



National Audit Office

## THE BRITISH COUNCIL Achieving Impact

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL | HC 625 Session 2007-2008 | 11 June 2008



# 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 2006-07 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

<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. *Third Report of the Foreign Affairs Select Committee 2005-2006*, Public Diplomacy.



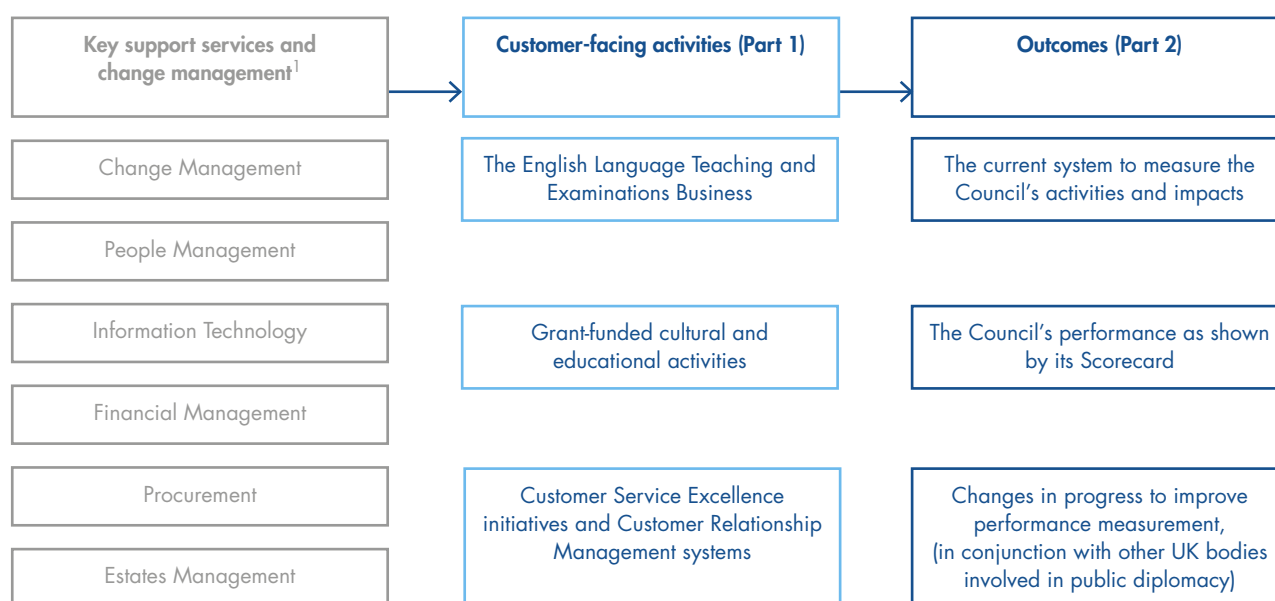
Foreign Affairs expressed wide-ranging interest, both in how the Council used its resources and in how it measured its performance. This examination considers whether the British Council uses its resources economically and efficiently and adequately measures and enhances its impact in meeting public diplomacy objectives. 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. Findings from our work on the Council's support services and its far reaching programme of change are published in a separate on-line report.<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** Since 2006-07, the British Council has moved from country-specific cultural and educational projects to fewer, larger regional and global products, managed under a central commissioning process. Early large scale projects have seen increasing audience numbers, and rising customer satisfaction. However, Regions have not moved to commissioned products in a consistent way or at similar pace. The Council's finance and management information systems do not yet sufficiently support project planning and delivery in this new, more complex, regional and global environment, where staff located in many countries need to work closely together. There has also been insufficient project management training to support staff. Generating support and funding from local partners is critical to project success, but sponsorship and partner income has fallen since 2001. In 2007 the Council developed a new strategy to generate increased sponsorship and partner income.

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



Source: National Audit Office

### NOTES

1 Findings from our work on the Council's support services are published online at <http://www.nao.org.uk/publications/index.htm>.

2 The methodology used to conduct the examination is described in Appendix 5.

3 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.

<sup>2</sup> At <http://www.nao.org.uk/publications/index.htm>.

5 The British Council's £181 million English language teaching and examinations business has a high reputation in the market and is financially successful, generating surpluses in places such as Hong Kong and Spain which are used in part to support teaching centres in less established markets, some in the developing world. Its best centres operate in a manner comparable with good business practice in major private sector language schools. The teaching and exams business also provides a platform for other activity in support of UK public diplomacy, particularly by helping overseas governments expand the teaching of English in their education systems. But the business has a high cost base, charges premium prices, and has achieved limited reach outside overseas capital cities, with the number of teaching centres reducing rather than expanding in recent years.

6 The British Council's current systems to measure its performance are well designed: they provide a good mix of information; principally on the scale of its activities, customer satisfaction and perception changes, the perceptions of key UK stakeholders and of Council staff. Some improvements could be made to the way data is collected and collated. The Council is working with the Foreign and Commonwealth Office and the BBC World Service to enhance performance measures for public diplomacy. These improvements are well-conceived, but in order to be affordable, it is likely that the Council will have to implement these selectively.

## Conclusions and Recommendations

Our recommendations are expanded on in greater detail at Appendix 1

- i The Council does not yet fully understand the implications of its move from local to regional projects or the savings generated through benefits of scale. It intends to move to even larger, global projects from April 2008. **The Council should verify whether on average large scale projects have generated greater outcomes at least in proportion to their greater cost. Measures may include direct audience size per £1,000 spent, customer satisfaction scores and the ratio of grant to external funding.**
- ii In moving to regional projects, Regions have been able to commission projects in different ways and have achieved differing rates of progress. This, coupled with the challenges of staffing and coordinating large multi-country projects, has tested the Council's overall programme and project management. **In introducing its new process to commission large scale projects, the Council should raise the consistency of project management in the UK and across the overseas network. Change should include better mechanisms for pooling successful project designs, tighter controls on project funding and improved training for project management staff.**
- iii External funding from partners and sponsors has declined since 2001 and there are large variations between countries; half of the network generates almost all the Council's external contributions. **The Council should confirm the reasons behind acute variations in external funding between countries, and more consistently apply its policy on working with private companies across its network. We recommend a corporate target to at least restore external funding to 2001 levels (equivalent to 16 per cent of total Council resources).**
- iv The Council has identified a number of ways of expanding the reach of its English teaching and exams operations. **But it needs to demonstrate more clearly to its stakeholders and competitors how growth supports the Council's mission and charitable purposes and that it does not represent unfair competition. The Council can draw on methods used by, amongst others, the BBC, to give added assurance on fair competition.**
- v The Council is increasingly recognising the importance of good customer service, but it is not yet meeting all of its customer service excellence improvement targets. **The Council should develop an agreed specification for a common customer relationship management tool to enable it to track customer contacts and better understand its audiences across its entire business.**
- vi The Council's published country and regional performance scorecards tend to concentrate their reporting on positive customer comments. **The Council should report a balance of positive and negative customer comments through its country and regional scorecard reports, in order to promote transparency and to better identify areas for improvement from a wider range of sources.**