

House of Commons

Foreign Affairs Select Committee

The FCO and the Integrated Review

Written evidence from the British Council

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1. Summary

- The British Council had begun informal conversation with HM Government as part of the Integrated Review process and was preparing for a more formal contribution via the Global Britain National Strategy Implementation Group (NSIG). It is expected that both interactions will start again once the next steps in the Integrated Review process become clear.
- The Integrated Review comes at a time where the global contest for influence is heating up. Across all regions that the British Council is active in, major economies are investing in their soft power capabilities as a means of delivering the trust and attraction required to enable greater engagement, investment and interaction in the future.
- The UK has long been a soft power superpower and seen as a positive, force for good by many of our international partners, yet its position is facing increasing challenge from other nation states. The Integrated Review provides an important opportunity to place soft power at the heart of UK foreign policy and ensure that the UK has the necessary capabilities to compete.
- The British Council, as one of the UK's principle engines of soft power and an arms-length body of the Foreign and Commonwealth Office, is uniquely placed to respond to this challenge. However, a trend towards reduced funding and the impact of the COVID-19 pandemic pose existential risks to the organisation and the UK's global soft power footprint. If the British Council is to continue to deliver on the Government's priorities for Global Britain, a rapid response is needed to ensure its survival followed by a considered plan to guarantee its future sustainability.

2. The process of the Integrated Review

- 2.1 Despite the original plan to run the Comprehensive Spending Review (CSR) and the IR in parallel, the delay to both processes may provide extra opportunity for experts from the UK and our allies overseas, as well as bodies such as the relevant Parliamentary Select Committees, to feed more detailed information into the Integrated Review (IR).
- 2.2 As the UK's organisation for cultural relations and soft power and an arms-length body of the Foreign and Commonwealth Office (FCO), the British Council has a central role to play in helping HM Government to deliver upon its foreign policy plans through the IR. Up until the point at which it became clear that the IR had been delayed, the British Council had been engaging informally and preparing to engage more formally with its sponsor department, the FCO on the IR process.
- 2.3 Most of the interaction comprised informal meetings between representatives of the British Council and the FCO's Soft Power and External Affairs Directorate (SPEAD). During the small number of weeks before the process was delayed, these meetings were used to help gather additional detail about the review's Terms of Reference, particularly the aims and ambitions of HM Government for the 'Influence' strand of the IR.
- 2.4 British Council representatives also had meetings with relevant teams in No10, Cabinet Office and elsewhere in the FCO. During these conversations, the British Council offered to convene relevant stakeholder groups covering the thematic areas in which we work, both in the UK and overseas at Post, as a means of feeding additional information into the review. This is a conversation that we would hope to continue when the IR process is restarted.
- 2.5 The delay to the IR meant that formal external engagement was put on hold before it began. The only formal engagement to date has been via the British Council's membership of the cross-Whitehall Global Britain National Strategy Implementation Group (NSIG).

3. The global contest for influence

- 3.1 These important decisions about the future of not only the British Council, but UK foreign policy more widely, come at a time when our allies and other nation states are seeking to enhance their soft power infrastructure and capabilities across the world. Increasing levels of investment in soft power assets are expected to challenge the UK's historic status as a soft power superpower over the coming years.
- 3.2 While soft power and influence can be enhanced using various, complementary means, including through commercial, diplomatic and developmental routes, national cultural institutes play a key role in building trust in a given state. For example, research shows that participation in a UK cultural relations activity with the British Council increases the proportion of people who say they trust the UK by 26 percentage points¹. The physical network of cultural institutes, their long-term and trusted position in the communities in which they sit and our ability to engage local populations are all important factors in achieving this.
- 3.3 The ability of cultural institutes to act as the principle engines of a nation's soft power is reflected in the investment that allies and other states are making in them and their prominence within the foreign policy strategy of each. Early readout from a recent study of organisations analogous to the British Council shows a common thread of governance through each country's Ministry of Foreign Affairs (MFA), often with simultaneous lines of accountability into other government departments, allowing for appropriate alignment of priorities and objectives².
- 3.4 The way in which cultural institutes are funded differs from state to state. While it is not always possible to accurately analyse income data for some international cultural institutes (most notably China and Russia), a comparison of how institutes are funded in France, Germany and Japan paints an interesting picture – particularly when one considers that Germany and Japan are the UK's closest competitors on a number of key soft power measures and indicators³.
- 3.5 While the Japan Foundation is of a significantly smaller scale, income for French and German cultural institutes is roughly equivalent to that of the British Council.⁴ However, as shown in **table 1** the proportion of income that comes from the state is markedly different when the UK is compared to its French and German counterparts, comprising only 15% of British Council income, compared to 48% and 62% respectively for France and Germany.

Table 1: 2018/19 Income analysis of cultural institutes in France, Germany, Japan and the UK

Income of Cultural Institutes ⁵	France	Germany	Japan	UK
Total Income (£m)	994	890	154	1,250
State income (£m)	478	550	100	184
State income as % of total	48%	62%	65%	15%

- 3.6 This investment translates directly into additional, global reach, with an impact on presence. While, increasingly, the British Council and other institutes are capitalising on the significant, additional value that can be generated from digital interaction, for example from the Council's world-leading programme of MOOCs,⁶ there are still important benefits to physical presence - not least the delivery of programmes that require it but also the lifelong bonds and access to marginalised

¹ [The Value of Trust](#), 2018

² Early readout from a report into analogous cultural institutes commissioned by the British Council from ICR.

³ [Sources of Soft Power](#), 2020. The report shows how the UK's score for overall attractiveness (81%), was only just ahead of second and third place Germany (79%) and Japan (78%)

⁴ Total income for French cultural institutes amounts to £1,472m, Germany's £1,440 and the UK £1,434.

⁵ Income for France comprises its Institut Français, AEFÉ and Campus France platforms. For Germany the figure includes income for the Goethe Institut, [DAAD](#) and the [ifa](#)

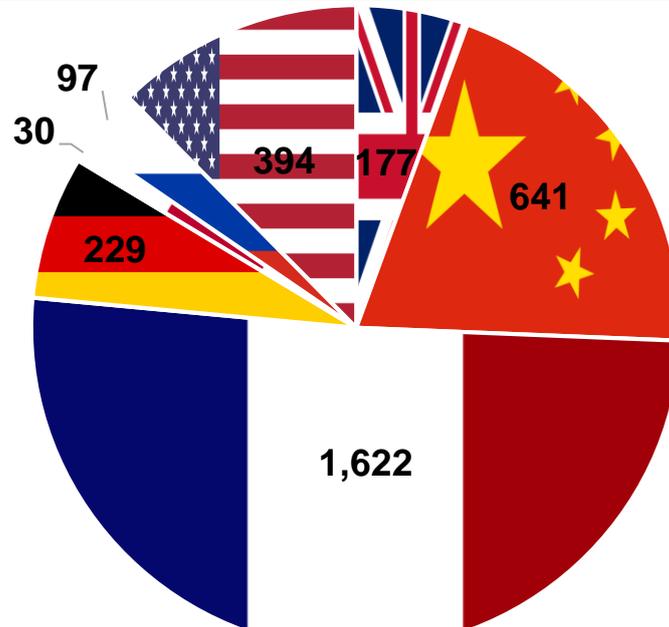
⁶ Massive Open Online Courses

groups that presence, particularly through difficult or challenging moments, forges. For example, the way in which the British Council remained active in the Middle East throughout the Arab Spring or in Ukraine during periods of recent political instability has won us a number of friends we now work closely with.

3.7 All larger countries are active in the cultural relations sphere in all regions the British Council currently operates in. Analysis of the total number of cultural institute offices reveals that France operates 1,100 offices across its Institut Français, AEFÉ and Campus France platforms. As **table 2** shows, there are also 641 of China’s Confucius Institutes worldwide, 394 American ECA offices and 229 offices delivering Germany’s cultural relations efforts. By way of comparison, the British Council currently operates from 214 locations.

Table 2: Number of offices from which cultural relations activities of different countries are delivered

Number of offices ⁷	China	France	Germany	Japan	Russia	UK	USA
TOTAL	641	1,622	229	30	97	177	394



3.8 This global contest for physical presence also points to a number of countries and regions where all major actors are vying for influence. For example:

- (a) The USA has by far the highest number of overseas cultural institutes on its territory
- (b) Europe is the most competitive area for influence and attraction in terms of the density of cultural institute offices located there
- (c) There are significant presences in Latin America
- (d) There are growing networks in Africa and, to a lesser extent, Central Asia
- (e) China has a comparatively low presence of overseas cultural institutes within its borders

3.9 The coverage and reach of cultural institutes are important factors in generating trust, attraction and influence. For example, taking part in a UK cultural relations activity raises the probability of reporting higher levels of trust in the British people, the UK Government and UK institutions of

⁷ Figures for France include Institut Français, Alliance Française, AEFÉ and Campus France platforms. Germany, ifa, DAAD and Goethe Institut. Figures for Russia include Russkiy Mir centres only.

21%, 19% and 21% respectively.⁸ For cultural relations activities involving the British Council, these figures increase to 73%, 82% and 73% respectively.⁹

3.10 In turn, trust increases the likelihood of engagement with a country. Increasing trust in the British people by one unit on a 1-11 scale used in the report raises the probability of ranking the UK as one of the top three most attractive nations overall (vs not) by 16% and it is this attractiveness that dramatically increases intentions to engage with the UK. Those who rank the UK as one of the top three most attractive countries increase the probability of intending to:

- (a) Visit the UK (vs not) by a factor of 2.6;
- (b) Do business with the UK (vs not) by a factor of 1.8;
- (c) Study in the UK (vs not) by a factor of 2.1 and;
- (d) Experience UK art and culture by a factor of 2.4.

3.11 It is clear that there are tangible benefits for countries which invest in their soft power capabilities through cultural institutes, comprising a boost to influence as well as real economic and social advantages. As we plan for the future and, in particular, the rebuilding of international connections which will be vital for advanced economies after the COVID-19 pandemic has subsided, it is vital that the UK is equipped with the right soft power capabilities to succeed.

4. UK soft power capabilities

- 4.1 The UK has long been seen as a soft power superpower, performing well in international rankings and perception surveys including the [Portland Soft Power 30](#) and the [Nations Brand Index](#). This comparative strength has made the UK an attractive place which people trust and which, as a result, people are more likely to trade, do business, or study with. This is, in part, due to the work of the UK's soft power agencies.
- 4.2 HM Government has generally been successful in empowering the agencies that build trust in the UK using a sound institutional model which has allowed organisations such as the British Council and the BBC World Service to operate with editorial and operational independence. This arms-length status results in bodies that are often more trusted than the government itself, but which crucially help to increase trust in the government too. By providing the world with access to the UK's culture, education and language, the UK demonstrates that it is an open and generous country.
- 4.3 However, the latest research shows that the UK's pre-eminence is becoming increasingly precarious. The 2019 edition of the Portland Soft Power 30 saw the UK fall to second place, behind France, while the 2019 Nations Brand Index saw it fall to fourth place, behind the US, China and Japan.
- 4.4 The fragility of the UK's position as a leading soft power state is further illustrated by some of the detailed findings contained in our report, published in February 2020, [Sources of Soft Power](#). This showed that the UK's result for overall attractiveness (81%) was very close to second-place Germany (79%) and third-place Japan (78%). This trend was also reflected in some of the scores for individual value statements among the top three scoring countries, including scores for trust in people (UK 67%, DE 65%, JP 54%) and trust in government (UK 56%, DE 56%, JP 54%).
- 4.5 While the British Council continues to engage with more than 791 million people around the world each year¹⁰, the recent pressures of the COVID-19 pandemic have exposed a number of financial risks. The finances of the Council are based on a mixed funding model; 85% of our income comes from our paid-for activities, such as English exams and teaching overseas. We work with English

⁸ On a scale of 1-11

⁹ British Council, [The Value of Trust](#)

¹⁰ The British Council (2020), *Annual Report 2018-19* <https://www.britishcouncil.org/sites/default/files/2018-2019-annual-report-final.pdf>

language teaching partners, professional bodies, universities and others as joint custodians of the English language examination IELTS and a crucial global network that other partner organisations benefit from.

- 4.6 The remainder of our income comes from programme-based delivery of HMG projects, commissioned by the Department for International Development (DfID), the Department for Education (DfE) or the Department for Digital, Culture, Media and Sport (DDCMS) and from our core grant-in-aid, provided by our sponsor department, the FCO. Public funding amounts to 15% of the British Council's total income and included £179m core grant-in-aid in 2019/20. Our grant-in-aid comprises two main elements -Official Development Assistance (ODA) funding, which contributes to the UK's 0.7% international aid target and which can only be used in states eligible for ODA; and non-ODA funding which can be used more flexibly. The latter has been declining for most of the last decade.¹¹
- 4.7 This mixed funding model allows us to utilise some of the surplus generated on paid-for activities to augment the funding we receive from public bodies, in particular supporting the delivery of non-ODA projects in strategically important states and regions, such as Europe, North America and Australia. Our non-ODA funding reduced from £19m to £13m in the 2020/21 funding settlement. This is the most recent stage of a reduction from almost £100m at the beginning of the decade. While we have continued to increase the amount of our paid-for activities surplus that we use to support this work, this is unsustainable given, among other things, the continued need to invest in our English examinations and teaching business
- 4.8 This situation has been greatly exacerbated by the current COVID-19 pandemic, which has forced the closure of the majority of our teaching centres, stopping virtually all paid-for income and therefore our ability to fund other projects. This dramatic cessation of income has resulted in serious and existential cash flow challenges on which we are currently working internally and with colleagues in the FCO to try to resolve. To date, the FCO have provided £26m in additional funding to replace lost income for the financial year 2019/20 and delivered roughly half of the ODA funding for 2020/21 upfront, in order to support projects in appropriate countries. However, this alone will not allow the organisation to survive. A failure to address the funding challenges we face in a timely manner will mean that the British Council ceases to be a going concern by the end of May 2020.

5. Recommendations and conclusions

- 5.1 The global contest for influence is heating up and the UK, as a longstanding leader in this area, should ensure that it can remain a soft power superpower. The Integrated Review provides an important opportunity for the UK to position its soft power and influence capabilities alongside its other diplomatic and military assets to ensure that it has the most comprehensive array of foreign policy tools possible at its disposal. The Integrated Review should take care to place Britain's soft power at the heart of its recommendations.
- 5.2 Cultural institutes are a key asset in delivering influence for their respective nations and the investment of other advanced, major economies in them is a clear indicator of how their importance will continue to grow in the coming years. Yet the UK's cultural institute and principal engine of soft power is at serious financial risk as a result of the COVID-19 pandemic. The Government will need to take swift and decisive action if the British Council is to remain operational in the future. Once secure, a considered plan to put the British Council's finances on a sustainable footing will allow it to continue its work in support of HM Government's ambitions for Global Britain long into the future.

¹¹ The British Council (2020), *Annual Report 2018-19* <https://www.britishcouncil.org/sites/default/files/2018-2019-annual-report-final.pdf>

6. Context

- 6.1 The British Council is the UK's international organisation for cultural relations and educational opportunities. We were founded in 1934 and incorporated by Royal Charter in 1940. We create friendly knowledge and understanding between the people of the UK and other countries. We do this by making a positive contribution to the UK and the countries we work with – changing lives by creating opportunities, building connections and engendering trust.
- 6.2 We work with more than 100 countries across the world in the fields of arts and culture, the English language, education and civil society. Last year, we reached more than 80 million people directly and 791 million people overall, including online, through broadcasts and publications.
- 6.3 We are an executive non-departmental public body of the Foreign and Commonwealth Office, a registered charity (no 209131 (England and Wales) and SC037733 (Scotland)) and a public corporation. Our patron is HM Queen Elizabeth II and HRH The Prince of Wales is our Vice-Patron.

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