in the same period.

**1.4** The scale of the change programmes and the impact on staffing levels has adversely affected staff satisfaction and morale, most clearly among the UK workforce. In the Council's staff survey, though staff were aware of the need for change, only 39 per cent of UK staff answered positively to questions on job security.<sup>4</sup> Although it is not unusual for organisations undergoing a process of change to see a fall in job satisfaction, levels of staff satisfaction across the Council were 12 per cent below the norm for comparable organisations. Furthermore, in 2008, only 24 per cent of Council staff responded positively to questions on their satisfaction with the way change is managed.<sup>5</sup> Our staff survey, while not asking specific questions on the amount or management of change, also elicited comments which indicated that some staff had felt undervalued as a result of the change programme. While the UK restructuring was completed without the need for large-scale redundancies, the UK workforce has been reduced from 752 to 690 Full Time Equivalents, mainly through a recruitment freeze and turnover.

### Delivering change

**1.5** The UK Operational Change Programme set an ambitious timetable and achieved some notable successes in delivering on time and under budget. It implemented the new structure for UK Operations within schedule, and the programme is expected to generate savings of over £3 million in 2007-08 and annual savings of £2 million going forward. However, the Council has struggled to fill all of the specialist posts. At the end of 2007, nineteen of the 64 senior positions remained unfilled. The Council opted for rapid implementation of the Programme, and while it recognised that this involved risks, the pace of change created difficulties in integrating the new UK Operational structure with the parallel Overseas Change Programme, and with projects in corporate services and implementing the new FABS resource management system.

<sup>3</sup> Communications, Customer Service Excellence, Knowledge management and Marketing (in *British Council: Achieving Impact*, HC XXX), and the new resource management system, finance restructuring and Human Resources, (Parts 2, 3 and 5 of this report).

<sup>4</sup> British Council Staff survey, 2008.

<sup>5</sup> British Council Staff survey, 2008.

**1.6** There has been some slippage in enabling projects under the Overseas Change Programme. Regions submit quarterly returns to the UK which track the progress of their Programme against their anticipated benefits, and financial savings. However, the Council does not maintain consolidated data on the Regions’ progress on their enabling projects, as set out in their Business Plans. It is therefore difficult to determine the extent of deferral across the Council as a whole. Many regions have actively re-planned their change programme to reduce implementation risks. Initially the China Region planned 22 enabling projects, but some have since been postponed or cancelled and two have been added (see **Figure 2**). British Council China is now focusing on six core projects and has spread the management of these across the Region and staggered project timescales.

**1.7** Programme cancellation and rescheduling is often undertaken to reduce risks, for example to prevent the roll out of FABS coinciding with the year end, or in response to external factors. However, in some cases, delays have arisen because UK corporate decisions have not kept pace with the needs of the regional business, especially regarding Human Resource policies, or new partnership models for teaching centres and premises. The volume of change also presented challenges for staff capacity, especially in the overseas network. The Council planned for temporary dips in delivery in some Regions due, in particular, to the implementation of the new FABS system. However, the commitment required to deliver such a wide-ranging change programme has impacted more widely. For example in the India and Sri Lanka region, the six main regional projects all took longer than expected to progress through the planning stage, in part because of competing priorities.

## UK Oversight of the Overseas Change Programme

**1.8** Corporate oversight of overseas change has been stronger for the programme overall, than for some individual projects. Staff turnover in the UK has limited oversight of some of the enabling projects. The Customer Relationship Management project has had three project managers since 2006. The Customer Service Excellence Project team was also under-resourced for most of 2007, and the Programme Director and Senior Responsible Officer have both changed since the project started in 2005. A full team has been in place since September 2007, and the project has been extended by two years to March 2010.

2 Status of China’s Regional Change Programme		
Project Status	Number of projects	Example projects
Completed	2	<ul style="list-style-type: none"> <li>■ Friends of British Council Hong Kong</li> <li>■ FABS</li> </ul>
Proceeding as scheduled	9	<ul style="list-style-type: none"> <li>■ Marketing</li> <li>■ Premises efficiency</li> </ul>
Cancelled	5	<ul style="list-style-type: none"> <li>■ Status in Mainland China</li> <li>■ Branding</li> </ul>
On-hold	3	<ul style="list-style-type: none"> <li>■ Development Services</li> <li>■ Global contract management</li> </ul>
Running behind schedule	4	<ul style="list-style-type: none"> <li>■ Customer Relationship Management</li> <li>■ Knowledge management</li> </ul>
Yet to start	1	<ul style="list-style-type: none"> <li>■ Preparing for Network expansion</li> </ul>

*Source: National Audit Office analysis of British Council data*

**1.9** The Corporate Headquarters supports a regional programme managers’ network as a forum for staff to share good practice on the Overseas Change Programme. This has included twice yearly workshops, monthly teleconferences and pages on the Council’s Intranet site. However, the network has not always promoted consistency between regions, for example both India and China have completed a detailed customer segmentation exercise for their T3 audiences but were unaware of work in other regions. The Council intends to carry out a review of selected Regional change programmes through OGC Gateway healthchecks.

**1.10** Since the start of the Strategy 2010 Change Programme, the Council has initiated a further series of change projects across the organisation; a full list is at Appendix 2. The main project to have an impact on the Council’s UK operations will be the Global Platform Modernisation and Relocation Project. A decision is expected on the scope of this project in September 2008.



# PART TWO

## Financial Management

**2.1** The Council in most respects achieves good standards of financial management, but faces some unusual and complex risks. It will also need to learn to make best use of its new resource management system to achieve consistent excellence.

### Comparison with UK central government standards

**2.2** The British Council's overall financial management is comparable with standards in central government departments. In late 2007, we surveyed 37 central government departments to analyse existing standards of financial management in the sector.<sup>6</sup> The Council matches the standards being achieved by departments in most areas; for example in terms of its overall progress in implementing accruals accounting, in publishing its accounts before the Parliamentary Summer Recess, and in its ability to switch resources to higher priorities. Particular strengths, where the Council has done better than most departments, include its record of controlling its spending within its annual grant-in-aid, (achieving an underspend of just £0.1 million out of £189 million in 2006-07).

**2.3** As in most areas of its business, the Council is part-way through numerous changes in its financial management arrangements, which we analyse in the following paragraphs. These changes should help it address areas of relative weakness identified through our survey. These weaknesses were:

- The need for a clearer relationship between financial decisions and resource inputs on one hand, and business outputs on the other;

- A record of spending between half and two thirds of its capital resources in the last quarter of recent financial years, compared to a still-high 30–40 per cent in most UK government departments. Such peaks in spending increase risks to value for money and financial control; and
- Relatively late submission of financial results to management during the year (20 days compared to a median of 12 days achieved in central government). One factor is the timeliness and reliability of data from feeder systems.

### The new financial and resource management system

**2.4** The British Council has been installing a new financial and resource management system, which is not yet rolled out across the whole network. In 2001 it decided to introduce a new system based on the proven and widely used SAP software. This has been a very large and demanding project for an organisation as complex, globally-dispersed, though still as relatively small as the Council. The original completion date slipped (from August 2007 to June 2009) as the Council encountered and responded to problems in the initial rollout, or reprogrammed to mitigate risks, such as avoiding transitions near the end of the financial year. Most issues were not technical, but centred on the need to better prepare country businesses and staff to be converted to new ways of working. A mid term OGC healthcheck in October 2006 confirmed that lessons had been learned and built into planning for subsequent roll-outs.<sup>7</sup>

<sup>6</sup> The results were published in HC 240, *Improving the management of financial resources in central government*, February 2008.  
<sup>7</sup> The project has also had three Office of Government Commerce Gateway reviews, at Gateway stages 2, 3, and 4.

**2.5** The estimated costs and benefits of the FABS project over the 12 year period ending 2013-14 are shown in **Figure 3**.

## Potential benefits of the new system

**2.6** The system should improve the accessibility of financial data, once it is embedded successfully across the whole organisation. It has the potential to improve value for money through cashable savings, improved management information and better decision-making. But this depends on collecting, analysing and using data in a consistent and well-understood manner across the global network. The 2006 OGC healthcheck identified that the Council was not achieving the standardisation that it had anticipated in terms of:

- Business processes of FABS and the feeder systems that support it;
- Data integrity (consistent use and coding of data to capture financial information accurately and consistently);
- Roles (enabling staff to move easily between regions or departments without requiring re-training); and
- Information and budget structures (organisation structures, projects and cost centres) derived from clear global reporting requirements.

The organisation has found it difficult to define its requirements for management information for planning, monitoring, reporting and decision-making. One factor has been the amount of parallel change, such as regionalisation, that the Council has been experiencing over the programme period. Particular challenges remain in areas such as estates management information and procurement (part 4 and part 6), and in project work where financial and resource monitoring is still being done off line (Main Report *“British Council: Achieving Impact”*, part 2).

### Scope and objectives of the British Council’s new Financial and Business System (FABS)

FABS is far more than a new finance system, it will replace around twenty separate legacy systems and introduce standard business processes. It is being implemented globally in all 110 countries. It covers:

- Travel and expenses;
- Training and awards;
- Student registration;
- Customer billing;
- Projects and events;
- Procurement;
- Planning and reporting; and
- Financial and Management Accounting.

The Council’s previous systems did not communicate easily with each other, creating considerable unnecessary re-keying and reconciliation work, thereby making management information unreliable and difficult to extract. The Council intends that FABS will increase the proportion of time and resources devoted to operational work, provide timely and reliable management information and begin to allow customers to interact with the British Council virtually.

*Source: British Council health check of the implementation of FABS*

**2.7** In any organisation, phasing in a new resource management system and replacing systems familiar to users will be unsettling for those involved. But frustration with FABS was the single greatest source of negative comment in our survey of Council staff, and extended to those who had been using it for two or more years (see **Figure 4**).<sup>8</sup> Particular issues were that day-to-day processes take longer than before, often greatly so, diverting operational staff from customer facing activities and in some cases leading to lower morale, and that the user interface is counter-intuitive, over-complicated and has to be re-learned by infrequent users. However, there were some positive comments; some respondents felt that the system had great potential, such as quicker availability of real time information and the ability to conduct more detailed queries, for users prepared to invest the time and effort to assimilate it. Users reported varying experiences with the training on the system.

<sup>8</sup> Source: Online survey of Council staff by the NAO, on Council support services: Oct 2007.

### 3 Implementing the FABS Resource Management system

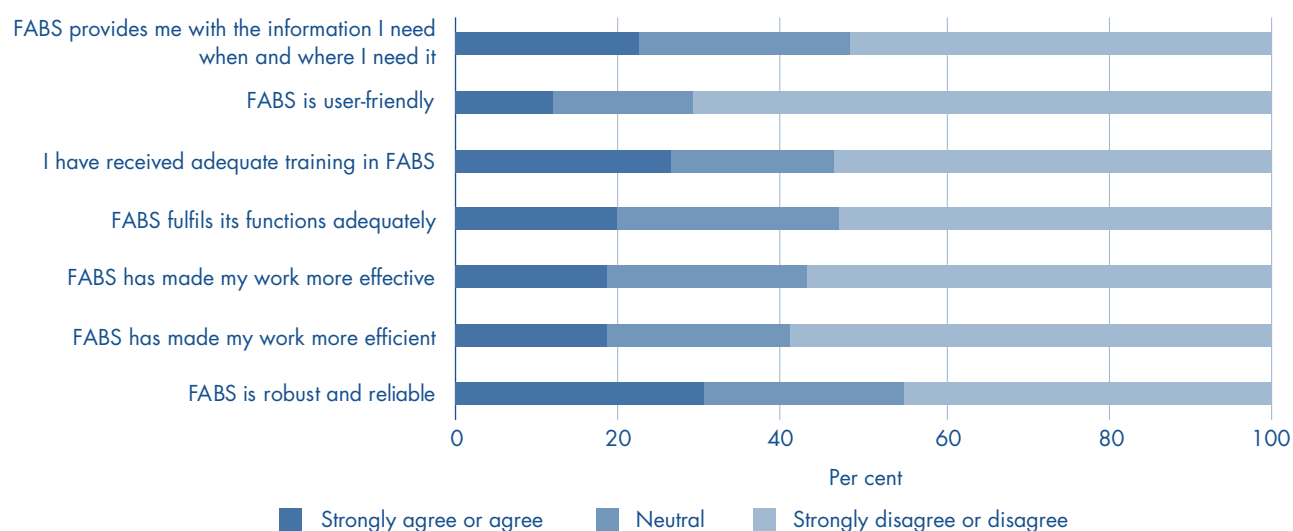
	Original estimated programme costs and benefits to 2013-14 (£ million, undiscounted)	Latest estimated costs and benefits to 2013-14 (£ million, undiscounted)
Installation Programme and running costs	62	67
System Connectivity	34	34
LESS: Cashable savings from use of FABS <sup>1</sup>	(86)	(105)
Net Programme Cost (Saving)	(10)	(4)
<b>Non-cashable savings</b>	<b>(15)</b>	<b>(15)</b>

Source: British Council Business Cases 2001 and 2006

#### NOTE

<sup>1</sup> Estimated cashable savings accrue mainly from reductions in staffing in the UK and Overseas, by modernising processes in finance, procurement and other business functions. Savings are shown net of exit costs from previous arrangements.

### 4 British Council staff's perception of the new Financial and Business System



Source: National Audit Office Survey of Council staff, 2007

**2.8** Users of key business-critical systems within FABS report mixed views about their performance. A new integrated system to register English language students has been implemented in about half of the 50 countries with teaching centres; to be rolled out by mid-2009 to link all centres worldwide. As part of the FABS system it offers managers much improved consolidation and analysis of management information at a regional or global level, and removes the need for subsequent re-entry of data into financial systems. But staff inputting data to it widely perceive it as less customised for the Council's business than the previous bespoke, stand-alone registration system. The new system was designed originally for the university market where most students register only once a year, whereas the Council's teaching centres offer short courses and student turnover is much higher. Despite considerable prior development work to evaluate and tailor the system, registering each new student still takes five minutes rather than 1.5 minutes under the Council system it replaced; potentially a significant resource cost given that the Council registers students over 540,000 times a year.<sup>9</sup> There are complementary savings in staff time elsewhere, for example by enabling existing students to re-register online, and from less manual extraction of management information at successive levels throughout the organisation. The Council has recognised that it would be inefficient and a high risk to further revise and reconfigure the system in the midst of a global rollout, but recognises the importance of continuing to improve it afterwards in order to deliver steadily enhanced customer and business benefits, as users of the system become more practised.

**2.9** The Council has not yet decided whether or when to activate further functionality available within the FABS suite, for example facilities for recording staff time and for recording interactions with customers, (although it is now piloting time logging in its UK Operations team). In part, this is to avoid over-stretching the initial implementation programme beyond the capacity of the organisation to deliver it, and in part to ensure that each decision only proceeds after a robust business case.

## Managing business risks

**2.10** The British Council is managing significant risks that are unusual in the UK government context. Historically, the Council has had different legal and tax status around the world, reflecting in part the varying expectations and practices of host governments. According to local circumstances its UK staff may, or may not, be diplomats; its activities may or may not have charitable status; and its commercial businesses and staff may or may not pay tax. The key business risks are that unclear status might lead to large demands for tax arrears; to complaints by competitors of unfair competition; or be used by host authorities to punish the UK where political relationships are fraught. Though graded as a moderate risk overall, tax and status is a high risk in a small minority of countries, where the Council's legal status is ambiguous or where UK diplomatic relations with the host country, such as Russia, are difficult. The risk is not quantified globally, but is in high risk countries.

**2.11** In December 2005, Lord Carter's review of public diplomacy concluded that the Council must be proactive in addressing its growing number of tax issues in order to manage risks to reputation and public diplomacy objectives. Since early 2006, the Council has had a programme to regularise its status worldwide, giving priority to this in the ten highest risk countries by the end of 2009. An ideal outcome in some countries is for the Council to be registered as a branch of an international charity, but progress will depend on complex legal, diplomatic and financial analyses and negotiations, conducted mainly in-country but supported from the UK.

**2.12** The risk of fraud or financial control failure is greater for the Council than many other government bodies due to its dispersed overseas operations, its need to operate in cash economies and to undertake substantial local purchasing. The risk has been amplified in recent years by the significant changes the organisation is going through. The Council mitigates these risks through its framework of financial procedures and systems, and has generally maintained sound internal controls and good financial

<sup>9</sup> Equivalent to the direct time of about 25-30 full time staff.

reporting practices. Although it routinely identifies a number of frauds each year through management and internal audit processes, these have mainly been of low value and have not indicated significant control failure. Losses due to fraud totalled £77,000 in 2006-07 resulting from 24 separate incidents. Implementation of the new resource management system in Southern Africa, the first converted region comprising several countries, resulted in weakened controls and a partial breakdown of accounting processes. The Council launched a recovery project which successfully corrected the accounting records and re-established the control framework. The rollout was temporarily paused in order to establish the lessons learnt from the Southern Africa failure and to date subsequent implementations have been successful. Most recently, a fraud was uncovered in West Africa with losses estimated at £180,000. The Council has investigated the causes of the fraud, taken action against those personnel involved, is following due legal process to recover the losses, and has drawn up an action plan to mitigate against future similar occurrences.

**2.13** Fluctuations in exchange rates could lead to financial gains or losses in the Council's revenue earning businesses. The risk is assessed as high. Various mitigations are in place, such as contracts designed with income and costs in the same currency, and active management of foreign cash balances where local exchange controls limit the Council's ability to utilise them. Following consultancy advice in 2007, two commercial foreign exchange trading systems are being tested, and a joint approach for batching currency transactions with the Foreign and Commonwealth Office is being considered to further mitigate the risk.

## Efficiency Gains

**2.14** The British Council is making efficiency gains but the numbers must be interpreted with caution. In 2005 the Council committed to the Foreign and Commonwealth Office and the Treasury to making efficiency gains of £13 million over the three years ending March 2008.

It also expects to make over £5 million of efficiency gains within its full-cost recovery business. The Council has a detailed process to monitor and validate the financial gains that arise from a number of its major change programmes, as well as various standalone efficiency projects. It also takes steps to embed the gains across the organisation by reducing regional budgets according to the headcount reductions. By September 2007 it had recorded gains of £9.5 million, mainly through reduced or reallocated staff headcount in the UK and overseas.

**2.15** In line with measurement guidance issued to government departments, the Council's reported savings do not take into account the additional costs incurred to achieve them.<sup>10</sup> For example, the restructuring of the Council's UK and overseas network, which enabled the headcount reductions, incurred one-off costs of over £10 million for items such as project management, consultancy and redundancy. The Council also recorded gains of £1 million a year through avoiding the licensing and consultancy costs associated with operating its previous financial management system, but this does not take into account the operating costs of the new system that is replacing it. In other areas such as new systems to improve decision-making, savings are likely to be understated, as savings are not captured where the costs of attempting to measure them would be disproportionate.

**2.16** Some gains were achieved through reallocation of posts to higher priority regions and programmes. In such cases, the Council has more than complied with the official guidance by reporting only the overall net reduction in posts – accounting for both the reduction in the low priority regions and the (smaller overall) increase in higher priority ones. This approach quantifies the economies achieved by reallocation. The Council believes that these economies are also genuine efficiencies, because its other performance measures indicate that outputs and outcomes have been at least sustained over the same period. More robust measures of how the reallocation has affected outputs and outcomes in the affected regions would be needed to provide further confirmation of efficiency gains.

<sup>10</sup> Guidance issued by the Office for Government Commerce, and latterly by HM Treasury.

# PART THREE

## Information Systems and Technology

**3.1** In a 2007 internal survey of senior British Council managers, 87 per cent considered Information Technology critical or very important to the business and that the function should respond quickly to customer demands. It is a major commitment for the Council, which spent some £50 million (equivalent to nine per cent of its turnover) on information systems and services in 2006-07. The British Council's IT network is well managed, though its performance in delivering new projects and services is less clear.

### Network availability and performance

**3.2** Maintaining a Global Information Technology Infrastructure that meets the needs of a diverse business in 110 countries worldwide is no small challenge. Notably, differing standards of communications systems in host countries can influence the cost and performance of the Council's IT provision. The Council has applied ITIL, the most widely accepted international approach to IT service management, and overall the Council's IT network and its global desktop of basic office tools such as email and web access are now performing well.<sup>11</sup> Network availability and performance has improved over the past 18 months. System availability is high at over 99 per cent, and a similar proportion of service incidents that occur are resolved within agreed service levels.<sup>12</sup>

**3.3** Our Survey of Council staff in late 2007 indicated some variation of experiences around the network, but showed general recognition that system availability and performance is good and had improved in recent months. We noted a high level of system availability and responsiveness during our visits to Council operations. The Council's own surveys of senior managers broadly support this picture, with between 80 and 90 per cent satisfied with global connectivity. Many of the network

issues that arose related to the introduction of new services or the heavy use of limited bandwidth by staff accessing new internet resources. The Council is reviewing these factors.

**3.4** The Council's central IT management function has strong practices and processes. In terms of governance, the central function is headed by a Chief Information Officer who reports directly to an Executive Board member. Staff retention rates, at 95 per cent, are very high by the standards of a profession where turnover of specialist staff can be a serious problem. There is a minimum five-day annual investment in IT staff development and skills training centrally, although the equivalent investment in the Council's wider global IT community is not clear. The Council is also applying the Information Security disciplines of relevant British Standards (ISO 27001), whilst not seeking formal accreditation because of the cost.

### IT solutions for customers

**3.5** IT solutions are not yet sufficiently customer-focused. Though most Council staff valued having a basic IT infrastructure that worked acceptably well, responses to the our staff survey indicated that the Council has been too slow in implementing new customer-facing IT solutions to help develop its business (**Figure 5**).

**3.6** Council staff had good awareness of the IT solutions and technologies increasingly being used by its 18–35 "T3" target audience, and, though recognising that most large organisations find the pace of modern technological change difficult to match, many expressed disappointment that the Council, given its mission to be creative and to communicate, was not closer to the forefront, as **Figure 6 on page 16** shows. The Council has made some

11 IT Information Library. Recommended to UK public bodies by the Office of Government Commerce. The standard provides a cohesive set of best practice guidance drawn from the public and private sectors across the world.

12 Excluding the FABS resource management system currently being implemented.

progress towards meeting these aspirations and there are examples to be found around the Council network where progressive technology is being adopted. For example, in Spain the language teaching business sends immediate automated text messages to parents of young learners who do not attend their classes, and circulates details of other courses or products that the student might find of interest through the same medium.

**3.7** Staff perceived various reasons why progress had not been quicker, predominantly:

- corporate risk aversion and conservativeness, with a focus on control to preserve network security and to conserve finite network capacity, rather than on innovation;
- bureaucracy and extended timescales to respond to user change requests, and a focus on what would work in the UK as opposed to differing environments overseas; and
- incompatibility of existing Council software with its newly introduced intranet technology, GTI2, or extended periods to test compatibility.

**3.8** The British Council has a very large online presence, estimated at over 600 websites. Most sites function largely as information boards, offering little by way of interactivity with customers. The sheer scale of the material, most of it generated by individual country operations or Council teams in the UK, has also contributed to problems of uncoordinated or out-of date messages, or inconsistent and confusing navigation. Smaller country operations, (such as Libya and Tanzania), with less local technical

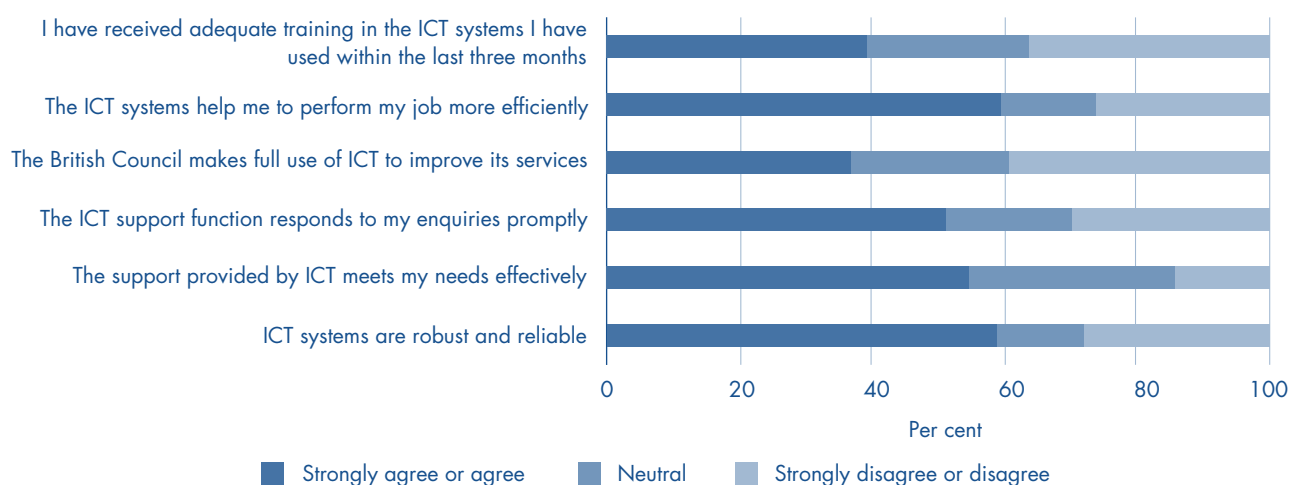
or editorial resources, find it more difficult than large operations such as India and China to keep their online presence up to date.

**3.9** In November 2007, the Council initiated an online transformation programme to develop capabilities to engage more effectively with stakeholders and customers on-line. Initially, this is working with specialist agencies to produce an improved corporate homepage and brand, focusing on the needs of UK stakeholders and the media. Another agency is helping to develop a stronger online presence for four top priority global products, InterAction, Creative Cities, Global XChange and Climate Security.

## IT Project delivery

**3.10** Measures of project delivery to time and cost have been deficient. Until recently, the Council did not measure the delivery of its IT projects against the timescales and budgets that were set for them at the outset. In practice, baseline budgets and timetables have been revised at least annually; the system being designed primarily to ensure that the Council spent within its annual IT budget. As a result there has been no systematic data on the average cost and time variance of completed projects over their lifetimes, or trend data to show whether overall performance is getting better or worse. The Council's IT branch does, however, operate a system of post project evaluation which gathers participants' main views on factors influencing project successes or failures. Findings have emphasised the importance of strong project communications, governance arrangements, planning, training, supplier relationships and project management methodologies.

### 5 Views of British Council staff on the use of Information and Communication Technology (ICT) in the organisation



Source: National Audit Office Survey of Council staff, 2007

**6** Online functionality identified as important by British Council staff

Functionality required	Potential benefit	British Council Progress
Widely available and affordable web-based conferencing, instant messaging or email on the move.	Facilitate flexible and regional-based working and reduce travelling, especially as the Council moves to more intra-regional working.	Audio and video conferencing has been available globally for several years, though not web-based.  It is rolling out ROAM, a secure system to enable travelling staff to access their emails, shared documents and the organisation's intranet and corporate applications.
Voice over Internet Protocol telephony, and SMS text-based communication with customers.	Economies in call costs.  Better "reach" to mobile telephone users.	Rolling out Voice over Internet telephony.
Corporate knowledge management systems.	Principally, more sustained and consistent management of relationships with current and potential customers.	Customer relationship management project in progress and piloting in China region.
Online course payments and exam registration.	Increase accessibility of language teaching and examination services for students.	Existing students in four countries can now re-register online.
Reinstatement of the online public access catalogue.	Enable customers to check availability of, and to order; English learning materials.	Functionality to establish availability of materials has been provided, but it is not yet possible to make or renew loans.
Quicker and better access to modern web-based social networking tools.	To target the T3 audience through channels such as online networking sites and discussion communities.	The Council has experimented with a presence in internet domains such as 'Second Life' and an English and Exams online community.

Source: National Audit Office survey of Council staff, and examination of Council IT Programmes

**3.11** In April 2007 the Council began to collect data on delivery of IT projects, but it is too soon for this to generate useful trend data. A snapshot of the 16 projects in progress during 2007-08 is at **Figure 7**. Common reasons for slippage includes changes in project scope or user requirements, and projects being put on hold to switch resources to higher priorities. Data on average cost outturns is less complete but appears better. The Council's biggest IT project since 2005, to improve global connectivity, was delivered for £12.6 million, within a budget of £18.7 million set at inception.

**7** Summary of British Council IT projects in progress during 2007-08

Number of projects: 16 (3 completed)		
	Timescales	Costs £000
Original Project Length at project inception.....	7.3 months	391
Average age of projects at time of National Audit Office analysis....	8.9 months	
by which time the latest estimate of project duration was...	10.6 months	317
Which equates to an average extension in duration of .....	44 per cent	

Source: National Audit Office analysis of British Council Summary Programme Costs and durations



# PART FOUR

## Management of the Global Estate

**4.1** At March 2007, the market value of the Council's freehold and long leasehold properties was £86 million; the Council also spent £21 million in 2006-07 on rented premises, mainly office accommodation. Over 90 per cent of its total business floorspace, estimated at some 185,000 square metres, is in over 200 properties overseas. These offices are used not just to accommodate Council staff but also to receive public callers, to host public and networking events and exhibitions, and to house the Council's English language teaching and examinations business. In some instances they generate rental income. The Council's stakeholders nearly all consider that its network of offices constitutes a vital overseas "shop-window" for the UK, in the way that Foreign and Commonwealth Office's more secured Embassies and High Commissions cannot.

**4.2** Council staff responding to our survey reported a wide range of experiences of their working environment; indicating quite a diverse estate. The responses indicated generally intensive use of office space, in some cases to the extent that this felt too "tight". But generally, staff satisfaction was higher for estates management, at about 60 per cent, than for other support services.

### Estates Management information

**4.3** Management of the global estate is hindered by a lack of management information and specialist expertise.

**4.4** Management information is better in the UK than for the overseas estate and shows positive results. Since 2002, the Council has followed up its 1990s relocation of posts from central London to cheaper premises in Manchester, by closing small offices around the country, saving estimated running costs of £1.7 million a year. This rationalisation, from 23 UK buildings down to five, is continuing. Comparative measures of efficiency already

appear positive. For example, in 2006 the average space per full time employee was within UK central government and private sector averages, (12.1 square metres per person, compared to 14.5 for central government's civil estate and 13.2 for the UK private sector). In 2006 the Council's UK estate cost was also, at £395 per square metre, just within the average cost reported by the UK Civil Estate, (at £403 per square metre).<sup>13</sup> Good estate management practices are also followed; for example all UK buildings are classified as accessible to disabled people, and an environmental management system is being developed for implementation by November 2008. In the UK there is a well publicised help desk facility which answers all premises-related enquiries and requests for facilities management support. All requests are logged and monitored at least monthly to identify trends, and most staff appear reasonably content with their working environment.

**4.5** In contrast, the comparative performance of the global estate network is much less clear. The Council does not maintain equivalent measures which demonstrate the intensity with which office space is used, or the cost per square metre of space, across its global network. There is no universal standard for measuring floorspace used across the overseas network, so estates statistics reflect an inconsistent assortment of net and gross floor areas, the results of which are difficult to interpret or to use reliably for informed comparison. The Council does not know which of its overseas offices would meet UK standards for disabled access, or which have been subject to environmental audits for energy use. Comments by Council staff indicate that disabled access and facilities are deficient in some premises, and perceive a lack of guidance on the subject from the UK.

13 Source for Comparators: 2006 Occupiers Survey, Investment Property Database.

**4.6** The management data available in countries is not standardised across the network. In Hong Kong, facilities management has been contracted out to a specialist company which provides a monthly monitoring report comprising relatively sophisticated measures, such as utilities consumption, helpdesk activity and the flow of people through the building. This has been used by the Hong Kong office to monitor the performance of external contractors, plan maintenance programmes, and to make decisions about how to maximise the use of space to generate income. In other countries, total premises costs are known, but are not used for regular comparative analyses, to inform judgements as to whether to change practices, to improve the existing facilities or to relocate. Nor are premise costs always allocated to the specific buildings they relate to, which can be a significant uncertainty in larger Council operations with several different premises in more than one city.

**4.7** The Council's corporate centre has started to develop performance indicators for the overseas estate network, aggregated at country level. Between 2001 and 2006 it ran a "fitness for purpose" exercise in which Council country directors graded their estates against set criteria such as property location, appearance and configuration. The exercise indicated where country management considered their estates failed to meet operational needs, and this qualitative assessment was compared to available cost data. Annual costs per square metre were highly variable, from as little as £40 per square metre in parts of Africa and the Indian sub-continent, to more than ten times as much in parts of the Far East or Central Europe. Much of the stated cost variation is because freehold premises owned by the Council do not carry a rental cost. Conversely, properties that have been recently fitted out will carry a significant depreciation expense for the cost of the work. In terms of "fitness for purpose", about half of premises did not meet the Council's overall definition of adequate. There was no strong correlation between premises cost and perceived fitness. Though the exercise was a useful start, more detailed analysis at the level of individual buildings, validating the quality assessments and the stated costs per square foot and comparing them to norms in the local property markets, would be necessary to inform decision-making about whether to vacate, retain, maintain or renovate premises.

## Professionalism in Estates Management

**4.8** There is a limited pool of property professionals to manage such a dispersed estate. The Council maintains an overseas estates team of 15 people in the UK, including 12 staff qualified in building design, project management, asset management, security and health and safety. In recent years over 80 per cent of the team's resources have been dedicated to managing a "bow-wave" of individual works projects, such as office relocations and fit-outs and security enhancements.<sup>14</sup> Little time has been dedicated to analysing and managing the performance of the overall overseas estate.

**4.9** At the country or local level, estates and facilities management expertise is weaker; usually a generalist, locally engaged person acts part time as a building or facilities manager, dealing with day-to-day issues. It would be inefficient to have dedicated property management expertise at each of the Council's 110 Country operations, and the Council has instead nominated estates co-ordinators in each of its 12 Regions. However none of the initially appointed co-ordinators are property management specialists with relevant professional qualifications. Some are Country Directors, others are regional decision-support officers, and others are more junior, generalist locally engaged staff. All have other non-estates responsibilities.

## Opening and closure decisions

**4.10** Opening and closure decisions follow an objective decision making process, but better post project evaluation is needed. Between 2005 and 2007 the British Council closed some 19 offices, including 14 teaching centres and withdrew completely from one country (Peru). It opened two offices in high priority countries for the UK, (Libya and Algeria), where it had had no presence for decades. This approximates to about four per cent annual turnover in operating locations; a "churn" rate which is likely to be sustained for the next three years. In order to release further resources the Council expects to close another 10 country operations by 2010. Inevitably, some closure decisions are contentious and criticised by users of the facilities. Most decisions will have diplomatic and political considerations, which the Council discusses with the Foreign and Commonwealth Office.

<sup>14</sup> Typically about 40 major projects at any one time and about 60 minor projects (under £100,000) per year.

**4.11** The Council's policy is to consider closure of teaching centres where they cannot at least break even and where the business does not achieve substantial non-commercial impacts. Though decision-making was generally objective, some teaching centre closures in the period could have been better justified, because they did not take into account the full costs of closure or the potential to turnaround the business. In the 2005 closure of the Kyoto teaching centre, a more robust decision would have taken into account full closure costs, such as paying off consequent lease liabilities. Actual closure costs equated to 3–4 years historic deficits. The centre had been in deficit for two years, following relocation to a new district, and marketing to attract a new clientele was only then beginning to bear fruit. Most closure decisions were not subsequently reviewed post-closure to confirm how far the project assumptions, and the decision, had proven valid. The Council is revising its processes to include business improvement potential in future decisions, and to adopt appraisals based on projected long-term discounted cash-flows.

**4.12** The Council is beginning to recognise that closing its local office need not mean losing all engagement within a particular country. It has begun to think about supplementing its traditional higher-cost, office-based presence, with other models which involve delivery from out-of-country, via regional hubs. This applies particularly in its European regions, (See Main Report *British Council, Achieving Impact*, Part 1).

## Maintenance and Renewal

**4.13** Programming and prioritisation of maintenance and renewal is weaker for the overseas network than in the UK. Historically in the Council's overseas network, local property management has been a responsibility of individual country directors, who could request specialist support from the UK. One Country Director told us that it had been difficult for an individual Director to judge the value for money of expenditure on their premises objectively in isolation, and that regional decision-making would be preferable.

**4.14** Identifying and scheduling the maintenance and renewal needs of an estate is a foundation of strong property management. Some operations we visited have in place planned preventative maintenance programmes, (such as for the Council's New Delhi office in India), but most did not. One conspicuous gap was in respect of the Council's new Office and Teaching Centre in Tripoli Libya, which was commissioned in 2006 at a capital cost of £0.7 million but without a forward planned preventative maintenance programme in place. In the absence of a systematic planned maintenance programme, it is difficult for the Council to determine whether or not it is allocating maintenance funds where they are most needed, or building up a backlog of necessary maintenance or renewal work and impairing the value of its assets.

# PART FIVE

## Human Resource Management

**5.1** The British Council has a pool of committed and skilled staff, but challenges remain in managing a globally dispersed workforce.

### Different groups of staff with distinct terms and conditions presents a challenge to manage expectations

**5.2** The Council employs over 7,900 staff across its global network, of which around 6,800 (86 per cent) work overseas. Payroll costs, at £191 million, represented 38 per cent of its total resources expended in 2006-07. Managing such a dispersed workforce is a challenge, even more so when the workforce is split into five groups of staff which each have specific Terms and Conditions of Service, are governed by differing policies, and are subject to varying bodies of employment law (**Figure 8**). While different policies and conditions of service are applicable to each staff group, there is a core set of key policies and terms that apply to all categories of staff globally. These include a Code of Conduct, procedures for grievances and discipline, health and safety, performance management and the recruitment processes.

**5.3** Our survey of employees found that differing Terms and Conditions of Service and levels of pay can be a source of tension in overseas offices. The most common complaint was the disparity in pay and benefits between UK-appointed and country-appointed staff, especially for those in middle-management positions and below. Over one third of staff disagreed or strongly disagreed that the British Council offers satisfactory pay, rising to over half among teaching staff. The British Council's own survey of staff in 2007 found that satisfaction with the overall benefits package was one of the three questions with the largest fall in satisfaction on the previous year. Countries are free to determine the appropriate application of corporate principles for setting pay for country-appointed staff, and set rates based on market positioning in their

country, although London does have to approve pay levels. In order to ensure that remuneration for country-appointed staff does not damage the Council's ability to recruit and retain high quality staff, most country operations have used external consultants to benchmark Council salaries against comparable organisations. The British Council aims to pay in the middle of the market, except where the ability to recruit and retain the right staff necessitates higher rates. However, the Council does not hold central statistics on turnover for country-appointed staff, therefore it is hard to measure the effectiveness of pay benchmarking on recruitment and retention across the network.

**5.4** To promote some consistency in terms of employment between groups and across all global locations, there are core standards which all overseas offices must apply. For example all country-appointed staff are entitled to a minimum of 35 days paid leave. It is the Country Directors' responsibility to ensure that the Terms and Conditions of Service meet these minimum standards. The central human resource team reviews compliance periodically, usually every three years; the next full review of country staff employment terms is scheduled to be carried out in 2008. In 2006, the Council started a project to revise and update core employment offers (excluding pay) and end-of-service benefits for both local and 'network' teachers. They expect to start implementing these changes during 2008-09.

**5.5** Higher levels of interregional working means that differences in terms of employment are increasingly visible and can affect staff morale. Some regions have adopted regional terms of employment to address these morale issues. For example British Council East and West Africa is now working to regional Terms and Conditions negotiated by the Regional Director, with support from a regional HR specialist. However this may not always be possible in regions where countries have differing labour laws which present challenges when trying to produce a harmonised set of terms as in Eastern Europe.

## 8 Terms and Conditions of service per sub group of British Council staff

Staffing subset	Number of staff	Terms and Conditions of Service determined by:	Applicable body of employment law
UK-based staff contracted and working in the UK.	1,097	British Council Human Resources UK team.	UK employment law.
UK-appointed staff overseas – contracted in the UK and working overseas.	203	British Council Human Resources UK team.	UK employment law.
Country-appointed staff (staff outside the UK who are contracted in the country or territory in which they work or staff on internal transfer overseas).	4,816	Country/regional Human Resources Manager and Country Director, based on corporate core standards.	Local employment laws (including EU legislation for EU countries).
Teaching staff – ‘network’ contracts.	624	Head English Language Operations.	Various – depends on country-specific arrangements.
Teaching staff – locally appointed.	1,185	Country/regional Directors in cooperation with the Teaching Centre Manager, and individual contacts. Based on Corporate Core Standards.	Local employment laws.

Source: National Audit Office summarisation from Council staff counts, January 2008

## Managing staff performance and development

**5.6** Performance and staff development arrangements are strong for UK staff, but measures are less robust for those country-appointed. An external contractor, Ipsos MORI, has carried out an annual staff survey for the Council since 2003. The 2007 survey compared the Council to average responses from Public and private sector bodies, and found that they were in line with or above the norm for 30 out of 33 public sector, and 29 out of 34 private sector questions. Key strengths included; strong motivation and commitment to helping the organisation be successful; a sense of pride in working for the Council and strong performance on diversity indicators. In 2006-07, over half of the Council’s senior management team were female, and the Council exceeded its target for ethnic minority staff in senior management positions.<sup>15</sup> Areas which were identified as having the potential for improvement included; better managing tensions between managerial levels to increase the satisfaction of middle managers and staff’s perception of senior management, and making teachers feel more valued and integrated into the organisation. Managing staff through periods of change was also highlighted as an area for development

(paragraph 1.4). The Council reports the results of the staff survey to its Executive Board, the Trustees Board, and to all staff, and develops actions plans for areas where it feels organisational performance needs to be improved.

**5.7** All Council staff should have an annual job plan, agreed with their line manager, with objectives which are linked in to higher level plans, such as team, department, country or region. Managers must have two formal meetings on performance and development per year with their staff; one mid year review and one at the year end. There is also a mandatory performance management e-learning course which all staff complete as part of their induction to the Council, though Council figures show that only 42 per cent of staff have actually completed this. Human Resources UK collect performance data on UK-appointed staff and ensure that all staff have completed their performance appraisals, but the process is less robust for country-appointed staff. Line managers and country directors are responsible for ensuring that all staff have an annual appraisal but do not systematically collect or report data on this. Verbatim comments indicated that not all staff had completed performance appraisals and that the Council does not sufficiently monitor non-compliance.

<sup>15</sup> British Council Equal Opportunities monitoring data, June 2007.

**5.8** Almost half of Council staff who completed our survey responded negatively to the statement “the competency framework is clear and easy to apply to my role”. Teachers especially felt that the 13 behavioural competencies were difficult to apply, and general staff raised concerns over the clarity of competencies and the time it took to complete the forms. Staff also indicated that the performance appraisals are not strongly linked into development needs or the wider objectives of the Council. Some 20 per cent of respondents to our survey disagreed or strongly disagreed with the statement “the appraisal process helps me set measurable objectives which make clear what is expected of me”. From April 2008, the Council is rolling out a new approach to performance management which focuses on the delivery of individual and team results that are better linked to corporate goals, and on staff development. There will be quarterly reviews and a five-point rating scale for annual assessments to allow better discrimination between outstanding and unsatisfactory performance.

**5.9** Until 2003-04, the Council was committed to investing three per cent of its payroll to staff development. It comfortably met this target for the years 2001-02 to 2003-04 but discontinued corporate reporting of this measure in 2004-05. The current corporate standard remains three per cent of payroll, but in addition, staff are entitled to a minimum of six days off-the-job training and development activities per year. The amount of time and proportion of payroll actually spent should be recorded through the performance management process and through the new resource management system. However, the Council is unable to provide figures on how many staff meet that target or what proportion of its total payroll is spent on learning and development. The Council has collected data for UK staff and one sample overseas region in 2006-07. These very incomplete figures indicated that the target was more than met (4.7 per cent) in the UK and met overseas. Data for the whole network will be reported from the end of the 2007-08 year.

## Staff turnover and sick leave

**5.10** Measures for staff turnover, post rotation and sick leave are only available for UK-appointed staff. Staff turnover is variable throughout the British Council network, reflecting the differing market conditions in which it operates. The average turnover for UK-appointed staff is similar to the civil service average at 7.5 per cent, however, in 2007-08, turnover rose to 11.9 per cent due to UK office closures and redundancies as a result of the UK Operational Change project. If internal transfers are included however, turnover of UK-appointed staff in senior management posts is much higher; out of 243 senior posts there had been 222 new starters, temporary promotions or people on internal transfers in the year between September 2006 and Sept 2007.<sup>16</sup> There is no turnover data for overseas staff, but these tend to mirror wider employment trends of the country they are located in. For example turnover in Hong Kong is around 20 per cent, which is average in that competitive market. One exception to this trend is teachers, who often have much higher turnover figures. For example, in Libya, turnover of country-staff is very low, but it is over 50 per cent for teaching staff on the Libyan English Teaching in Universities Project. Most of these are contracted in the UK on one year contracts but were unprepared for remote postings and difficulties with visas. British Council Libya are now working to better prepare and inform Project teaching staff prior to posting in order to improve retention rates.

**5.11** Rapid staff rotation in some posts and countries is presenting a challenge for the Council to ensure that essential local knowledge is not lost. Maintaining staff continuity and developing personal relationships and networks is vital to good customer relations, especially in the absence of a comprehensive contacts management system.<sup>17</sup> Both Council staff and external stakeholders have raised rapid rotation of staff as an issue; for example there have been three East Asia Regional Directors in the past year. Turnover of staff in the UK has also affected the Council's ability to monitor central Change projects, as discussed in paragraph 1.8, above.

<sup>16</sup> UK-appointed staff at Council Pay Band 9 and 10.

<sup>17</sup> National Audit Office *The British Council: Achieving Impact HCXX 2007-2008*.

**5.12** The British Council maintains central sick leave statistics for its UK-appointed staff. As in other areas, countries keep their own sickness absence data for teaching and locally recruited staff. For the 2006-07 year, the Council's sick leave data shows that it lost an average of 18 days per UK employee. In contrast, the Department for International Development and the Foreign and Commonwealth Office lost only 4.6 and 2.9 days per person respectively.<sup>18</sup> Based on an average all-inclusive employment cost of UK staff of £37,000 per year, this would represent an annual cost to the Council of £2.8 million. Figures from 2007-08 show that sick leave for UK staff has seen a substantial decrease to 6.9 days per year. This decrease is largely due to more robust monitoring arrangements to close sickness files when staff return to work and suggests that the previous figure of 18 days may have been over-reported. It is too soon to tell how much of the decrease is due to improved data collection methods, and how much is due to a genuine reduction in sickness absence.

## Human Resource Expertise

**5.13** The UK-based Human Resource team is staffed by 68 employees at a cost of £4.3 million. The Council has not to date collated the time and cost of overseas staff engaged in human resources work. Some of these are full-time; others spend varying proportions of their time on other work in addition to human resources. The Corporate HR team's responsibilities include developing policy and supporting UK-appointed staff on issues such as training or taking up international assignments. Within this team, there is a dedicated Overseas Team of five staff to provide support to overseas managers on issues such as recruiting and retaining country-appointed staff, grievances and implementing change programmes. The Council aims to strengthen its Human Resource expertise at a Regional level.

**5.14** Staff responding to our survey were generally positive about the visibility of the Human Resources team, although respondents identified some uncertainty as to who to approach in the event of a Human Resources query. Staff based in the Council's overseas offices tended to be less certain as to who was the most appropriate contact, though there was wide variation between regions. Overseas staff tended to be less satisfied with the support provided where there was no dedicated Human Resource manager in-country. UK-appointed staff based overseas sometimes felt that Human Resources UK were too remote to be able to deal with their query.

**5.16** Managing Human Resource issues at a country-level has proved a challenge for smaller countries which do not have the resources available to provide a dedicated HR manager. For example, in Libya, Human Resource is managed by the Country Director, with the Deputy Director acting as the Human Resources Champion. Smaller countries have also struggled to recruit local Human Resource professionals. Delegating responsibility to 110 countries has also led to variations in standards between the countries, as corporate guidelines were broad and allowed wide discretion for Country Directors.

**5.17** Under the Human Resources Change Project, the Council is increasing its professional Human Resources capacity at a Regional level while also restructuring its UK corporate Human Resources function and transferring overseas the work of the current UK-based overseas team. The Council are part way through appointing a network of professionally qualified, Regional Strategic Business Partners. These will be coordinated by a Human Resources Strategic Business Partner in the UK. The Council intends that regional Human Resources services teams will provide more effective and efficient support to overseas managers and staff and will replace the previous ad hoc arrangements where the number and expertise of Human Resources personnel in the regions was partly influenced by historic reasons. For example, where the presence of Human Resources managerial expertise was demanded by issues such as complex local employment laws.

**5.18** Some countries are already seeing the benefits of moving to a regional structure. For example, Tanzania's Human Resource is now managed by the East and West Africa Regional Human Resources team in Nairobi. This has resulted in a harmonised set of Terms and Conditions of Service and a consistent approach to learning and development and redundancies. The challenge will be to maintain an appropriate balance between developing regional expertise to avoid over-burdening small offices and provide consolidated data, and maintaining sufficient local knowledge to be able to manage Human Resources in countries with different labour laws and requirements.

18 Cabinet Office Analysis of Sickness Absence, FY2006-07, RED scientific limited.

# PART SIX

## Procurement

**6.1** The British Council has started to examine the scope to consolidate its procurement to achieve further efficiencies.

### Limited data on procurement

**6.2** The Council spends some £350 million a year on third party goods and services worldwide. In 2006, it concluded that it was in a relatively weak commercial position, noting in particular a lack of robust expenditure data from which to develop plans to achieve financial savings in specific categories of purchases. The Council has not known how much it spends in its 110 countries worldwide on different categories of procurement. Relatively little expenditure is procured through corporately negotiated deals.

### Limited pool of expertise

**6.3** The Council has an acting Head of Strategic Procurement based in the UK who is supported by a team of three, of whom one is professionally qualified in purchasing, and by the services of an outsourced procurement company. To date centrally negotiated contracts worth £7.8 million a year, (equivalent to two per cent of annual non-pay expenditure), for purchases such as travel and accommodation, have mainly been limited to the UK. Information technology infrastructure services costing some £15 million, (a further four per cent of non-pay expenditure) are also procured centrally from the UK.

**6.4** The Council does not maintain data on the extent of professionalism amongst staff procuring goods and services overseas. In the countries we visited, no procurement officers claimed formal procurement qualifications, though some had relevant prior experience and local knowledge in office management for the

Council or previous employers. In India, some central training in purchasing risks had been delivered in 2003-04. At present, there is little specialist expertise or capability in place to manage procurement from the regional tier.

### Consolidating Procurement

**6.5** The British Council is starting to consolidate procurement. Regional or global procurement will not always be more cost effective than local purchasing. In some countries importing goods from outside will incur prohibitive transport costs or import duties, or handling delays which might put at risk the delivery of Council services or projects. Most local purchasers in the offices we visited expressed reservations over the value for money of global or regional contracts, citing advantages of timeliness and quality of service gained from using local suppliers. In some parts of the world, regional or international suppliers do not have a local presence which would enable the Council to obtain economies of scale. Some savings have been achieved through consolidated procurement, for example through establishing regional travel management contracts and a single British Council magazine across India and Sri Lanka. Such arrangements have however been the exception rather than the norm.

**6.6** Compared to other support services, procurement drew more neutral assessments from staff, reflecting that fewer staff are directly involved in it, and have less contact with the Council's central procurement team (**Figure 9**). Council staff responding to our survey expressed two prevalent perceptions regarding procurement:

- The strategic procurement team appeared very small and stretched for the scale of the business, and therefore unable to provide sustained or proactive support.



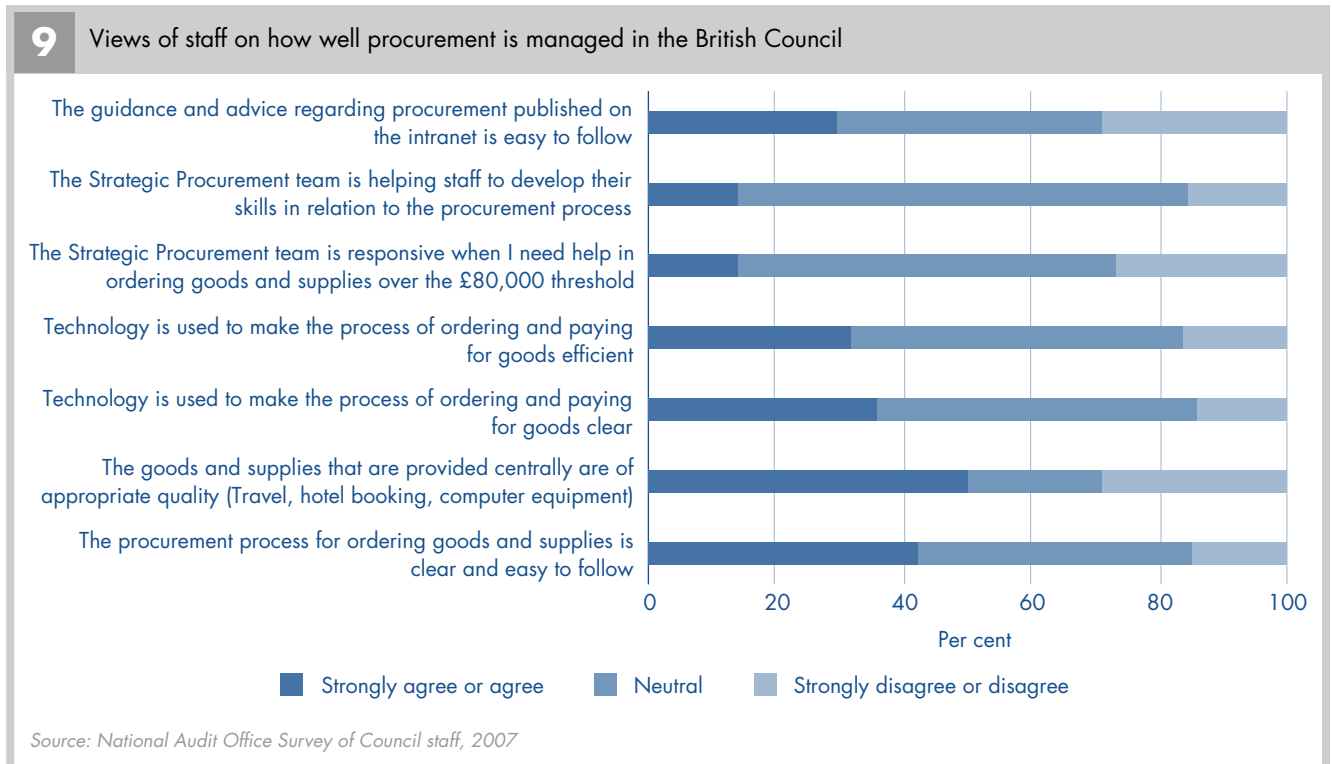
- Twice as many staff were content with the performance of centrally negotiated suppliers than were dissatisfied; except that travel arrangements offered by the Council's contracted travel management companies<sup>19</sup> were often seen as far from the cheapest available, and offering inferior value for money to alternatives that staff had identified through internet comparison sites.

In some Countries travel management companies purchase on the Council's behalf, deriving a commission. In India, the Council reported better results with an arrangement whereby they use the Company as a source of travel market intelligence, to inform their own purchasing.

**6.7** In December 2006, the Council engaged external consultants to collate its annual expenditure and to assess what categories should then be considered for further detailed analysis leading to cost reduction opportunities. It took several months to derive consistent data from the first five of the Council's 13 regions<sup>20</sup> operating the new FABS financial management system, but by August 2007 the review had concluded that:

- about half of the £244 million total non-pay spending identified could be positively influenced by specialists in purchasing to some extent, mainly professional services, estates and facilities, IT and telecommunications, travel, marketing and temporary staff; and
- there is scope to reduce the number of suppliers used (31,000 in 2006/07), and the number of separate transactions (166,000) being processed, including many of low value, (47,000 were for under £100).

**6.8** Progress against these aims will depend on the ability of the Council to derive usable data from FABS in all its regions, and to bring sufficient procurement expertise to bear on the most worthwhile opportunities. Since the consultants' report the Council has re-tendered for temporary staff in the UK and undertaken VAT mitigation to realise some £300,000 annual savings in the new contract. It has also started work on re-tendering the contracts for hotel and conference services in the UK.



19 Sourced through the Office of Government Commerce.  
 20 Russia was then a separate region.

# APPENDIX ONE

## Recommendations

The rapid pace of change in the Council and the large number of parallel change programmes means that programmes are difficult to integrate, and some projects within the overseas change programme have faced delays and rescheduling. Although rescheduling is often a response to external factors and the impact of FABS, some enabling projects have slipped due to limited staff capacity to progress simultaneous projects. The amount of change is also having an effect on staff satisfaction.

The Council has identified regional management as the right place to insert expert oversight and direction of support services in its 110 country operations. But there is more to do to get this working consistently well.

**The Council should adopt more robust portfolio management and governance practices to better match its change programmes with its capacity for change. This should help avoid slippage or worse than expected dips in operational output.**

- The Corporate centre in the UK should conduct a status review of each region's progress in its enabling projects, and determine how this impacts on corporate targets.
- The review should also examine how the regions have each implemented the various enabling projects under their change programmes with a view to sharing good practice.
- The Centre should then map all the elements of the regional change programmes onto the UK change programme and enabler projects to ensure that key interdependencies are flagged.
- The Centre should check that all UK-managed projects are adequately staffed for the project duration, and that staff rotation is kept to a minimum in key posts.

**The Council should focus its pool of estates, human resource and procurement specialists at regional level to ensure that these services reach consistent standards, and to be accountable for these service standards to the corporate centre.**

- The Council should put in place qualified professionals in estates management, human resources and procurement to provide regional oversight and increase consistency between regions.
- The regional professional network should have a single contact point in the UK for each support service to provide guidance and policy advice to the Regions.
- The regional representatives should be responsible for checking that country and regional standards and policies comply with corporate standards and policies, for example for Terms and Conditions of Service.

Closer UK involvement in the network's change programme will reduce the risk that some regional change is held up, pending decisions from the corporate centre or progress on interlinked programmes. It will also allow the Council to more accurately allocate resources to different change projects.

Regional coordinators will be best placed to identify and pursue economies of scale and to support more expert, objective and consistent decision making. Linking this pool of expertise into the UK will provide greater oversight of the network for the UK corporate service teams.

Since 2005, the Council has been in transition from an organisation which allowed its individual country operations more autonomy. While the Council maintains a good level of management information on the performance of UK corporate services, the Council does not yet have comparable data on the performance of support services across the global network.

**The Council needs consistent performance metrics for its overseas estates, procurement and human resource functions, with consistent reporting of progress to the corporate centre.**

- The Corporate centre should set consistent performance management indicators for support service health and require regions to report back on these for their overseas estate, procurement and management of country appointed staff.
- These metrics could include
  - Estates: standardised floor space measure, disabled access, total premises costs.
  - HR: Turnover, sick leave, completion of performance appraisals for country-appointed personnel.
  - Procurement: Regional spend across categories of procurement. Take up of corporate reductions.

Improving the standard of performance data on the overseas network will promote consistent standards across the network, and enable the corporate centre to make decisions based on a complete picture of the Council.

# APPENDIX TWO

## British Council Change projects

Project	Description	Anticipated delivery date	Status
UK Operational Change Programme		Delivered Sept 2007	Complete
Business Systems Transformation Programme	Includes: <ul style="list-style-type: none"> <li>■ FABS roll-out</li> <li>■ Global Shared Services</li> <li>■ Banking Project</li> <li>■ Global Performance System</li> </ul>	2009 (originally 2008)  August 2009	Ongoing
Global Platform and Modernisation Project	Reorganising UK Operations to provide the most efficient and effective means of serving the Overseas network.	Scope to be decided in September 2008	Scoping stage
On-line Transformation	Improve the Council's On-line presence and customer interaction	To be confirmed	Business Case
HR Transformation Programme		2009	
GIS efficiency Programme	Introducing remote working	Various Business As Usual projects	Ongoing
GIS Transformation Programme	Mainstreaming FABS and addressing Business Process Development	September 2008	Ongoing
Tax and Status	To address the tax and diplomatic status of the Council in its overseas offices	2009 (under revision)	Ongoing
Overseas Change Programme	Reorganise 110 countries into 12 Regions	Delivered	Ongoing
Overseas Change Programme component projects	<ul style="list-style-type: none"> <li>■ Customer Service Excellence</li> <li>■ Customer Relationship Management</li> <li>■ Communications</li> <li>■ Finance restructuring</li> <li>■ HR restructuring</li> <li>■ Knowledge management</li> <li>■ Marketing</li> </ul>		Complete