



Annual Report and Accounts 2018–19

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Front cover image Asha de Vos, an award-winning marine biologist from Sri Lanka, at the Natural History Museum in London. Asha was a winner of the global Study UK Alumni Awards in 2018. The awards celebrate the outstanding achievements of alumni and showcase the impact and value of a UK higher education. Award winners, who build lasting connections with the UK, are leaders in their fields who have used their experience of studying at a UK university to make a positive contribution to their communities, professions and countries.

© Peter Kindersley (front cover) © Steve de Neef (left)

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Introduction from the Chair



Today it is more critical than ever that the United Kingdom continues to build its reputation as a connected, attractive and trusted partner, a force for good in the world.

Christopher Rodrigues CBE
Chair (until May 2019)

We are living through a period of exceptional change and uncertainty, with daily challenges to the links between nations. The risks of extremism and instability remain, and a rise in nationalist and nativist sentiment is making it harder to tackle global issues.

We have got used to taking our shared values for granted, but increasingly we are seeing fractures appear in the rules-based international system constructed after the Second World War to support collaboration through multilateral organisations. Trust seems to be in short supply, consensus more difficult to reach.

At times like this, it is more important than ever that international organisations are clear about what they stand for and where they can make a difference.

The British Council is committed to helping people across the world get a quality education which gives them the skills for global citizenship and good jobs. We support people learning English, the world's shared language and the best predictor of favourability towards the UK. We work to develop open and inclusive societies which give young people the right to shape their communities for the common good. And we trust in the power of the arts and artists to help us see the world through each other's eyes.

In short, we believe that connecting people through language and culture builds the bridges that hold our world together.

Today it is more critical than ever that the United Kingdom continues to build its reputation as a connected, attractive and trusted partner, a force for good in the world. It is equally true that we have much to learn from other countries – learnings that will enrich the social, cultural and economic fabric of the UK of the future as much as they have shaped for good the UK of today.

I saw the value of this type of cultural relations for myself last year on a visit to China. We partner with the Chinese government to examine over a million Chinese students and assess their ability to read, write, speak and understand English. Alongside this significant enterprise we connect Chinese communities with leaders in UK arts and culture and we collaborate with Chinese artificial intelligence firms to develop cutting-edge English language teaching tools.

It is this commitment to working over the long term for mutual benefit and shared interests that enables the British Council to create goodwill towards the UK and an enabling context for literally thousands of people and organisations from every corner of our four nations who want to create international connections. We succeed because we are trusted and that in turn creates trust for the UK.

Looking to the future, we would like to see a strengthening of our global network across developed and developing countries, and an increasing role for the British Council in convening international conversations.

I was pleased to see the value of the British Council's contribution to the UK's international relations recognised in the Tailored Review, alongside an endorsement of the progress we have made in the last four years towards a more efficient and transparent operating model. The financial results have been strong this year, allowing us to continue reinvesting our surpluses in growing our programmes, particularly in developed countries where our presence and impact remain dependent on our continuing to receive funding from the UK government.

The Trustees look forward to discussions now under way about our five-year strategy through to 2025. This seeks to respond to the priorities of our stakeholders while ensuring that we stay relevant and competitive as we deliver our cultural relations mission in an increasingly digital world. With the UK preparing to leave the European Union, it is vital for our future prosperity and influence that we remain outward looking and confident on the world stage.

My fellow Trustees and I focus especially on the long-term sustainability and value of the British Council. Looking to the future, we would like to see a strengthening of our global network across developed and developing countries, and an increasing role for the British Council in convening international conversations and tackling shared global challenges, drawing on the trust that it enjoys.

I would like to thank our partners across the UK and worldwide for their continued support. We depend on partnerships to achieve our impact. As the Scottish writer Andrew O'Hagan wrote, 'We are all members of one nation, the imagination'.

That is the world we aspire to. It is a world created every day by the 12,000 inspirational people who work for the British Council, sometimes in dangerous and challenging places. At the end of my term as Chair in May 2019, it gives me great pride to recognise and celebrate their passion, commitment and skill and their many achievements, which are summarised in this report.

Introduction from the Chief Executive



We help to reaffirm the UK's commitment to international relations based on collaboration, inclusion and freedom of expression.

Sir Ciarán Devane
Chief Executive

The British Council has been described as an exemplar in cultural and educational engagement¹ and as an organisation that represents the values of the UK internationally, fostering trust, exchange and long-term relationships with the UK.² Building these relationships supports the UK's wider ambition to address global challenges, promote prosperity and encourage societal development. It also helps engender trust in the UK, its people and its values. At a time of uncertainty and change in the UK as well as globally, we help to reaffirm the UK's commitment to international relations based on collaboration, inclusion and freedom of expression.

Our work creates benefits for both the countries we operate in and the UK. We are helping to raise the standard of English in over 50 countries. Through our digital channels, which now reach more than 100 million learners and teachers of English, we are also creating a better understanding of contemporary UK. Almost four million people took a UK exam with us, improving their prospects for employment, while also generating export earnings of £125 million for UK exams bodies.

We are providing more opportunities for young people in the UK and around the world to become active global citizens. We do this by working with schools, by facilitating partnerships to improve higher education, and by changing attitudes towards inclusion and diversity through partnerships with the cultural sectors. We support young people and emerging leaders to contribute to the development of their own communities and provide positive paths to civic engagement. In 2018–19 we significantly increased our reach, engaging with 791 million people worldwide.

In 2018–19 we celebrated 80 years of our work in Egypt, Malta, Poland, Portugal and Romania. In Europe and around the world our long-term presence helps build trust, demonstrating that we are committed partners. I reported last year that we were instructed to cease operations in Moscow. I am now pleased to report that since June 2018 a number of our colleagues have been operating as the Cultural and Education Section of the British Embassy, continuing to connect future cultural leaders and young scientists from Russia with the UK, and planning a UK–Russia Year of Music.

1. Portland (2017) *Soft Power 30: A Global Ranking of Soft Power 2017*.

2. Respublica (2017) *Britain's Global Future: Harnessing the soft power capital of UK institutions*.



The British Council fulfils an important and unique role in creating knowledge and understanding between the people of the UK and other countries and remains a world leader in its field.

Tailored Review 2018–19

We are continuing to drive efficiencies across the organisation for a long-term, sustainable British Council. Between 2016–17 and 2018–19 our support costs as a proportion of income have reduced from 17.9 per cent to 15.6 per cent. We will continue to drive efficiencies through consolidation and standardisation of processes, an increased use of shared services, more efficient operating models and the use of new digital platforms.

Overall financial performance across the year has been strong. Total income grew by seven per cent and commercial operating surplus by six per cent, leaving a positive bottom line of £30.3 million.³ We will use our surplus to help generate further growth and efficiency, contribute to our operations and programmes in developed countries and, given the current risk environment, to bolster our reserves.

Between 2015–16 and 2018–19 we have allocated £85 million of earned surplus to support our arts work and help sustain our operations in the developed world. We have also drawn on an additional £33 million of funding from the UK government which has been essential in supporting this work and has helped to put us on a sustainable footing until the end of the current Spending Review period. However, continued government funding remains vital post March 2020 if we are going to be able to maintain our operations in the developed world.

In 2018–19 the Cabinet Office commissioned a Tailored Review of the British Council. The report concluded that ‘The British Council fulfils an important and unique role in creating knowledge and understanding between the people of the UK and other countries and remains a world leader in its field’. It was a helpful process which also acknowledged the progress in delivering the recommendations of the 2014 Triennial Review related to fair competition, transparency, efficiency and impact. We welcome the 29 recommendations from the Review for further improvement of our effectiveness and plan to implement them by mid-2020.

My thanks to Christopher for all he has done during his time as Chair. During his tenure Christopher ensured that the British Council maintained greater focus on financial performance and that the organisation responds to the disruption that new technologies will bring.

My final word is one of gratitude for the work of colleagues and partners. The impact we have overseas and the contribution we make to the UK is the sum of all you do – thank you.

3. Net surplus in 2018–19 was boosted by £12 million as a result of the phasing of the receipt of non-official development assistance (ODA) grant-in-aid receipts.

About the British Council

The British Council is the UK's international organisation for cultural relations and educational opportunities.

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. This enhances the security, prosperity and influence of the UK and, in so doing, helps make the world a better, safer place.

We work with over 100 countries across the world in the fields of arts and culture, English language, education and civil society. In 2018–19 we engaged with nearly 80 million people directly and reached 791 million people overall including online and through broadcasts and publications. We combine strategic alignment to the UK's long-term foreign policy priorities with the long-standing principle of operational independence in our work. This helps us to build trust globally and is in keeping with our legal status as a charity.

Founded in 1934, we are a UK charity governed by Royal Charter and a UK public body. The Royal Charter sets out the British Council's charitable purpose in its objects. The majority of our income is raised from English teaching and exams, projects and contracts in education and development, and from partnerships with public and private organisations. Surplus earned from this work is recycled back into the business to deliver more cultural relations work. A total of 14.7 per cent of our income is core grant-in-aid from the UK government.



At the launch of Connecting Classrooms in 2018, pupils at the Marka Prep Girls School, based in the Marka refugee camp, Jordan, take part in a Skype session with their partner school, St Joseph's in London.

© UNRWA/Mohammad Magayda

We combine strategic alignment to the UK's long-term foreign policy priorities with the long-standing principle of operational independence in our work.



Our strategy



Participants at Future Leaders Connect had the opportunity to discuss their policy ideas at an event hosted by The Elders.

© British Council

Our strategy to 2020 has been developed in consultation with UK and devolved governments, UK sector partners, cities and regions and with stakeholders overseas.

We refreshed our strategy in 2018–19 and the updated version is set out opposite.

Mutuality remains a core principle, ensuring that all parties benefit as we build long-term, sustainable relationships for the UK based on trust.

In 2019–20 we will develop our new strategy for the next five years through full consultation with partners and stakeholders.

Using the cultural resources of the UK, we create friendly knowledge and understanding between the people of the UK and other countries.

<div>01</div> <div>Strengthen impact and focus in our priority areas</div>	<p>We make a positive contribution to the UK and other countries we work with – changing lives and creating opportunities, building connections and engendering trust. This enhances the security, prosperity and influence of the UK and, in so doing, makes the world a better, safer place. We achieve this by:</p> <ul style="list-style-type: none">• Building education and cultural partnerships with countries of the European Union and other developed countries.• Strengthening educational and cultural opportunities and connections with India, China and other emerging and high-growth developing countries.• Strengthening long-term connections and relationships with the next generation in Russia and neighbouring countries.• Contributing to stability and security in priority countries, including in the Middle East, Africa and South Asia, and responding to the Syrian refugee crisis.• Creating international opportunities and connections for young people and for cultural and educational institutions in the UK.		
<div>02</div> <div>Improve the experience of customers, stakeholders and partners</div>	<ul style="list-style-type: none">• Improving our customer and market research, analytics and insight to better understand our audiences’ views and preferences, so that we can develop services, products and communications that are relevant to them.• Using this insight we will build stronger, more effective relationships with our customers and stakeholders so that they understand our work and value, and seek to engage with us in longer-term, mutually beneficial relationships.		
<div>03</div> <div>Ensure financial sustainability and maintain operations in the developed world</div>	<div></div> <div>Growing and diversifying income and surplus</div>	<div></div> <div>Improving our operational efficiency</div>	
<div>04</div> <div>Invest in our people, systems and culture</div>	<div></div> <div>Increasing the capability and effectiveness of our people</div>	<div></div> <div>Creating a digitally enabled organisation</div>	<div></div> <div>Strengthening our insight, research and evidence capability</div>

Underpinned by our values

Valuing people

Integrity

Mutuality

Creativity

Professionalism

Changing people's lives



Future Leaders Connect brings policy leaders to the UK for ten days of training and networking, providing opportunities to meet UK policy leaders and share their ideas with The Elders.

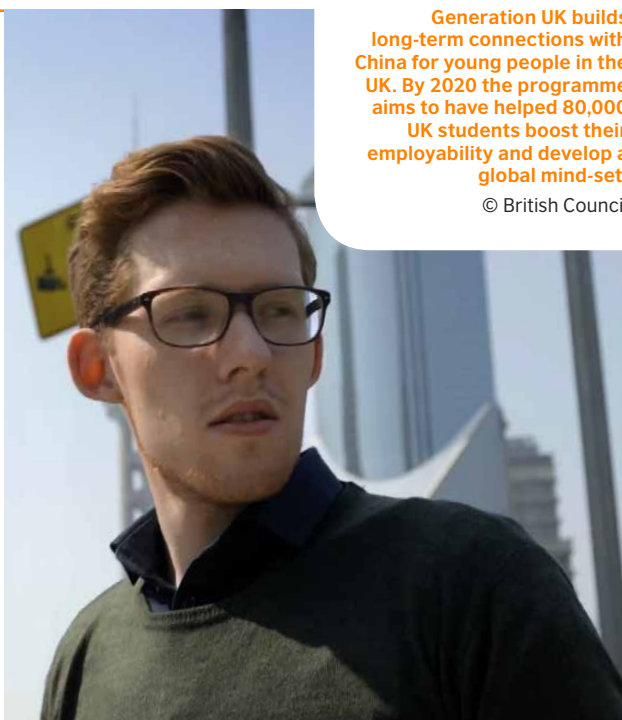
© British Council

Future Leaders Connect gave me hope. The value of meeting people from the different parts of this world is that it actually gives me and them an opportunity to discuss different issues that affect our different communities and take some of those lessons back to our country.

Stellah Bosire, Chief Executive Officer and Secretary to the Board of the Kenya Medical Association and participant in Future Leaders Connect 2018

I come from quite a small town in Northern Ireland. I spent a year in Hangzhou studying Chinese language and culture with the Generation UK programme. Hopefully I can take that experience back to the West and continue to keep up a relationship with China. It's changed my direction in life; it's changed my career trajectory.

Callum Holgate, Generation UK Scholar and Architectural Designer



Generation UK builds long-term connections with China for young people in the UK. By 2020 the programme aims to have helped 80,000 UK students boost their employability and develop a global mind-set.

© British Council

I feel closely connected to the UK in a very emotional manner. I consider myself an advocate of the UK and its education system abroad.

Besides the recognition *per se*, the Alumni Award allowed me to connect with important stakeholders both in the UK and in my country, for the benefit of the sector where we work.

Jose Ignacio Valenzuela, winner of the Global Entrepreneurial Alumni Award 2018



Our Study UK Alumni Awards celebrate the outstanding achievements of alumni and showcase the value and impact of a UK higher education. In 2018 we launched the Global Alumni Awards.

© Peter Kindersley



Sezgi Akbas's studies involve international migration and social policies, particularly focusing on social security law and labour law. He is currently writing his PhD dissertation.

© British Council

I took the IELTS test so that I could seize the chance to work as a visiting researcher at Lund University in Sweden. My English language competency needed to be tested and certified by a universally recognised institution and IELTS opened the door to this opportunity, helping me to secure the scholarships I needed.

Sezgi Akbas, Research Assistant at the Labour Economics and Industrial Relations Department of Pamukkale University, Turkey

We are thrilled to be among the winners; the technical assistance offered by the British Council will go a long way towards enhancing our work, especially around digital and skills for gender equality.

Rachel Sibande, mHub Co-founder and Director, and winner of our #IdeasChangeLives competition



#IdeasChangeLives aims to improve thousands of lives through digital engagement by finding life-changing solutions to the UN's Sustainable Development Goals.

© mHub

The year at a glance

Operating at scale⁴



We reached
791 million
people in total



We engaged with
80 million
people directly



We engaged with over
100 million
learners and teachers of
English through our online
English digital products

Highlights

Connecting the UK with the world through education

In partnership with the Ministry of Education in Ukraine and drawing on UK expertise we are helping to bring transformational benefits to higher education in Ukraine.

We launched Connecting Classrooms through Global Learning – a £38 million, three-year joint programme between the British Council and the Department for International Development (DFID) – to inspire young people to develop their core skills and become active global citizens.

Transforming lives through English

With the support of the Foreign and Commonwealth Office (FCO), we launched English Connects, using English language learning to connect the UK to African youth, creating opportunities for young people.

Our work addressing the needs of English language learners in China through technology led the *Financial Times*, supported by Google, to include the British Council as one of Europe's 100 digital champions in the Corporate Digital Transformation category.

Addressing social issues through culture

Five Films For Freedom – the world's widest-reaching digital celebration of LGBTQ+ film – received 3.9 million views across an 11-day period in March 2019.

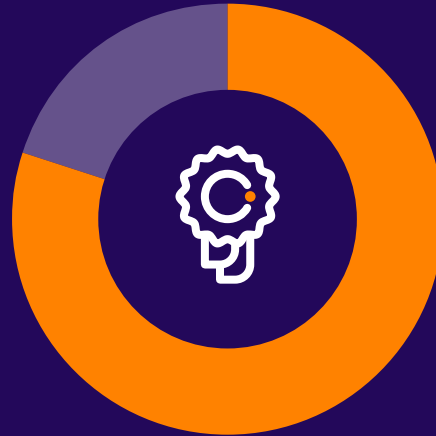
We supported the first significant arts and disability festival in Indonesia, providing opportunities for both UK and Indonesian artists.

Further information on the scale of our work, the quality of our services and financial performance, including comparisons to the previous year, can be found in the Our Performance and Financial Review sections of this report.

Delivering high-quality services⁵



82 per cent
of our customers reported
gaining new skills



80 per cent
of our customers agree
our programmes are
of high quality

Delivering great value for money



We generated £5.80 for
every £1 of grant received,
giving a total income of
£1.25 billion



We remitted
£125 million
in fees to UK awarding
bodies for IELTS and
other exams



Support costs equate to
15.6 per cent
of total income

4. The direct engagement figure includes face-to-face participants, customers using our digital social media and learning products and visitors to our exhibitions, fairs and performances. The wider reach figure includes web visitors and consumers of our print, radio and television broadcasts. Total numbers are aggregated from the numbers of people who participate in individual programmes and as such do not represent unique numbers.

5. Based on a sample of 135,000 and 138,000 responses respectively from customers of our paid-for services.

Calendar of the year



© British Council

April 2018 World Questions

In partnership with the BBC World Service, we have supported 29 World Questions. In Ghana we combined the debate with a performance from the Noyam Dance group. The edition from Harare, Zimbabwe, won 'Best Collaboration' at the prestigious BBC Radio and Music Awards.



© Pacemaker Press Ltd

April 2018 Peace and Beyond

Candice Mama, a forgiveness advocate from South Africa, joined us at the international Peace and Beyond conference in Belfast. Over 200 delegates from 28 countries came to the conference to attend discussions, site visits and cultural events on the theme of peacebuilding.



© Cheem Photography

May 2018 Going Global

Going Global, the British Council's annual conference for leaders of international education, was held for the first time in South East Asia. More than 1,000 sector leaders and global experts met in Malaysia to debate the future of further and higher education.



© Tai Hsin Shiek

June 2018 Colombo library reopening

In June we celebrated the reopening of our Colombo library under the theme 'It All Happens Here' with an evening of music and performance. Our libraries in four geographical locations across the country offer access to UK arts, education and culture for 25,000 members.



© British Council

July 2018 Future News Worldwide

One hundred of the world's most talented, motivated and passionate student journalists attended intensive media training in Edinburgh. Delegates received coaching from world-leading editors, broadcasters, writers and reporters, and learned how publishers are using technology to find stories and bring them to life.



© Rodolfo Rizzo

July 2018 Try Rugby

With a focus on providing opportunities for girls, the Try Rugby project includes female rugby festivals with local schools, sports clubs and non-governmental organisations in São Paulo. Run in partnership with Premiership Rugby, Try Rugby develops sporting connections between the UK and Brazil.

A selection of events from 2018–19 showing the range of our work



© Kat Gollock

August 2018 In Light of What We Write

In Light of What We Write is a #SouthernArtsAfrica project. The event showcased unique and experiential content to illustrate the accessibility of literature, and featured work from significant young and emerging artists from South Africa, Zimbabwe, Botswana, Scotland and England.



© British Council

November 2018 British Council 70th Anniversary Scholarships

UK Prime Minister Rt Hon. Theresa May is pictured alongside the winners of the British Council 70th Anniversary Scholarships. The programme is open to Indian women pursuing masters' degrees in science, technology, engineering and maths (STEM) in the UK.



© Gabi Carrera

December 2018 Women of the World

Women of the World is a festival that celebrates the achievements of women and girls and explores the obstacles they face across the world. In Rio de Janeiro, Brazil the event included a walking tour of the Morro da Providência area of the city, hosted in partnership with residents from the favela, to challenge negative stereotypes of the communities living there.



© British Council

January 2019 Premier Skills

Community football coaches in Kolkata train to become Premier Skills Coach Educators, learning how to deliver life-changing courses to grassroots football coaches. Since Premier Skills began in 2007, over 25,000 coaches and referees have been trained in 29 countries, reaching over 1.7 million young people.



© Agnese Sanvito

February 2019 International Fashion Showcase

In February 2019, we opened the International Fashion Showcase at Somerset House during London Fashion Week. The exhibition, which ran for two weeks, nurtured and presented work from the most exciting up-and-coming fashion talent from around the world.



© Camilo Paparoni

February 2019 Point of Origin exhibition

The British Council in Venezuela showcased 'Point of Origin', an exhibition representing significant places in Venezuela and the UK by Carlos Arciniegas, an artist whose parents were visually impaired. Both the original wood engravings and three-dimensional Braille captions can be enjoyed by visually impaired people through touch.



Members of the Global Parliament of Mayors meet in Bristol for their Annual Summit in October 2018. Nearly 100 global city leaders and international experts convened to discuss *Empowering Cities as Drivers of Change*, which the British Council is supporting through our Global Cities Strategy 2019–25.

© Andrew Brooks

A global perspective

Delivering mutual benefits through our work in English language, education and culture

Our work supports the priorities of a wide range of partners in the UK and around the world. It contributes to the policy objectives, international strategies and single departmental plans of the FCO, DFID, the Department for Education, the Department for International Trade, the Department for Digital, Culture, Media and Sport (DCMS) and other UK government departments as well as those of the governments of Northern Ireland, Scotland and Wales.

We focus especially on cultivating the UK's soft power. Our approach, which is based on mutuality, enhances the UK's influence and promotes values which support open societies, tolerance and inclusivity, contributing to shared security and prosperity.

We achieve our objectives and support our partners by drawing on and promoting the UK's strengths in English, education and culture, delivering significant benefits for the UK and countries in which we work. As a trusted UK institution, we can bring about positive change and make a major contribution towards the UK's soft power and influence, making the UK better connected and more attractive.



The British Council in particular has been instrumental in spreading British influence and cultivating soft power through cultural and educational engagement.

[Portland Soft Power 30 index](#)

As outlined in the recent National Security Capability Review 2018, the British Council is a world leader in promoting cultural relations and educational opportunities. According to the Portland Soft Power 30 index,⁶ which placed the UK in the top spot in 2018: 'The British Council in particular has been instrumental in spreading British influence and cultivating soft power through cultural and educational engagement.' The University of Edinburgh report *Soft Power Today*⁷ indicated that cultural institutions, such as the British Council, are influential in attracting international students, international tourists and foreign direct investment. Research conducted by the British Council⁸ shows a strong correlation between engagement with British Council activity and trust in the people of the UK. Seventy-five per cent of respondents who had been involved in a British Council programme said they trusted the people of the UK, compared with 49 per cent who had never been involved in a UK cultural relations activity.

Cultural relations activity through the British Council is also associated with an increase in perceptions that the UK supports global values that are important in the 21st century (64 per cent of respondents who had been involved in cultural relations activity through the British Council compared to 31 per cent who had not).⁹

Our research also demonstrates that one of the strongest predictors of trust in the UK is a person's ability to speak English. It facilitates international trade and diplomacy, opens doors to international study and enhances career opportunities.¹⁰

6. Portland (2018) *Soft Power 30: A Global Ranking of Soft Power 2018*.

7. University of Edinburgh (2017) *Soft Power Today: Measuring the Influences and Effects*.

8. British Council (2018) *The Value of Trust*.

9. Survey of 18- to 34-year-olds in the G20 (2016); fieldwork by Ipsos Mori, analysis by In2Impact. Previously unpublished results. Data excludes responses from the UK, USA, South Africa, Canada and Australia. Sample size: 14,009.

10. British Council (2012) *Trust Pays*.

We help millions of people to teach and learn **English** through support for public education systems and through face-to-face and self-access online materials and courses. We are raising the standard of English in over 50 countries and through our digital channels we are also creating a better understanding of contemporary UK, reaching more than 100 million learners and teachers of English.

UK qualifications change people's lives for the better by increasing their opportunity to study or work abroad or in their own countries. As well as providing opportunities for individuals, we share best practice in testing and assessment, drawing on the UK's and the British Council's expertise in this area. Our work supporting internationally recognised exams also supports good governance and the improvement of standards.

Through our work in **education** we share UK expertise and help people develop new skills. Our higher education work contributes to global education policy development, supports international mobility and collaboration, and promotes the UK as a world leader in education and research and a top destination for international study. With teachers and policymakers, we help to improve the education of millions of young people around the world by creating international links between individual schools and whole education systems.

Our work in **culture** spans both the arts and society sectors. We work with experts in the arts to showcase the best of the UK's vibrant and innovative creative sectors globally and to bring international art and culture to the UK, enabling audiences to access cultural experiences that originate from around the world. Our arts programmes support social change, foster collaborations and network building, and facilitate the development of the cultural skills needed to grow the global creative economy. We enable creative professionals to collaborate internationally, access funding and continue working in times of conflict.

Our programmes in the society sector help individuals and institutions gain the skills needed to build more accountable institutions, strengthen civil society, widen access to justice and promote the rule of law. Sharing the UK's expertise in social enterprise, we help social entrepreneurs to create growth and employment. Through our sports programmes we give people the skills to improve community cohesion. We help to develop the confidence and skills of women and girls, allowing them to participate more fully in their societies.

We work in over 100 countries and territories worldwide with 21 priority countries where we aim to provide a comprehensive offer across our work in English, education and culture. The graphic opposite lists our priority countries and provides a summary of how our income is divided regionally to help provide context for the examples we have provided in the sections that follow.



English

In 2018–19 we taught English to nearly

420,000
students

and supported the professional development of

77,000
teachers of English

We enabled

3.9 million
people to take an exam with us



Education

We worked with

5,000
researchers in the UK and

21,000
researchers worldwide

We supported

168,000
teachers worldwide with training



Culture

We partnered with

8,000
UK-based artists and arts organisations and

39,000
artists and arts organisations around the world

We built the capacity of

2,000
civil society organisations around the world

Total income by region

Wider Europe

£34.84m



Priority countries: Russia, Ukraine and Turkey

Americas

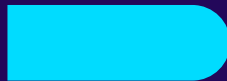
£39.42m



Priority countries: Brazil, Colombia, Mexico and USA

Sub-Saharan Africa

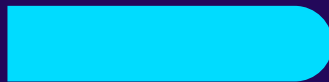
£78.55m



Priority countries: Nigeria and South Africa

South Asia

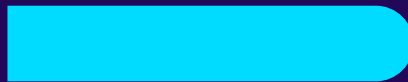
£114.68m



Priority countries: Bangladesh, India and Pakistan

Middle East and North Africa

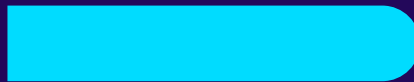
£143.22m



Priority countries: Egypt and Saudi Arabia

EU

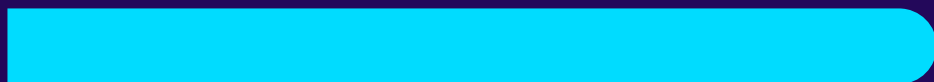
£145.51m



Priority countries: Germany, France and Spain

East Asia

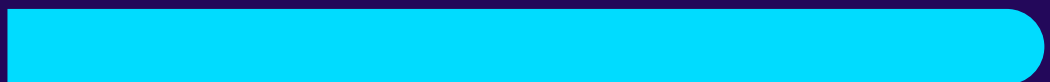
£327.72m



Priority countries: China, Indonesia, Japan and South Korea

UK¹¹

£365.59m



11. The UK figure includes income from UK exams bodies and from the EU for the Erasmus+ programme.

Building education and cultural partnerships with countries of the European Union and other developed countries

As the UK prepares to leave the European Union, it needs to strengthen bilateral ties with individual member states.

The approach we have adopted across Europe will help to meet this need. We have a brokering and convening role to link institutional partners in the European Union with their counterpart organisations in the UK. This work through institutions, combined with our English language teaching, delivery of UK exams and our digital offer, enables us to connect increasing numbers of young people with the UK.

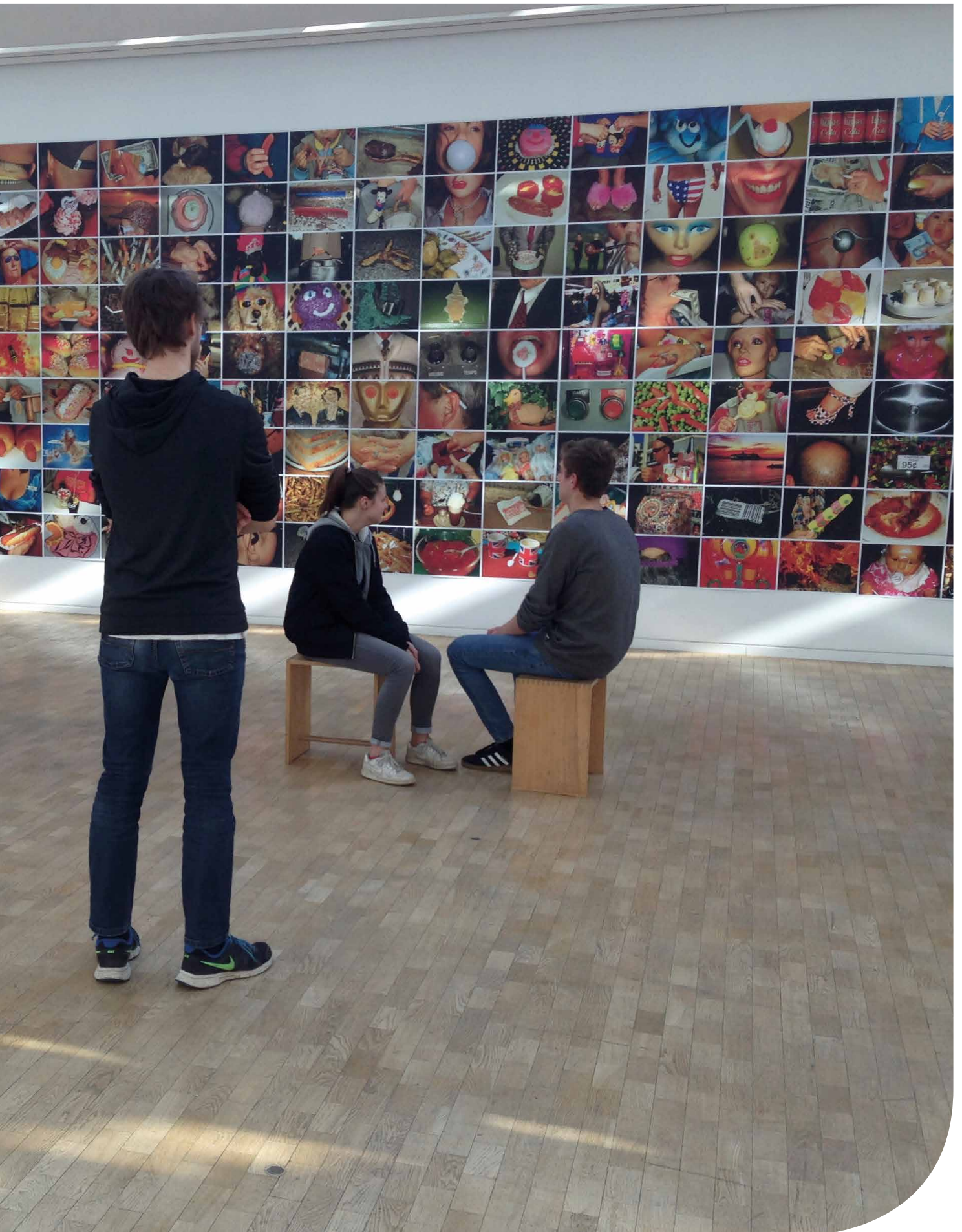
Our global network of over 100 countries and territories includes 44 developed nations. Beyond Europe, we are building on existing ties with the developed countries of North America, Asia, the Commonwealth and the Gulf. In the United States we are focusing on global challenges of shared concern where cultural relations can have a significant impact. In Japan we are improving standards of English language teaching and in Hong Kong sharing UK creativity and innovation. In the Gulf we are helping countries to diversify their economies through UK expertise in the cultural and educational sectors. The examples provided here demonstrate how we are building mutually beneficial connections and enhancing the UK's reputation in developed economies.

Beyond Europe, we are building on existing ties with the developed countries of North America, Asia, the Commonwealth and the Gulf.



As part of the UK/Germany season we brought photographers Sarah Amy Fishlock and Kotryna Ula Kiliulyte to Ulm for a week of workshops with school pupils, focusing on the work of Martin Parr.

© British Council



Focus on Europe

UK/Germany season celebrating cultural connections

The UK/Germany 2018 season connected more than 100 partner organisations with UK and German audiences and artists. The programme celebrated cultural relations between the UK and Germany, including theatre, music and dance, digital engagement and storytelling. Highlights included a virtual exhibition, storytelling workshops and readings at the International Literature Festival Berlin. A series of videos sharing experiences of the season were watched by one million people across all 16 federal states. The season has led to many collaborations and partnerships between UK and German artists; for example, UK choreographer Rachael Nanyonjo and German dancer Maria Pohle are now working on a joint project.

The season also included a weekend conference for 60 pupils from the UK and Germany to discuss what culture means to them. A film made by the students was shown to policymakers at the European Cultural Heritage Summit in Berlin, among them Germany's Commissioner for Culture and the Media.

100

partner organisations

Digital stories watched by

1 million

people across
16 federal states

Promoting social cohesion through international links

People-to-People Central Europe, launched in October 2018, aims to provide international opportunities and connections for isolated communities in the Czech Republic, Hungary and Slovakia.

The pilot programme was funded by the FCO to strengthen social cohesion across the region, promoting new channels for dialogue and action in and between different groups. The project includes strands on schools and core skills, community arts and social development.

International links are already starting to form after nine months, with over 50 UK organisations involved in the project so far. Following two study tours – one around community enterprise in post-industrial areas of Scotland, and the other exploring school leadership in Lincoln – there is evidence that policymakers, mayors and other key stakeholders are now looking to the UK for inspiration.

Participants who took part in workshops and training are developing their own projects in social innovation, with mentors assigned both locally and in the UK. Communities of practice are also emerging across key sectors.

More than 1,000 individuals have been involved in activity to date, ranging from scoping visits, study tours, training courses, innovation workshops, public consultations, artistic residencies, policy dialogues and focus groups.



The British Council transformed a working relationship into a family one.

Ana Alvarez

Founder and CEO, Migration Hub Network, and partner in our UK/Germany season

Promoting UK higher education

The UK education sector is one of the most international in the world, welcoming 438,000 international students each year. Our work helps students and researchers benefit from education exchange. Every year, we organise university fairs in Bulgaria, Cyprus, Germany, Greece, Italy, Poland, Romania and Spain. They attract more than 37,000 visitors and help UK universities represent the excellence of British education.

This year, we worked with the GREAT campaign at the largest education fair in Spain, with media coverage and a reach of 16.7 million. This is part of a growing interest and demand in Spain

for UK education and qualifications, with the number of Spanish students in UK universities growing by six per cent.

We also help UK universities identify opportunities and establish partnerships in transnational education (TNE). In Greece we commissioned research into TNE opportunities, ran a high-level TNE conference with Universities UK International in Athens and presented opportunities to the UK higher education sector. We will follow up with a match-making event in November 2019 to establish partnerships.

© Alberto R Roldán



Providing opportunities across Europe through English teaching and exams

Our teaching operations in Europe have been a benchmark for quality and at the cutting edge of English language teaching for over 80 years. We have collaborated closely with governments in English language policy and teacher professional development and in 2018–19 we taught 69,000 learners of English across Europe.

On the exams side, we deliver examinations for a range of UK awarding bodies and institutions, including ACCA and University of London. In 2018–19 we delivered 50,530 university and professional examinations, 9,761 school examinations, 125,670 IELTS tests and 164,000 Cambridge English tests. With our partners we provide school-age and adult learners across the continent with access to internationally recognised UK qualifications which help learners to develop their mastery of the English language and open doors to career and study opportunities in the UK.

Providing opportunities for artists in France and UK

Fluxus encourages exchange between emerging and contemporary artists in France and the UK, intervening at a decisive point in the career of the artist (or curator) and ensuring they have an opportunity to build international links and secure wider exposure. In 2018–19, 26 exhibitions of new work were selected by Fluxus Art Projects, including George Henry Longly at Palais de Tokyo in Paris and Marguerite Humeau at Turner Contemporary.

The programme is managed and supported by the British Council, the Institut français and the French Ministry of Culture, with additional donations from private patrons. Fluxus alumni have gone on to gain significant recognition, winning the Turner Prize and the Prix Marcel Duchamp.



Giving a voice to refugees through the arts

We supported the first international tour of the critically-acclaimed play *The Jungle*. The play tells stories of loss, fear, community and hope and was inspired by the experience of two young British playwrights in the refugee camps of Calais. The US tour highlighted issues around refugees, immigration, identity and communities to an influential New York audience. Sold out performances at St Ann's Warehouse in New York played to almost 20,000 people. During the play's run at the Curran in San Francisco we also launched a collection of essays, *Trust Me, I'm an Immigrant*, including a foreword by former US Secretary of State Dr Madeleine Albright.

© Marc Brenner, reproduced courtesy of Good Chance Theatre and Sonia Friedman Productions





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A remarkable play,
unsparing and humanising.

David Miliband, Chief Executive, International Rescue Committee

Sharing UK creativity and innovation in Hong Kong

The SPARK festival showcased the best in UK creativity and innovation across the arts, science and education and provided a platform for the exchange of ideas and the development of creative and research partnerships between the UK and Hong Kong. SPARK included talks, performances, installations, exhibitions, hackathons, showcases and forums. There were 14,000 participants and 52 creative partner organisations, including 15 UK universities. SPARK has stimulated emerging research collaborations between UK and Hong Kong universities, provided data for academic papers and introduced participating universities to potential industry partners.

14,000 people took part in the SPARK festival, which provided a platform for exchanging ideas and developing creative and research partnerships between the UK and Hong Kong.

The University of Nottingham presented *The Periodic Table of Videos: Live!* during the three-day SPARK festival.

© ATUM Images



Opportunities for UK arts in Saudi Arabia

We brought together over 200 influential arts and cultural practitioners from the UK and Gulf at the Creative Futures Forum in February 2019. This marked the first international event on the creative and cultural economy in Saudi Arabia. By supporting reforms at all levels of society, we aim to widen access to the UK's education and culture for young Saudis.

The Creative Futures Forum was part of our wider UK government-funded Gulf Culture and Sport Programme, which has created new opportunities for the UK and Gulf countries to connect and build greater understanding through culture and sport.

The Creative Futures Forum was the first international event on the creative and cultural economy in Saudi Arabia.

Improving English teaching in Japan

The Leaders of English Education Project has provided professional development to over 68,000 teachers in primary and secondary schools across Japan since its launch in 2014. It aims to reach students in every school in the country by the end of the programme in 2019–20. Delivered by the British Council on behalf of the Japanese Ministry of Education, this is the first time that Japan has engaged with a foreign institution to assist with reform of its education system. The programme has raised the profile of UK expertise in English language teaching, is improving levels of English proficiency among Japanese young people and will lead to greater opportunities for educational collaboration and exchange, as well as increased opportunities for trade between Japan and the UK.

This is the first time that Japan has engaged with a foreign institution to assist with reform of its education system.

Supporting co-operation in medical research with Israel

BIRAX (the Britain Israel Research and Academic Exchange Partnership) is a British Council and British Embassy initiative which funds world-leading research jointly undertaken by scientists in Britain and Israel. With £8 million of investment to date in 19 projects, it tackles some of the world's most challenging conditions and diseases, including cardiovascular and liver disease, diabetes and Parkinson's.

BIRAX projects are at the forefront of scientific innovation. In the last year, BIRAX-supported science was presented at the Karolinska Institute's Nobel Forum; published in the prestigious British academic journal *Nature*; and was part of the research that was awarded the EU's scientific innovation award. Seventy-seven publications featuring BIRAX-supported research have been published since the start of the programme, five patent applications have been made, and BIRAX-supported research has been presented in about 96 conferences around the world. BIRAX Principal Investigators report that BIRAX has allowed them to carry out international research they could not otherwise have done, with 16 out of 19 of those interviewed saying it had allowed them to generate new international collaborations for them or their institution.

Seventy-seven publications featuring BIRAX-supported research have been published since the start of the programme.

Strengthening educational and cultural opportunities and connections with India, China and other emerging and high-growth developing economies

Emerging markets across the world continue to grow and develop with ever increasing influence on the global stage. A central focus of our work across this diverse group of countries is to support the aspirations of young people by enhancing their skills and employability.

We provide access to trusted international examinations and qualifications, raise standards in English language teaching, support education systems and share the best of UK arts and creativity. While meeting local needs, we also help organisations and providers from the UK to access new opportunities and develop new partnerships in the English language, education, cultural and society sectors. We support international values around diversity and inclusion, focusing especially on opportunities for women and girls.

In India a strong focus of our work is on improving education systems to better equip young people with English and employability skills, and we provide access to international qualifications and education opportunities through assessment and study in the UK. In China we have enhanced the UK's position as a strategic partner in the cultural and educational sectors and continued to promote inward and outward mobility. In Africa, in support of the UK government's strategy, we have engaged with individuals and institutions to support opportunities for employment, contributing to shared prosperity and development. The examples provided here show how we are contributing to local development needs as well as promoting opportunities for UK organisations.



Through English and Digital for Girls' Education we are building English, ICT and social skills among adolescent girls in Bangladesh, India and Nepal. The project trains group leaders to set up after-school clubs for girls in their communities.

© Vivian Sarky



Building long-term creative relationships with China

Connections through Culture is the British Council's longest-running arts programme in China. Since 2006, with support from the Scottish government in particular, £662,000 has been invested in over 380 grants for travel, meetings and the development of UK–China creative collaborations. We have invested in a diverse range of talent, from individual artists to large-scale cultural institutions – having a transformational impact on the quality and sustainability of UK–China cultural relations. One example of the programme's impact has been collaboration with the arts organisation Beijing 707N, which was first supported to visit the Edinburgh Festival in 2009. Since then, 37 per cent of the works they have brought to China have been from the UK – touring 23 companies to nine different cities across China, to a total audience of nearly 100,000 people. Another example relates to the Royal Scottish National Orchestra (RSNO) who have been invited to participate in a festival in China and are planning a major tour as a result of connections made through this programme. The RSNO also developed a partnership that will result in Chinese teenagers coming to Glasgow to participate in a work experience programme resulting in a public performance alongside the RSNO.

We have also launched China Now, a member-based service for UK arts organisations to help shape international strategy and ambitions, and support partnerships between UK professionals and their counterparts in China and Hong Kong. In 2018 its feature stories, research reports, opportunities, news and events reached over 1,000 active subscribers, helping them to understand China and Hong Kong's fast-moving arts and creative economies.

Connections through Culture has had a transformational impact on the quality and sustainability of UK–China cultural relations.



Transforming the profile of disability arts in Indonesia

As part of the three-year UK/Indonesia season, we supported Indonesia's first significant disability arts festival. The festival included the first disabled models to appear at Jakarta Fashion Week and Indonesia's first Deaf Rave. One hundred UK and Indonesian artists participated, 20 new partnerships were created, and it has since been adopted by the Ministry of Education as a priority programme for 2019.

Wong Peken performed by dance company Kita Poleng, choreographed by Jasmine Okubo as part of Festival Bebas Batas, Indonesia's first significant disability arts festival.

© British Council

Sharing best practice in education in South East Asia

The EU Support to Higher Education in the ASEAN Region (SHARE) programme strengthens regional co-operation and enhances the quality, competitiveness and internationalisation of ASEAN higher education institutions and students. SHARE draws on European experience and expertise from the Bologna process to support ASEAN's aim to build a regional higher education area. The programme is implemented by a consortium of European organisations led by the British Council. Since 2015 SHARE has conducted nine large-scale policy dialogue events and initiated and supported three networks of expert practitioners in qualification frameworks, quality assurance and credit transfer systems. A network of 32 ASEAN universities has been set up to support the implementation of the SHARE student mobility scheme and over 500 scholarships have been awarded to students.

Improving education systems in India

We continue to partner with state governments in India to build system capacity in English teaching. Using our Teaching for Success framework, we work with state administrators, school and college principals, teachers and teacher trainers, embedding best practice in continuing professional development.

Evaluations have shown a range of positive outcomes, including improvements in teacher classroom performance, improvements in student learning and high success rates for students in exams.

In 2018–19, we worked across 12 Indian states in the primary, secondary, higher education and skills sectors. We directly reached 1,477 schools and colleges and 1,875 education leaders. We also directly reached 1,584 teacher educators, 7,796 teachers and 491,139 students and pupils. Partners in 2018 included University of Cambridge, FutureLearn, Tata Trusts, World Bank, Macmillan Education, Naandi Foundation, Digital Empowerment Foundation and DFID.

Evaluations have shown a range of positive outcomes, including improvements in teacher classroom performance, improvements in student learning and high success rates for students in exams.

12

Indian states

1,477

schools and colleges

7,796

teachers

491,139

students

Supporting women and girls across South Asia

The British Council works across English, education and the arts to help women and girls break down barriers to participation. Our English and Digital for Girls' Education (EDGE) programme has trained 18,000 girls from marginalised communities in 750 clubs across Bangladesh, India and Nepal. The clubs teach English language proficiency and core skills, particularly digital, to help enhance career and life opportunities and tackle the problems of child marriage and missed education.

We provided 103 full tuition scholarships across 43 UK higher education institutions for Indian women to pursue a UK master's programme in STEM. And through our Crafting Futures programme, we worked with Fashion Revolution and IMG Reliance/Lakme Fashion Week to spotlight and support the craft of women weavers in North East India. We also worked closely with the Southbank Centre and The WOW Foundation, supporting the Women of the World series of festivals which celebrates the achievements of women and girls and explores the obstacles they face.

The EDGE programme has trained 18,000 girls from marginalised communities in 750 clubs across Bangladesh, India and Nepal.

Exploring English assessment in Latin America

Our first international conference on trends and issues in English language assessment in Latin America took place in Mexico City in March 2019. New Directions Latin America 2019 brought together over 200 language educators, policymakers and assessment researchers from more than 20 countries to exchange ideas and the latest research findings. The UK was represented by, among others, several university researchers, the British Council's Assessment Research Group, Cambridge Assessment English and Pearson.

Several challenges for English assessment in Latin America were identified, such as the high demand for more professional development, teacher training and assessment literacy. Future New Directions Latin America conferences will respond to and explore these critical areas.

STEM opportunities for women and girls in South America

Girl Power Codefest is a computer education programme aimed at improving access to STEM career opportunities for women and girls. It gives schoolgirls access to computer programming skills, using the micro:bit, a piece of specialist hardware designed by the BBC. To date, 250 women and girls in Chile, Peru, Colombia and Mexico have been given access to this cutting-edge technology, learning coding and technological skills.

The programme was launched by the UK Foreign Secretary and the Minister of Education of Chile in May 2018. Building on the success of the first phase of the programme, the British Council in Colombia has signed an alliance with the Ministry of Technology to implement the second phase of the project, entitled Coding for Kids. The project will reach over 30 municipalities in the country, train a total of 260 public school teachers and provide coding skills for 15,600 students.

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Driving up skills in Pakistan

We are supporting the Pakistan government to develop fit-for-purpose apprenticeships. As part of the EU-funded Toolbox project, we worked with the National Vocational and Technical Training Commission to promote new legislation on apprenticeships. This included a programme of workshops in nine different cities in Pakistan to build the understanding and engagement of employers and leaders of training institutes. A total of 500 stakeholders took part in the workshops and related activities, with over 97 per cent of workshop participants agreeing that they had been valuable for their job.¹²

The workshop programme, with the support of the Pakistan government, is now being rolled out further across the country using funding provided by the Scottish government. An additional 100 stakeholders have already been trained.

Over 97 per cent of participants agreed that the workshops were valuable for their jobs.

Newton Fund supporting research innovation

The Newton Fund builds research and innovation partnerships with partner countries to support their economic development and social welfare, and to develop their research and innovation capacity for long-term sustainable growth. The fund is managed by the UK's Department of Business, Energy and Industrial Strategy, and delivered through seven UK delivery partners, including the British Council.

A Newton-funded project between researchers from University College London in the UK and the Indigenous Work Centre (CTI) in Brazil is helping the indigenous Guarani people restore the Atlantic Forest in their territory, helping to protect one of the world's richest biomes and the water supply for 70 per cent of the Brazilian population.

The team are supporting the preservation and restoration of the forest and improving the well-being of Guarani communities. Seed exchanges have helped rescue agrobiodiversity from collapse on Guarani territory and collective plantations have been established, helping to restore degraded land.

12. Based on responses from 224 workshop participants.

Focus on Africa



Connecting the UK to Africa through English language learning

English Connects is a new programme to connect the UK to African youth through English, particularly in unrepresented countries in West Africa. Funded by the FCO and British Council, it is improving the quality of English language learning and teaching, creating opportunities for young people to fulfil their potential and improve their employability, resilience and networks. Working with governments, private sector, young entrepreneurs, educators and learners in formal and non-formal education, the programme connects UK English language teaching providers, institutions and educational technology agencies with targeted countries. The programme showcases UK expertise, creativity and innovation in education, and builds trust and new partnerships.

“

This is a much more collaborative approach and one which [...] the sector representatives were delighted with. It allows the British Council to take on the vital role of broker and manager, thereby leading the UK response, reassuring overseas partners and guaranteeing quality.

Michael Carrier
Managing Director, Highdale Consulting

Foreign Secretary Jeremy Hunt met with English Connects students during his visit to Dakar, Senegal.

© British Council

Strengthening higher education through partnership

SPHEIR supports multi-country partnerships to improve the quality, accessibility and affordability of higher education. Funded by DFID, the programme is managed by a consortium led by the British Council in association with PricewaterhouseCoopers (PwC) and UUKi. SPHEIR partnerships involve 19 UK institutions and relevant partners in the following countries: Somaliland, Lebanon, Jordan, Kenya, Tanzania, Uganda, Rwanda, Nigeria, Ghana, Sierra Leone and Myanmar.

The SPHEIR programme has delivered capacity building to 557 teaching staff (231 women and 326 men) in the higher education institutions it targets. It has achieved significant outcomes, for example the development of a new degree programme – a certificate in Health Professions

Education – as part of a wider project in Somaliland to prepare medical graduates for practice. The project – called Prepared for Practice (PfP) and led by King's College London – has also made considerable progress towards reforms at national level. A postgraduate diploma in quality assurance has also been developed in Sierra Leone to improve practice in quality assurance across the higher education sector.

SPHEIR was awarded an 'A' rating by DFID in its most recent Annual Review in December 2018.

Transforming the teaching of English in South Africa

The English Language Teaching Collaboration Programme has been running since 2012 in partnership with the South African Department of Basic Education. The programme aims to improve the quality of basic education by supporting the teaching of English. Through this collaboration, the British Council has made significant progress towards improving the educational outcomes for the country's 12 million pupils. Since 2012, the programme has developed the capacity of 127,398 subject advisers and lead teachers, as well as supporting 122,936 teachers in all districts across nine provinces. A major achievement in 2018–19 was the establishment of a national teachers' association which will contribute to the programme's sustainability.



The partnership over the last seven years has been healthy in every way, demonstrating a deep mutual respect and a willingness to learn from each other. This contributed significantly to the progress we made on the projects.

Mathanzima Mweli
Director-General, Department of Basic Education

Supporting good governance through exams

By working with organisations such as the Chartered Institute of Procurement and Supply (CIPS) we are supporting the development of essential skills to promote good governance and fiscal practice across the region. In 2018 we delivered 36,000 CIPS exams across Sub-Saharan Africa, providing access to high-quality, internationally recognised UK qualifications that improve individual employability prospects. Our work with CIPS has helped them access markets in countries such as Malawi, Uganda and Zimbabwe, and in 2018 we supported their transition to computer-based testing.

We are supporting the development of essential skills to promote good governance and fiscal practice across the region.

Forging connections through digital art

ColabNowNow is a flagship arts project engaging East, West and Southern Africa and the UK in a collaborative digital art residency. Hosted by the Maputo Fast Forward festival, nine artists worked together through a ten-day residency with video, photography, drawing, programming, audio recording, performance and interactive displays. This showed the best of African and UK digital practice, reaching a total of 5.2 million people – the largest African digital arts campaign of the year.

There was a public exhibition in Maputo alongside a comprehensive social media campaign that followed each element of the project, from open call, selection and on-the-ground activity to a final digital exhibition that was available to the public.

Valerie Amani and Nikiwe Ndlova collaborate on a photo shoot during ColabNowNow.

© Maputo Fast Forward



Strengthening long-term connections and relationships with the next generation in Russia and neighbouring countries

Across Russia, neighbouring countries and the Western Balkans there are various conflicts and disputes, countries with large youth populations and in many, but not all, high youth unemployment.

Building long-lasting relationships with young people and connecting them with the UK is at the heart of our work in all these countries. We are supporting their future social and economic success through our work with young leaders and by helping young people develop the skills they need to enhance their employability and to communicate effectively within wider communities. We are also developing institution-to-institution links with the UK – particularly universities and arts organisations – to share research, develop business links and encourage good governance.

We are committed to building relationships even when times are challenging. This has been seen most recently through our arts work in Russia. In March 2019, a year after we were instructed to cease operations in Russia, our Chief Executive joined the Russian President's Envoy for International Cultural Collaboration for a press conference at TASS to launch the UK–Russia Year of Music. Since June 2018 our much reduced but dedicated team has been operating as the Cultural and Education Section of the British Embassy in Moscow, continuing to connect Russia's future cultural leaders and young scientists with the UK. The examples we have provided highlight the benefits of our work in Russia, Ukraine and other countries in the region.

Building long-lasting relationships with young people and connecting them with the UK is at the heart of our work in all these countries.



Hadrian Garrard and Diana Ibáñez López of Create London leading a workshop on urban development through cultural projects at Zarya Cultural Centre in Vladivostok in February 2019.

© Yuriy Smityuk





Bringing innovation in teaching to the Western Balkans

Our 21st Century Schools programme will provide one million 10- to 15-year-olds with critical thinking, problem solving and coding skills. It uses UK technology and innovation from the Micro:bit Educational Foundation, of which we are a member. Following a successful pilot, this programme was launched on 12 March 2019, the 30th anniversary of the world wide web. With £10 million of UK government funding, it will reach every primary school in every community across the Western Balkans over the next three years.

A pupil at Cinema Armata in Pristina Kosova taking part in activities to celebrate the launch of 21st Century Schools.

© Jasir Beqiri

The programme will reach every primary school across the Western Balkans over the next three years.

Developing the creative economy in Central Asia

Our annual international conference series Creative Central Asia explores the contribution to economic and social development that a thriving creative economy can make. The UK's experience in this area is valued by policymakers in Central Asia as they try to diversify their economies away from commodities and encourage new forms of employment for their rapidly growing youthful populations.

In 2018 Creative Central Asia brought together 114 leaders and influencers in Nur-Sultan from Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and the UK, while a further 121,000 people took part online. In the two years since its inception, over 200 leaders from government, the private sector and civil society have taken part in Creative Central Asia, including representatives from 12 cities in England, Northern Ireland, Scotland and Wales. As a result of

connections established through Creative Central Asia, the number of creative sector businesses in Kazakhstan – and the jobs they provide – has been quantified for the first time by a joint academic study led by City University London with researchers from the Kazakh-British University (KBTU) and Narxos University. This is helping government officials to understand more about how the creative industries are contributing to the economy.

114

leaders and
influencers

121,000

online participants

Connecting the UK with Russia's future cultural leaders

Our Future Culture programme, funded by the FCO, is a professional development programme that connects established and emerging cultural professionals in Russia and the UK. In 2018–19 the programme shared UK ideas and knowledge, skills and networks with cultural leaders in 46 Russian cities across nine of Russia's time zones.

Following an open call for applications, 21 Russian cultural leaders were awarded bursaries to undertake professional development in the UK, and 39 attended UK arts showcases and took part in study tours to the UK. All respondents said that they gained new knowledge about the UK and 96 per cent gained ideas or planned new collaborations as a result.¹³ We engaged with 633 Russian professionals through workshops on urban development delivered by UK experts.

Public talks by UK cultural leaders at Garage in Moscow, New Holland in St Petersburg and Arsenal in Nizhny Novgorod were attended by 3,154 people who broadened their perceptions of the UK and gained new knowledge about UK culture.



What was so heartening was the respect and admiration in which British cultural institutions are held and the desire to work with them despite the political atmosphere.

Tristram Hunt
Director, V&A

Improving skills for stronger societies in South Caucasus

We established after-school English clubs in 27 schools and universities across Armenia, Azerbaijan, Belarus, Georgia and Moldova, reaching more than 7,500 young people and developing their English language, critical thinking, communication and debating skills. In addition, we have supported more than 2,800 teachers to drive change within their communities, developing their capacity and skills in delivering high-quality English language programmes. Working with ministries of education in the region, the project aims to provide economic and social opportunities for young people who have been affected by conflict and uncertainty.

Transforming higher education in Ukraine

We completed and evaluated our two flagship higher education programmes, Leadership in Higher Education and English for Universities, originally launched in 2015 following the Revolution of Dignity (Maidan). Involving 40 and 32 universities respectively, including eight of the universities displaced from Crimea and from the conflict in the east of Ukraine, the two programmes have had a transformational impact on the institutions involved and have now been taken up by the Ministry of Education and Science for national implementation. As part of the programmes, links were established with 25 UK universities.

The two programmes have had a transformational impact on the institutions involved and have been taken up by the Ministry of Education and Science for national implementation.

A participant in the Leadership in Higher Education programme presenting on the subject of change management.

© Oleksandr Pilyugin



13. Based on a sample of 52 responses.

Contributing to stability and security in priority countries, including in the Middle East, Africa and South Asia, and responding to the Syrian refugee crisis

In all these regions, the growing youth population between the ages of 16 and 35 represents both an opportunity and a challenge.

An engaged and productive youth population will contribute towards economic growth and stability whereas a lack of opportunity could lead to increased instability. Much of our work therefore focuses on providing opportunities and positive pathways for young people. We draw extensively on the opportunities provided by digital channels to reach people who otherwise we would not be able to engage with, for example through our digital work in Afghanistan.

We develop projects with partners that are geared towards encouraging tolerance and dialogue, for example through the EU-funded project in Iraq highlighted here. In some cases, such as Syria, we are building connections and networks as preparation for when the security situation improves.

We have also built up a significant profile in the area of access to justice and managing conflict. We have highlighted our work in Nigeria among the examples included against this priority.

We develop projects with partners that are geared towards encouraging tolerance and dialogue.



Our partnership with the Fadilia Foundation regenerated a neglected area of Cairo into a 'Virtuous Alley'. Young volunteers also benefited from civic education and health initiatives under the project, which was part of Active Citizens, our global social leadership programme.

© Wupy Production



Using dialogue to build tolerance and resilience in Iraq

We launched the EU-funded TAHAWER programme in November 2018 at the Mosul Peace Festival in the presence of 15,000 young Iraqis. Targeting liberated cities, disputed territories, or simply cities where young people are struggling to get their voices heard or are facing religious intolerance, TAHAWER builds young people's listening and dialogue skills, developing tolerance, increasing social cohesion and establishing a renewed and positive sense of Iraqi identity. We initiated a nationwide campaign that has reached an estimated three million people to date through our social media channels and through the social influencers and opinion formers we are working with.

3 million people
reached by TAHAWER social media campaign

Working towards a brighter future for Syrians

Eight years on, the conflict in Syria continues to have a devastating impact on the lives of ordinary Syrians and on the country's political, social and economic foundations. Despite this challenging context, we continue to engage with partners and people committed to building a brighter future for Syrians. This year, we supported 17,000 Syrian young people, artists and educators directly and 71,000 through film screenings and exhibitions, as well as a further 80,000 through online content. To do this we engaged with over 100 Syrian, UK and international organisations and worked to build partnerships and capacity that will enable future collaboration between the UK and Syria.

Despite a challenging context we are committed to working together with partners building a brighter future for Syrians.



Supporting creative expression in Tunisia

Through the EU-funded Tfanen (Be Creative!) programme, working with the European Union National Institutes of Culture (EUNIC), we have supported 58 projects across Tunisia, reaching tens of thousands of artists, young audiences and opinion formers through workshops and arts events. In the context of Tunisia's democratic transition, the programme increases the appeal of, and access to, culture.

A young artist participating in a street art Carnaval des couleurs project in Northern Tunisia, part of the Tfanen programme.

© Tunisie Creative

58 projects
at local community level

Supporting communities suffering from conflict in North East Nigeria

In Nigeria we are working in partnership with local civil society organisations, state and local governments to build conflict management skills and reduce the impact of violence on those worst affected by the insurgency in North East Nigeria.

The Managing Conflict in Nigeria (MCN) programme supports training for traditional rulers, community leaders, security officials and media practitioners on dispute resolution, protection of human rights, tackling of sexual and gender-based violence and conflict-sensitive communications. It also supports communities and governments to take a co-ordinated approach to security and public safety. MCN grants are helping youth and women associations to provide the needed skills and start-up capital for reintegration of displaced women and youths.

By January 2019, 1,404 traditional rulers had been trained and the programme recorded an 88 per cent success rate in dispute resolution;¹⁴ 31 early warning platforms had been supported, which had addressed 110 cases of threats to security and public safety; and 536 youths and members of 31 women associations were involved in economic empowerment initiatives.

MCN is funded by the European Union Emergency Trust Fund for Africa and builds on the success of the Justice For All and Nigeria Stability and Reconciliation projects which were also managed by the British Council.

1,404

traditional
rulers trained

88%

success rate in
dispute resolution

Building communities of English language learners in Afghanistan

Our weekly English Doctor sessions provide live English classes for audiences of up to 61,000 learners at any given time. Its success has boosted the number of our Facebook followers to 723,000 across Afghanistan from 10,000 two years ago.

The number of our Facebook followers in Afghanistan has risen from 10,000 in 2017 to 723,000 over the last two years.

Supporting reform in Myanmar through English

Government and donor agencies in Myanmar recognise that government officials need to upgrade their English language skills to fully engage with international partners and support wider political and economic reforms. With ten English language teachers currently working in government ministries, we have brought the UK closer to over 3,500 government employees and 240 Members of Parliament.

Delivering cultural relations in challenging circumstances in Venezuela

In Venezuela the British Council has continued to deliver cultural relations despite incredibly challenging circumstances. We are unique in being the only foreign organisation working directly with the Venezuelan Ministry of Education to support teachers in the state system. We continue to keep our teaching centre in Caracas open as an 'oasis of normality' for staff and students, and have exceeded targets for adult and young learners, ending the year with 1,200 students.

14. Out of a total of 1,409 disputes addressed.

Protecting cultural heritage in conflict-affected areas

The Cultural Protection Fund, which we run in partnership with the DCMS, supports the protection of cultural heritage in conflict-affected countries overseas. In 2018 we awarded 18 new grants and 13 grant extensions (totalling £7.7 million) from 325 expressions of interest. We processed the highest number of applications ever received under one funding round, demonstrating that interest in the fund continues to grow. Projects that have been funded include: a training scheme offering traditional stonemasonry skills and techniques relating to Syrian stone-built heritage; the rehabilitation and restoration of conflict-damaged heritage sites and other assets in Afghanistan and Yemen; the safeguarding of Yazidi cultural tradition and identity for future generations; and the conservation of 50 at-risk manuscripts from the collection of the Khalidi Library in Jerusalem.

The University of Manchester geophysics team survey the Charax Spasinou site in Iraq using a gradiometer to search for archaeological evidence.

© University of Manchester





Creating international opportunities and connections for young people and for cultural and educational institutions in the UK

As the UK prepares to leave the European Union, it is important for the UK's future prosperity and influence that it remains outward-looking and confident on the world stage.

The British Council has an important role supporting young people in the UK, drawing together and facilitating international opportunities and connections and promoting the learning of modern foreign languages. As we are on the ground in six continents and over 100 countries and territories, we are uniquely placed to help connect our devolved nations, our cities, our institutions and our citizens to the world. In the UK, we work closely with the UK and devolved governments, cities, institutions and networks to develop policies and frameworks that support all young people in the UK to access meaningful international experiences. We have highlighted in the examples of our work last year the importance of the Erasmus+ programme and the Creative Europe Desk in providing international opportunities for young people and organisations in the UK. We work closely with schools across the UK and have cited the success of the Connecting Classrooms programme which has been renewed for a further three years. We work closely with the cultural sector in the UK and set out some of the ways in which we help to promote connections through culture, working sometimes with diaspora communities. The examples provided here show how we are working to ensure that young people are internationally inspired and globally connected.

The British Council has an important role supporting young people in the UK, drawing together and facilitating international opportunities and connections and promoting the learning of modern foreign languages.



The Rt Hon. Damian Hinds MP, Secretary of State for Education, taking part in an activity on the Sustainable Development Goals at one of the schools participating in the new Connecting Classrooms through Global Learning programme.

© David Owens





Improving the skills and confidence of young people worldwide

Connecting Classrooms 2015–18 was a £34 million global education programme delivered by the British Council in partnership with DFID in the UK and 40 countries globally. The programme supported young people to develop the knowledge, skills and values to live and work in a connected world. Connecting Classrooms met or exceeded all of its key activity targets, engaging over 1,000 schools policymakers (target 800), training 56,682 teachers in core skills (target 45,000) and training over 20,000 school leaders (target 12,000) globally over three years.

An independent two-year impact evaluation of the programme (conducted by Ecorys UK and University of Glasgow) found strong evidence of enhanced core skills practice and pedagogy in participating teachers and evidence that students in Connecting Classrooms schools were more confident and had enhanced skills in key areas such as communication, collaboration, critical thinking and the ability to work effectively in groups.

The success of Connecting Classrooms 2015–18 led to the launch of Connecting Classrooms through Global Learning (2018–21), a £38 million, three-year joint programme between the British Council and DFID, which builds on previous iterations of Connecting Classrooms to continue to support and inspire young people to develop their core skills and become active global citizens.

Connecting Classrooms met or exceeded all of its key activity targets, engaging over 1,000 schools policymakers, training 56,682 teachers in core skills and training over 20,000 school leaders globally over three years.

A pupil from John Paul II Primary School in Glasgow. The school participates in Connecting Classrooms to enrich the curriculum.

© Mat Wright

Supporting the learning of languages in the UK and around the world

We sent over 2,000 young people from 176 UK universities and colleges to work overseas as English language assistants, supporting the teaching of English as well as promoting UK culture in classrooms. A total of 95 per cent¹⁵ of programme participants felt that they had acquired new knowledge or skills as a result, including language skills, cultural awareness, teaching skills, confidence and independence. We also welcomed 850 modern language assistants to the UK who supported the teaching and learning of modern foreign languages in schools across the country, working closely with young learners to bring languages to life.

A total of 95 per cent of programme participants felt that they had acquired new knowledge or skills as a result, including language skills, cultural awareness, teaching skills, confidence and independence.

15. Based on a sample of 761 responses.

Promoting the UK as a destination for study

We worked with 131 UK higher education institutions and 75 UK further education institutions, helping them engage with audiences around the world, including over 200,000 people through our exhibitions.

In addition, we co-funded the Study UK campaign with the UK government. The website is the focal point of the Study UK campaign and the GREAT partnership to attract international students to the UK. It provides essential information to prospective students considering studying in the UK and generates leads straight through to UK universities. In 2018–19 there were 3.6 million unique visitors to the site. One example of innovation in 2018–19 was the use of Facebook Live and encouraging current students at UK universities to host live question and answer sessions. It is estimated that in the 2018–19 academic year the British Council's work under this campaign generated £103 million¹⁶ for the UK economy.

We commissioned an assessment of the value to the UK economy of the British Council's work, including in the area of higher education. It is estimated that the value of our work attracting international students to the UK amounts to over £400 million¹⁷ GVA per annum.

Celebrating shared heritage

The New North and South is a network of 11 arts organisations from across the North of England and South Asia working on a three-year programme of co-commissions, exhibitions and intellectual exchange to celebrate shared heritage across continents and develop artistic talent. The network has reached an audience of almost 800,000 in the UK and over 500,000 in other countries. Since 2017, with funding from Arts Council England's Ambition for Excellence programme, the New North and South has promoted the work of leading Bangladeshi, Indian, Pakistani, Sri Lankan and UK artists in Manchester, Leeds and Liverpool and in Colombo, Dhaka, Lahore, Karachi and Kochi. There have been 17 artistic commissions and 12 exhibitions. The education strand has involved 23,604 UK education participants in over 400 schools.

The New North and South network has reached an audience of almost 800,000 in the UK and over 500,000 globally.

Supporting international ambitions in Northern Ireland

British Council Northern Ireland strengthened its partnership with Belfast City Council in 2018 through the signing of a joint memorandum of understanding (MoU). The MoU provides an opportunity for both organisations to work together to increase Belfast City's international ambition and growing international reputation – focusing on arts, education and civic society work. The MoU has already led to Belfast being the 20th city to join our Mix the City digital platform.

The signing of the MoU follows Belfast's successful appointment as a Resilient City – joining 100 cities throughout the world in an initiative pioneered by The Rockefeller Foundation in the USA – linking Belfast to the Colombian Resilient Cities of Cali and Medellín.

Mix the City Belfast involved a collaboration of 95 artists, musicians and creators celebrating Belfast's music. The footage was curated by award-winning artist and composer Hannah Peel, and produced by Bounce Culture.

© Pacemaker Press



16. Calculations by In2Impact based on a survey carried out by Research Stories. The return on investment figures measure the contribution that international students who have been influenced by the campaign make to the UK economy, verified by the UK government's independent strategic evaluators for the campaign.

17. London Economics, The Economic Value of the British Council to the UK Economy, 2018 (based on data from the 2016–17 academic year). Gross Value Added (GVA) is a measure of the contribution to GDP made by an individual producer, industry or sector.

Building skills and employability through Erasmus+

In 2018, over €170 million of Erasmus+ funding was allocated to UK schools, colleges, universities and youth organisations for vital international activities.

Through Erasmus+, students and young people from across the UK can study, train, volunteer and gain work experience abroad. Each year, around 18,000 higher education students, 10,000 vocational education and training students, 6,000 school pupils and 7,500 young people take part.

The programme also supports professional development for staff: an estimated 4,500 UK higher education staff, 1,200 vocational education and training staff, 500 adult education staff, 1,800 school staff and 2,800 youth workers go abroad each year for training or job-shadowing. These placements boost employability and skills, as well as giving participants a vital international outlook.

A European Commission report found that 90 per cent of higher education students who had taken part in mobility programmes reported an improvement in their soft skills, confidence and adaptability, and that former Erasmus+ students are half as likely to experience long-term unemployment as those that do not go abroad.¹⁸ Of the academic staff surveyed, over 80 per cent observed beneficial effects of mobility on the quality of their teaching.

As well as mobility opportunities, Erasmus+ also enables UK education and youth organisations to work on partnership projects with their international counterparts. In 2018, 248 such partnerships were led by organisations based in the UK – a great way to share innovative practices and promote co-operation.



Erasmus+ changes people's lives. It opens up new learning experiences, provides insight into different cultures, and, most importantly in such turbulent times, nurtures the concept of global citizenship amongst our staff and students.

Isabell Majewsky Anderson
Head of Go Abroad Office, Edinburgh Global

Students who have taken part in mobility programmes like Erasmus+ report improvements in their soft skills, confidence and adaptability.

Supporting the creative industries across Europe

Creative Europe Desk UK is led by the British Council and the British Film Institute in partnership with Arts Council England, Creative Scotland and the Welsh government. Creative Europe Desk UK promotes awareness and understanding of Creative Europe – the European Union's fund to support the cultural, creative and audiovisual sectors – and provides free advice and support for UK-based applicants.

This sustained investment has helped UK businesses and organisations to grow partnerships and invest in collaboration. It has boosted job creation, developed cultural relations, encouraged the exchange of good practice from outside of the UK, and strengthened cross-border relationships.

Since 2014, Creative Europe Desk UK has awarded €89.5 million to 338 UK-based organisations and companies and helped distribute over 190 British films in other European countries. This sustained investment has helped UK businesses and organisations to grow partnerships and invest in collaboration. It has boosted job creation, developed cultural relations, encouraged the exchange of good practice from outside of the UK, and strengthened cross-border relationships. In 2018, Creative Europe Desk UK delivered 83 seminars, workshops and networking events and participated in a further 86 sector events, supporting UK creative and cultural organisations to develop projects and apply for Creative Europe funding.

18. European Commission (2014) *The Erasmus Impact Study*.



Brokering high-level cultural connections in Scotland

The 2018 Edinburgh International Culture Summit was the biggest and most successful to date. We supported the participation of over 40 ministerial delegations, whose members engaged in debate and discussion around three key themes: Culture in a Networked World, Culture and Investment, and Culture and Wellbeing. Taking place during Scotland's Year of Young People, the summit also for the first time included 13 international youth delegates and 20 youth contributors.

Edinburgh International Festival organised a public dance performance by young people choreographed by Akram Khan during the Edinburgh International Culture Summit.

© Edinburgh International Culture Summit

Promoting international mobility in higher education in Wales

We are working closely with the Welsh government to promote international mobility for Welsh students and promote Wales as a destination for study for international students.

Global Wales Discover is a £1.3 million programme designed to encourage Welsh students to spend time abroad studying, volunteering or undertaking work experience as part of their studies.

The programme, which British Council Wales developed with the Welsh government, provides funding for Welsh students to spend up to eight weeks studying, working or volunteering in a range of countries including the USA, Canada, Japan, United Arab Emirates, Qatar, India, China, Vietnam and countries in the EU. Global Wales Discover is an opportunity for students to spend a short time abroad, building skills and confidence, enhancing employability and developing cultural awareness.

Announcing the programme in the Senedd in November 2018, Education Secretary Kirsty Williams said:

At a time when it's never been more important for our students and graduates to be global citizens, we need to ensure that international opportunities are an aspiration for many more students. As someone who benefited hugely from time studying abroad as an undergraduate, I know how such an experience broadens horizons, expands key skills and ensures connections that last a lifetime.

Global Wales is a partnership between British Council Wales, Universities Wales, the Welsh government, the Higher Education Funding Council for Wales, and Welsh universities, which aims to promote Wales' world-class higher education sector internationally through collaboration, exchange and student recruitment. In July 2018, after a successful initial three years, Global Wales was awarded £3.5 million from the Welsh government's EU Transition Fund to expand its work internationally.

Our performance

Measurements and results in 2018–19

To measure our impact and the results of our work we have placed a results and evidence framework at the centre of our planning and reporting.

We combine data on our customers with high-quality analysis and independent evaluation of the impact of our major activities and programmes. We also conduct wide-ranging research to help inform our strategic thinking and to help our partners.

In the preceding sections we outlined the benefits of our work for UK and overseas stakeholders, drawing on external evaluations where appropriate. We have summarised in this section:

- global figures on reach and customer satisfaction
- our research programme
- a summary of progress against major strategic organisational priorities, including a summary of the findings of the Tailored Review
- an update on equality, diversity and inclusion (EDI) and the environment.

As all we do depends on the creativity and knowledge of our staff we have also included an example of how one of our teams helped to support our cultural relations objectives through the mainstreaming of EDI objectives.

Our global reach

Our past performance and targets up to 2019–20 for people we work with directly are summarised in the chart opposite. This includes people who take exams and learn English with us, who attend exhibitions we manage and who participate in our education programmes, whether face-to-face or digital. The chart showing total reach includes web visitors and audiences and consumers of our print, radio and television broadcasts.

The rise in direct interactions is largely the result of increased participation on our digital social media and learning platforms, such as our massive open online courses (MOOCs) and digital English courses, with numbers increasing from 42.2 million in 2017–18 to 45.7 million in 2018–19. It is also explained by an increase in visitors to our exhibitions, fairs and performances from 19.3 million in 2017–18 to 20.1 million in 2018–19. There has also been a significant increase in our overall reach this year. This is the result of a higher than anticipated increase in our online audience, a rise of 20 per cent from 180 million in 2017–18 to 216 million in 2018–19. The majority of this increase was generated through strong performance on IELTS platforms in addition to growth across the LearnEnglish sites. In 2018–19 there were over 73 million unique users of our LearnEnglish sites (LearnEnglish, LearnEnglish Teens and LearnEnglish Kids), with a further ten million visitors to our TeachingEnglish site.

As a result of this strong outturn for 2018–19 we have now adjusted our overall reach target for 2019–20 as published in our Corporate Plan, increasing it from 780 million to 800 million.

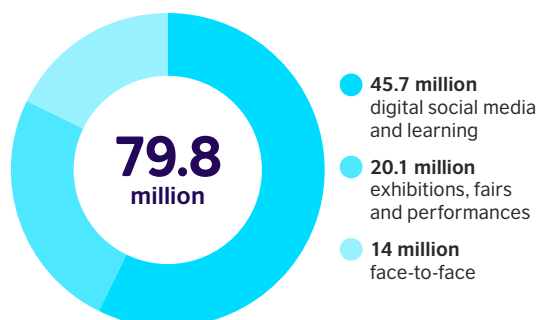
Number of direct interactions from 2015–16 and target in 2019–20



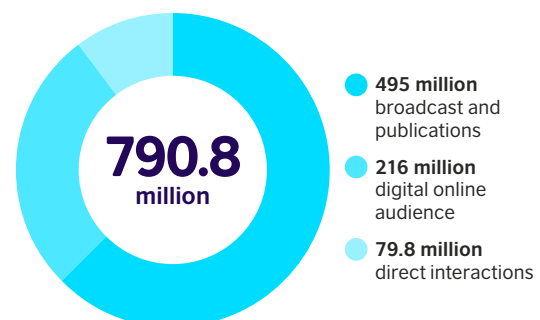
Total reach from 2015–16 and target in 2019–20



Direct interactions in 2018–19

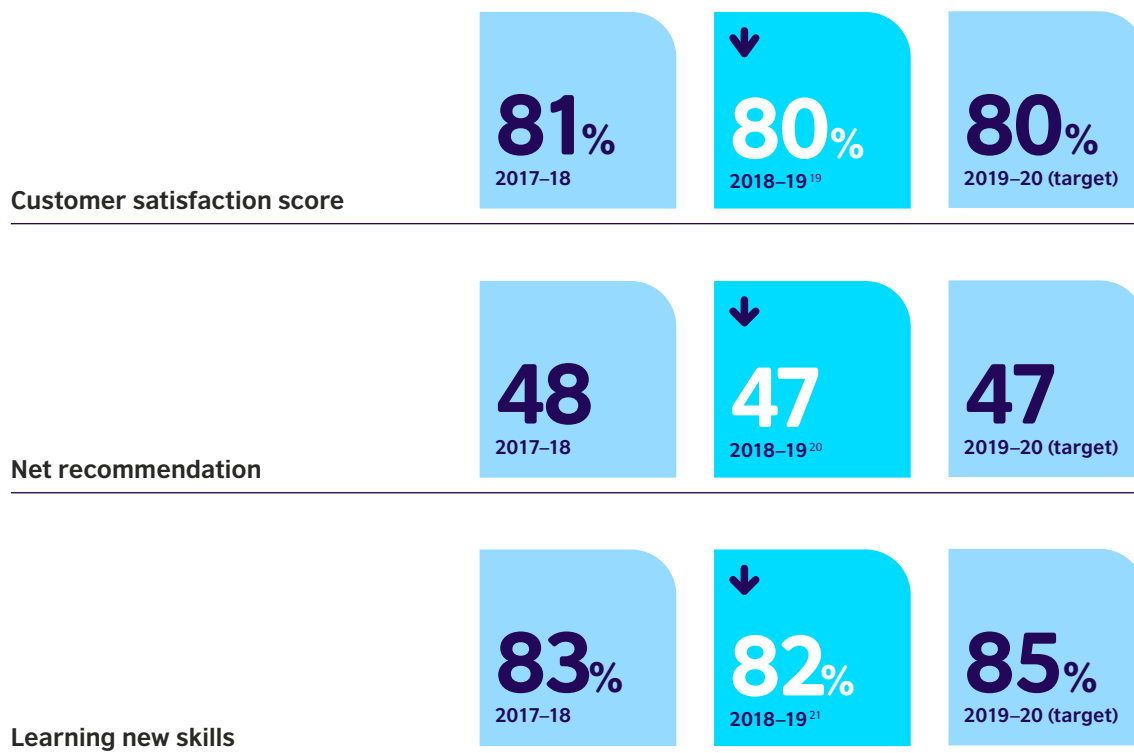


Total reach in 2018–19



Total numbers are aggregated from the numbers of people who participate in individual programmes and as such do not represent unique numbers.

Our results for 2018–19 compared to 2017–18 and targets for 2019–20



Customer satisfaction

We measure how the beneficiaries of our programmes view the quality of our work in three main ways:

- Scores from a customer satisfaction survey distributed at face-to-face events and online.
- A net recommendation score, which is a measure of the willingness of participants to recommend others to work with us or use our services. The net score is calculated from advocates minus detractors, in line with standard international practice.
- The percentage of people we work with who report gaining new knowledge or skills.

This year, for the first time, we are focusing solely on those customers who have paid for our services, rather than aggregating fee-paying customers with those receiving services for free. We feel this provides a clearer picture and avoids potential distortion of the results. We have provided results from last year using the same customer groups to enable comparison.

Our customer satisfaction scores showed that a significant majority of our customers agree or strongly agree that our programmes are of high quality.

Our net recommendation scores reflect the extent to which our customers would recommend our work to others. Overall our results continue to benchmark well against industry averages.

The percentage of customers reporting gaining new knowledge or skills is high at 82 per cent.

Although the customer satisfaction and net promoter scores are high, there has been a minor drop against these indicators compared to the previous year. We are analysing customer feedback and conducting research to find out where we might not be meeting expectations. We are, for example, improving payment and refund processes, improving test day experiences for our exams customers, providing more support to enable customers to prepare for tests, improving access to and quality of customer services, and improving the availability of accurate and up-to-date online information.

19. Based on a sample of 138,000 responses from customers of our paid-for services.

20. Based on a sample of 121,000 responses from customers of our paid-for services.

21. Based on a sample of 135,000 responses from customers of our paid-for services.

Our research programme



We aim to generate new and useful knowledge, analysis and insight to inform the strategy of the British Council and its partners. This relates both to the discourse on soft power and to the thematic areas where we work: education, arts and culture, English language and civil society. In the past year, publications have included: *Soft Power Superpowers*, a comparative study of the soft power of seven leading nations; *Powers of Attraction*, which analysed the results of a survey of young people from the G20 group of states and their perceptions of trust and attractiveness of both the UK and other leading economies; *Culture in an Age of Uncertainty*, which presented a new methodology to measure the value that international cultural engagement has in societies in transition; *Teaching For Peace*, which

looks at the complex role that education plays in conflict and post-conflict recovery; and *The Art of Peace*, which explores the value of culture in conflict mitigation and peacebuilding. Thematic publications include the *Next Generation* series, which explores the attitudes and aspirations of young people in countries undergoing social or political change; recent studies have centred on Colombia, Sri Lanka, Ireland–Northern Ireland and Germany. 2018 also saw the publication of the third in the series *The Shape of Global Higher Education*, which examines the policy environment in a number of countries and the extent to which national systems support international collaboration in higher education.






Organisational effectiveness and efficiency

Our Corporate Plan sets out five strategic change priorities designed to ensure the financial sustainability of the organisation and transform the organisation by investing in people, systems and culture. By focusing on these priorities, we achieve greater impact for our customers. The priorities are summarised below, together with an update on progress.

Priority	Progress over last year	Looking forwards
 <p>Growing and diversifying income and surplus</p>	<p>We have continued to invest in our exams and English businesses to meet the evolving needs of our customers:</p> <ul style="list-style-type: none"> • This year we have seen the launch of our new online registration portal for IELTS. We are live in 45 locations across 28 countries and quickly approaching 20,000 IELTS tests per month taken on a computer. On-Screen Marking is live in 83 countries and 164 test centres. • Online payments can now be made in 83 countries and in 2018–19 there were 1.7 million transactions worth over £300 million. <p>Commercial operating surplus grew by £7.3 million²² in 2018–19 compared to 2017–18, representing year-on-year growth of six per cent.</p>	<p>We are looking to deliver six per cent surplus growth²³ from our teaching and exams activities in 2019–20. We will do this by:</p> <ul style="list-style-type: none"> • responding to evolving customer needs • providing digitally enabled new products and services • achieving more efficient operations • rationalising unviable product lines and teaching centres.
 <p>Improving our operational efficiency</p>	<p>We are continuing to drive efficiencies across the organisation for a long-term, sustainable British Council. Between 2016–17 and 2018–19 our support costs as a proportion of income have reduced from 17.9 per cent to 15.6 per cent.</p>	<p>We are continuing to drive efficiencies through:</p> <ul style="list-style-type: none"> • greater consolidation and standardisation of shared services • more efficient global operating models • a new Global Estates strategy • the development of new digital platforms • more effective procurement.

22. This figure allows for the impact of exchange rate movements.

23. This excludes any exceptional tax movements.

Priority	Progress over last year	Looking forwards
 <p>Increasing the capability and effectiveness of our people</p>	<p>Our staff survey shows that staff are highly committed and connected to the purpose of the British Council and how the work we do changes lives. The survey also demonstrated strong team-working in the organisation and respect for each other.</p> <p>We delivered the first tranche of a global HR information system to enable line managers and employees to have better access to critical information.</p> <p>We implemented pre-appointment screening for teaching staff in East Asia, the Americas and MENA, and have confirmed plans to implement this key safeguarding initiative globally.</p> <p>We completed the implementation of a global network of specialist recruiters, implementing standard processes and launching a recruitment branding toolkit to ensure we continue to recruit the best talent.</p>	<p>Our vision is to create a positive culture which continually improves the experience, efficiency and effectiveness of our people. To help us achieve this we will:</p> <ul style="list-style-type: none"> strengthen our digital, commercial, marketing and data-led decision making by using a managed learning provider to bring training identified in development plans to reality quickly identify leadership succession and invest in widening career development and pathways to increase the diversity of talent across the organisation continue the introduction of our digital HR information system to deliver a better customer service to our front-line employees and provide robust data for decision making.
 <p>Creating a digitally enabled organisation</p>	<p>Our digital audience and engagement numbers went up from 222 million in 2017–18 to 262 million in 2018–19.</p> <p>Skype for Business is now in 107 countries, SharePoint Online has been migrated to all regions and Office 365 is now in 35 of our larger countries and continues to be rolled out.</p>	<p>We will transform our impact and how we work, generating efficiencies and reducing costs by:</p> <ul style="list-style-type: none"> championing customer-centricity building a strong digital culture implementing digital-friendly business operating processes developing our digital ecosystem.
 <p>Strengthening our insight, research and evidence capability</p>	<p>We have conducted research into major areas of our work and commissioned programme evaluations and deep dives. This has helped generate insights and evidence of impact.</p>	<p>We will continue to strengthen our insight, research and evidence capability by:</p> <ul style="list-style-type: none"> building the professional expertise of staff improving our customer and market research developing a strategic programme of evaluation, research and policy insight. <p>We are in the process of conducting surveys with customers in ten target markets and interviews with senior stakeholders in those countries. Data from this work will inform next year's Annual Report.</p>

Equality, diversity and inclusion

Equality, diversity and inclusion (EDI) are at the heart of our cultural relations ambitions as our work focuses on building meaningful, enduring and respectful relationships across different cultures and the different contexts in which we work. Our vision is to have an inclusive organisational culture and to mainstream EDI into our behaviours and all that we do.

We belong to the Disability Confident scheme and are a 'disability confident employer'. This year we participated in the Global Disability Summit and pledged two commitments – to seek to increase the representation and empowerment of disabled people and to develop capability in the area of inclusive education. We have identified a new group of internal Disability and Inclusion Facilitators and a Global Disability Working Group to support this area, along with our external Disability Advisory Panel, UK-based specialists in different areas of disability who strengthen our approach and our work.

We have produced a sexual orientation inclusion guide (to complement our other internal inclusion guides on disability, race equality and religion and belief) and our Accredited Diversity Facilitators have been running awareness sessions in these areas and in unconscious bias. We have run a series of masterclasses targeted at minority ethnic staff in the UK, recognising their under-representation at senior levels and organisational cultural issues that seem to be preventing their progression, and it is hoped that increased attention will be given to this and other areas of under-representation in the coming year, supported by refreshed equality targets.

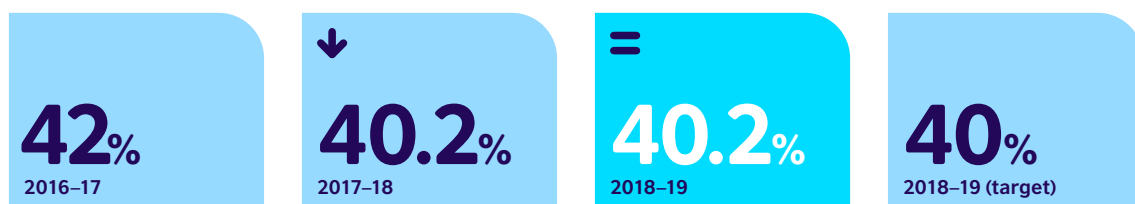
We use various tools to promote inclusion, including a guaranteed interview scheme for disabled applicants, a living library, equality monitoring with analysis of gender and ethnicity pay gaps for our UK-contracted staff, equality screening and impact assessment of new policies and our bespoke biennial diversity assessment framework. We have also externally commissioned several pieces of research to review our approach to managing diversity globally.

Actual results up to 2018–19 against 2018–19 equality targets for UK-contracted senior level staff

The chart below shows that we have met our target for women in senior roles but have fallen short of our target for minority ethnic and disabled staff in senior roles. We are taking action as indicated above

to address this. From next year we will be monitoring progress towards new targets for 2021: 50 per cent women; 15 per cent minority ethnic staff and seven per cent disabled staff in senior roles.

Women in senior roles



Minority ethnic staff in senior roles



Disabled staff in senior roles



Staff award for EDI

The British Council runs a staff awards programme. In 2018–19 the Japan Arts team won the award in the EDI category. This award recognises teams or individuals who deliver innovative work in the area of equality, diversity and inclusion internally in the British Council or externally through our work in cultural relations. The Japan Arts team was nominated as a role model in demonstrating how arts can effect huge positive social change when it is underpinned by the mainstreaming of equality, diversity and inclusion.

Prior to Tokyo's awarding of the 2020 Paralympics, the team had been tireless in their efforts to mainstream EDI into Japanese society, especially through the lens of disability, ageing and homelessness. Following the award of the Games to Tokyo, however, they accelerated their efforts to ensure that UK knowledge and experience was at the centre of discourse around the planning of 2020.



The team has worked with 2020 organisers to ensure that the Cultural Olympiad has a significant diversity element; they introduced Unlimited – the major arts programme of London 2012 – to organisers in Tokyo who have subsequently adopted this model in creating a major cultural festival for 2020 which mainstreams, for the first time, diversity into the programming of a major nationwide festival.

© British Council

Tailored Review

A Tailored Review was conducted in 2018–19 with a report published in March 2019. The report finds that the British Council fulfils an important and unique role in creating knowledge and understanding between the people of the UK and other countries and remains a world leader in cultural relations. It says that our operating model is effective but that work is needed to strengthen evidence of our impact and value for money for the taxpayer and wider UK interests. It recognises the progress we have made since the 2014 Triennial Review on strengthening our efficiency and financial sustainability and points to the need to keep modernising to stay fit for purpose. The report also recommends that the FCO and the British Council strengthen their strategic dialogue and co-ordination, while ensuring that we operate with the appropriate level of independence.

In all there are 29 recommendations. We aim to implement these by mid-2020. Central to the review is the recommendation that we develop a simplified strategic framework which shows how our activities deliver against priority outcomes. We will consult widely with stakeholders about what this might look like in preparation for the next five-year plan, which starts in April 2020.

Environmental performance

We continue to use an environmental management system to manage and monitor environmental performance in the UK, in line with regulatory/good practice requirements; our environmental framework tool is used to manage and mitigate the environmental impact of our activities outside the UK. This framework provides information on each region's environmental plan to reduce our environmental impact.

In the UK, our total carbon footprint showed a reduction of 4.29 per cent from 4,759 tCO₂e* in 2017–18 to 4,555 tCO₂e in 2018–19 continuing the downwards trend; we are proud of our 53 per cent reduction in the UK from the 2009–10 baseline. However, our carbon footprint per FTE** showed an increase of 26.37 per cent from 3.21 tCO₂e in 2017–18 to 4.06 tCO₂e in 2018–19. This is the result of a UK headcount reduction continuing to operate out of the same buildings. Moving our Global HQ to a new BREEAM excellent building in Stratford in 2020 will address this mismatch.

Globally, we also track our total carbon footprint and set targets to reduce our carbon footprint per FTE.

In South Asia our total carbon footprint reduced in five out of six countries for 2018–19 compared to 2017–18. Overall, across the region, our total carbon footprint showed a reduction of 8.5 per cent from 7,818 tCO₂e in 2017–18 to 7,154 tCO₂e in 2018–19. Our carbon footprint per FTE showed a reduction of 18.55 per cent from 4.19 tCO₂e in 2017–18 to 3.41 tCO₂e in 2018–19.

*tCO₂e is tonnes of carbon dioxide equivalent

**FTE is 'full time equivalent' and refers to staff numbers

Governance statement

This explains the British Council's legal status, governance arrangements and how we managed risk during 2018–19.

Constitution and charitable purpose

The British Council was established in 1934 and incorporated by Royal Charter in 1940. A Supplemental Charter of Incorporation was granted in 1993.

The [Royal Charter](#) governs our work and states the British Council's charitable purpose in its objects. The British Council's objects are 'to advance, for the public benefit, any purpose which is exclusively charitable and which shall:

- a. promote cultural relationships and the understanding of different cultures between people and peoples of the United Kingdom and other countries
- b. promote a wider knowledge of the United Kingdom
- c. develop a wider knowledge of the English language
- d. encourage cultural, scientific, technological and other educational co-operation between the United Kingdom and other countries, or
- e. otherwise promote the advancement of education.'

The Trustees have given consideration to the Charity Commission's and the Office of the Scottish Charity Regulator's guidance to ensure that there is clear evidence of how the aims of the British Council are carried out through the activities undertaken for public benefit.

Group structure

The British Council heads a corporate group structure which includes subsidiary undertakings in the UK and overseas. These have been established, for reasons of legal and tax compliance, to further the British Council's charitable objects and to generate income for use by the charity. The names, countries of registration and principal activities of the subsidiary entities in the group are provided in note 12 to the accounts.

Connected charities

The British Council is the sole corporate trustee of two charitable trusts, each separately registered with the Charity Commission: the Sir Shiu Kin Tang Educational Trust and the Lefèvre Trust. Our involvement with these trusts is consistent with, and contributes to, the achievement of the British Council's cultural relations goals.

Governance codes

We have reviewed our governance arrangements against the principles and recommended practice for larger charities in the Charity Governance Code published in 2017.

The Charity Governance Code is deliberately aspirational. It is endorsed by the Charity Commission but compliance with the code is not mandatory.

The British Council currently applies all the principles and almost all the applicable supporting recommended practice. We have made adjustments during the year to increase alignment with recommended practice. For example, the code states: 'Trustees adopt and adhere to a suitable code of conduct that sets out expected standards of probity and behaviour.' In addition to the British Council's code of conduct, the Board adopted a code of conduct for the Board and its committees in March 2019. Some practice recommended by the code is specific to membership organisations so is not relevant to the British Council.

Where relevant and practical the British Council adopts the principles of 'Corporate governance in central government departments: code of good practice 2017' published by HM Treasury and the Cabinet Office. That code is intended for the advisory boards of government departments whose composition and role differs from that of a board of a charity, such as the British Council, composed of unremunerated trustees with specific legal responsibilities under charity law. The British Council complies with the principles in paragraphs 1.2, 1.6, 2.1, 2.4, 2.5, 2.9, 2.10, 3.1, 4.1, 5.2, 5.6, 5.9, 5.12 and 5.13 of the central government code, except that it has an externally facilitated board evaluation every two years rather than annually. The code's other principles are less directly applicable as the British Council is not a ministerial department and the responsibilities of its Trustees are defined in the Royal Charter and charity law.

Relationship with the FCO and other stakeholders

The British Council receives grant-in-aid from and is sponsored by the FCO, from which the British Council has operational independence. The relationship between the FCO and the British Council is set out in the Management Statement and the Financial Memorandum, available on the British Council's [website](#).

As well as its legal status as a charity incorporated by Royal Charter, the British Council is classified by the Office of National Statistics as a public

non-financial corporation and as an executive non-departmental public body (NDPB).

To ensure the greatest value for the UK, the British Council is firmly committed to strategically aligning its work to the relevant long-term policy priorities of the UK and devolved governments. This includes supporting the broad policy interests and priorities of the FCO, other relevant UK government departments in Whitehall and the devolved governments in Northern Ireland, Scotland and Wales.

Our Corporate Plans are developed in consultation with stakeholders and partners across the UK, the British Council's advisory committees and the UK government and the devolved governments in Scotland, Wales and Northern Ireland. They also draw on our understanding and assessment of the needs of our partners overseas.

Tailored Review

As explained further on page 59, the FCO conducted a Tailored Review of the British Council during 2018–19. The [findings of the review](#), which are publicly available, were published on 12 March 2019.

The review looked at the British Council's functions, form, performance and governance. It concluded that the British Council remains a world leader in its field but that, in a number of areas, the British Council, and more broadly the UK government, could achieve greater impact. The British Council is working with the FCO to implement the review's recommendations.

The Board of Trustees

The British Council's Royal Charter vests all the powers of the British Council in its Board of Trustees. The Trustees are responsible for governing the British Council. They must ensure that it is solvent, well-run and delivering the charitable objects, for the benefit of the public, for which it has been set up. Trustees who have served during the year are listed on page 70.

Christopher Rodrigues CBE served as the Chair and as a Trustee throughout the 2018–19 financial year and up to the end of his term on 22 May 2019. The recruitment of a new Chair is currently in progress, overseen by the Nominations Committee. Rt Hon. Baroness Prashar of Runnymede CBE served as Deputy Chair and as a Trustee until the end of her term on 10 July 2018. Rachel Lomax, whose appointment as Deputy Chair and as a Trustee began on 3 December 2018, is chairing the Board until the appointment of a new Chair of the British Council.

The Trustees are not remunerated but may be reimbursed for the expenses they incur on British Council business in line with the Trustee travel policy. The Royal Charter specifies how Trustees' conflicts of interest must be managed and requires a register of Trustees' interests to be maintained. The register is updated annually and is published on the British Council's [website](#).

An externally facilitated review of the Board's effectiveness, and that of its committees, was conducted during 2018–19. It included interviews with individual Trustees. Most judged the effectiveness had improved since the last review. However, the review acknowledges challenges. Its recommendations include shortening Board meetings, making papers more concise and more focused on strategic governance issues, and arranging regular meetings between the Chair and Deputy Chair. The Board of Trustees will consider the review's findings and action to be taken in response during 2019–20.

Trustee recruitment and induction

The Nominations Committee acts as the selection panel for the appointment of Trustees. The Deputy Chair leads the recruitment of a new Chair.

Trustees are appointed in three ways.

- Under the terms of the Royal Charter the Foreign Secretary has the right to nominate one Trustee. During 2018–19 this post was filled by Deborah Bronnert CMG. Lindsay Croisdale-Appleby was then nominated to the post with effect from 26 April 2019.
- One Trustee post is filled by the Chair of the Northern Ireland, Scotland or Wales country committees (explained further below), co-opted on a rotating basis for a two-year period. William Roe CBE, who was the Chair of the Scotland Committee, held this post during 2018–19.
- All other Trustees, including the Chair and Deputy Chair, are elected by the Board following an open recruitment process. The Foreign Secretary approves appointments to the offices of Chair and Deputy Chair. Elected Trustees are appointed to the Board for a term of three years, with the possibility of re-election for a further three years.

Up to two non-British citizens may sit on the Board. The induction programme for new Trustees includes a programme of briefings from senior managers and a comprehensive induction pack addressing both the Trustees' legal responsibilities and the work of the British Council.

The Board of Trustees and its committees

The Board of Trustees approves the British Council's strategy and has independent control over, and legal responsibility for, the British Council's management and administration. The Board comprises ten to 15 Trustees. There were seven

formal Board meetings in 2018–19. The Board was supported by six standing committees during 2018–19, listed below. The Contracts Committee, listed in last year's report, did not continue in 2018–19.

Audit and Finance Committee

- Reviews financial plans, performance and controls and oversees internal and external audit arrangements.
- Comprised three Trustee members and one external member as at 31 March 2019.
- Held four formal meetings in 2018–19.

Business Change Committee

- Reviews the major change programmes designed to improve the British Council's sustainability and effectiveness.
- Comprised three Trustee members and two external members as at 31 March 2019.
- Held three formal meetings in 2018–19.

Commercial Committee

- Reviews the British Council's commercial English teaching, examinations and schools activities.
- Comprised three Trustee members, two former Trustees and two external members as at 31 March 2019. The committee membership of the two former Trustees ended on that date.
- Held five formal meetings in 2018–19.

Nominations Committee

- Reviews the Board's composition and leads the recruitment of Trustees and the Chief Executive.
- Comprised five Trustee members as at 31 March 2019.
- Held two formal meetings in 2018–19.

Remuneration Committee

- Leads on Senior Leadership Team's performance evaluation and remuneration.
- Comprised five Trustee members as at 31 March 2019.
- Held six formal meetings in 2018–19.

Risk Committee

- Reviews principal and emerging risks and how risks are managed.
- Comprised three Trustee members and one external member as at 31 March 2019.
- Held four formal meetings in 2018–19.

The Board's work during 2018–19

As well as receiving reports from senior management, matters considered by Trustees during the year included:

- our thematic approach to work in the Wider Europe region and the changing external environment
- strengthening engagement with the European Union after the United Kingdom leaves the European Union
- digital developments and challenges
- safeguarding and the Independent Inquiry into Child Sexual Abuse (IICSA), to which the British Council provided evidence
- partnership working opportunities in English and examinations
- management of risks related to the UK's exit from the European Union
- the FCO's Tailored Review of the British Council
- recruitment to the Board and Senior Leadership Team.

During the year the Board approved updated terms of reference for risk and audit and finance committees. It approved the 2019–20 Corporate Plan at its meeting on 26 March 2019.

The Trustees received financial updates during the year, including the management accounts. The British Council's 2018–19 Annual Report and Accounts will be submitted for approval at the Board's July 2019 meeting.

Governance statements prepared in compliance with HM Treasury's *Managing public money* are required to comment on the quality of data used by boards and why it is found to be acceptable. The Board of Trustees drew assurance over the quality of the information provided to it during the year from the review of Board papers by the relevant member of the Senior Leadership Team and by the Chief Executive prior to submission to the Board and, in certain cases, from prior review of the papers by the Board's committees.

Further information about the Board of Trustees' work during the year is available in the Board minutes published on the British Council [website](#).

The Board's committees

The Board's decision making is supported by detailed scrutiny carried out by its committees. The minutes of standing committee meetings are shared with the full Board.

The terms of reference of each of the standing committees as well as protocols for their operation are available on the Board of Trustees page of the British Council's [website](#).

The membership of the standing committees as at 31 March 2019 is shown on pages 70 and 71.

Audit and Finance Committee

Chaired by Mark Beddy since October 2018, and prior to that date by Sir David Verey CBE, the Audit and Finance Committee maintains an overview of financial risk management and governance processes across the British Council Group, ensuring that the system of internal financial control is satisfactory to deliver regulatory compliance, financial probity and value for money. The committee reviews and challenges the British Council's financial plans and performance in the context of the long-term financial viability of the British Council. It oversees external and internal audit arrangements and reviews and approves the annual internal audit plan and the internal audit charter.

Matters considered by the committee during 2018–19 included the management accounts, draft annual accounts, internal and external audit plans and findings, and fraud investigations. The committee also received reports on the closure of the Financial Transparency programme, plans to further increase the efficiency and effectiveness of the finance function, cash and currency management and the 2017–18 loss register. The members were briefed separately on the development of the 2019–20 financial plan.

After the financial year-end but before the approval of the 2018–19 Annual Report and Accounts, the committee reviewed the draft governance statement, remuneration report, financial review and accounts.

Business Change Committee

The Business Change Committee, chaired during 2018–19 by Christopher Rodrigues CBE, reviews major change programmes designed to improve the British Council's sustainability and effectiveness. It reviews the remit, benefits plans and milestones of the organisation's most significant change and investment programmes and monitors progress on the delivery of those programmes.

Matters considered by the committee during 2018–19 included investments to maintain and grow exams and teaching surpluses, new human resources (HR) systems and changes, the recruitment of external committee members, plans to ensure the alignment of the British Council's global estate of land and buildings and its corporate strategy, and the migration of data hosting to the British Council's shared services centre and Cloud-based services.

Commercial Committee

Chaired by Kevin Havelock, the Commercial Committee focuses on work in the areas of English teaching, examinations and schools. It examines the British Council's charitable activities undertaken on a commercial basis and assures their effective and transparent management in line with corporate objectives. Matters considered by the committee during 2018–19 included services for exam candidates and for UK examinations boards, potential to open new British Council schools, opportunities for working with partners on new digital products, and our English teaching strategy.

Risk Committee

Chaired by Tom Thomson OBE, the Risk Committee reviews the organisation's principal and emerging risks, other than finance-related risks reviewed by the Audit and Finance Committee. The Risk Committee holds the executive to account for identifying and managing risks in line with the risk appetite articulated by the Board. Matters considered by the committee during 2018–19 included the results of the twice-yearly risk assessment process and principal risk discussions in relation to safeguarding, working in partnership, digital and cyber security, and the UK's exit from the European Union among other risks.

Further information about the organisation's principal risks is given on pages 66 to 69.

Remuneration Committee

Chaired by the Deputy Chair of the British Council, Rachel Lomax, the Remuneration Committee sets the annual performance measures and policy for the Chief Executive's remuneration and benefits and agrees his annual performance evaluation. It also sets the policy for the remuneration of other members of the Senior Leadership Team and reviews and agrees their performance evaluation reports, ratings and eligibility for bonuses. The full Senior Leadership Team remuneration report is on pages 76 to 79.

The Remuneration Committee reviews and approves remuneration packages for staff that exceed £100,000 per annum. It considers the impact of its work on remuneration policy for the organisation as a whole and addresses any other matters referred to it by the Board. During 2018–19 it also considered changes to the membership of the Senior Leadership Team and succession planning.

Nominations Committee

The Nominations Committee, chaired during 2018–19 by Christopher Rodrigues CBE, monitors the composition of the Board of Trustees to ensure it provides the expertise and experience needed for the governance of the British Council. The committee also actively monitors and aims to increase the diversity of the Board of Trustees and leads the recruitment of the Trustees and Chief Executive.

Trustee recruitment during 2018–19 included the appointment of a new Deputy Chair and the appointments of Trustees with expertise in the areas of finance and the arts.

UK country advisory committees

The Board of Trustees, the Chief Executive and the British Council's country teams in Northern Ireland, Scotland and Wales draw on the professional advice and external perspective of the British Council's UK country advisory committees for Northern Ireland, Scotland and Wales.

Members of the country committees who served during 2018–19 are listed on pages 72 and 73 and further information about each committee is available on the British Council [website](#).

Delegation of authority and matters reserved to the Board

The Board delegates authority to its committees through their terms of reference. The terms of reference are available on the British Council [website](#).

Each year the Board reviews its delegations to the Chief Executive and the matters reserved to the Board. As well as the approval of high-value contracts and expenditure, matters reserved to the Board include:

- the British Council's vision, values and code of conduct
- its overall strategic direction, as expressed in the Corporate Plan
- the statement of risk appetite and certain key policies, including the reserves policy
- the annual budget
- the formation or disbandment of advisory committees
- the opening or closure of overseas directorates
- any proposal for the British Council to become a corporate trustee of another charity.

The Board delegates authority to the Chief Executive for the day-to-day management of the British Council and to authorise staff to exercise the authorities delegated to him.

The Chief Executive delegates authority to staff through a scheme of delegation which states who may approve specific actions, transactions and contracts and the limits and conditions that apply. The scheme of delegation is reviewed and updated each year.

The Senior Leadership Team

The Chief Executive and other members of the Senior Leadership Team (formerly known as the Executive Board) are responsible for the management and performance of the organisation and for delivering the strategy that has been approved by the Board of Trustees.

Those who served on the Senior Leadership Team during 2018–19 are listed in the remuneration report on page 78.

Appointments to the Senior Leadership Team are normally filled through open recruitment. New members receive induction briefings which include our governance arrangements. A register of interests of members of the Senior Leadership Team is published on the British Council's [website](#) and is updated annually. On 31 March 2019 the Senior Leadership Team comprised six men and three women.

The Remuneration Committee reviews the performance of individual members of the Senior Leadership Team. In addition an externally facilitated review of the effectiveness of the Senior Leadership Team was conducted during 2018–19. The Senior Leadership Team will respond to the review's recommendations during 2019–20.

Values, policies and procedures for raising concerns

To fulfil the British Council's cultural relations mission effectively we must ensure our behaviour reflects our values and stands up to scrutiny wherever we work. Our code of conduct explains the principles that everyone who works for the British Council must follow. It sets out the five values that underpin everything we say and do, how we work with people, behave towards them and communicate. The values are valuing people, integrity, mutuality, creativity and professionalism.

We publish the code of conduct on our [website](#) alongside our global policy statements. These set out, at a high level, our policy commitments on issues such as equality, child protection, adults at risk, fair competition, freedom of information, complaints and our 'zero tolerance' policy towards fraud, bribery and corruption. The global policy statements are reviewed and approved by the Chief Executive annually. They apply to all British Council employees and also govern any others working on British Council premises, including partners of, and suppliers to, the British Council.

We also publish the tax strategy which applies to the British Council and its two UK registered subsidiary companies.

Our Raising Concerns policy sets out how staff can raise concerns about malpractice or wrongdoing confidentially and without fear of victimisation or disadvantage. The policy uses clear and straightforward language. It includes details of internal contacts and external agencies to which staff can report concerns.

We conduct an annual exercise to collate returns from senior managers providing assurance over their compliance with the code of conduct and reporting any breaches. The findings from this exercise are reported to the Senior Leadership Team and to the Audit and Finance Committee.

Audit

External audit

The British Council's accounts are audited by the Comptroller and Auditor General by agreement with HM Treasury and are, as part of the Annual Report and Accounts, placed in the libraries of the Houses of Parliament. The Annual Report and Accounts is also filed with the Charity Commission for England and Wales and with the Office of the Scottish Charity Regulator.

At the date of signature of this statement the fee for the external audit of the British Council's charity and group 2018–19 accounts is expected to be £215,000 (2017–18: £205,000). In addition to this fee, total audit fees of £420,807 (2017–18: £361,000) were payable to the auditors of the group's component audits. Further disclosures regarding the auditors are given on page 73 and in note 5 to the accounts.

The British Council has policy and procedures in place to ensure that the purchase of non-audit services from external auditors does not compromise the independence and objectivity of the audit opinions on the financial statements of entities and branches within the British Council Group.

Internal audit

The British Council has an in-house internal audit function. Internal audit's objectives, scope and responsibilities are set out in a charter which is reviewed annually by the Audit and Finance Committee. The Director of Internal Audit and Risk formally reports to both the Chair of the Audit and Finance Committee (functional line) and the Chief Operating Officer (administrative line).

The Audit and Finance Committee reviews and approves internal audit's annual work plan and receives reports on delivery against that plan and audit findings. Following year-end the Audit and Finance Committee receives a summary of the results from internal audit's work during the year.

In 2018–19 internal audit provided assurance on overseas operations as well as assurance over programmes, information technology and other principal risk areas.

Based on work undertaken in 2018–19 internal audit reported: 'A moderate level of assurance that the British Council has an adequate and effective system of governance, internal control and risk management for the year ended 31 March 2019.'

This year's moderate level of assurance equates to the reasonable assurance disclosed in the previous year. The terminology has been adapted to the standard commonly used across central government.

Personal data

The British Council is committed to protecting the confidentiality, integrity and availability of the information it collects, stores, transfers and processes and to ensuring that actual or suspected breaches of information security are reported and investigated.

All staff must comply with the information governance and confidentiality requirements of our code of conduct and complete mandatory information management training. This training must be recertified annually.

In 2018–19 the corporate General Data Protection Regulation (GDPR) change programme entered its second year in preparation for GDPR implementation in May 2018. Activities during 2018–19 included appointing a British Council Data Protection Officer, an initiative giving customers the option to change their marketing preferences on the British Council's strategic marketing lists, ensuring the continued viability of these lists for future marketing campaigns, and a technical security and privacy review of 36 strategically important systems.

During 2018–19 we reported five personal data breaches to the Information Commissioner's Office and to the Charity Commission for England and Wales under its serious incident reporting requirements. These related to: human error (two cases); a suspected unauthorised disclosure; the loss of electronic equipment; and a robbery of materials including personal data. Actions taken in response included an IT system information security review, a review of the policy on logging entry to a secure area, and discussions with and reminders to relevant staff on British Council policy, including the breach reporting requirements for data security incidents.

Risk management and control

Approach to risk management

The Board of Trustees has overall accountability for ensuring that the British Council manages its risks effectively. The Trustees set the organisation's strategic direction and determine its risk appetite. They maintain oversight of the principal risks facing the British Council through periodic review, in order to satisfy themselves that the risks are being adequately mitigated and managed. This oversight is partly managed by the Risk Committee and the Audit and Finance Committee as appropriate to the subject area.

The Senior Leadership Team is responsible for guiding the management of the risks the British Council faces in line with the strategic direction and risk appetite set out by the Board of Trustees. The Senior Leadership Team reviews the principal risks profile at least twice a year and the risk team co-ordinates a twice-yearly assessment process in which regions, strategic business units and UK professional functions report on their top risks.

This 'top-down' and 'bottom-up' approach enables the British Council to consider the potential impact of different types of risks on processes, activities, stakeholders, products and services. We continue to strengthen second line of defence functions for material risk areas, and to embed risk management into core processes and strategic planning. Structured data collection and analysis is a key part of the integration of assurance activities.

Risk profile

The following principal risk areas were identified during 2018–19 as having the greatest potential impact on the achievement of our strategic objectives. The risk areas are reviewed annually. Each area has been assigned a member of the Senior Leadership Team to lead monitoring and strategic response activities. Next to each risk we highlight actions undertaken to mitigate these risks.

The order of the following risk areas does not indicate priority, severity or ranking. The key mitigations reported have been extracted from the overall control framework which manages these risks.

Risk area	Mitigations
Failure to keep up with changing needs and behaviours of our core audience and beneficiaries, particularly in relation to digital and technological trends, could reduce our relevance and impact.	<ul style="list-style-type: none"> • Ongoing investment in dedicated teams for digital innovation and research. • Strong focus on digitally enabled products and services. • Improved processes to use data and insight more effectively.
Our ability to ensure we effectively evaluate and demonstrate our impact to all stakeholders, and in particular with regards to the UK and devolved governments' priorities, is critical to the success of our mission.	<ul style="list-style-type: none"> • Ongoing investment in dedicated teams for research and evaluation. • Continuing delivery of the five-year parliamentary strategy. • Programme of stakeholder engagement for the UK government and parliament covering a range of issues and bringing value from our global reach and networks. • Enhanced strategic communications plan.
Disruption to critical commercial operations in key markets, including the imposition of constraints such as loss of licence to operate, could make our economic sustainability vulnerable to unexpected market changes.	<ul style="list-style-type: none"> • Continuing to grow and diversify our portfolio in a range of markets and locations. • Additional separate legal entities established to provide a stable platform for our operations. • Improving commercial decision making and development of smaller, simpler offers with clear thematic and geographical priorities.
The sustainability of our developed world programme is threatened by a potential reduction in flexible discretionary funding.	<ul style="list-style-type: none"> • Investment planning to ensure we focus only on activities that drive our mission most strongly and represent value for money. • Acceleration of efficiency plans including leveraging shared services.
Competition in the global, and increasingly digital, English and exams market could threaten our financial sustainability and erode our impact.	<ul style="list-style-type: none"> • Improving the customer experience with digitally enabled products and services. • Delivery of transformation programmes to support standardised and simple structures and processes. • Planning and strategic oversight for new product development. • Improving our customer and market research, analytics and insight to better understand our audiences' views and preferences to enable impact-led planning and product development.
The UK exit from the European Union, particularly if disorderly, may result in economic downturn, be detrimental to core strategic partnerships, and require significant changes to our operating model.	<ul style="list-style-type: none"> • Dedicated working group in place conducting detailed analysis to evaluate financial, people and operational impacts in various scenarios. • Creation of contingency plans. • Ongoing support and communications to our EU colleagues and UK nationals posted in the EU.

Risk area	Mitigations
<p>Failure to attract, develop and retain suitable talent, to manage succession planning, and to foster an effective organisational culture could lead to insufficient skills and capabilities to meet organisational needs.</p>	<ul style="list-style-type: none"> • Implementation of a project to improve people data accuracy to provide the necessary information to undertake improved strategic workforce planning. • Global development initiatives to improve talent and performance management. • Review of structures at regional level to ensure we deploy the best talent in the right roles.
<p>Failures in digital security could result in significant detriment to our reputation globally, as well as substantial fines and loss of personal or business-critical data.</p>	<ul style="list-style-type: none"> • Continued investment in digital security to strengthen governance, build capability and monitor implementation and effectiveness.
<p>Any failure to manage and maintain our most important corporate partnerships could lead to legal and financial challenges.</p>	<ul style="list-style-type: none"> • Improving our customer and market research, analytics and insight to build stronger stakeholder relationships. • Continued development of responsible account managers for each corporate partnership. • Ongoing evaluation of partnership impact and value to partners.
<p>A failure to take all reasonable measures to protect children in our care and adults at risk from abuse may result in significant harm to individuals and cause significant erosion of trust and ability to operate effectively.</p>	<ul style="list-style-type: none"> • Child protection policies and procedures are in place to prevent and respond to child abuse incidents, with awareness raised through mandatory training. • Ongoing global roll-out of enhanced pre-employment assessment screening processes. • Risk profiling tool and mandatory child safe action plans are in place for each country and reviewed each year. • A global network of regional child protection focal points has been established to ensure mandatory processes are in place. • Annual cycle of child protection compliance reviews. • Roll-out during the year of new adults at risk policy, procedures and training globally. • Following a review, we are now implementing an overarching safeguarding approach, incorporating children and adults, to mitigate and manage risks with greater efficiency and effectiveness.
<p>Challenging geo-political environments and changes in international governments' foreign policies or outlook may result in weakening international governmental relationships.</p>	<ul style="list-style-type: none"> • Uniting our research, evaluation and policy insight programmes. • Continuing to grow and diversify our portfolio across multiple geographies. • Additional separate legal entities established to provide a stable platform for our operations.
<p>Our ability to make fast and effective decisions is dependent on appropriate governance and having access to appropriate data and management information.</p>	<ul style="list-style-type: none"> • Ongoing improvements to the efficiency and effectiveness of the finance function. • Greater consolidation and standardisation in shared services such as HR, finance and analytics.

Risk area	Mitigations
In a fast-moving external environment, our ability to deliver change successfully is essential.	<ul style="list-style-type: none"> • Ongoing review and management of change through a single investment board, strong portfolio office and robust programme governance to provide improved control and reporting of change.
Any failure to implement and comply with corporate policies could result in reputational damage or operational disruption in a range of areas, including counter-fraud, safety and security, exams integrity, financial governance, and resilience planning.	<ul style="list-style-type: none"> • Continued investment in second line of defence functions to define the necessary frameworks, create a culture that supports proactive risk management, build capability and monitor implementation and effectiveness.

Review of effectiveness

The Board of Trustees has legal responsibility for the British Council's management and administration. In addition to the Board's accountability for risk management, guidance issued by the Charity Commission for England and Wales states: 'The trustees should, at least annually, ensure a review is conducted of the effectiveness of the charity's internal financial controls.'

As Accounting Officer, the Chief Executive is also responsible for reviewing the effectiveness of the system of internal control in the British Council.

The Board of Trustees' and Accounting Officer's reviews of the effectiveness of the British Council's system of internal control are informed by the work of internal audit and members of the Senior Leadership Team, who have responsibility for the development and maintenance of the control framework, and comments and recommendations made by the external auditors in their annual management letter and other reports.

The effectiveness of the system of internal control was maintained and reviewed this year through:

- An ongoing assessment of governance across the organisation, including policies, procedures, systems and processes.
- Assurance work conducted by the British Council's financial policy and compliance, legal, counter-fraud, information governance, and risk management teams among others.
- Quarterly and year-end self-certification by all country and UK directors of minimum financial control application, providing assurance that the organisation's financial risks have been understood, reported and managed.

- The work of internal audit, which provides an independent and objective opinion on the adequacy of processes around risk, control, governance and finance systems. The overall assurance status is rated as 'Moderate'. This reflects terminology updated to align with assurance level descriptions used across central government and equates to the level reported in the previous year.
- The Audit and Finance Committee, which provides oversight and guidance on the work of finance and internal audit and considers reports from the Comptroller and Auditor General and other external auditors.

Based on the above, the Board of Trustees and Chief Executive consider the framework of internal controls and risk management in place during 2018–19 to have been effective.

Rachel Lomax

Deputy Chair, British Council, on behalf of the Board of Trustees

10 July 2019

Sir Ciarán Devane

Chief Executive, British Council

10 July 2019

Reference and administrative details

Legal form: The British Council was established in 1934 and incorporated by Royal Charter in 1940. A Supplemental Charter of Incorporation was granted in 1993.

Status: The British Council is registered as a charity under registration numbers 209131 (England and Wales), SC037733 (Scotland), 59749478807 (Australia), and 20100360 (Ireland). Its New Zealand

branch is registered with the Charities Service of New Zealand under the name 'British Council (New Zealand Branch)' and the registration number CC45235.

Patron: Her Majesty the Queen

Vice Patron: His Royal Highness the Prince of Wales

Principal address: 10 Spring Gardens, London SW1A 2BN, United Kingdom

Membership of the Board of Trustees and its committees

	Start/end of term if not a Trustee for the full year	Membership of the Board's standing committees as at 31 March 2019						
		Board meeting attendance ²⁴	Audit and Finance	Business Change	Commercial	Nominations	Remuneration	Risk
Christopher Rodrigues CBE (Chair) ²⁵		7/7		✓		✓	✓	
Rt Hon. Baroness Prashar of Runnymede CBE ²⁶ (Deputy Chair)	End: 10 July 2018	2/2						
Rachel Lomax (Deputy Chair) ²⁷	Start: 3 December 2018	3/3				✓	✓	✓
Mark Beddy	Start: 7 October 2018	5/5	✓		✓			
Professor Dame Janet Beer DBE		4/7				✓	✓	
Deborah Bronnert CMG		7/7						
Gareth Bullock	End: 1 October 2018	2/2			✓ ²⁸			
James Cronin		7/7	✓					✓
Yasmin Diamond CB		4/7		✓			✓	
Rohan Gunatillake		5/7				✓		
Kevin Havelock		7/7		✓	✓			
Oliver Laird	End: 14 November 2018	1/3						
Kirsty Lang		6/7				✓	✓	
Rosamund Marshall	End: 1 October 2018	2/2			✓ ²⁸			
William Roe CBE	End: 31 March 2019	6/7						
Tom Thomson OBE		7/7	✓					✓
Sir David Verey CBE		7/7			✓			

24. In this column the first number shows the number of Board of Trustees meetings attended, the second the number of Board meetings the person was eligible to attend as a Trustee in the year.

25. Trustee and Chair until 22 May 2019.

26. Trustee and Deputy Chair until 10 July 2018.

27. Trustee and Deputy Chair from 3 December 2018.

28. After the end of their terms as Trustees Gareth Bullock and Rosamund Marshall continued as external members of the Commercial Committee until 31 March 2019.

Information available on the British Council's [website](#) includes details of the members of the Board, the register of Trustees' interests, Board minutes and the terms of reference of the Board's committees.

Changes to the Board of Trustees after the end of the year

Lindsay Croisdale-Appleby replaced Deborah Bronnert CMG as the Trustee nominated by the Foreign Secretary with effect from 26 April 2019.

Stephen Deuchar and Clare Reddington were both appointed as Trustees on 1 May 2019. The term of Christopher Rodrigues CBE as the Chair and as a Trustee ended on 22 May 2019. Robert Humphreys was appointed as a Trustee with effect from 11 June 2019 and Fiona Salzen was appointed as a Trustee with effect from 1 July 2019.

Lindsay Croisdale-Appleby, Stephen Deuchar, Clare Reddington, Robert Humphreys and Fiona Salzen were serving on the date on which this report was approved by the Board of Trustees.

External members of the Board's committees during 2018–19

The table below excludes two former Trustees, Gareth Bullock and Rosamund Marshall, who remained members of the Commercial Committee until 31 March 2019 to support handover to new committee members.

The nominations and remuneration committees do not include external members.

Committee membership during 2018–19				
Name	Audit and Finance	Business Change	Commercial	Risk
Rajiv Garodia			From 19 September 2018	
Gary Kildare		From 12 September 2018		
Peter Phippen			From 19 September 2018	
Kirsty Roth		From 12 September 2018		
Fiona Salzen	Full year			From 22 May 2018

Membership of the UK country committees

Committee	Members during 2018–19	Start/end of term if not a member for the whole year
Northern Ireland	Alan Shannon CB (Chair)	
	Dr Norman Apsley OBE/Dr Joanne Stuart OBE	End: 4 December 2018
	Gren Armstrong	
	Gavin Boyd	End: 1 January 2019
	Donal Durkan	End: 17 April 2018
	John Edmund	
	Colette Fitzgerald	End: 1 January 2019
	John Greer	Start: 17 April 2018
	Isabel Jennings (ex officio)	End: 1 January 2019
	Noel Lavery (ex officio)	Start: 17 April 2018
	Andrew McCormick (ex officio)	Start: 17 April 2018
	John McGrillen	
	Judge Geoffrey Miller QC	End: 1 January 2019
	Ian Montgomery (ex officio)	
	Professor Duncan Morrow	End: 1 January 2019
	Leo O'Reilly (ex officio)	End: 4 December 2018
	Tommy O'Reilly (ex officio)	End: 4 December 2018
Wales	Professor Richard B Davies (Chair)	End: 31 March 2019
	Ashok Ahir	
	David Anderson OBE	
	Michelle Carwardine-Palmer	
	Ifona Deely (ex officio)	
	Judith Evans	End: 31 December 2018
	Eluned Hâf (ex officio)	
	David Hughes (ex officio)	End: 21 February 2019
	Professor Laura McAllister	
	Huw Morris (ex officio)	
	Karl Napieralla OBE	
	Lleucu Siencyn	
	Professor Carol Tully	End: 12 June 2018
	Rhiannon Wyn Hughes MBE	

Membership of the UK country committees

Committee	Members during 2018–19	Start/end of term if not a member for the whole year
Scotland	William Roe CBE (Chair)	End: 31 March 2019
	Professor Anne Anderson OBE	
	Beth Bate	
	Professor Graham Caie CBE	
	Sarah Deas	Start: 1 June 2018
	Professor Sir Ian Diamond	End: 11 June 2018
	Janette Harkess	
	Marcus Herbert	
	Steven Kidd	
	Dr Bill Maxwell	
	Angela Morgan	
	Hala Ousta	End: 27 March 2019
	Dr Cindy Sughrue OBE	
	Claire Tynte-Irvine (ex officio)	
	Professor Petra Wend	End: 11 June 2018

External auditors:

Auditor of the British Council charity and group: Comptroller and Auditor General, National Audit Office, 157–197 Buckingham Palace Road, Victoria, London SW1W 9SP, United Kingdom

Subsidiaries auditor: PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH, United Kingdom

PwC audits most, but not all, of the British Council Group's subsidiary undertakings. Where external audits are required locally, the auditors are disclosed in each entity's financial statements.

Bankers: HSBC, 62–76 Park Street, London SE1 9DZ, United Kingdom

Legal advisers:

- Mills & Reeve LLP, 4th Floor Monument Place, 24 Monument Street, London EC3R 8AJ, United Kingdom
- Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU, United Kingdom

Modern Slavery Act 2015: In compliance with the Modern Slavery Act 2015, the British Council's website has a statement on the steps the British Council takes to ensure that slavery and human trafficking do not occur in its supply chains or operations.

Fundraising: The Charities (Protection and Social Investment) Act 2016 introduced a new requirement for charities to include certain disclosures regarding fundraising in their annual reports.

In 2018–19 the British Council engaged with a small number of high-net-worth individuals but did not carry out fundraising among the wider public. It used an external strategic development consultancy to advise on its fundraising strategy; however, that consultancy did not undertake fundraising on behalf of the British Council. Neither the British Council nor any persons contracted to act on its behalf were bound by voluntary fundraising regulatory schemes or standards. We continued to ensure our procedures were compliant with GDPR and did not receive any complaints about British Council fundraising activities during the year.

Statement of the Trustees' and Accounting Officer's responsibilities

The law applicable to charities in England, Wales, Scotland and the Republic of Ireland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the net expenditure of the group for that year.

The Secretary of State for the Foreign and Commonwealth Office (with the consent of HM Treasury) has also directed the Accounting Officer to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the British Council Group and of its income and expenditure, Balance Sheet and cash flows for the financial year.

In preparing the accounts, the Trustees and Accounting Officer are required to comply with the requirements of the Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102) and in particular to:

- make judgements and estimates on a reasonable basis
- prepare the accounts on a going concern basis
- state whether applicable accounting standards have been followed, comprising FRS 102, subject to any material departures disclosed and explained in the financial statements
- select suitable accounting policies and apply them consistently

- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable
- have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the British Council's auditors are aware of that information. So far as they are aware, there is no relevant audit information of which the auditors are unaware.

In preparing the accounts, the Accounting Officer is also required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State for the Foreign and Commonwealth Office, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities Act 2009 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Managing public money published by HM Treasury holds the Accounting Officer responsible for keeping proper records and for safeguarding the British Council's assets. In addition, the responsibilities of the Accounting Officer include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable.

The Trustees are responsible for the maintenance and integrity of the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Rachel Lomax

Deputy Chair, British Council, on behalf of the Board of Trustees

10 July 2019

Sir Ciarán Devane

Chief Executive, British Council

10 July 2019

Senior Leadership Team remuneration report

Senior Leadership Team members' annual salary increases are determined by their performance rating. There are five performance ratings, one being the highest and five the lowest. Performance pay would normally only apply to those rated one, two or three.

In 2018–19, Senior Leadership Team members received an increase to salary in accordance with the rules on Senior Civil Service pay for that year. Members of the Senior Leadership Team can also be eligible for a non-consolidated performance-related payment, as part of their total remuneration, if they are successful in meeting a number of targets and objectives. Any bonuses issued to the Senior Leadership Team are solely related to performance. Bonuses are based on performance levels attained and are made as part of the appraisal process.

The bonuses reported in 2018–19 relate to performance in 2017–18.

Senior Leadership Team members do not receive non-cash benefits. Senior Leadership Team members are initially appointed on a fixed-term contract of three years. The notice period for termination, for either side, is three months. Early termination, other than for misconduct, may result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Emoluments (salaries, including allowances subject to UK taxation) paid to members of the Senior Leadership Team and their pension entitlements are set out overleaf. All those individuals are members of the Civil Servants and Others Pension Scheme.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the PCSPS. The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos).

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

(i) Classic, premium, classic plus, nuvos and alpha schemes

Employee contributions are salary-related and range between 4.6 per cent and 8.05 per cent for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is updated

in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32 per cent. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

(ii) Partnership pension account

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between eight per cent and 14.75 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of three per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or state pension age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash equivalent transfer values

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

The table overleaf and fair pay disclosures have been subject to audit. The calculations have been made based on the total salary of UK-appointed staff. 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation. It does not include employer pension contributions or the cash equivalent transfer value of pensions, or the salaries of staff appointed overseas.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The full time equivalent remuneration of the highest-paid director, who is the Chief Executive, in the British Council in the financial year 2018–19 was £200,000–£205,000 (2017–18: £325,000–£330,000). This was almost five times the median remuneration of the workforce, which was £41,741 (2017–18: £32,760). The fall in the remuneration ratio reflects the change in the method of employment of certain high-paid staff from the previous year. In 2018–19, one (2017–18: none) employee received remuneration in excess of the highest-paid director. This individual was a temporary employee. Remuneration ranged from £18,000–£221,000 (2017–18: £15,000 to £325,000–£330,000). The basis for the median pay calculation is based on the requirements specified in the Hutton Review of Fair Pay – Implementation guidance. The guidance requires the calculation to be based on the pay of full-time equivalent staff of the British Council, at the reporting end date, on an annualised basis.

Executive remuneration

Name and position	Salary 2018–19 (in bands of £5,000)	Salary 2017–18 (in bands of £5,000)	Bonus payments 2018–19 (in bands of £5,000)	Bonus payments 2017–18 (in bands of £5,000)	Value of pension benefits for single total figure of remuneration for 2018–19
Devane, C, Chief Executive	195–200	190–195	5–10	10–15	74,869
Greer, A, ²⁹ Chief Operating Officer	145–150	145–150	5–10	5–10	N/A
Robson, M, Director English and Exams	155–160	150–155	5–10	5–10	59,392
Sheffield, G, ³⁰ Director Arts	30–35	125–130	N/A	5–10	33,116
Full year equivalent	125–130				
Beall, J, ³¹ Director Education and Society	100–105	125–130	5–10	5–10	59,764
Full year equivalent	130–135				
Murley, H, ³² Director Global Human Resources	N/A	75–80	N/A	0–5	N/A
Full year equivalent		125–130			
Griffin, E, ³³ Director (Interim) Global Human Resources	N/A	45–50	N/A	N/A	N/A
Full year equivalent		80–85			
Arthurs, K, ³⁴ Director (Interim) Arts	75–80	N/A	N/A	N/A	91,619
Full year equivalent	85–90				
Elliott, G, ³⁵ Director (Interim) Global Human Resources	120–125	30–35	N/A	N/A	N/A
Full year equivalent	340–345	325–330			
Arthur, N, ³⁶ Chief Financial Officer	50–55	175–180	10–15	5–10	N/A
Full year equivalent	175–180				
Cross, H, ³⁷ Director Strategy and Engagement	75–80	115–120	N/A	0–5	29,651
Full year equivalent	115–120				
Stephens, M, ³⁸ Director Cultural Engagement	35–40	N/A	N/A	N/A	46,710
Full year equivalent	110–115				
Thomas, R, ³⁹ Chief Financial Officer	110–115	N/A	N/A	N/A	43,492
Full year equivalent	135–140				
Horton, A, Director Digital, Partnerships and Innovations	115–120	115–120	0–5	0–5	46,314
Ward, C, ⁴⁰ Global People Director	70–75	N/A	N/A	N/A	N/A
Full year equivalent	135–140				
Ewart-Biggs, K, Director Global Network	120–125	105–110	5–10	5–10	105,566
Highest paid	200–205	325–330			
Median	41,741	32,760			
Remuneration ratio	4.9:1	10.0:1			

The membership of the Remuneration Committee is included in the full membership list of the Board of Trustees on page 70.

Annual incentives for Chief Executive and Senior Leadership Team members

Purpose and link to strategy

- Motivate the achievement of annual strategic goals and personal objectives.
- Provide a focus on key metrics.
- Reward individual contribution to the success of the British Council.

Operation

- Annual incentive is delivered entirely in cash and does not form part of pensionable earnings.
- Individual personal objectives are set each year. These may be specific short-term goals or milestones towards medium or long-term objectives, but are closely aligned to the overall strategy of the British Council.

- Measures and performance targets for the Senior Leadership Team are set by the Chief Executive and by the British Council Chair for the Chief Executive, at the start of the year.
- Payment is made after year-end following the Remuneration Committee of the Board of Trustees' assessment of performance relative to targets and objectives. Exception to this process would apply if there is a departure of employee mid-year, when decision on payment will be made outside of the normal cycle using the same parameters.
- Annual incentive payments are discretionary. The Remuneration Committee reserves the right to adjust payments up or down before they are made if it believes exceptional factors warrant doing so.

Opportunity

- Annual incentive payments will not exceed 15 per cent of base salary and are subject to a cap of £17,500 in accordance with Cabinet Office guidance.

Value of pension benefits for single total figure of remuneration for 2017–18	Accrued pension at pension age as at 31 March 2019 (in bands of £5,000)	Accrued lump sum at pension age as at 31 March 2019 (in bands of £5,000)	Real increase (decrease) in pension at pension age (in bands of £2,500)	Real increase (decrease) in lump sum at pension age (in bands of £2,500)	CETV at 31 March 2019 (to nearest £1,000)	CETV at 31 March 2018 (to nearest £1,000)	Real increase (decrease) in CETV funded by employer (to nearest £1,000)	Total salary benefits 2018–19 (in bands of £5,000)	Total salary benefits 2017–18 (in bands of £5,000)
73,845	15–20	N/A	2.5–5	N/A	271	187	46	275–280	275–280
2,560	N/A	N/A	N/A	N/A	N/A	1,569	N/A	155–160	155–160
58,446	40–45	N/A	2.5–5	N/A	672	557	41	220–225	215–220
51,160	20–25	N/A	0–2.5	N/A	388	348	28	65–70	185–190
52,553	20–25	N/A	2.5–5	N/A	421	346	51	165–170	190–195
29,462	N/A	N/A	N/A	N/A	N/A	221	N/A	N/A	105–110
16,918	N/A	N/A	N/A	N/A	N/A	75	N/A	N/A	65–70
N/A	15–20	N/A	5–7.5	N/A	194	N/A	46	165–170	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	120–125	30–35
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	60–65	180–185
45,659	5–10	N/A	0–2.5	N/A	118	84	20	105–110	165–170
N/A	40–45	35–40	0–2.5	0–2.5	690	N/A	37	80–85	N/A
N/A	0–5	N/A	2.5–5	N/A	36	N/A	28	150–155	N/A
45,659	5–10	N/A	2.5–5	N/A	100	59	24	165–170	165–170
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	70–75	N/A
49,679	35–40	75–80	5–7.5	7.5–10	630	485	76	230–235	160–165

Sir Ciarán Devane

Chief Executive, British Council

10 July 2019

Rachel Lomax

Deputy Chair, British Council, on behalf of the Board of Trustees

10 July 2019

29. Mr A Greer chose not to be covered by the Civil Service Pension arrangements during the reporting year.

30. Mr G Sheffield's service ended on 30 June 2018. He left under voluntary redundancy and received a compensation payment of £64,666.

31. Ms J Beall's services ended on 11 January 2019.

32. Ms H Murley left under voluntary exit terms on 31 October 2017. She received a compensation payment of £33,242.

33. Mr E Griffin was appointed as Interim Global HR Director on 21 August 2017 and left on 6 March 2018.

34. Ms K Arthurs' appointment is a temporary promotion from 21 May 2018 to 20 May 2020.

35. Mr G Elliott joined the organisation on 20 February 2018 and his service ended on 30 September 2018. His services were supplied through an agency.

36. Mr N Arthur's services ended on 7 July 2018. He chose not to be covered by the Civil Service Pension arrangements during the reporting year.

37. Ms H Cross' services ended on 22 November 2018.

38. Mr M Stephens was appointed to his current position as Director Cultural Engagement on 1 January 2019.

39. Mr R Thomas joined the organisation on 4 June 2018.

40. Ms C Ward joined the organisation on 25 September 2018. She chose not to be covered by the Civil Service Pension arrangements during the reporting year.

Financial review

2018–19

Financial highlights

	2019 £ million	2018 £ million	Change %
Total income	1,250	1,172	7
Net income	30	6	-
Total reserves	388	352	10
Free reserves ^a	98	66	48
Grants paid	200	168	19
ODA spend	145	136	7
Income raised for every £1 received from grant-in-aid ^b	£6.20	£6.20	-

^a Free reserves are those generally available for the activities of the British Council and comprise the General Account, the risk and investment reserves.

^b As adjusted for non-ODA grant-in-aid received in advance from the FCO.

Summary of results

The British Council achieved almost seven per cent growth in total income to £1,250 million (2017–18: £1,172 million) principally due to a strong performance from its English teaching and examinations activities together with higher income from contract work and increase in grant-in-aid income from the FCO.

For every £1 of government grant-in-aid from the FCO, an additional £5.80 was generated from other sources compared to £5.98 last year. Adjusting for grant-in-aid income received in advance from the FCO for non-ODA activities of £12 million (2017–18: £6 million), the British Council raised an additional £6.20 (2017–18: £6.20) for every £1 of government grant-in-aid.

Total pre-tax expenditure increased by four per cent to £1,204 million (2017–18: £1,157 million) as a result of the growth in the British Council's operations across the majority of its charitable activities.

Included in income and expenditure above are net foreign exchange losses of £5 million (2017–18: £24 million) mainly arising from the strengthening of sterling against other currencies over the course of the year, and the consequent reduction in the sterling value of currency-denominated assets. This comprises £9 million of exchange losses which are shown in expenditure, partially offset by £4 million of gains which are recorded in income.

Net income increased by £24 million to £30 million (2017–18: £6 million). This was driven primarily by improved trading performance from charitable activities and increased income received from the FCO, despite the adverse effect of foreign exchange in the year.

Total reserves increased by £36 million to £388 million (2017–18: £352 million). The British Council has increased its free reserves by £32 million in 2018–19.

Of this increase, £12 million is from advanced funding for non-ODA activity in 2019–20 (in line with the agreement with the FCO following the last Spending Review), which the British Council is required to record in 2018–19. This funding will be drawn down from reserves in 2019–20, which will lead to a corresponding deficit.

The remaining £20 million increase in free reserves comes from commercial activity. The British Council has used this to build its reserves in recognition of increasing financial risk arising from commercial competition, uncertainty relating to the United Kingdom's departure from the European Union and the upcoming public Spending Review which will decide the British Council's grant funding from 2020–21 onwards and the need to invest in future years to maintain the commercial surplus.

As well as strong performance by the business, the performance in the year has benefited from more favourable exchange rate movements compared to 2017–18, but the British Council remains exposed to exchange risk given the diversity of currencies in which it delivers its services.

Income

Donations

The main element of this is government grant-in-aid income of £184 million (2017–18: £168 million) which included £12 million (2017–18: £6 million) advanced funding for non-ODA activity in the next financial year. The proportion of total income from grant-in-aid has risen marginally by 0.4 per cent to 14.7 per cent (2017–18: 14.3 per cent). Excluding the impact of advanced funding, the proportion of income from grant-in-aid remained stable at 13.9 per cent (2017–18: 13.9 per cent).

Income from charitable activities

Income from charitable activities grew by six per cent to £1,058 million compared to £995 million in 2017–18. (For a breakdown of this income by charitable activities, please see note 4 of the accounts.)

The British Council’s teaching and exams income grew by four per cent to £727 million this year (2017–18: £700 million), due mainly to the growth of exams activities in Asia.

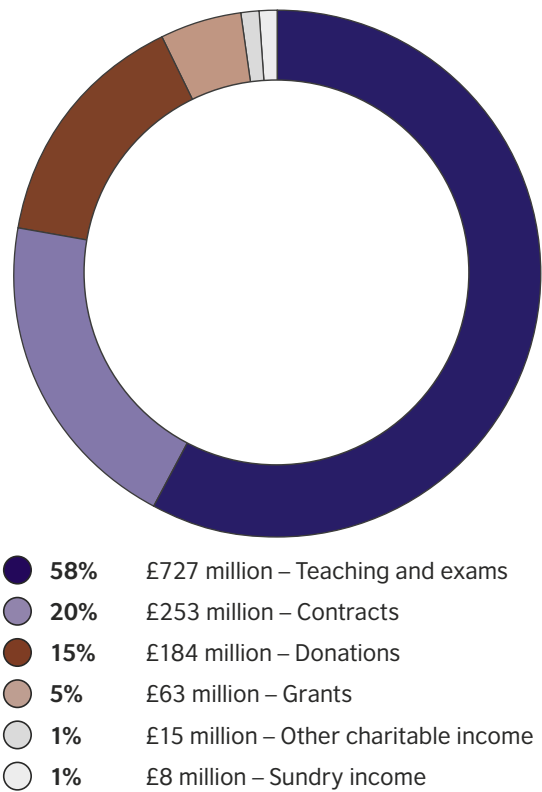
The British Council also receives contract and grant income mainly for the delivery of work programmes and grant disbursement activities in Education and Society. Contract income increased by ten per cent to £253 million (2017–18: £230 million). Grants income also increased by 13 per cent to £63 million (2017–18: £56 million). Erasmus+ contributed income of £145 million in 2018–19, an increase of £20 million on 2017–18. Excluding Erasmus+, other contract and grant income increased by £10 million.

The British Council received other charitable income of £15 million (2017–18: £9 million).

Sundry income

Income from other trading activities, predominantly sponsorship income, was £1 million (2017–18: £1 million). Income from investments remained stable at £3 million (2017–18: £3 million). Other income, predominantly foreign exchange gains, decreased by £2 million to £4 million (2017–18: £6 million).

Sources of income



Expenditure

Expenditure on charitable activities

Expenditure on charitable activities increased by four per cent to £1,204 million compared to £1,157 million in 2017–18. This partly reflects the growth in income-generating activities and continued investment in projects to support future growth, infrastructure and operational efficiency. (For a breakdown of this expenditure by charitable activities, please see note 5 of the accounts.)

The British Council supports particular programmes and activities through the provision of grant funding to individuals and organisations to facilitate their participation in events, schemes or programmes set up to achieve its objectives. In 2018–19, £200 million of grants were payable to individuals and institutions, a 19 per cent increase from £168 million in 2017–18, mainly driven by extra Erasmus+ activity.

Direct costs increased by two per cent to £809 million (2017–18: £797 million) as a result of the growth in the British Council's income-generating activities, predominantly examinations and contracts. Total exchange losses of £9 million (2017–18: £29 million) are included within direct costs.

Support costs increased to £194 million (2017–18: £191 million). The 2018–19 figure for support costs includes £6 million (2017–18: £4 million) in respect of restructuring costs.

As part of the UK's commitment to ODA, the British Council achieved its target of spending £145 million of its 2018–19 FCO grant-in-aid on development activity in ODA eligible countries, including those across Africa, the Middle East and South Asia. ODA countries are defined by the Organisation for Economic Co-operation and Development.

The British Council continued to invest in specific projects for growth, infrastructure and operational efficiency. Included within direct and support costs is revenue expenditure relating to such projects of £21 million (2017–18: £20 million). Capital expenditure also includes £13 million (2017–18: £10 million) relating to such projects. These projects involve investments in new technology and processes to support future growth.

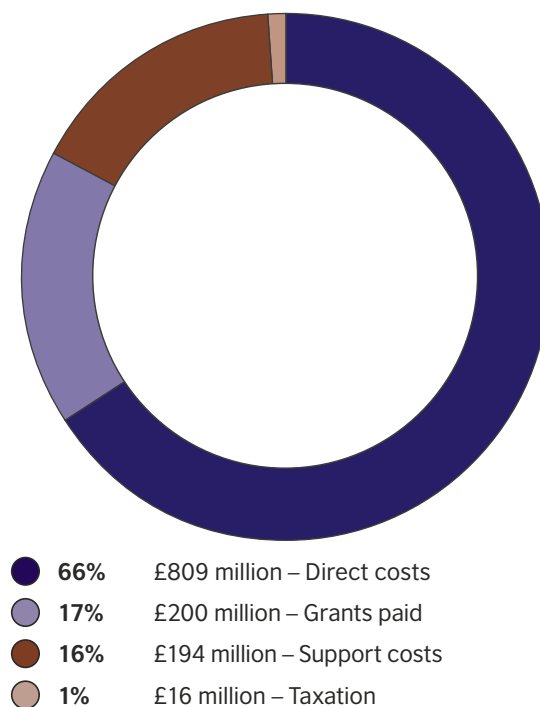
The British Council also continues to focus investment spend on its estate so as to maximise the productivity of staff through their working environment.

Taxation

The tax charge of £16 million (2017–18: £10 million) includes exceptional prior period costs of £3 million as the British Council has resolved its historic tax status in certain overseas jurisdictions. Alongside this, the underlying annual tax expense grew by £3 million due to continued revenue growth from the delivery of educational services in taxable jurisdictions. Overseas taxes are expected to remain

at similar levels in future periods as the organisation's status has continued to evolve in key markets, resulting in surpluses being subject to local taxes in territories which do not confer charitable exemptions.

Resources expended



Revaluation of land and buildings

In accordance with its accounting policy, the British Council revalued approximately 20 per cent of its number of land and buildings as at 31 March 2019. This revaluation was carried out by its surveyors, CBRE, a commercial property consultancy firm. The valuation took into account prevailing market conditions and restrictions on the British Council's right to use the property.

Due to the significant change in the value of sterling against major currencies over the course of the last year, the carrying value of the remaining land and buildings assets has also been amended to reflect the relevant closing exchange rate.

The revaluation exercise gave rise to a net gain of £8 million which has been recognised within the revaluation reserve.

Fair competition

The British Council has a fair competition policy to ensure that its trading activities are at all times conducted fairly and in accordance with relevant legal requirements. An accounting firewall is maintained to ensure that the British Council's use of government grant-in-aid funds does not result in any distortion of competitive markets. This accounting process is supported by a global transfer pricing

policy that reflects the principle that transactions between the different legal entities within the group should be conducted on an arm's length basis.

Fraud prevention and detection

The British Council is committed to its policy of zero tolerance to fraud and to be transparent in its management of counter-fraud. During 2018–19, 93 instances (2017–18: 69 instances) of fraud were recorded with losses of £0.13 million (2017–18: £0.12 million).

Further information, including details on sanctions applied to cases, can be obtained in the British Council's Annual Review of Counter Fraud Report, which can be accessed on the British Council's website: <https://www.britishcouncil.org/organisation/transparency/financial-data>

Significant extra work is being completed to detect further fraud as well as ensure cases are handled correctly, to ensure that any sanctions imposed act as a deterrent to others.

Treasury

The British Council has a central treasury team which manages its treasury and banking activities. These activities are governed by a Treasury policy, which has been agreed by the Board of Trustees. The British Council's treasury activities are reported to and reviewed by its Treasury Committee on a monthly basis.

The Treasury policy sets out a framework under which decisions on foreign exchange management, cash and investment management are administered by the central treasury team. The principal activities of this function are:

a. Currency management

The treasury team monitors cash flow forecasts in order to determine future surpluses and requirements in foreign currencies. The treasury team enters into forward foreign exchange contracts for periods not exceeding 12 months where these cash flows are considered highly likely. The British Council does not hedge account for these contracts and at 31 March 2019 had a liability of £0.3 million arising from open contracts (31 March 2018: £0.3 million). Other foreign exchange needs are met by spot transactions as they are required. Further details on how the British Council manages its exposure to foreign currency risk are set out in note 22 of the accounts.

b. Cash management

The British Council's cash management policy is to hold sufficient funds in each country of operation to meet anticipated payment requirements for approximately one month. Surplus funds are remitted back to the UK, except in those cases where there are restrictions on their remittance. Further details on how the British Council manages liquidity risk are set out in note 22 of the accounts.

c. Short-term investments

Surplus cash is invested in short-term or money market deposits in the UK. The British Council's policy allows it to place such deposits with banks with a credit rating of A- or higher for periods of up to 12 months. The maximum aggregate deposit within one bank may not exceed £25 million.

Information on payment policy

The British Council's payment policy in respect of third party creditors is to settle on the contractual payment date or within 30 days from the date of the invoice receipts, provided that the relevant goods and/or services have been supplied.

During the financial year 2018–19, 99 per cent (2017–18: 99 per cent) of valid invoices relating to UK activity were paid within this target period. This figure includes payments of grants and stipends. The total number of UK payment transactions processed in 2018–19 was 43,275 (2017–18: 54,969).

Trade creditor days for the British Council's UK activity for the year ended 31 March 2019 were ten days (2017–18: 18 days) based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by the trade creditors.

Reserves

The British Council Group has £388 million total reserves (2017–18: £352 million), of which £69 million is restricted (2017–18: £71 million). Restricted funds are those that are held for specific purposes and relate primarily to the British Council's arts collection and amounts held in trusts. Unrestricted reserves comprise the capital, revaluation and unrestricted heritage asset reserves, together with the General Account, Risk Reserve and Investment Fund. The capital account, revaluation account and unrestricted heritage asset reserve, which amount to £221 million, can only be released through the sale of those assets (2017–18: £215 million).

The British Council's free reserves of £98 million are represented by the balance in the General Account, the Risk Reserve and Investment Fund (2017–18: £66 million). The closing balances of the General Account, Risk Reserve and Investment Fund have been determined in accordance with the Reserve policy, approved by the Trustees at their meeting on 10 July 2019.

The Risk Reserve represents the minimum level of funds required to protect the British Council from the potential financial impact of known business risks. These risks are uncertain in nature and it is highly unlikely that they will all crystallise in the next 12 months. In 2017 the Trustees decided to aim to grow the Risk Reserve to £50 million by 2020 (2012 policy: £35 million). The balance at 31 March 2019 was £49 million (31 March 2018: £39 million).

The Investment Fund represents funds earmarked for specific planned investment projects within a three-year horizon. The balance at 31 March 2019 was £24 million (31 March 2018: £20 million) and represents, inter alia, the forecast investment relating to the British Council's UK head office relocation in 2020.

The General Account as at 31 March 2019 was £25 million (2017–18: £7 million).

Viability statement

In reviewing the viability of the organisation, the Trustees have taken into account the British Council's financial model, which distributes its financial risk over a number of different income streams. These income streams comprise core grant funding from the FCO for the remainder of the current settlement period through to 31 March 2020, together with the expectation that this will be renewed at some future point, and the continued profitability of its other activities, mainly driven by the expansion of its exams business.

The British Council begins the period with free reserves of £98 million (comprising the general, risk and investment reserves) and with strong liquidity with cash and short-term investments of £404 million (of which £150 million represents core UK deposited cash that is not specifically committed to contractual project delivery).

The British Council assesses its prospects over a three-year planning period, as it believes that this period provides both a sufficient forward-looking period and one where it can assess its outlook with degree of reasonable expectation. These forecasts represent the British Council's best estimate of its future prospects. We have also assessed the potential financial impact of various adverse scenarios, which broadly align with the statement of risk as set out in the governance statement on pages 60 to 69. These comprise:

1. the failure to secure non-ODA funding in our next FCO funding agreement
2. a financial disruption in our major exams markets
3. an adverse settlement arising from the United Kingdom's departure from the European Union
4. adverse foreign exchange impact affecting the profitability of our exams
5. the crystallisation within a short period of the risks contained within our Risk Reserve.

The results of these stress tests demonstrate that the Trustees can have reasonable confidence that the British Council will be able to continue in operation over the three-year assessment period.

Going concern

The Trustees are required to confirm that it is appropriate for the British Council to adopt the going concern principle in preparing its accounts. Based on the viability review set out above and taking into consideration the British Council's closing reserves and strong cash position, the Trustees of the British Council have reasonable expectation that the British Council will continue to operate for the 12 months from the signature of this report.

As such the Trustees of the British Council continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Rachel Lomax

Deputy Chair, British Council, on behalf of the Board of Trustees

10 July 2019

Sir Ciarán Devane

Chief Executive, Accounting Officer, British Council

10 July 2019

The audit report of the Comptroller and Auditor General to the Trustees of the British Council

Opinion on financial statements

I have audited the financial statements of the British Council for the year ended 31 March 2019 which comprise: the Consolidated Statement of Financial Activities, the Group and Parent Balance Sheets, the Consolidated Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Senior Leadership Team remuneration report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the group's and of the British Council's affairs as at 31 March 2019 and of its incoming resources and application of resources for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been properly prepared in accordance with the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), and the Charities Act 2009.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the audited body and group in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the British Council's ability to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Trustees and Accounting Officer

As explained more fully in the Statement of the Trustees' and Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with section 151 of the Charities Act 2011, section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and section 50 of the Charities Act 2009.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the British Council's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other information

The Trustees and Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report but does not include the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Senior Leadership Team remuneration report to be audited have been properly prepared in accordance with the Accounts Direction issued by the Secretary of State for the Foreign and Commonwealth Office
- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report
- the information given in the Annual Report which I provide a positive consistency opinion on for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008, the Charities Accounts (Scotland) Regulations 2006 and the Charities Act 2009 require us to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff

- the financial statements and the parts of the Senior Leadership Team remuneration report to be audited are not in agreement with the accounting records and returns
- the information given in the Trustees' report is inconsistent in any material respect with the financial statements
- I have not received all of the information and explanations I require for my audit
- the governance statement does not reflect compliance with HM Treasury's guidance.

Use of our report

This report is made solely to the Trustees, in accordance with the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Act 2009 and our letter of engagement dated 26 September 2018. Our audit work has been undertaken so that we might state to you those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees and those set out under these Acts, for our audit work, for this report, or for the opinions we have formed.

Gareth Davies

Comptroller and Auditor General

15 July 2019

National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Accounts

Consolidated Statement of Financial Activities for the year ended 31 March 2019

		Unrestricted	Restricted	2018–19 Total	Unrestricted	Restricted	2017–18 Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from:							
Donations and legacies	3	39,533	144,700	184,233	32,277	136,000	168,277
Charitable activities							
Developing a wider knowledge of the English language		743,621	16,008	759,629	709,489	13,070	722,559
Encouraging educational co-operation and promoting the advancement of education		28,758	199,458	228,216	26,011	186,110	212,121
Encouraging cultural scientific and technological co-operation		1,414	16,763	18,177	2,209	11,089	13,298
Building capacity for social change		18,625	33,291	51,916	15,932	30,672	46,604
Total income received to promote cultural relationships and the understanding of different cultures	4	792,418	265,520	1,057,938	753,641	240,941	994,582
Other trading activities		873	-	873	907	-	907
Investments		2,712	-	2,712	2,844	-	2,844
Profit on disposal of fixed assets		102	-	102	38	-	38
Foreign exchange gains		3,674	-	3,674	5,692	-	5,692
Total income		839,312	410,220	1,249,532	795,399	376,941	1,172,340
Expenditure on:							
Raising funds		204	-	204	21	-	21
Charitable activities							
Developing a wider knowledge of the English language		674,284	30,369	704,653	654,517	28,827	683,344
Encouraging educational co-operation and promoting the advancement of education		48,425	267,143	315,568	44,668	255,749	300,417
Encouraging cultural scientific and technological co-operation		41,842	64,045	105,887	40,707	43,295	84,002
Building capacity for social change		27,213	50,453	77,666	37,540	51,360	88,900
Total resources expended to promote cultural relationships and the understanding of different cultures	5(a)	791,764	412,010	1,203,774	777,432	379,231	1,156,663
Taxation	8	15,680	-	15,680	10,163	-	10,163
Total expenditure		807,648	412,010	1,219,658	787,616	379,231	1,166,847
Gain on equity investment	12(b)	425	-	425	138	-	138
Net income/(expenditure)		32,089	(1,790)	30,299	7,921	(2,290)	5,631

Consolidated Statement of Financial Activities for the year ended 31 March 2019 (continued)

		Unrestricted	Restricted	2018-19 Total	Unrestricted	Restricted	2017-18 Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Transfers between funds:							
Transfer of unrestricted heritage asset reserve to restricted funds	17(a), 17(b)	1,456	(1,456)	-	(129)	129	-
Other recognised gains/(losses):							
Funds spent from restricted reserves	17(a)	(1,819)	1,819	-	(3,024)	3,024	-
Gains/(losses) on revaluation of tangible fixed assets	17(a)	7,945	-	7,945	(14,973)	-	(14,973)
Gains on revaluation of intangible fixed assets	17(a)	38	-	38	794	-	794
Losses on revaluation of heritage assets	17(a)	(2,553)	-	(2,553)	(86)	-	(86)
Foreign exchange differences arising on consolidation of foreign operations	17(a)	651	-	651	(2,847)	-	(2,847)
Net movement in funds		37,807	(1,427)	36,380	(12,344)	863	(11,481)
Total funds brought forward		280,723	70,792	351,515	293,067	69,929	362,996
Total funds carried forward		318,530	69,365	387,895	280,723	70,792	351,515

The British Council's non-consolidated total incoming resources for 2018-19 were £1,082.9 million (2017-18: £1,054.5 million); total resources expended were £1,060.4 million (2017-18: £1,058.5 million); and total net incoming resources were £22.5 million (2017-18: net outgoing resources of £4.0 million).

Restricted activity includes £132.5 million (2017-18: £112.2 million) of income and expenditure relating to projects carried out on behalf of the European Commission.

Unrestricted fees and gross income from services and other sources includes £12.4 million (2017-18: £8.4 million) received in relation to European Commission projects.

There were no other recognised gains and losses other than those passing through the Consolidated Statement of Financial Activities. All activities are continuing. The notes on pages 94 to 130 form part of these accounts.

Consolidated and British Council Balance Sheet at 31 March 2019

		Group		British Council	
		2019	2018	2019	2018
	Notes	£'000	£'000	£'000	£'000
Non-current assets					
Intangible fixed assets	9	13,858	13,293	13,838	13,282
Tangible fixed assets	10	159,832	153,813	152,899	147,780
Heritage assets	11	117,852	120,214	117,852	120,214
Investments	12(a)	102	110	527	142
Investment in joint venture	12(b)	1,534	1,027	1,534	1,027
Total non-current assets		293,178	288,457	286,650	282,445
Current assets					
Loans to subsidiaries	12(e)	-	-	-	368
Stock	-	657	587	626	573
Debtors	13	160,618	146,306	128,889	115,971
Short-term investments	14(b)	125,038	123,242	125,038	123,242
Cash at bank	14(a)	278,489	246,255	242,330	216,361
Total current assets		564,802	516,390	496,883	456,515
Liabilities: amounts falling due within one year					
Creditors	15(a)	(433,783)	(420,855)	(408,385)	(394,588)
Short-term provision for liabilities and charges	16(a)	(9,238)	(8,522)	(8,435)	(7,329)
Net current assets		121,781	87,013	80,063	54,598
Total assets less current liabilities		414,959	375,470	366,713	337,043
Liabilities: amounts falling due after more than one year					
Long-term provisions for liabilities and charges	16(b)	(27,064)	(23,955)	(24,963)	(22,866)
Net assets		387,895	351,515	341,750	314,177

Consolidated and British Council Balance Sheet at 31 March 2019 (continued)

		Group		British Council	
		2019	2018	2019	2018
	Notes	£'000	£'000	£'000	£'000
Funds and reserves					
Unrestricted funds					
General account	17(a)	25,003	7,000	25,003	7,000
Risk reserve	17(a)	48,900	38,721	9,709	7,428
Investment fund	17(a)	23,947	20,000	23,947	20,000
Capital account	17(a)	94,563	95,962	93,487	95,804
Revaluation account	17(a)	79,127	71,144	73,250	65,258
Heritage asset reserve – unrestricted	17(a)	46,989	47,895	46,989	47,895
Total unrestricted funds		318,529	280,722	272,385	243,385
Restricted funds					
Income reserve – restricted	17(b)	(1,802)	(1,819)	(1,802)	(1,819)
Expendable endowment reserve	17(b)	304	292	304	292
Heritage asset reserve – restricted	17(b)	70,863	72,319	70,863	72,319
Total restricted funds		69,365	70,792	69,365	70,792
Total charity funds		387,894	351,514	341,750	314,177
Minority interest	17(a)	1	1	-	-
Total funds		387,895	351,515	341,750	314,177

Approved by the Board of Trustees and signed on its behalf on 10 July 2019.

Rachel Lomax
Deputy Chair, British Council,
on behalf of the Board of Trustees

Sir Ciarán Devane
Chief Executive, Accounting Officer,
British Council

Consolidated reconciliation of net income/(expenditure) to net cash flow from operating activities

	Notes	2018–19		2017–18	
		£'000	£'000	£'000	£'000
Net income for the reporting period (as per the Consolidated Statement of Financial Activities)			30,299		5,631
Adjustments for:					
Interest receivable		(2,712)		(2,844)	
Depreciation charges including impairments	10	10,852		11,899	
Amortisation charges including impairments	9	2,567		2,334	
Loss on the sale of tangible fixed assets		146		658	
Gain on the sale of non-current investments		(8)		(16)	
Gain on equity investment	12(b)	(425)		(138)	
Taxation charge	8	15,680		10,163	
(Increase)/decrease in stock		(70)		169	
Increase in debtors excluding foreign exchange translation		(13,154)		(9,966)	
Increase in creditors excluding overseas corporation tax creditors and foreign exchange translation		14,967		68,434	
Increase in provision excluding foreign exchange translation		3,915		4,079	
Total adjustments			31,758		84,772
Net cash flow from operating activities			62,057		90,403

Consolidated Cash flow statement for the year ended 31 March 2019

		2018–19		2017–18	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities:					
Net cash flow from operating activities		62,057		90,403	
Overseas corporation tax paid		(18,156)		(8,285)	
Net cash provided by (used in) operating activities			43,901		82,118
Cash flows from investing activities:					
Interest receivable		2,712		2,844	
Purchase of intangible fixed assets	9	(3,095)		(4,289)	
Purchase of tangible fixed assets	10	(9,810)		(5,933)	
Proceeds from the sale of tangible fixed assets		133		20	
Purchase of heritage assets	11	(191)		(225)	
Purchase of non-current investments		-		(17)	
Proceeds from sale of non-current investments		13		320	
Net payments into short-term deposits	14(b)	(1,796)		(19,733)	
Net cash provided by (used in) investing activities			(12,034)		(27,013)
Cash and cash equivalents in the year			31,867		55,105
Change in cash and cash equivalents due to foreign exchange rate movements			367		(2,887)
Cash and cash equivalents at start of year	14(a)		246,255		194,037
Cash and cash equivalents at end of year	14(a)		278,489		246,255

These financial statements were authorised by the Chair of the Trustees and the Chief Executive for issue on the date that the Comptroller and Auditor General signed the Audit Certificate.

1 Basis of preparation and consolidation

(a) Basis of preparation

The accounts have been prepared in accordance with: FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102); Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) (the SORP); the Charities Act 2011; the Charities and Trustee Investment (Scotland) Act 2005; the Charities Act 2009; the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs; and the Government Financial Reporting Manual 2018–19 (the FReM), where this exceeds but does not conflict with the SORP.

The British Council meets the definition of a Public Benefit Entity under FRS 102.

The accounts are prepared under the historic cost convention modified by the revaluation of tangible and intangible fixed assets, and quoted investments, which are held at fair value at the Balance Sheet date.

(b) Consolidation

The consolidated financial statements include the results of the British Council, its subsidiaries and the special trusts controlled by the British Council together with the group's attributable share of the results of its associate. A subsidiary is an entity controlled by the British Council. Control exists where the British Council has the right to govern the operating and financial policies of that entity.

Details of the British Council's subsidiaries and its special trusts are listed in note 12(c) and note 17(b) respectively.

No separate Statement of Financial Activities has been presented for the British Council charity.

No separate cash flow statement has been prepared for the British Council Charity as permitted by the exemption in paragraph 1.12 of FRS 102.

(c) Going concern

The accounts for the year ended 31 March 2019 have been prepared on a going concern basis: both the Board of Trustees and management believe that this is an appropriate basis of preparation (see page 84).

(d) Foreign exchange

The functional and presentation currency of the British Council is the British pound (sterling). Transactions in foreign currencies are translated into sterling using an average rate for the month in which the transaction took place. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange at the Balance Sheet date. All exchange differences incurred in the year are taken to the Consolidated Statement of Financial Activities (CSOFA). Non-monetary items are translated using the exchange rate at the time of purchase or subsequent revaluation. The foreign exchange element of revaluations of fixed assets is accounted for as part of the revaluation amount.

The financial statements of group subsidiaries or branches whose functional currency is not sterling are translated into sterling prior to consolidation in the British Council Group accounts. Income and expense items are translated using an average rate for the month in which the transaction took place. Assets and liabilities are translated using the rate of exchange on the Balance Sheet date. Equity and reserve balances are translated using the rate on the date the equity was issued or that the transaction took place. Exchange differences arising on consolidation are taken to reserves and shown in 'Other recognised gains or losses'.

(e) Key accounting estimates and judgment

In applying the British Council's accounting policies, the Trustees are required to make judgments, estimates and assumptions about the future. These judgments, estimates and assumptions are made based on a combination of past experience, professional expert advice and other evidence that is relevant to the particular circumstance.

The following areas involving judgments, estimations and assumptions are considered to have the most significant effect on the amounts recognised in the accounts.

(i) Valuation of property

Land and buildings are valued by an external valuer. Where the British Council does not have clear title to a property, but has unrestricted use of the property, it is included in the accounts as if it were owned. Land and buildings held in sterling but valued in foreign currency are retranslated into sterling at the Balance Sheet date where the movement in the exchange rate is judged to be material.

(ii) Heritage assets

Where fair value can be reliably estimated, the British Council's works of art are revalued and recorded on the Balance Sheet at fair value, which is market value. The works of art are valued by either a professional external valuer or the Head of Collection and Collection Manager, who are British Council members of staff. Where no readily ascertainable market value is available, the works of art are recorded either at the initial purchase price or at the original valuation on the date of acquisition.

(iii) Provisions

As the activities of the British Council overseas have developed over time, global regulatory environments have evolved, and the nature of our presence in many countries has developed, the organisation has faced uncertainties over its legal and tax status in particular countries. In recent years steps have been taken to resolve the status position in the key territories in which the British Council operates, but there are potential taxation and other liabilities associated with 'in country' status changes or uncertainties over the interpretation of tax laws and regulations as applied to past activities. Consequently the British Council has a number of open tax issues, mainly arising from its historic presence and changing nature of its activities in overseas territories. Provision is made for settling these matters when there is reasonable proof that foreign tax authorities intend to claim that payment of tax related to specific activities. This would normally be when the British Council has received notice from the authorities of their intent to levy such charges or discussions with relevant fiscal authorities are ongoing.

2 Accounting policies**(a) Fund accounting**

Funds are classified as either unrestricted or restricted.

(i) Unrestricted funds

Unrestricted funds are funds which the Trustees are free to use for any purpose in furtherance of the British Council's charitable objects. They are managed in accordance with the British Council's Reserves policy.

Unrestricted funds include designated funds which are set aside at the discretion of the Trustees for a specific purpose, or where funds are effectively constrained by their application in operational fixed assets. The purpose and any application of designated funds are set out in note 17 to the accounts.

(ii) Restricted funds

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the provider of the funds. Restricted funds include trust funds that are controlled by the British Council but that have objects narrower than those of the British Council. These funds are separately maintained and disbursed in accordance with the terms of each trust and/or terms specified by the funding providers.

(iii) Transfer between funds

The British Council makes transfers from its unrestricted funds to restricted funds when a shortfall arises in the restricted funds. Transfers from restricted funds to unrestricted funds are only made when the funds have been lawfully released.

(b) Income

Income is recognised when the British Council becomes entitled to it, its receipt is probable and the amount can be measured reliably. Income is not recorded where the British Council acts as agent, either collecting funds on behalf of a third party or distributing funds without having discretion as to how the funds are used.

The British Council has not received any funds from the EU for which it acts as agent which would be required to be accounted for as income under paragraphs 8.1.6 and 8.1.7 of the FReM.

Income is deferred where payment has been received, or at the point where the British Council can legally enforce receipt, but where the related goods or services have not been delivered.

(i) Income from donations

Income from donations comprises:

- grant-in-aid – revenue
- donations of services, facilities and goods.

Grant-in-aid – revenue includes grants provided by government and charitable foundations which are of a general nature and not conditional on delivering specific services or goods. This income is recognised in the period in which it is received. Grant-in-aid received from the FCO is included in this category.

The policy on donations of services, facilities and goods is outlined in (iv) below.

(ii) Income from charitable activities

Income from charitable activities comprises:

- income from grants for the supply of specific goods and services to beneficiaries
- contractual income earned through the provision of specific goods and services.

Income from the supply of specific goods and services is recognised with the delivery of the contracted goods or service, provided that: the stage of the completion, the costs incurred in delivering the service and the costs to complete the requirements of the contract can all be measured reliably.

Where there is a timing difference between income recognition and receipt of payment, a debtor or creditor is recognised and classified as 'Balances resulting from activity under contracts and agreements'.

The British Council accounts for all of its contracts with, or grants from, the European Commission as principal and recognises the income in line with its accounting policy for contractual income and grants respectively. These are included within income from charitable activities.

Income from charitable activities is analysed by activity. The Annual Report sets out how the activities map to the British Council's charitable objects.

(iii) Other trading activities

Income from other trading activities includes sponsorship income.

(iv) Donated services, facilities and goods

The British Council receives services, facilities and goods free of charge in support of its programmes and activities. The services and facilities provided include venues, accommodation and travel, hospitality, seconded staff, and broadcasting and publication services. They are provided by companies, educational institutions, government ministries and other organisations worldwide.

Donated services and facilities are included at the value of the gift to the British Council. This is the amount that the British Council would have to pay in the open market to buy services or facilities that would provide an equivalent value. Donated goods are included at fair value.

Donated facilities and services are recognised in income with an equivalent amount recognised as an expense under the appropriate heading in the Consolidated Statement of Financial Activities in the period in which they are received. Donated stock is recognised in the period that it is distributed.

The value of time given by volunteers is excluded from the accounts as their contribution to the charity cannot be reasonably quantified in financial terms. During 2018–19, the British Council used volunteers to provide logistical and administration support, for example at some British Council events in the UK and overseas.

(c) Recognition of expenditure

All expenditure is accounted for on an accruals basis.

Grant expenditure is recognised in accordance with the terms of the grant agreement, when the recipient has a reasonable expectation that they will receive the grant and there are no conditions within the British Council's control that would allow it to avoid payment.

A liability is recognised for probable grant obligations, except in circumstances where there are conditions that could allow the British Council to avoid payment. Where conditions do not apply, a liability is recognised for the full amount of the grant unless there is reliable evidence, such as historic data for similar programmes, that the beneficiary will not spend the full grant available. In these cases, the liability is recognised net of the estimated return from the beneficiary.

The cost of developing new products and services is included within resources expended in the year in which it is incurred. All development of new products and services are for primary purpose activities.

(d) Classification of expenditure

Expenditure in the Consolidated Statement of Financial Activities is classified as Expenditure on raising funds or Expenditure on charitable activities. Governance costs are shown separately as these contribute to all of the British Council's activities.

(i) Expenditure on raising funds

Expenditure on raising funds excludes the costs of negotiating contracts or grants that require the British Council to provide specific charitable activities. These are considered as part of the cost of carrying out the related activity and included within Expenditure on charitable activities.

(ii) Expenditure on charitable activities

Expenditure on charitable activities includes all expenditure directly relating to the charitable activities of the British Council, resources expended on managing and administering the Charity and the support infrastructure in the UK and overseas which enables these activities to take place.

It is analysed into the same categories of charitable activity as Income from charitable activities.

Expenditure on charitable activities includes the direct cost of delivering the activity, grants payable, and support costs. The notes to the accounts provide an analysis of expenditure between these categories.

Governance costs relate to the cost of the public accountability of the British Council and of its compliance with regulatory requirements and good practice and comprise relevant directly attributable staff costs as well as legal and statutory audit costs.

Support costs include management, finance, human resources, IT and office costs. These are allocated between charitable activities according to the functional nature of the department incurring the expenditure and the location and nature of the activity to which the cost contributes.

The SORP requires grant-making charities to identify the amount of support costs associated with grant-making activity. Due to the dual role played by programme support functions, it is not possible for the British Council to split support costs between activities undertaken directly and grant-making activities.

(e) Taxation

The British Council's tax status, and its liability to tax, varies from country to country according to relevant tax legislation and regulations as applied to the activities the British Council undertakes.

(i) Income tax

The British Council as a registered charity is exempt from UK Corporation Tax on its income and gains falling within Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objects. Accordingly, no UK Corporation Tax has been incurred by the Charity during 2018–19.

The taxation charge for the year comprises the current and deferred tax for those overseas subsidiaries and branches where surpluses are subject to income tax.

A current tax liability is recognised for tax payable on taxable profit for the current and past periods. A current tax asset is recognised if the amount of tax paid for the current and past periods exceeds the amount of tax payable for those periods.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of the current and previous periods. Deferred tax, where applicable, is recognised in respect of all timing differences at the reporting date. A timing difference arises where income and expenses are recognised in tax assessments in different periods to those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

(ii) Value added tax

Irrecoverable and partially recoverable value added tax (VAT) is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable the underlying transactions are recorded net of VAT.

(f) Intangible fixed assets

Intangible assets comprise purchased computer software licences and any costs directly attributable to bringing the licences into use, such as configuration or implementation costs. The costs of bespoke systems developed by the British Council are capitalised where all of the criteria in FRS 102 are met. Intangible assets are capitalised where expenditure of £3,000 or more is incurred.

Intangible assets are included initially at cost and revalued annually to fair value (market value) where such valuations can be reasonably obtained. Market value is based on quotes from suppliers for the cost of buying the same or equivalent asset as at that date.

Intangible assets are amortised at rates calculated to write off the assets on a straight-line basis over the period of the related licence, or the period over which the British Council anticipates using the asset, if shorter. Useful lives range between three and nine years. Amortisation charges are included in Expenditure on charitable activities, as either direct costs or support costs, according to the activity that the underlying asset is used to deliver.

(g) Tangible fixed assets

Expenditure of £3,000 or more on a tangible asset, or group of related assets, with an economic life over one year is capitalised.

Fixed assets costing less than £3,000 are expensed in the year of acquisition.

(i) Depreciation

Tangible fixed assets, other than freehold land, assets under construction and heritage assets, are depreciated using the straight-line method over their estimated useful lives as follows:

Freehold and long-leasehold buildings	30–50 years
Long-leasehold land	terms of lease
Building improvements	5–25 years
Furniture and equipment	4 years
Plant and machinery	7 years
Motor vehicles	4–7 years
Major IT projects	4–5 years

Major IT projects include system developments. The useful life for each has been set to end on the expected date of replacement.

Depreciation charges are included in Expenditure on charitable activities, as either direct costs or support costs, according to the activity that the underlying asset is used to deliver.

Assets under construction are not depreciated until brought into operational use.

(ii) Valuation basis

The British Council revalues its fixed assets and carries them at fair value at the valuation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Land and buildings are valued by an external valuer CBRE, a commercial property consultancy firm, in accordance with the guidelines issued by the Royal Institution of Chartered Surveyors. All freehold and long leasehold land and buildings were revalued by CBRE as at 31 March 2014, except those earmarked for sale, which were valued during the year. From 2014–15, approximately a fifth of the portfolio is professionally revalued each year, so that the whole portfolio is valued on a rolling five-year basis. In addition, the value of key properties in volatile markets is reviewed annually and revalued where the change is material.

Land and buildings are valued at current value in existing use. For non-specialised properties, this is market value in existing use. For specialised properties, this is the present value of their current service potential, which is usually depreciated replacement cost. Where there are restrictions on the British Council's rights to use a property, this is taken into account in the valuation and disclosed in the notes to the accounts. Properties earmarked for disposal are valued at fair value, which is usually open market value.

All other tangible fixed assets are included initially at cost and revalued annually to fair value (market value), where material. Valuation takes place annually as at the Balance Sheet date, using appropriate cost indices.

All upward revaluation adjustments are added to the Revaluation reserve and recognised as 'Gains/(losses) on the revaluation of fixed assets' within the CSOFA, unless they reverse a charge for impairment that has previously been recognised as a cost.

Downward revaluation adjustments as a result of consumption of economic benefit are recognised as an expense in the relevant expenditure heading of the CSOFA. Other downwards revaluations are taken to the Revaluation reserve and shown in the 'Gains/(losses) on the revaluation of fixed assets' section of the CSOFA to the extent of previous upwards revaluations, and thereafter are charged to the relevant expenditure heading in the CSOFA.

When a fixed asset is disposed of, the Revaluation reserve and Capital account are adjusted appropriately.

(h) Heritage assets

The British Council's heritage assets comprise its permanent collection of over 8,800 purchased and donated works of art.

All the heritage assets are included in the Balance Sheet. Heritage assets are not depreciated as they are considered to have an indefinite life.

Purchased heritage assets are recognised initially at purchase price. Donated heritage assets are recognised at fair value at the time of donation, where this is readily ascertainable. This is estimated by reference to recent market transactions or binding sale agreements in identical assets or in assets that are substantially the same as the asset being measured and between knowledgeable, willing parties in an arm's length transaction.

Where fair value can be reliably estimated, the British Council's works of art are revalued and recorded on the Balance Sheet at fair value, which is market value. Where no readily ascertainable market value is available, heritage assets are recorded either at the initial purchase price or at the original valuation on the date of donation.

The following are valued by a professional external valuer, and are included at the valuations reached:

- the paintings in the year ended 31 March 2016
- the drawings in the year ended 31 March 2017
- the non-unique works on paper – approximately half were valued in the year ended 31 March 2018 and the remainder in the year ended 31 March 2019.

A sample of works of art are valued each year, so that the whole collection is valued on a rolling basis. The valuations are either by a professional external valuer or by the Head of Collection and Collection Manager, who make the valuations by reference to data on sales of similar items. The Head of Collection and Collection Manager are members of the British Council's staff.

The professional external valuer used is Art & Antiques Appraisals, an independent art advisory and valuation business. Their qualifications and expertise are available at: www.artantiquesappraisals.com/specialists.html

Any gains on the revaluation of heritage assets are recognised in the heritage asset reserves.

Heritage assets are reviewed annually for impairment. Downward revaluation adjustments as a result of damage or other consumption of economic benefit are recognised as an expense in the relevant expenditure heading of the CSOFA. Other downwards revaluations are taken to the heritage asset reserves and shown in the 'Gains/(losses) on the revaluation of heritage assets' section of the CSOFA to the extent of previous upwards revaluations, and thereafter are charged to the relevant expenditure heading in the CSOFA.

The policy for the acquisition, preservation and management of the art collection can be found on the following website, <http://visualarts.britishcouncil.org/collection/collection-policy-30816>

(i) Non current investments

Non current investments include investments in subsidiaries and joint ventures, and quoted investments. Investments in subsidiaries are included in the Balance Sheet of the British Council Charity at the amount invested by the British Council less any impairments (in the case of equity or loans) and any amounts repaid (in the case of loans). Where impairments are identified, they are expensed. Investments in joint ventures are initially recognised at cost, subsequently adjusted for the post-acquisition change in the British Council's share of net assets in the joint venture entity. Intragroup balances, including investments in subsidiaries, are eliminated on preparation of the group Balance Sheet. Quoted investments are valued at market value at the Balance Sheet date.

The British Council has a long-term interest in a joint venture, IELTS Inc., over which it exercises joint control with two other equal partners. IELTS Inc. is included in the accounts using the equity method of accounting. Further information about IELTS Inc. is in note 12(b).

(j) Current assets and liabilities

(i) Assets and liabilities

Debtors are recognised at the undiscounted amount of cash receivable, reduced by appropriate provisions for estimated irrecoverable amounts. The British Council does not have any debts due in more than one year.

Short-term investments consist of cash on deposit and cash equivalents with a maturity of less than one year held for investment purposes rather than to meet short-term cash commitments as they fall due.

Cash at bank and in hand consists of cash and cash equivalents held to meet short-term cash commitments as they fall due rather than for investment purposes. It includes cash held in highly liquid deposit accounts.

Creditors are recognised at their settlement amount. The British Council does not have any creditors due in more than one year.

Provisions are recognised when the British Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions for liabilities and charges are accounted for at the best estimate of the expenditure required to settle the obligation at the Balance Sheet date, discounted to present values where the effect of discounting is considered to be material.

(ii) Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The British Council has chosen to adopt the provisions of sections 11 and 12 of FRS 102. The only financial assets and liabilities that the British Council holds that do not fall within the definition of basic financial instruments per section 11 of FRS 102 are forward foreign exchange contracts, which are used to manage its exposure to currency fluctuations. Hedge accounting is not used.

Basic financial assets consist of debtors, cash at bank and short-term investments. They are initially recognised at transaction price and subsequently valued at amortised cost (using the effective interest method for amounts due in more than one year), less impairment.

Basic financial liabilities consist of creditors. They are initially recognised at transaction price, and subsequently valued at amortised cost.

The British Council uses forward foreign exchange contracts to reduce exposure to movements in exchange rates. These contracts are carried at fair value, and any gains or losses in fair value are recognised in the CSOFA in accordance with section 12 of FRS 102. The fair value of a forward foreign exchange contract at the Balance Sheet date is the difference between the original contract amount of currency bought (or sold) at the original contract maturity date and the value of a new contract taken out at the Balance Sheet date to buy (or sell) the same currency amount at the new forward rate to the original contract maturity date, discounted back to the Balance Sheet date.

(k) Leases

Rentals payable under operating leases are charged to the CSOFA on a straight-line basis over the term of the lease.

(l) Pension schemes

(i) Civil Service pension arrangements

Past and present UK-appointed employees are covered by the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's state pension age (or 65 if higher). From that date all new UK-appointed employees and the majority of those already in service joined alpha. Prior to that date, UK-appointed employees participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) and one providing benefits on a whole career basis (nuvos).

The Civil Service pension arrangements are unfunded defined benefit schemes, managed by the Cabinet Office. The British Council recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Cabinet Office of amounts calculated on an accruing basis. Liability to pay future benefits is a charge on the Civil Superannuation Account rather than the British Council and the benefits are paid from monies voted by Parliament each year.

Early retirement in the Civil Service pension arrangements

The British Council is required to meet the additional costs of pension benefits before normal retirement age in respect of employees who retire under early severance and early retirement schemes. Provision is made for future liabilities on the basis of costs estimated at the Balance Sheet date for employees who have, or are expected to, retire early as part of structured retirement schemes. The British Council pays the required amounts annually to the Cabinet Office over the period between early departure and normal retirement date.

(ii) Other pension schemes

Certain UK-appointed employees, formerly employed by the Central Bureau for Educational Visits and Exchanges, are members of a separate, funded and contributory defined benefit scheme. The scheme is no longer open to new entrants and existing members of the scheme ceased to accrue benefits from 31 January 2013.

The present value of the British Council's liability for its obligations and the fair value of the scheme assets are calculated by independent actuaries. If there is a net liability, it is recognised in the Balance Sheet. If there is a net asset, this is not recognised in the Balance Sheet because the surplus is not recoverable through reduced contributions in the future or through refunds. Changes in the net asset or liability during the period that result from employee service or interest on the net liability are recognised in the appropriate heading in the CSOFA in that period. Changes as a result of actuarial gains or losses are recognised in 'Other recognised gains or losses'.

For overseas defined contribution schemes, the British Council recognises the contributions payable as an expense in the CSOFA in the period in which the liability to make the payment is incurred.

Staff costs, including the costs of pensions, are allocated between charitable activities according to the functional nature of the department that the employee works for and the location and nature of the activity to which the employee contributes. The breakdown of expenditure between charitable activities is in note 5.

(m) Redundancy costs and terminal gratuities

Redundancy and other departure costs for UK-appointed staff have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year that the departure was agreed. Where the British Council has agreed early retirements, the additional costs were met by the British Council and not by the CSCS. Ill-health retirement costs are met by the pension scheme and are not included in note 7(c).

In many overseas offices the British Council operates terminal gratuity schemes for its locally engaged employees. The value of the final payment is based on final salary and length of employment. Full provision is made in the accounts for the British Council's liability on the basis of service accrued as at the Balance Sheet date.

(n) Contingent liabilities

Where the British Council has significant obligations which do not meet the criteria for recognising provisions in section 21 of FRS 102, these are disclosed as contingent liabilities unless such disclosure would seriously prejudice the position of the British Council.

3 Donations and legacies

	Unrestricted	Restricted	2018–19 Total	Unrestricted	Restricted	2017–18 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Grant-in-aid – revenue	39,100	144,700	183,800	32,000	136,000	168,000
Donated services, goods and facilities	433	-	433	277	-	277
Total donations	39,533	144,700	184,233	32,277	136,000	168,277

The grant-in-aid was received from the FCO.

The related expenditure for donated services, goods and facilities is shown in note 5.

4 Income from charitable activities

Fees, sponsorship and other income received from activities in furtherance of the objects

2018–19	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	2018–19 Total
	£'000	£'000	£'000	£'000	£'000
Unrestricted					
Contract income	7,045	25,033	748	17,485	50,311
Teaching and exams	727,126	87	15	-	727,228
Other income	9,450	3,638	651	1,140	14,879
Total unrestricted income	743,621	28,758	1,414	18,625	792,418
Restricted					
Contract income	7,208	165,593	1,717	27,978	202,496
Grants for delivering specific charitable activities	8,800	33,865	15,046	5,313	63,024
Total restricted income	16,008	199,458	16,763	33,291	265,520
Total					
Contract income	14,253	190,626	2,465	45,463	252,807
Grants for delivering specific charitable activities	8,800	33,865	15,046	5,313	63,024
Teaching and exams	727,126	87	15	-	727,228
Other income	9,450	3,638	651	1,140	14,879
Total income received to promote cultural relationships and the understanding of different cultures	759,629	228,216	18,177	51,916	1,057,938

2017–18	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	2017–18 Total
	£'000	£'000	£'000	£'000	£'000
Unrestricted					
Contract income	6,475	21,693	1,587	15,354	45,109
Teaching and exams	699,753	94	2	7	699,856
Other income	3,261	4,224	620	571	8,676
Total unrestricted income	709,489	26,011	2,209	15,932	753,641
Restricted					
Contract income	10,047	149,175	1,684	23,665	184,571
Grants for delivering specific charitable activities	3,023	36,935	9,405	7,007	56,370
Total restricted income	13,070	186,110	11,089	30,672	240,941
Total					
Contract income	16,522	170,868	3,271	39,019	229,680
Grants for delivering specific charitable activities	3,023	36,935	9,405	7,007	56,370
Teaching and exams	699,753	94	2	7	699,856
Other income	3,261	4,224	620	571	8,676
Total income received to promote cultural relationships and the understanding of different cultures	722,559	212,121	13,298	46,604	994,582

5 Expenditure on charitable activities

(a) Total expenditure on charitable activities

2018–19	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	2018–19 Total
	£'000	£'000	£'000	£'000	£'000
Grants payable	116	165,302	20,015	14,789	200,222
Direct costs	600,547	101,235	57,335	50,139	809,256
Support costs	103,990	49,031	28,537	12,738	194,296
Total resources expended to promote cultural relationships and the understanding of different cultures	704,653	315,568	105,887	77,666	1,203,774

2017–18	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	2017–18 Total
	£'000	£'000	£'000	£'000	£'000
Grants payable	877	143,149	11,129	13,263	168,418
Direct costs	578,169	109,797	50,854	58,301	797,121
Support costs	104,298	47,471	22,019	17,336	191,124
Total resources expended to promote cultural relationships and the understanding of different cultures	683,344	300,417	84,002	88,900	1,156,663

Included in the above resources expended are costs of £412,010,000 (2017–18: £379,231,000) relating to restricted expenditure.

More detailed analysis of grants payable is provided in note 6.

Included in the above direct costs is donated services, goods and facilities of £433,528 (2017–18: £276,971). The related income is shown in note 3.

Expenditure relating to staff costs have been included in direct costs. More detailed analysis of staff costs is provided in note 7.

Included in the above support costs are foreign exchange losses of £9,115,730 (2017–18: £29,403,060).

(b) Audit and non-audit fees

Included in direct costs and support costs are fees of £215,000 payable to the National Audit Office for the audit of the Consolidated and British Council 2018–19 Annual Report and Accounts (2017–18 fee: £205,000). There were no fees payable to the National Audit Office in respect of non-audit work.

In addition, total audit fees of £420,807 (2017–18: £361,000) were payable to the auditors of the Group's component audits. These comprise the audits of the Group's subsidiaries and the British Council's overseas branches where an audit is required by local regulations.

The following fees in respect of non-audit services were payable to the statutory auditors of the Group's subsidiary companies:

	2018–19	2017–18
	£'000	£'000
Assurance	61	2
Tax advisory	572	53
Other advisory or accountancy	105	73
Total	738	128

(c) Analysis of support costs

2018–19	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	Total 2018–19
	£'000	£'000	£'000	£'000	£'000
Property and related costs	25,651	12,095	7,038	3,143	47,927
IT	23,397	11,031	6,424	2,866	43,718
General administration	15,309	7,218	4,200	1,875	28,602
Finance	9,652	4,551	2,648	1,182	18,033
Human resources	12,861	6,064	3,529	1,575	24,029
Governance	9,573	4,514	2,627	1,173	17,887
Other	7,547	3,558	2,071	924	14,100
Total support costs	103,990	49,031	28,537	12,738	194,296

2017–18	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	Total 2017–18
	£'000	£'000	£'000	£'000	£'000
Property and related costs	26,228	11,938	5,537	4,359	48,062
IT	23,459	10,677	4,953	3,899	42,988
General administration	14,682	6,682	3,100	2,440	26,904
Finance	10,215	4,650	2,157	1,698	18,720
Human resources	12,431	5,658	2,624	2,066	22,779
Governance	10,727	4,882	2,265	1,783	19,657
Other	6,556	2,984	1,383	1,091	12,014
Total support costs	104,298	47,471	22,019	17,336	191,124

All support costs are apportioned over the business units using a combination of drivers, i.e. usage of building (floor space), number of operational days, number of transactions, per cent of staff time, etc.

Included in the above table are support costs in relation to grant-making activities of £31.1 million (2018: £27.5 million).

6 Grants payable

The British Council gives financial support to particular programmes and activities in the form of grants to institutions and individuals.

A breakdown of the grant recipients by object and category is as follows:

2018–19	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	Total 2018–19
Types of institution	£'000	£'000	£'000	£'000	£'000
Universities	-	83,733	1,670	510	85,913
Other bodies	94	10,406	-	11,676	22,176
Charities, NGOs and social enterprises	-	10,005	1,770	1,840	13,615
Colleges	10	35,927	495	32	36,464
Schools	-	14,448	-	11	14,459
Arts bodies	-	2,719	14,715	314	17,748
Local government bodies	-	3,664	-	62	3,726
National and international government bodies	-	321	-	106	427
Environmental groups	-	1,727	222	138	2,087
Total grants to institutions	104	162,950	18,872	14,689	196,615
Grants to individuals	12	2,352	1,143	100	3,607
Total grants payable to promote cultural relationships and the understanding of different cultures	116	165,302	20,015	14,789	200,222

2017–18	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	Total 2017–18
Types of institution	£'000	£'000	£'000	£'000	£'000
Universities	152	67,198	1,512	1,057	69,919
Other bodies	490	14,070	2	8,453	23,015
Charities, NGOs and social enterprises	19	8,704	15	2,567	11,305
Colleges	34	29,315	159	85	29,593
Schools	-	17,077	-	82	17,159
Arts bodies	11	1,333	8,585	413	10,342
Local government bodies	-	3,006	-	96	3,102
National and international government bodies	-	494	-	112	606
Environmental groups	-	1,315	210	261	1,786
Total grants to institutions	706	142,512	10,483	13,126	166,827
Grants to individuals	171	637	646	137	1,591
Total grants payable to promote cultural relationships and the understanding of different cultures	877	143,149	11,129	13,263	168,418

The following institutions received £750,000 or more of grants from the British Council during 2018–19. Together these grant awards account for a total of £70.1 million (2017–18: £63.9 million):

Aston University	University of Birmingham
Cardiff Council	University of Bristol
Cardiff University	University of Cambridge
College Wales	University of Edinburgh
Coventry University	University of Essex
Durham University	University of Exeter
Egyptian Cultural and Education Bureau	University of Glasgow
Grampus Heritage and Training Ltd	University of Gloucestershire
Heriot Watt University	University of Kent
Indian Institute of Technology	University of Leeds
INASP	University of Leicester
King's College London	University of Liverpool
Kingston University	University of Manchester
Lancaster University	University of Newcastle
Manchester Metropolitan University	University of Nottingham
Middlesex University	University of Oxford
New College Lanarkshire	University of Portsmouth
North West Regional College	University of Reading
Nottingham Trent University	University of Sheffield
PASGR	University of Southampton
Première Urgence Internationale	University of Strathclyde
Queen Mary University of London	University of Surrey
Queen's University Belfast	University of Ulster
University College London	University of Warwick
University of Arts London	University of Wolverhampton
University of Bath	

7 Staff emoluments and related costs

(a) Total staff costs:

	2018–19	2017–18
	£'000	£'000
Wages and salaries – permanent staff	314,045	316,884
Wages and salaries – non-permanent staff	90,580	83,265
Social security costs	11,621	10,429
Other pension costs	25,271	20,291
Early retirement costs	1,284	7,645
Total staff costs	442,801	438,514

Included in non-permanent wages and salaries was £74,466,949 (2017–18: £66,927,367) relating to English language oral examiners, examination markers and invigilators who are paid on an hourly/daily rate. The remaining costs for non-permanent wages and salaries relate to contracted staff who are filling vacant roles.

(b) The average number of employees by headcount:

	2018–19	2017–18
	Average no. of staff	Average no. of staff
United Kingdom		
Management and administrative (senior managers – 274 (2017–18: 276))	1,154	1,208
Overseas		
Management and administrative (senior managers – 200 (2017–18: 182))	7,261	6,933
Teachers	2,548	2,536
Total employees	10,963	10,677

Casual staff are excluded from the above figures.

(c) Redundancy and other departure costs

Exit package cost for UK-appointed staff falling within the following ranges:

	2018–19	2017–18	2018–19	2017–18	2018–19	2017–18
	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages by cost band	
<£10,000	6	3	2	21	8	24
£10,000–£25,000	8	8	4	37	12	45
£25,000–£50,000	6	4	4	40	10	44
£50,000–£100,000	1	-	9	18	10	18
£100,000–£150,000	-	-	3	2	3	2
Total number of exit packages	21	15	22	118	43	133
Total resource cost (£)	484,793	294,011	1,229,582	3,692,994	1,714,375	3,987,005

Exit package cost for overseas-appointed staff falling within the following ranges:

	2018–19	2017–18	2018–19	2017–18	2018–19	2017–18
	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages by cost band	
<£10,000	110	83	120	38	230	121
£10,000–£25,000	24	57	29	39	53	96
£25,000–£50,000	15	10	26	28	41	38
£50,000–£100,000	2	4	12	17	14	21
£100,000–£200,000	-	2	1	1	1	3
Total number of exit packages	151	156	188	123	339	279
Total resource cost (£)	1,315,014	2,299,993	2,674,571	3,238,045	3,989,585	5,538,038

Redundancy and other departure costs for UK-appointed staffs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. Exit costs were accounted for in full in the year that the departure was agreed. Where the British Council has agreed early retirements, the additional costs were met by the British Council and not by the CSCS. Ill-health retirement costs were met by the pension scheme and were not included in the table.

(d) The current Chief Executive's total actual emoluments plus pension was £250,274 (2017–18: £250,595) comprising salary of £195,670 (2017–18: £192,556), plus a bonus of £6,774 (2017–18: £10,863) and pension contributions of £47,830 (2017–18: £47,176). The Chief Executive is a member of the Principal Civil Service Pension Scheme.

(e) The number of employees that received annual remuneration falling within the following ranges:

	2018–19	2017–18
	No. of staff	No. of staff
£60,000–£70,000	211	171
£70,001–£80,000	138	131
£80,001–£90,000	95	79
£90,001–£100,000	54	44
£100,001–£110,000	38	34
£110,001–£120,000	24	15
£120,001–£130,000	19	10
£130,001–£140,000	11	14
£140,001–£150,000	3	3
£150,001–£160,000	2	5
£160,001–£170,000	2	2
£170,001–£180,000	-	1
£180,001–£190,000	2	-
£190,001–£200,000	-	-
£200,001–£210,000	1	1
£210,001–£220,000	-	-
£220,001–£230,000	-	1
Total number of employees	600	511

(f) Off-payroll engagements

For all off-payroll engagements as at 31 March 2019, for more than £245 (2017–18: £245) per day and that last for longer than six months

	2018–19	2017–18
No. of engagements that have existed for:	No. of engagements	No. of engagements
Less than one year at time of reporting	7	7
Between one and two years at time of reporting	8	1
Between two and three years at time of reporting	1	-
Total no. of existing engagements as at 31 March 2019	16	8

For any new off-payroll engagements, or those that reached six months in duration, between 1 April 2018 and 31 March 2019, of more than £245 (2017–18: £245) per day and that last for longer than six months

	2018–19	2017–18
	No. of engagements	No. of engagements
Number of new engagements or those that reached six months in duration between 1 April 2018 and 31 March 2019	29	16
Of which		
Number assessed as within the scope of IR35	28	13
Number assessed as outside the scope of IR35	1	3
Total no. of new engagements, or those that reached six months in duration, during the year	29	16

For any off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2018 and 31 March 2019

	2018–19	2017–18
	No. of engagements	No. of engagements
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	1*	3**
No. of individuals that have been deemed 'board members, and/or, senior officials with significant financial responsibility', during the financial year. This figure includes both off-payroll and on-payroll engagements	58	50

*A temporary Global HR Director was appointed in February 2018 to September 2018 while the role was otherwise being recruited and this temporary appointment ended after successful recruitment of this role.

** Third party agencies supplied the services of three professionals to meet an exceptional need for interim cover for three senior posts, that of Chief Financial Officer, Director of Global Estates and Global HR Director. The Chief Financial Officer, who was appointed during the previous year, converted to an employee in April 2017. The Director of Global Estates, who was also appointed during the previous year, left in September 2017, and their assignment was less than one year. The interim Global HR Director was appointed in February 2018.

(g) Travel expenses reimbursed to 16 members (2017–18: 14 members) of the Board of Trustees amounted to £40,301 (2017–18: £61,550).

No Trustees or any persons connected with them received any remuneration for their services during the year ended 31 March 2019 (2017–18: nil).

(h) The PCSPS is an unfunded multi-employer defined benefit scheme but the British Council is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2016.

For 2018–19, employers' contributions of £11,777,374, were payable to the PCSPS (2017–18: £12,488,632) at one of four rates in the range 20.0 per cent to 24.5 per cent of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018–19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £150,483 were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8.0 per cent to 14.75 per cent of pensionable earnings. Employers also match employee contributions up to 3.0 per cent of pensionable earnings. In addition, employer contributions of £5,792.80, 0.5 per cent of pensionable were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the Balance Sheet date were £12,715 (2017–18: £15,623). Contributions prepaid at that date were £nil (2017–18: £nil). Employer contributions of £100 were also payable to the National Employment Savings Scheme (NEST) for employees auto-enrolled in that scheme (2017–18: £89).

(i) Defined benefit scheme

The British Council operates a defined benefit scheme for UK-appointed employees formerly employed by the Central Bureau for Educational Visits and Exchanges Scheme (Scheme). Section 28 (Employee Benefits) of the Financial Reporting Standard 102 has been adopted.

The Scheme is closed to new entrants and active members of the Scheme ceased to accrue benefits in respect of pensionable service from 31 January 2013. A full actuarial valuation was carried out at 1 April 2014 and updated to 31 March 2019 by a qualified actuary, independent of the Scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The Scheme had a net surplus both this year and last year. The surplus is not recoverable through reduced contributions in the future or through refunds, so the surplus has not been recognised as an asset in the Consolidated and British Council Balance Sheet.

Present values of scheme liabilities, fair value of assets and surplus/(deficit)

	2019	2018
	£'000	£'000
Fair value of scheme assets	18,350	19,070
Present value of scheme liabilities	10,101	10,993
Surplus/(deficit) in scheme	8,249	8,077
Unrecognised surplus/(deficit)	8,249	8,077
Asset/(liability) to be recognised	-	-

Reconciliation of opening and closing balances of the present value of the scheme liabilities

	2019	2018
	£'000	£'000
Scheme liabilities at 1 April	10,993	11,178
Service cost	-	-
Interest cost	263	288
Contributions by scheme participants	-	-
Actuarial (gains)/losses	566	(276)
Losses/(gains) on curtailments	-	-
Benefits paid and death in service insurance premiums	(1,721)	(197)
Scheme liabilities at 31 March	10,101	10,993

Reconciliation of opening and closing balances of the fair value of the scheme assets

	2019	2018
	£'000	£'000
Fair value of scheme assets at 1 April	19,070	17,702
Interest income	263	288
Administration fee paid from scheme assets	(109)	(152)
Actuarial gains/(losses)	847	1,429
Benefits paid and death in service insurance premiums	(1,721)	(197)
Fair value of scheme assets at 31 March	18,350	19,070

The actual return on the scheme assets over the year ending 31 March 2019 was £1,110,000 (2017–18: £1,717,000).

Total (income)/expense recognised in the Consolidated Statement of Financial Activities

	2019	2018
	£'000	£'000
Service cost	-	-
Interest cost	263	288
Interest income	(263)	(288)
Total (income)/expense recognised in the Consolidated Statement of Financial Activities	-	-

Statement of total recognised gains and losses

	2019	2018
	£'000	£'000
Actual return less expected return on pension scheme assets gain/(loss)	847	1,429
Experience gains and losses arising on the scheme liabilities gain/(loss)	(143)	139
Changes in the assumptions underlying the defined benefit obligation gain/(loss)	(423)	137
Total actuarial gain/(loss) before restriction due to some of the surplus not being recognisable	281	1,705
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable gain/(loss)	(281)	(1,705)
Total amount recognised in the statement of total recognised gains and losses	-	-

Assets

	2019	2018
	£'000	£'000
Equity	10,297	12,008
Bonds	4,447	4,028
Property	3,262	2,850
Cash	344	184
Total assets	18,350	19,070

None of the fair values of the assets shown above include any of the British Council's own financial instruments or any property occupied by, or other assets used by, the British Council.

Assumptions

	2019	2018
	% per annum	% per annum
Inflation	3.10%	2.90%
Salary increases	n/a	n/a
Rate of discount	2.40%	2.60%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.30%	2.10%
Allowance for commutation of pension for cash at retirement	25%	25%

The mortality assumptions adopted at the end of the year have implied the following life expectancies

	2019	2018
	No. of years	No. of years
Male retiring today at age 65	22.6	22.8
Female retiring today at age 65	24.9	25.2
Male retiring in 20 years at age 65	24.0	24.1
Female retiring in 20 years at age 65	26.3	26.6

Expected long-term rates of return

The long-term expected rate of return on cash is determined by reference to bank base rates at the Balance Sheet dates. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the Balance Sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

Amounts for the current and previous year

	2019	2018
	£'000	£'000
Fair value of scheme assets	18,350	19,070
Present value of scheme liabilities	10,101	10,993
Surplus/(deficit) in scheme	8,249	8,077
Experience adjustment on scheme assets	847	1,429
Experience adjustment on scheme liabilities	(143)	139

The British Council does not expect to contribute to The Central Bureau for Educational Visits and Exchanges Pension and Life Assurance Scheme in the next accounting year.

Trustees

Link Corporate Trustees (UK) Limited, independent Trustee to the Scheme, was paid fees amounting to £46,367 excluding VAT (2017–18: £49,489 excluding VAT) during the year. Two other Trustees were paid £2,533 fees excluding VAT (2017–18: £3,481) during the year. Travel expenses totalling £51 were reimbursed to one Trustee during the year (2017–18: £134).

(j) Union officials

Total number of employees who were union officials

	2018–19	2017–18
	Full time equivalent	No. of staff
Employees who were union officials	3.2	1.5

The number of employees that spent the following on facility time

	2018–19	2017–18
Percentage of the working hours on facility time	No. of staff	£'000
1–50%	21	1
51–99%	-	-
100%	1	1

Percentage of the pay bill spent on facility time

	2018–19	2017–18
	£'000	%
Total cost of facility time	142	65
Total pay bill	85,409	89,103
Percentage of the total pay bill spent on facility time	0.17%	0.07%

Paid trade union activities

	2018–19	2017–18
	Full time equivalent	%
Time spent on paid trade union activities as a percentage of total paid facility time hours	-	100

8 Taxation

(a) Charge/(credit) for the year

	2018–19	2017–18
	£'000	£'000
Tax charge for the current year		
UK corporation tax	-	-
Overseas tax	12,232	10,017
Total current year tax	12,232	10,017
Tax under/(over) provided in previous years		
UK corporation tax	-	-
Overseas tax	3,448	146
Total prior year tax	3,448	146
Total tax charge	15,680	10,163

No deferred tax has been recognised for the year (2017–18: Nil).

(b) Factors affecting the current tax charge

	2018–19	2017–18
	£'000	£'000
Net income after tax	30,299	5,631
Total tax charge	15,680	10,163
Net income before taxation	45,979	15,794
Tax charge at standard UK Corporation Tax rate of 19% (2017–18: 19%)	8,736	3,001
Net (income)/expenditure not subject to tax (primarily due to charitable exemptions)	(2,887)	2,240
Expenses not deductible for tax purposes	1,459	703
Higher taxes on overseas taxable surpluses	2,497	2,039
Irrecoverable withholding tax on repatriated funds	712	555
Losses not relieviable against current income	1,715	1,479
Tax under provided in previous years	3,448	146
Current tax charge for year	15,680	10,163

(c) Factors that may affect future tax charges

The group has unrecognised deferred tax assets totalling £0.5 million (2017–18: £0.7 million) represented by tax losses available to be offset against future taxable surpluses in various territories which may not be used elsewhere in the group and where recovery is uncertain.

9 Intangible fixed assets

	2019	2018
	£'000	£'000
Modified cost or valuation		
At 1 April	15,201	13,105
Exchange rate differences	-	(6)
Additions	8,959	4,311
Transfers of completed assets from assets under construction	(5,864)	(22)
Reclassifications	-	3
Disposals	(1)	(1,953)
Impairment	(62)	(74)
Revaluations	(931)	(163)
At 31 March	17,302	15,201
Amortisation		
At 1 April	(1,908)	(2,561)
Exchange rate differences	-	6
Charge for the year	(2,534)	(2,260)
Reclassifications	-	(3)
Disposals	-	1,953
Impairment	29	-
Revaluations/backlog amortisation	969	957
At 31 March	(3,444)	(1,908)
Net book value		
At 31 March	13,858	13,293
At 1 April	13,293	10,544

Included in the above are the following amounts for assets under construction (AUC)

	2019	2018
	£'000	£'000
AUC cost at 1 April	3,387	663
Transfers of completed assets to additions	(5,864)	(22)
Additions to AUC	3,095	2,746
Total AUC cost at 31 March	618	3,387

Intangible fixed assets (software licences) are included at their value to the business by reference to current costs and are amortised at rates calculated to write off the assets on a straight-line basis over the period of the licence, or the period over which the British Council anticipates using the asset if shorter. These revaluations take place annually in line with market value.

Amortisation of intangible fixed assets has been included within the Expenditure on Charitable Activities in note 5(a).

Historical cost records are not available, so the historic cost less depreciation is not stated.

10 Tangible fixed assets

2018–19	Freehold land and property	Leasehold land and property	Furniture and equipment	Information technology	Vehicles and plant	2018–19 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Modified cost or valuation						
At 1 April 2018	96,522	88,630	9,396	8,080	13,826	216,454
Exchange rate differences	(854)	473	(1,103)	67	(2,272)	(3,689)
Additions	8,232	1,929	1,749	2,095	1,632	15,637
Transfers of completed assets from AUC	(3,627)	-	(621)	(924)	(655)	(5,827)
Disposals	(237)	(2,626)	(448)	(359)	(624)	(4,294)
Revaluations	1,004	5,209	33	-	-	6,246
Impairment	(468)	-	-	-	-	(468)
At 31 March 2019	100,572	93,615	9,006	8,959	11,907	224,059
Depreciation						
At 1 April 2018	(5,435)	(34,144)	(7,277)	(5,293)	(10,492)	(62,641)
Exchange rate differences	66	(69)	977	(87)	2,197	3,084
Charge for the year	(2,780)	(4,480)	(978)	(1,084)	(1,145)	(10,467)
Disposals	206	2,401	448	355	605	4,015
Revaluations	1,073	626	-	-	-	1,699
Impairment	83	-	-	-	-	83
At 31 March 2019	(6,787)	(35,666)	(6,830)	(6,109)	(8,835)	(64,227)
Net book value						
At 31 March 2019	93,785	57,949	2,176	2,850	3,072	159,832
At 1 April 2018	91,087	54,486	2,119	2,787	3,334	153,813

Included in the above are the following amounts for assets under construction (AUC)

2018–19	Land and property	Furniture and equipment	Information technology	Vehicles and plant	2018–19 Total
	£'000	£'000	£'000	£'000	£'000
AUC cost at 1 April 2018	529	-	815	32	1,376
Exchange rate differences	74	(116)	52	(38)	(28)
Transfers of completed assets to additions	(3,627)	(621)	(924)	(655)	(5,827)
Additions to AUC	6,389	737	916	791	8,833
Total AUC cost at 31 March 2019	3,365	-	859	130	4,354

Included in tangible fixed assets are assets to the value of £36.6 million (2017–18: £30.5 million) which have been fully depreciated. These assets are still in use and provide value to the business.

All tangible fixed assets acquired are used to support the British Council's charitable activities.

The annual revaluation exercise undertaken by the external valuer, CBRE has resulted in the impairment of one asset amounting to £0.4 million.

Non-specialised properties are valued on the basis of existing use value, except where restrictions on the British Council's rights to use the property mean that this is not appropriate. In this case, open market value has been used, taking into account these restrictions. Specialised properties are valued on the basis of depreciated replacement cost.

Land and buildings held in sterling but valued in foreign currency are retranslated into sterling at the Balance Sheet date where the movement in the exchange rate is judged to be material. The exchange rate difference is accounted for as a revaluation movement and taken to reserves and the 'Other recognised gains/(losses)' section of the Consolidated Statement of Financial Activities, except any part of a downward movement that exceeds previous upward revaluations.

Historic cost records are not available so the historic cost less depreciation is not stated.

As part of the revaluation exercise, the British Council undertook a full review of title to all properties. For a small number of properties, there are restrictions on the British Council's rights to the property, which include:

- the title to the property being held by other British government agencies
- the British Council requiring the permission of other parties to continue to use or to sell the property
- restrictions on the purpose for which the property is used
- the property being jointly owned, or the British Council not being entitled to 100 per cent of sale proceeds.

There is one property where the British Council is entitled to use the whole property, but would only be entitled to a portion of the proceeds of sale if the building were sold. The existing use value represents use of the whole property and exceeds the amount the British Council would be entitled to on sale by £11.7 million.

Within the freehold land and properties category, there is one building allocated a useful life of 60 years in 2009 that will expire in 2069. The current book value is £0.6 million. This is the only property where treatment deviates from the accounting policy.

The British Council sublets properties that are temporarily surplus to requirements. These are not classed as investment properties. The British Council also owns properties with a current net book value of £0.1 million, which are occupied by subsidiaries.

2017–18	Freehold land and property	Leasehold land and property	Furniture and equipment	Information technology	Vehicles and plant	2017–18 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Modified cost or valuation						
At 1 April 2017	99,482	102,274	9,735	8,360	14,166	234,017
Exchange rate differences	4,338	(3,797)	(200)	(413)	(99)	(171)
Additions	1,755	3,188	803	1,348	871	7,965
Transfers of completed assets from AUC	(750)	-	(159)	(853)	(270)	(2,032)
Reclassifications	(116)	116	(28)	(3)	28	(3)
Disposals	(234)	(3,300)	(755)	(359)	(870)	(5,518)
Revaluations	(7,724)	(9,781)	-	-	-	(17,505)
Impairment	(229)	(70)	-	-	-	(299)
At 31 March 2018	96,522	88,630	9,396	8,080	13,826	216,454
Depreciation						
At 1 April 2017	(4,338)	(32,945)	(7,092)	(4,729)	(10,058)	(59,162)
Exchange rate differences	(33)	197	198	323	61	746
Charge for the year	(2,791)	(5,250)	(1,137)	(1,243)	(1,249)	(11,670)
Reclassifications	116	(116)	28	3	(28)	3
Disposals	141	2,838	726	353	782	4,840
Revaluations	1,419	1,113	-	-	-	2,532
Impairment	51	19	-	-	-	70
At 31 March 2018	(5,435)	(34,144)	(7,277)	(5,293)	(10,492)	(62,641)
Net book value						
At 31 March 2018	91,087	54,486	2,119	2,787	3,334	153,813
At 1 April 2017	95,144	69,329	2,643	3,631	4,108	174,855

Included in the above are the following amounts for assets under construction (AUC)

2017–18	Land and property	Furniture and equipment	Information technology	Vehicles and plant	2017–18 Total
	£'000	£'000	£'000	£'000	£'000
AUC cost at 1 April 2017	778	-	1,586	279	2,643
Exchange rate differences	(26)	72	(55)	-	(9)
Transfers of completed assets to additions	(750)	(159)	(853)	(270)	(2,032)
Additions to AUC	527	87	137	23	774
Total AUC cost at 31 March 2018	529	-	815	32	1,376

11 Heritage assets

	2019	2018	2017	2016	2015
	£'000	£'000	£'000	£'000	£'000
Modified cost or valuation					
At 1 April – cost	3,275	3,050	2,828	2,445	2,073
At 1 April – valuation	116,939	117,006	117,052	126,942	105,559
Total value at 1 April	120,214	120,056	119,880	129,387	107,632
Additions – purchased	191	225	222	383	372
Additions – donated	-	19	5	-	-
(Decrease)/increase in valuation	(2,553)	(86)	(51)	(9,890)	21,383
At 31 March	117,852	120,214	120,056	119,880	129,387
Unrestricted	46,989	47,895	47,866	48,733	58,672
Restricted	70,863	72,319	72,190	71,147	70,715
Total heritage assets	117,852	120,214	120,056	119,880	129,387

The British Council maintains a permanent collection of works of art which started in 1938 and at present has over 8,800 works. The purpose of the collection is to increase the understanding and appreciation of British art overseas in furtherance of the British Council's objectives for cultural co-operation. It is not held for investment or resale. Many works have been acquired from emerging artists and on beneficial terms because of the collection's purpose.

The art collection is not depreciated since the assets are considered to have an indefinite life and the residual values of the assets are considered to be either in line with or above costs.

Artworks are classified as 'restricted' where there are restrictions on their sale, for example conditions imposed by the donor.

Artworks are classified as 'unrestricted' where there are no restrictions on their sale.

12 Investments

(a) Total investments

	Group		British Council	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Quoted investments	102	110	102	110
Investment in subsidiaries	-	-	425	32
Total investments	102	110	527	142

(b) Investment in joint venture

	Group		British Council	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Opening balance	1,027	1,004	1,027	1,004
Net income	425	138	425	138
Exchange rate differences	82	(115)	82	(115)
Total investment in joint venture	1,534	1,027	1,534	1,027

The British Council has a long-term interest in a joint venture, IELTS Inc., over which it exercises joint control with two other equal members. The British Council's interest in IELTS Inc. is established in a joint venture agreement signed by the members. The other two members are Oxford and Cambridge International Assessment Services Limited and IDP Education Australia Limited.

IELTS Inc. is a not-for-profit organisation registered in Delaware in the United States with the charitable and educational purposes of supporting and improving the teaching of English. IELTS Inc. administers and markets IELTS examinations in the United States.

IELTS Inc. was originally funded by loans from its founding members, including the British Council. These loans have been repaid. The British Council's share of the IELTS Inc. audited income, expenditure, assets and liabilities for the year ending 31 December 2018 have been consolidated and disclosed in the accounts this year using the equity method of accounting.

IELTS Inc. has a 31 December year end. The auditor's report for the year end 31 December 2018 is expected to be unqualified.

(c) Subsidiary undertakings

Registered name	Country of incorporation	Principal activity	Share class	Year end date
BC Trading International Ltd	England and Wales	Raising funds through trading activities	Ordinary/100%	31 March
BC Holdings (United Kingdom) Limited	England and Wales	Holding company	Ordinary/100%	31 March
British Council Association in Brazil (registered name: Associação Conselho Britânico)	Brazil	Carrying out charitable objectives of the British Council	-	31 December
BC Education Consulting (Beijing) Co. Ltd (registered name: BC教育咨询(北京)有限公司)	China	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
British Council English Training (Jiangsu) Co. Ltd (registered name: 英协英语培训(江苏)有限公司)	China	Teaching	Ordinary/100%	31 December
Ying He Advertising (Beijing) Co. Ltd (registered name: 英合广告(北京)有限公司)	China	Raising funds through trading activities	Ordinary/100%	31 December
BC English Services Trans-National Limited	Hong Kong	Established to carry out the charitable objectives of the British Council but not currently operational	Ordinary/100%	31 March
British Council in France (Société par actions simplifiée unipersonnelle)	France	Carrying out charitable objectives of the British Council	Ordinary/100%	31 March
BC English and Examinations Services India Private Limited	India	Raising funds through trading activities	Ordinary/100%	31 March
BC Management Services Private Limited	India	Provision of support services to the British Council	Ordinary/100%	31 March
Yayasan Dewan Inggris	Indonesia	Carrying out charitable objectives of the British Council	-	31 March
British Council (Kazakhstan) LLP	Kazakhstan	Carrying out charitable objectives of the British Council	-	31 December
British Council Associated Civil Association (registered name: British Council Asociados)	Mexico	Raising funds through trading activities	Ordinary/100%	31 December
British Council Civil Association (registered name: British Council Asociación Civil)	Mexico	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
British Council Foundation in Poland (registered name: Fundacja British Council)	Poland	Carrying out charitable objectives of the British Council	-	31 March
Smart Education, Culture and Language Services Limited Liability Company (registered name: ООО "Умные культурно-образовательные и языковые услуги")	Russia	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
British Council (Singapore) Limited	Singapore	Carrying out charitable objectives of the British Council	-	31 March
British Council (Taiwan) Limited (registered name: 英協文教有限公司)	Taiwan	Teaching and exams	Ordinary/100%	31 December
BC Holdings (Thailand) Limited	Thailand	Holding company	Ordinary/100%	31 March
BC Language Teaching (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	Ordinary/74%	31 March
BC Operations (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	Ordinary/74%	31 March
British Council Education Services Company (registered name: British Council Eğitim Hizmetleri Limited Şirketi)	Turkey	Carrying out charitable objectives of the British Council	Ordinary/100%	31 March
Private Extra-Curricular Educational Institution 'British Council (Ukraine)' (registered name: Приватний позашкільний навчальний заклад «Британська Рада (Україна)»)	Ukraine	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
Limited Liability Company 'British Council (Ukraine)' (registered name: Товариство з обмеженою відповідальністю «Британська Рада (Україна)»)	Ukraine	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
Friends of British Council	USA	Fundraising and carrying out charitable objectives of the British Council	-	31 March
British Council (Viet Nam) LLC (registered name: Công ty TNHH British Council (Việt Nam))	Vietnam	Teaching and exams	Ordinary/100%	31 March

New investment was made in France during the year but no trading had taken place as at 31 March 2019. Hong Kong and Russia received additional investment during 2018–19.

Friends of British Council is consolidated as a subsidiary because the Group has the power to exercise dominant influence over the undertaking by virtue of provisions contained in the undertaking's by-laws.

BC Holdings (Thailand) Limited's share capital comprises 48.8 per cent of ordinary shares owned by BC Holdings (United Kingdom) Limited, and 51.2 per cent preference shares owned by third parties. It is consolidated as a subsidiary undertaking because the Group has the power to exercise dominant influence by virtue of provisions contained in the undertaking's articles.

BC Operations (Thailand) Limited's share capital comprises of ordinary shares, 49 per cent of which is owned by BC Holdings (United Kingdom) Limited and 51 per cent of which is owned by BC Holdings (Thailand) Limited. The Group therefore has an effective interest of 73.9 per cent in BC Operations (Thailand) Limited's share capital.

BC Language Teaching (Thailand) Limited's share capital comprises of ordinary shares, 100 per cent owned by BC Operations (Thailand) Limited. The Group therefore has an effective interest in 73.9 per cent of BC Language Teaching (Thailand) Limited's share capital.

(d) Financial results of subsidiaries

Company name/ registration no.	BC Holdings (United Kingdom) Limited 07108783	BC Education Consulting (Beijing) Co. Ltd 911101050953537000	BC Management Services Private Limited U74140UP2010FTC100142	BC English and Examinations Services India Private Limited U80301HR2006PTC057821	Fundacja British Council 0000449621	British Council (Singapore) Limited 201202363R	British Council (Taiwan) Limited 24942311	BC Operations (Thailand) Limited 105554089185	British Council (Vietnam) LLC 0107581903	Other subsidiaries
	£	£	£	£	£	£	£	£		£
Investment at 1 April 2017	1	3,360,000	961,855	1,739	417	-	306,569	1,848,049	53,000	2,149,330
Additions	-	-	-	-	-	-	-	-	-	500,000
Investment at 31 March 2018	1	3,360,000	961,855	1,739	417	-	306,569	1,848,049	53,000	2,649,330
Investment at 1 April 2018	1	3,360,000	961,855	1,739	417	-	306,569	1,848,049	53,000	2,649,330
Additions	-	-	-	-	-	-	-	-	-	442,107
Investment at 31 March 2019	1	3,360,000	961,855	1,739	417	-	306,569	1,848,049	53,000	3,091,437

Company name	BC Holdings (United Kingdom) Limited	BC Education Consulting (Beijing) Co. Ltd	BC Management Services Private Limited	BC English and Examinations Services India Private Limited	Fundacja British Council	British Council (Singapore) Limited	British Council (Taiwan) Ltd	BC Operations (Thailand) Limited	British Council (Vietnam) LLC	Other subsidiaries
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2019										
Assets	10,191	45,012	6,680	18,362	3,052	17,687	4,331	4,394	8,261	16,043
Liabilities	(20)	(23,292)	(4,192)	(10,745)	(2,192)	(7,886)	(3,019)	(2,806)	(7,447)	(15,058)
Reserves	10,171	21,720	2,488	7,617	860	9,801	1,312	1,588	814	985
At 31 March 2018										
Assets	10,788	40,006	7,166	10,019	3,298	16,887	2,999	6,327	1,851	15,215
Liabilities	(16)	(20,032)	(5,516)	(5,734)	(2,468)	(8,388)	(1,980)	(4,479)	(2,174)	(14,427)
Reserves	10,772	19,974	1,650	4,285	830	8,499	1,019	1,848	(323)	788
2018–19										
Income	13,876	84,459	12,286	35,713	9,328	25,349	6,866	8,764	13,448	30,094
Expenditure	(14,475)	(82,794)	(11,482)	(32,410)	(9,282)	(24,414)	(6,237)	(9,150)	(11,961)	(30,390)
Net income/ (expenditure)	(599)	1,665	804	3,303	46	935	629	(386)	1,487	(296)
Donation of profits to the British Council	-	-	-	-	-	-	-	-	-	551
2017–18										
Income	11,045	76,430	9,654	28,059	9,373	24,806	5,562	9,801	2,876	28,384
Expenditure	(9,283)	(73,985)	(9,722)	(25,524)	(8,654)	(23,635)	(5,065)	(8,715)	(3,306)	(28,132)
Net income/ (expenditure)	1,762	2,445	(68)	2,535	719	1,171	497	1,086	(430)	252
Donation of profits to the British Council	1	-	-	-	-	-	-	-	-	582

(e) Loans to subsidiaries

The following table sets out the interest charged by the British Council on loans made to subsidiaries and the loan balances at the year end.

	Interest charged		Loan balance	
	2018–19	2017–18	2018–19	2017–18
Subsidiary	£	£	£	£
BC Holdings (United Kingdom) Limited	-	7,641	1	-
BC English Services Trans-National Limited	-	7,412	-	367,861
Total loans from the British Council to subsidiaries	-	15,053	1	367,861

The following table sets out the interest charged by BC Holdings (United Kingdom) Limited on loans made to subsidiaries and the loan balances at the year end.

	Interest charged		Loan balance	
	2018–19	2017–18	2018–19	2017–18
Subsidiary	£	£	£	£
British Council Indonesia Foundation	21,418	18,986	879,103	857,685
British Council (Vietnam) LLC	21,467	14,355	858,369	814,379
Smart Education, Culture and Language Services LLC	302	303	11,832	11,530
BC Holdings (Thailand) Limited	-	-	-	1,047,945
Fundacja British Council	-	3,626	-	138,626
British Council (Ukraine) LLC	-	5,334	-	-
Total loans between subsidiaries	43,187	42,604	1,749,304	2,870,165

Interest is charged on all of the above loans at arm's length rates.

Of the loans outlined above, loans to subsidiaries held on the British Council Balance Sheet include only those loans to BC Holdings (United Kingdom) Limited and BC English Services Trans-National Limited with a total value of £1 (2017–18: £367,861).

The BC English Services Trans-National Limited total loan value was invested as share capital during the year. See note 12(a) above.

13 Debtors (amounts falling due within one year)

Analysis by type

	Group		British Council	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade debtors	68,197	90,022	51,690	68,946
Balances resulting from activity under contracts and agreements	22,039	6,779	21,912	6,550
Other debtors	13,121	11,479	5,144	4,131
VAT debtor	4,610	2,761	1,229	895
Prepayments and accrued income	52,651	35,265	42,300	28,279
Amounts due from subsidiary undertakings	-	-	6,614	7,170
Total debtors	160,618	146,306	128,889	115,971

14 Cash at bank and short-term investments

(a) Cash at bank

	Group		British Council	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash and cash equivalents held in:				
Sterling	37,759	37,502	33,624	30,560
Euros	107,734	102,728	107,176	102,575
US dollars	8,818	7,666	6,695	5,114
Other currencies	124,178	98,359	94,835	78,112
Total cash at bank	278,489	246,255	242,330	216,361

The total cash at bank balance includes cash held overseas of £20.3 million (2017–18: £16.8 million) that is considered to be trapped due to foreign exchange controls. The British Council is actively seeking ways to manage and limit the effect of foreign exchange gains and losses on cash balances held in those currencies.

(b) Short-term investments

	Group		British Council	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Short-term deposits maturing in under one year held in:				
Sterling	92,000	73,000	92,000	73,000
Euros	21,552	21,930	21,552	21,930
Other currencies	11,486	28,312	11,486	28,312
Total short-term investments	125,038	123,242	125,038	123,242

The British Council holds non-restricted funds on short-term deposit accounts or money market deposits with a maturity of less than one year at market rates.

15 Creditors (amounts falling due within one year)

(a) Analysis by type

	Group		British Council	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade creditors	45,869	61,324	40,514	54,898
Balances resulting from activity under contracts and agreements	85,090	63,005	85,011	62,843
Other creditors	10,351	18,813	9,421	18,202
Taxation and social security	13,348	15,077	6,570	9,702
VAT creditor	714	2,159	1,009	1,262
Deferred income	137,307	131,920	120,498	116,600
Accruals – grants payable	68,769	66,745	68,769	66,745
Accruals – other	72,335	61,812	56,685	46,603
Amounts due to subsidiary undertakings	-	-	19,908	17,733
Total creditors	433,783	420,855	408,385	394,588

(b) Analysis of deferred income

	Group		British Council	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
At 1 April	131,920	138,118	116,600	124,006
Unrealised loss on exchange rate	(25)	(46)	(69)	(33)
Income recognised during the year	(131,668)	(137,486)	(116,486)	(123,384)
Income deferred during the year	137,080	131,334	120,453	116,011
At 31 March	137,307	131,920	120,498	116,600

16 Provisions for liabilities and charges

(a) Amounts falling due within one year

	Early retirement	Terminal gratuities	Other staff	Legal	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	363	-	4,806	442	2,911	8,522
Exchange rate differences	(1)	-	207	6	(136)	76
Net amounts utilised or reversed	(1,078)	-	(1,690)	(432)	(5,202)	(8,402)
Charged to expenditure	1,927	-	653	16	6,275	8,871
Movement between short term and long term	171	-	-	-	-	171
At 31 March 2019	1,382	-	3,976	32	3,848	9,238

(b) Amounts falling due after more than one year

	Early retirement	Terminal gratuities	Other staff	Legal	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	171	23,784				23,955
Exchange rate differences	-	533	-	-	-	533
Net amounts utilised or reversed	-	(2,874)	-	-	-	(2,874)
Charged to expenditure	171	5,450	-	-	-	5,621
Movement between short term and long term	(171)	-	-	-	-	(171)
At 31 March 2019	171	26,893	-	-	-	27,064

The provision for early retirement relates to costs to service the number of early retirement schemes offered by the PCSPS.

Terminal gratuities are contractual payments made to a member of local staff at the end of their contractual relationship with the British Council. The payments are calculated according to local labour regulations and the Terms and Conditions of service agreed for each country. The British Council makes terminal gratuity payments to its staff in four different circumstances; resignation, retirement, redundancy and early retirement. A provision is raised to meet this liability which accrues over time. The provision has not been discounted as it is a provision at a fixed point in time and timing of future payments is not fixed and cannot be reliably determined. We believe that the majority of this provision will be payable in greater than one year and since the amount payable within one year cannot be reliably determined this is not disclosed separately.

Other provisions include amounts for contract activity losses and taxes. These are not disclosed separately in detail as to do so could impact the probability of the liability materialising.

17 Movements on funds and reserves

(a) Movement in unrestricted funds

	Funds designated from the General account						
	General account	Risk reserve	Investment fund	Capital account	Revaluation account	Heritage asset reserve	2018–19 Total unrestricted funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	7,000	38,721	20,000	95,962	71,144	47,895	280,722
Net income/(expenditure)	32,089	-	-	-	-	-	32,089
Revaluation of heritage assets	-	-	-	-	-	(2,553)	(2,553)
Revaluation account movement on land and buildings	-	-	-	-	7,912	-	7,912
Revaluation account movement on general fixed assets	-	-	-	-	33	-	33
Revaluation account movement on intangible fixed assets	-	-	-	-	38	-	38
Transfer of purchased and donated heritage assets	(191)	-	-	-	-	191	-
Foreign exchange differences arising on consolidation of foreign operations	1,256	-	-	(605)	-	-	651
Transfer to/from restricted heritage asset reserve	-	-	-	-	-	1,456	1,456
Transfer to/from restricted grant reserve	(1,819)	-	-	-	-	-	(1,819)
Transfer to/from capital account	794	-	-	(794)	-	-	-
Transfer to/from Risk reserve	(10,179)	10,179	-	-	-	-	-
Transfer to/from Investment fund	(3,947)	-	3,947	-	-	-	-
At 31 March 2019	25,003	48,900	23,947	94,563	79,127	46,989	318,529
Minority interest	-	-	-	-	-	-	1
Total capital employed	25,003	48,900	23,947	94,563	79,127	46,989	318,530

Cumulative foreign exchange losses of £4.9 million and foreign exchange gains of £0.3 million respectively are included in the Risk and Capital reserves above. Such amounts relate to the re-translation of the net assets of foreign entities and will fluctuate in accordance with the relative exchange rates ruling at future Balance Sheet dates.

The minority interest shown above relates to external shareholders in British Council's subsidiaries in Thailand (see note 12(c)).

Reserves policy

The British Council's free reserves are represented by the balance in the General Account and the two designated reserves funded from the General Account: the Risk Reserve and the Investment Fund.

The closing balance of the General Account, Risk Reserve and Investment Fund has been determined in accordance with a revised Reserves policy approved by the Trustees at their meeting on 10 July 2019.

Risk Reserve – this represents the minimum level of funds required to protect the British Council from the potential financial impact of known business risks. Having assessed the current risks to the business, the Trustees have set a revised target to grow the Risk Reserve to £50 million by 2020 (2012 policy: £34.6 million). The balance at 31 March 2019 was £48.9 million (2017–18: £38.7 million).

Investment Fund – this represents funds required for specific planned investments within a three-year horizon. The balance at 31 March 2019 was £23.9 million (2017–18: £20 million). This reserve is to provide for future investment to maintain the British Council's future sustainability.

Other investment activity carried out during the current financial year will be met from trading surpluses generated during the year.

Other designated funds and reserves

- Capital account – funds applied towards the purchase of tangible and intangible fixed assets other than heritage assets, less accumulated depreciation relating to historic cost.
- Revaluation account – arising from the revaluation and the indexation of historical asset values to arrive at a modified historical cost.
- Heritage asset reserve – funds applied towards the purchase of heritage assets, and the effect of the revaluation of those assets. This excludes heritage assets classified as 'restricted', which are shown within restricted heritage asset reserve.

(b) Movement in restricted funds

	Income (restricted grants) reserve	Expendable endowment reserve	Heritage asset reserve	2018–19 Total restricted funds
	£'000	£'000	£'000	£'000
At 1 April 2018	(1,819)	292	72,319	70,792
Transfer from unrestricted funds; heritage assets	-	-	(1,456)	(1,456)
Funds spent from reserves	1,819	-	-	1,819
Net income/(expenditure)	(1,802)	12	-	(1,790)
At 31 March 2019	(1,802)	304	70,863	69,365

Expendable endowment reserve

The British Council has the power to spend the capital related to these trusts and restricted donations for the purpose of the trust or in line with the conditions attached to the donation.

- Lefèvre Trust – to promote understanding between the UK and France, and the mutual learning of customs and language through an exchange programme for French and British boys and girls between the ages of 11 and 19.
- The Sir Shiu Kin Tang Educational Trust – to advance the education of postgraduate students from Hong Kong in the UK.
- Dame Nancy Parkinson Bequest – to assist Commonwealth students to purchase books, attend conferences or consult specialist advisers in Britain when this cost could not be met from public funds.
- Charles De Gaulle Bursary Scheme – to provide an opportunity for British and French students aged between 17 and 19 to undertake a specific study project relating to the language or culture of the other country.
- Sir Steven Runciman Prize Trust – book prize awarded to a student of the University of Peshawar.

(c) Analysis of group net assets between funds

	Unrestricted funds	Restricted funds	2018–19 Total funds
	£'000	£'000	£'000
Fixed assets	220,679	70,863	291,542
Investments	1,541	95	1,636
Current assets	481,305	83,497	564,802
Current liabilities	(357,931)	(85,090)	(443,021)
Amounts falling due after more than one year	(27,064)	-	(27,064)
Total net assets as at 31 March 2019	318,530	69,365	387,895

18 Commitments

(a) Capital commitments

	2019	2018
	£'000	£'000
Contracted expenditure	2,840	1,189

Contracted expenditure includes £194,877 (2017–18: £36,600) relating to subsidiary capital commitments.

(b) Specific charitable projects (grants)

	2019	2018
To be undertaken:	£'000	£'000
In one year or less	4,521	5,153
Between one and five years	8	4,669
In five years or more	-	-
Total future minimum payments for charitable projects (grants)	4,529	9,822

These relate to grants that we have committed to giving in future years in a signed contract, that we have not yet paid or accrued for. For example, where a grant agreement states that the grant will be paid in instalments, but that payment of future instalments is:

- tied to a particular time period
- subject to the recipient finding match-funding
- subject to a performance review by the British Council that could result in payment being withheld.

The British Council has either already received the funds needed to pay these grants, or has legal agreements in place with third party organisations to fund them.

Grants to be undertaken in the following year includes £146,611 (2017–18: £30,000) relating to subsidiary charitable commitments.

(c) Future minimum lease payments under non-cancellable operating leases

	2019			2018		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Payments to be made						
In one year or less	22,982	945	23,927	23,885	1,196	25,081
Between one and five years	27,620	710	28,330	27,621	778	28,399
In five years or more	40,740	-	40,740	52,249	-	52,249
Total future minimum lease payments	91,342	1,655	92,997	103,755	1,974	105,729

The total amount of lease payments recognised as an expense in the Consolidated Statement of Financial Activities is £29,451,861 (2017–18: £26,104,815).

19 Losses and special payments

During the year ended 31 March 2019, there were 143 losses totalling £2,107,806 as defined in *Managing public money* (2017–18: 144 cases totalling £461,890). This includes fraudulent and non-fraudulent business losses.

Of these, two cases totalling £1.7 million are automatic tax penalties for late filing of prior year tax returns and late payment of tax following resolution of the British Council's historic tax registration position with authorities during 2018–19. These fall within the category of fruitless payments as defined in *Managing public money*.

There were also two cases totalling £2,085 that fall within the category of special payments as defined in *Managing public money* (2017–18: two cases totalling £47,251). They were approved by HM Treasury on a value for money basis.

The British Council also incurred realised foreign exchange losses of £8,969,682 (2017–18: £4,130,360).

20 Related party transactions

The British Council is a non-departmental public body sponsored by the FCO.

The FCO is regarded as a related party. During the year, the British Council had various material transactions with the FCO, most notably the receipt of grant-in-aid as disclosed in note 2(b) and note 3.

The British Council has had a number of material transactions with other government departments and other central government bodies. The most significant have been with:

- DFID
- Department for Business, Energy and Industrial Strategy
- Department for Education.

In addition, the British Council had a number of transactions with the British Council Benevolent Fund, which provides financial assistance to staff in need in the UK and overseas, via charitable donations from current and ex-employees. The British Council has no control over the fund; however, the Trustees of the British Council Benevolent Fund are appointed by the Board of Trustees of the British Council.

The British Council had a number of transactions with other entities within the British Council Group. Details of intragroup loans are also set out in note 12(e). The total of intercompany balances between the British Council and its subsidiaries is set out in notes 13 and 15(a).

None of the Trustees, Board members, key managerial staff or other related parties have undertaken any material transactions with the British Council during the year other than as disclosed below:

Organisation	Trustee/board member	Relationship	Grants provided and funds disbursed under contracts/agreements	Debtor balance	Creditor balance
			2018–19	2019	2019
			£'000	£'000	£'000
Foreign and Commonwealth Office	Ms Deborah Bronnert	Director General Global and Economic Issues	7,025	444	507
Strategy and Security Institute – University of Exeter	Sir Ciarán Devane	Honorary Associate Professor	2,522	-	-
Coventry University	Sir Ciarán Devane	Member of the Vice-Chancellor's Advisory Group	2,156	50	84
University of Liverpool	Professor Janet Beer	Vice-Chancellor University of Liverpool	1,185	12	1
University of St Andrews	Mr Adrian Greer	Chancellor's Assessor, Lay member, and Member of the planning and resources committee and Chairs the Health and Safety Group	585	126	-
Universities UK (UUK), England and Northern Ireland	Professor Janet Beer	President	203	-	26
University of Brighton	Ms Maddalaine Ansell	Governor	180	10	-
LSO Productions Limited	Mr Mark Beddy	Director and Chairman	20	-	-
The Place (Contemporary Dance Trust Limited)	Ms Catherine Ward	Governor	11	-	-
Serco Group plc	Ms Rachel Lomax	Director	1	-	-
Clore Social Leadership	Sir Ciarán Devane	Trustee and Chairman	1	-	-
Wasafiri International Contemporary Writing	Ms Kate Arthurs	Trustee	1	-	-

Some of the Trustees of the British Council may be related to companies with which British Council has entered into partnerships. There are no undisclosed transactions between the British Council and these partners; however, there may be other indirect benefits or similar.

21 Contingent liabilities

The British Council and its subsidiaries are currently involved in a number of legal proceedings in respect of employment and contract disputes, copyright and other legal claims. These claims include disputes with former employees with a maximum value of £0.6 million (2017–18: £0.6 million). The British Council believes that no significant losses will arise from these proceedings. The British Council has £0.5 million (2017–18: £0.5 million) relating to bank guarantees issued under various contracts, which may be called if the British Council does not meet its contractual obligations. No losses are expected to arise under these arrangements.

As the activities of the British Council overseas have developed over time and the regulatory environment has evolved, the organisation has faced uncertainties over its legal and tax status in particular countries. In recent years steps have been taken to resolve the status position in the key territories in which the British Council operates, but there are potential taxation and other liabilities in certain territories associated with status changes or uncertainties over the interpretation of tax laws and regulations as applied to past activities. Full disclosure has not been made in relation to these potential liabilities as none is individually material and there is a high degree of uncertainty as to the amounts at risk and the timing of any potential settlements. The British Council also believes that disclosure would seriously prejudice the probability of any liability at settlement.

The British Council has a composite facility with respect to foreign bills/cheques for negotiation and/or engagements for a combined amount of US\$15.5 million with HSBC to cash foreign currency cheques that we receive or to issue bank bonds and guarantees on our behalf. There are no bonds or guarantees under this facility outstanding at 31 March 2019.

22 Financial instruments

The governance statement sets out the British Council's approach to managing its main financial risks.

Credit risk

Counterparty credit limits, which take published credit ratings and other factors into account, are set to cover the investment exposure to individual financial institutions. Exposures and limits applicable to each financial institution are reviewed on a regular basis. The British Council has not suffered any loss in relation to cash held by its banks. Similar counterparty credit limits apply to banks with respect to forward foreign exchange contracts.

Liquidity risk

Any liquidity risk is minimal, as overseas current account balances are generally maintained at three weeks' working capital requirement to ensure sufficient cash for operational activities. Surplus cash is repatriated to the UK where local foreign exchange controls permit, and invested in the UK. Otherwise, surplus funds are invested overseas.

All investments are in accordance with the British Council's investment policy. Non-restricted cash is held on short-term deposit accounts or money market deposits with a maturity of not more than 12 months at market rates. The British Council is therefore securing interest returns on cash holdings largely held in the UK on a short-term basis. Surplus funds which cannot be repatriated to the UK (due to local foreign exchange controls) are currently invested for periods of up to six months.

Currency risk

The British Council operates in over 100 countries and carries out transactions in sterling, US dollars, euros and a variety of local currencies.

The British Council manages its exposure to foreign currency risk on cash balances by limiting operational funding balances in local currency bank accounts where possible to no more than working capital requirements.

Where countries have deregulated foreign exchange controls any excess funds over and above working capital requirements are repatriated to the UK and then invested and/or held in convertible hard currency accounts.

The British Council operates a foreign exchange forward hedging programme to cover up to 80 per cent of euro, US dollar, Indian rupee and Chinese yuan exposures, the objective being to assist in achieving budget certainty. The British Council's current US dollar and euro exposures are limited by significant natural hedges and as a result, the British Council held no open euro or US dollar forward foreign exchange contracts as at 31 March 2019 (2017–18: Nil). At 31 March 2019, the fair value of the forward foreign exchange contracts held in Indian rupees and Chinese yuan was an unrealised loss of £0.3 million (2017–18: £0.3 million).

23 Contract activity as an agent

During the year, the British Council executed activities under contracts where the British Council acted as an agent. As a result, the resources have not been recognised in the CSOFA or Consolidated and British Council Balance Sheet, in accordance with the SORP.

The resources from these contracts are analysed as follows:

	2018–19	2017–18
	£'000	£'000
Contract income	3,579	1,960
Contract expenditure	3,579	1,960

24 Post Balance Sheet events

In accordance with the requirements of FRS 102, events after the end of the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There were no post Balance Sheet events to report.

Our global network

Afghanistan
Kabul

Albania
Tirana

Algeria
Algiers

Argentina
Buenos Aires

Armenia
Yerevan

Australia
Sydney

Austria
Vienna

Azerbaijan
Baku

Bahrain
Manama

Bangladesh
Chattogram
Dhaka
Sylhet

Belgium
Brussels

Bosnia and Herzegovina
Sarajevo

Botswana
Gaborone

Brazil
Rio de Janeiro
Sao Paulo

Bulgaria
Sofia

Cameroon
Yaoundé

Canada
Montréal
Toronto

Chile
Santiago

China
Beijing
Chongqing
Guangzhou
Nanjing
Shanghai

Colombia
Bogotá
Medellin

Croatia
Zagreb

Cuba
Havana
Santo Domingo

Cyprus
Nicosia

Czech Republic
Brno
Prague

Egypt
Alexandria
Cairo
Heliopolis

Estonia
Tallinn

Ethiopia
Addis Ababa

France
Paris

Georgia
Tbilisi

Germany
Berlin

Ghana
Accra
Kumasi

Greece
Athens
Thessaloniki

Hong Kong
Hong Kong

Hungary
Budapest

India
Ahmedabad
Bangaluru
Chandigarh
Chennai
Hyderabad
Kolkata
Mumbai
New Delhi
Noida
Pune

Indonesia
Jakarta

Iraq
Baghdad
Erbil

Ireland
Dublin

Israel
Givatayim

Italy
Milan
Naples
Rome

Jamaica
Kingston

Japan
Tokyo

Jordan
Amman

Kazakhstan
Almaty
Nur-Sultan

Kenya
Nairobi

Korea
Seoul

Kosovo
Prishtina

Kuwait
Mansouriya

Latvia
Riga

Lebanon
Beirut

Libya
Tripoli

Lithuania
Vilnius

Malawi
Blantyre
Lilongwe

Malaysia
Kuala Lumpur
Penang
Mutia Damansara

Malta
Valletta

Mauritius
Rose Hill

Mexico
Mexico City

Montenegro
Podgorica

Morocco
Casablanca
Rabat

Mozambique
Maputo

Myanmar
Mandalay
Rangoon

Namibia
Windhoek

Nepal
Kathmandu

Netherlands
Amsterdam

New Zealand
Auckland

Nigeria
Abuja
Kano
Lagos
Port Harcourt

North Macedonia
Skopje

Occupied Palestinian Territories
East Jerusalem
Gaza
Ramallah

Oman
Muscat

Pakistan
Faisalabad
Islamabad
Karachi
Lahore
Multan

Philippines
Manila

Poland
Warsaw
Krakow

Portugal
Coimbra
Lisbon
Miraflores
Paredes
Porto

Qatar
Doha

Romania
Bucharest
Cluj-Napoca
Iasi

Russia
Moscow

Rwanda
Kigali

Saudi Arabia
Jeddah
Al-Khobar
Riyadh

Senegal
Dakar

Serbia
Belgrade

Sierra Leone
Freetown

Singapore
Singapore

Slovakia
Bratislava

Slovenia
Ljubljana

South Africa
Cape Town
Johannesburg

South Sudan
Juba

Spain
Barcelona
Bilbao
Madrid
Palma de Mallorca
Segovia
Valencia

Sri Lanka
Colombo
Jaffna
Kandy

Sudan
Khartoum

Switzerland
Bern

Taiwan
Taipei

Tanzania
Dar es Salaam

Thailand
Bangkok
Chiang Mai

Trinidad and Tobago
St Augustine

Tunisia
Tunis

Turkey
Ankara
Istanbul

Uganda
Kampala

Ukraine
Kyiv

United Arab Emirates
Abu Dhabi
Dubai
Sharjah

United Kingdom
Belfast
Cardiff
Edinburgh
London
Manchester

United States of America
Washington DC

Uruguay
Montevideo

Uzbekistan
Tashkent

Venezuela
Caracas

Vietnam
Hanoi
Ho Chi Minh City

Yemen
Sana'a

Zambia
Lusaka

Zimbabwe
Bulawayo
Harare

We also work with and in many other countries around the world, both through our staff on the ground and through digital and broadcast media channels.

Contact details for our offices can be found on our country websites. For more information, please look on our corporate website, www.britishcouncil.org or telephone +44 (0)161 957 7755.

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Details were correct as at 31 March 2019.