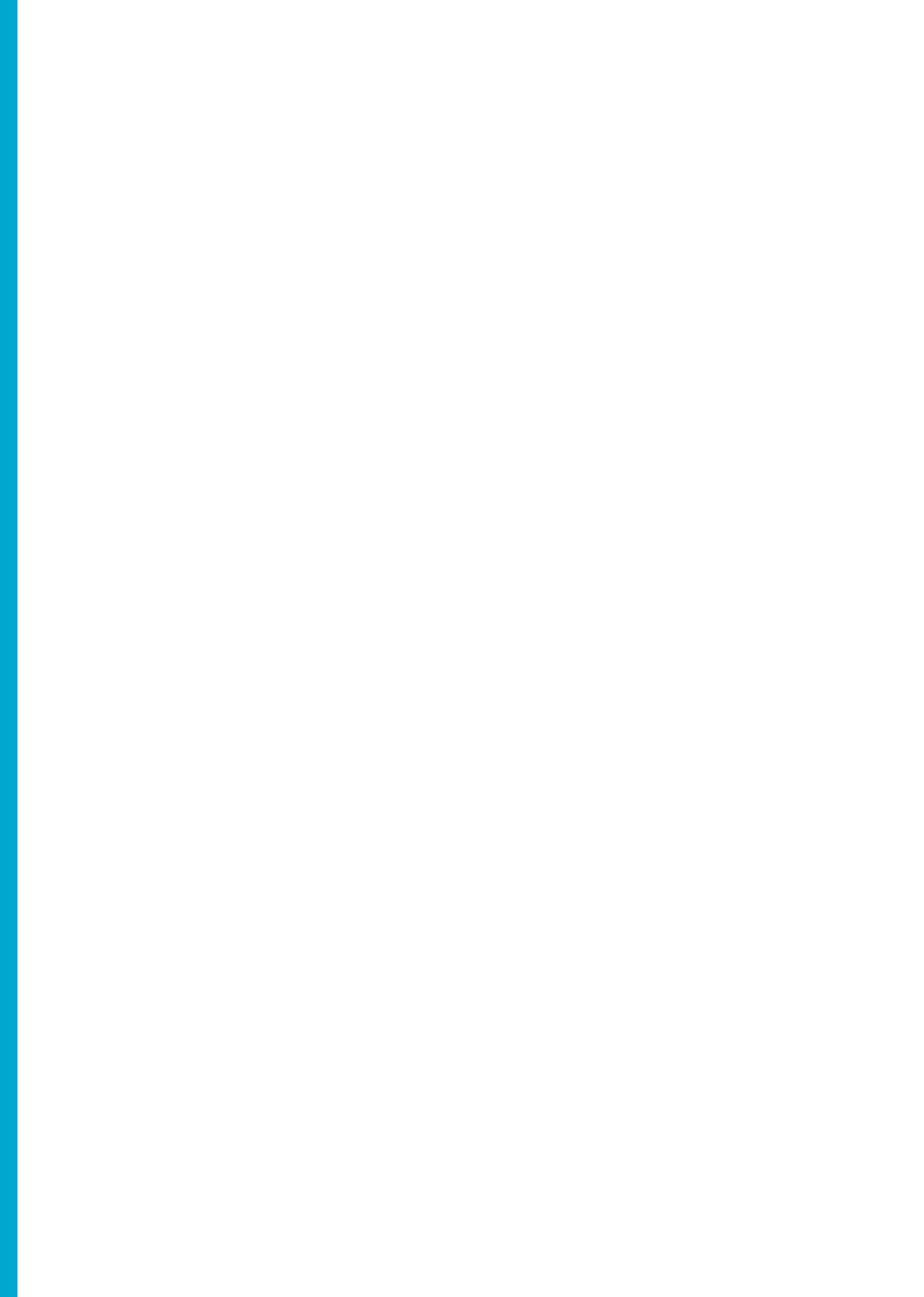


# Annual Report

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2014–15





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# Our work this year

## Introduction from the Chair and Chief Executive

2014–15 was a year of progress and achievement for the British Council and also one of reflection and change.

We successfully delivered the final year of the strategy we first outlined in our 2011–15 Corporate Plan and also worked with the Foreign and Commonwealth Office (FCO) to respond to the 2014 Triennial Review of our function and governance. Our 2015–17 Corporate Plan sets out the initiatives we are implementing as a result of the review's recommendations, as well as our aims for the next two years. We would like to thank colleagues from the FCO, from other government departments, and from the UK's business, educational, cultural and civil society sectors, for their advice and support in this process.

We welcomed the scrutiny and challenge of the review, its confirmation of the value of our work and its highlighting of the areas where we need to improve. Since the 1930s, the British Council has existed to promote a 'friendly knowledge and understanding'<sup>1</sup> between the people of the UK and the wider world. We do this by making a positive contribution to the countries we work with and a lasting difference to the UK's international standing, prosperity and security. We are pleased that the 2014 Triennial Review concluded that the British Council is a 'valuable national asset'<sup>2</sup>, and that its role as the UK's main cultural ambassador is as crucial to the UK's interests today as it was over eight decades ago.

We also welcomed the opportunity to address the three main areas for improvement identified by the review. Our 2015–17 Corporate Plan sets out how we will do this by aligning our work more closely with UK government priorities and wider UK interests, increasing transparency and accountability, and addressing concerns and perceptions about unfair competition and our handling of conflicts of interest.

We acknowledge that there is always more that we can do for the UK and for the countries where we work. Four years ago, helping the UK to respond to a huge global demand for education and culture, and against an extremely challenging financial background, we set out an ambitious plan for growth. Our 2014–15 performance results show that we have succeeded in our aim of becoming a larger and more efficient organisation, reaching millions more people while maintaining the quality of what we do.

We helped 647 million people access the best of what the UK has to offer, 43 million more than last year and exceeding our target by 33 million. And people have continued to value our services – assessment of the quality of our work has stayed high and evaluations of some of our major programmes show the positive impact we have made on people's lives and on their communities and nations. We have also exceeded our income targets, with a total turnover of £973 million in 2014–15, allowing us to fund more cultural relations work for the UK. The costs of running our business<sup>3</sup> are now down to just under 14 per cent of our total expenditure compared to 19 per cent at the end of 2010, allowing us to use more of our money to fund our core mission.

Another priority for us has been to maintain our global network of offices despite economic pressures. We currently have offices in well over a hundred countries and opened in Peru and Uruguay this year. Although we closed our offices in Denmark, Finland, Norway and Sweden as part of our strategy for the EU Europe region, we will continue to work both with and in these countries. We would like to thank our colleagues there for their work for us and wish them well for the future.

Growth and physical size are of course not an end in themselves but a means to creating impact. Having successfully achieved growth over the past four years we have now started to look at how we can refine the way we measure and understand the impact that our work makes. We look forward to reporting even more meaningfully on impact next year.

For this year, there are numerous examples in the pages of this report of the impact we have created for the UK, for its cultural and educational organisations, and for the countries where we work.

We are grateful to all of our staff around the world for their hard work in achieving this and we recognise the difficult and sometimes dangerous environments in which many of them operate. The work of our many partners is also featured in this report and we would like to thank them for the new insights they have given us and for helping us to do more than we could do alone. We look forward to continuing our work as a valuable national asset for the UK in its mission to remain a world leader in cultural diplomacy.

1 This phrase is drawn from the British Council's 1940–41 Annual Report, as explained on the history page of the British Council website ([www.britishcouncil.org/organisation/history](http://www.britishcouncil.org/organisation/history)).

2 *Triennial Review of the British Council Foreign and Commonwealth Office*, 22 July 2014 – p.3.

3 Platform costs relating to premises, infrastructure and support staff.



Teachers taking part in a project the British Council is delivering for the Japanese government to improve English language teaching share their experiences with Sir Vernon Ellis.

*I am delighted to have welcomed Sir Ciarán Devane as our new Chief Executive this year and would like to thank our former Chief Executive, Sir Martin Davidson, for his many years of service to the British Council and to its cultural relations mission.*

**Sir Vernon Ellis**  
Chair, British Council



Participants in our youth leadership and community engagement programme, Active Citizens, welcome Sir Ciarán Devane on a visit to the Kagoli Youth Development Association in Uganda.

*It is my privilege to have been appointed this year as Chief Executive of the British Council, an organisation whose staff do fantastic, expert work for the UK all around the world.*

**Sir Ciarán Devane**  
Chief Executive, British Council

## About the British Council

The British Council exists to promote a ‘friendly knowledge and understanding’ between the people of the UK and the wider world.

We make a positive contribution to the countries we work with and a lasting difference to the UK’s international standing, prosperity and security.

Working in over 100 countries around the world, we do this by:

- Promoting a wider knowledge of the UK and the English language.
- Encouraging cultural, scientific, technological and educational understanding and co-operation between the UK and other countries.
- Changing people’s lives through access to UK education, skills, qualifications, culture and society.
- Attracting people who matter to our future to engage with the UK’s vibrant culture, the educational opportunities which it offers and its diverse, modern, open society.

We connect millions of people with the UK through our work in English, the arts, education and society. We help make a lasting difference to the UK’s international standing by increasing its influence with important decision makers and the wider public globally. We contribute to the UK’s prosperity by building trust which leads to increased trade, investment and tourism. We help to keep the UK safer and more secure by supporting stability in strategically important countries.

The British Council is a charity governed by Royal Charter. It is also a public corporation and an executive non-departmental public body (NDPB), sponsored by the FCO.

Since 1934, we have been sharing the best of what the UK has to offer and also learning from other countries and cultures. It is this combination which gives us our unique strength as an organisation.

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### How we work

The British Council supports the UK’s national interests best by being aligned with – but operationally independent from – the UK government. We are entrepreneurial, earning our own income as well as receiving grant funding from government. UK government grant-in-aid now accounts for just 16 per cent of our total turnover.

We earn income by charging people and governments who are able to pay for our services and expertise, delivering contracts for UK and overseas governments, and developing partnerships with private sector organisations. Our income earning activities always serve our core charitable purpose. They also generate some surpluses which we use to fund more cultural relations in more countries.

We create international opportunities for the UK’s cultural and educational organisations, connecting them with our network of contacts and partners overseas and matching them to specific opportunities where we can.

We work with young people who are in education and the early stages of their careers, and with established leaders to support and shape educational, cultural, social and arts policy and practices.

We work in markets which are of particular importance to the UK including India, China, Brazil, the Gulf States, Indonesia, Mexico and Turkey.

We help maintain relationships with the UK’s traditional friends and trading partners such as the United States, the Commonwealth countries and Europe.

Our programmes help to support security and stabilisation in places such as Africa, Afghanistan, Iraq, and Pakistan.

We provide international opportunities for people living in isolated countries and those emerging from isolation, helping them to connect with the outside world.

We contribute to the UK’s international development effort, with programmes in some of the world’s poorest countries as well as in rapidly developing and post-conflict environments. We support sustainable international development by helping countries to improve their education systems, establish the rule of law and good governance and develop the skills of their people.

# Summary of the year

How did we perform in 2014–15?



## We worked with more people

We worked with **11.4 million** people face-to-face compared with 10.9 million last year.

**12.7 million** people visited our exhibitions, fairs and festivals this year – more than last year and well over our target of nine million.

**24.9 million** people connected with us through social media and through professional, educational and English learner communities on social networks. This was over eight million more than 2013–14.

We had an online audience of **125 million** for British Council digital arts, education, examinations and English teaching content accessed through websites, mobile devices and applications. This compares with 100 million in 2013–14.

**473 million** people listened to, read or watched our broadcast and publication material, compared with 465 million last year.



## The quality of our work was high

Our customer satisfaction score of 82 remains above our target of 80. This indicates that a significant majority of **our customers agree or strongly agree that our programmes are of high quality**.

Our net recommendation score continued to benchmark well externally, showing that the number of people who would recommend our work to others **remains at a level considered to be excellent**.



## We created impact

External evaluations of some of our major programmes showed that **our work has made a positive impact** this year on the lives of people, their communities and their countries, both in the UK and around the world.

We are currently reviewing and refining how we measure our impact and the benefit we bring to the UK and did not carry out our Annual Impact Survey this year. We have set impact targets for 2015–16 and will report against these next year.



## We were good value for money

**For every £1** of FCO grant-in-aid we **generated £5.28** of income from other sources (2013–14: £4.32).

We increased our turnover by nearly **£109 million** to **£973 million** compared with last year. Additionally we exceeded our income target by **£23 million**.

Earned income as a percentage of turnover **rose** from **81 per cent** to **84 per cent**.

We **met our 2014–15 target** by keeping our worldwide platform costs (premises, infrastructure and support staff) at just under 14 per cent of our total spend.

# Selection of events from the year

April 2014

## International opportunities for the UK

With our partner Ecorys UK, we host the official UK launch of Erasmus+. The European Union (EU) announces funding of almost €1 billion over the next seven years to help people in the UK gain crucial international skills through the programme.



## Connecting through Shakespeare

We announce plans for a celebration marking the 400th anniversary of Shakespeare's death in 2016. A major international programme of events will build connections for the UK through the life and work of its greatest cultural icon.



© iStockphoto

## New science and innovation links

The UK Chancellor launches the Newton Fund, a new UK government science and innovation initiative. Through the fund we help establish over 90 research links between the UK and 13 emerging economies this year, supporting development and future trade links.

## Supporting higher education

Delegates from 70 countries convene in the United States to hear a record number of research papers on topics of global importance to higher education policy at our annual Going Global conference.

May 2014

## Improving lives through sport

Burma joins the list of 28 countries benefiting from our partnership with the Premier League to support the development of coaches, young people and their communities through football.



© Boothee Thaik Htun

June 2014

## Internationalising our young people

Our annual summer programme for English language assistants in Thailand begins, supporting UK graduates and undergraduates to gain valuable international work experience.

July 2014

## Cultural links with North Korea

We sign a Memorandum of Understanding with the Democratic People's Republic of North Korea (DPRK) for cultural and educational exchange. This follows our first ever DPRK arts project, an exhibition of photographs by Nick Danziger, opening a window onto the country and its people.



© Nick Danziger

## Glasgow 2014

Start of the Glasgow 2014 Commonwealth Games. Our cultural and educational programme for the Games works with over 80 partners to deliver 14 projects throughout the year, helping to strengthen relationships between Scotland, the wider UK and countries from across the Commonwealth.

September 2014

## Free access to English

Our first massive open online course (MOOC), *Exploring English: Language and Culture* goes live on the UK's leading social learning platform FutureLearn. It attracts the most registrations ever for a FutureLearn course, giving over 230,000 people free access to English learning.

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 October 2014
 

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### Supporting young learners of English

Two years after the launch of our global English language assessment service British Council Aptis we release Aptis for Teens, an assessment developed specifically to support young learners of English.




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 November 2014
 

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### Opportunities in India

We launch Generation UK–India, an initiative to support up to 25,000 young people from the UK to gain skills and experience in India over the next five years.

### UK Mexico Dual Year

HRH the Prince of Wales and the President of Mexico Enrique Peña Nieto announce the Dual Year Mexico UK 2015. The British Council will lead on the arts and education strands of the most ambitious bilateral programme ever between our two countries.




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 January 2015
 

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### Closer ties with Iran

Start of the UK–Iran Season of Culture which will see us working with UK partners to strengthen the cultural relationship between the UK and the Islamic Republic of Iran.



### Early years English

With partner Aardman Animations we open the first of our early years language centres in Chile and Singapore, inspiring children to learn English through Aardman's iconic characters Shaun the Sheep and Timmy. This is followed in February by the launch of a new app featuring Timmy in three exciting and educational games.




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 February 2015
 

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### Supporting English in Egypt

We sign a Memorandum of Understanding with Al Azhar University in Egypt, extending our successful eight-year partnership to improve the teaching and learning of English at the university and across its associated schools network.

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 March 2015
 

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### Strengthening links with Russia

The UK–Russia Year of Culture 2014 comes to a close having strengthened cultural ties between our two countries and created opportunities for UK organisations to take part in over 340 events in 13 cities across Russia.



### Cultural exchange with China

In Beijing, HRH The Duke of Cambridge launches the UK season of the first ever bilaterally agreed 2015 UK–China Year of Cultural Exchange. The season will see us showcasing the best of UK culture across China.

### UK–Mexico treaty signed

We help secure agreement between the UK and Mexican governments for a treaty on the mutual recognition of qualifications which will support educational and economic collaboration between our two countries.

# Performance overview

## Progress towards our main goals

Our overall goal for the past four years has been to increase our impact through ambitious growth. We first set out how we aimed to achieve this in our 2011–15 Corporate Plan. Although we have refreshed the plan each year since then, our high level objectives have remained the same.

This Annual Report details the results we achieved in 2014–15 against the priorities and targets set for that year in our 2014–16 Corporate Plan. These results also reflect our progress in achieving the objective we set four years ago to become a larger and more efficient organisation, reaching millions more people while maintaining the quality of what we do.

Our 2015–17 Corporate Plan restates and refreshes our original 2011 strategy. Our priorities to 2017 are to:

- Grow our reach and impact even further.
- Embody, represent and work with the best of the UK.
- Be efficient, effective and transparent.

### Our main goals

Develop new products and services to meet the huge global demand for UK English, qualifications, international education opportunities, digital services and the arts.



### Our progress

Digital channels are crucial in helping us to meet increased global demand for our work. We reached nearly 150 million people digitally this year, over 33 million more than last year, helped by new products such as our app for early learners of English, developed with Aardman Animations, and our two English MOOCs. Examples of the impact we created through other new products and services this year include better English language assessment for young learners, new research links between the UK and 13 emerging economies through the UK government's Newton Fund, increased online promotion of UK arts and culture and more international opportunities for the UK's young people.

Create a much greater impact than we could achieve alone by doing more in partnership and through contracts with governments, donors, corporations and foundations.



We have built on our work with existing partners such as BP and the Premier League and gained new partners such as EY and Aardman Animations. We continued to support the UK government's GREAT campaign and will work increasingly closely with UK government partners in future. We have again won bids for a number of new contracts, with our main clients continuing to be the EU and the Department for International Development (DFID). We have exceeded last year's income from partnerships and contracts, helping us to create greater impact this year.

Engage millions more people in the UK and overseas in our work whilst maintaining high standards of quality and impact.



We reached a total of 647 million people this year, 33 million above our target and over 43 million more than last year. Our customer satisfaction score exceeded our target for the year. Although we missed our net recommendation score target, the result still shows that the number of people who would recommend our work to others is at a level considered to be excellent.

Increase our total income to over £950 million in 2014–15, despite the reduction in our UK grant.



Our total 2014–15 income of £973 million was £109 million (13 per cent) higher than last year. We exceeded the 2014–15 income target we set in our 2014–16 Corporate Plan by £23 million.

## Our main goals

Generate value for the UK through improved links and opportunities for its people and organisations as well as through increased trust in the UK's institutions.



## Our progress

External evaluations of some of our main programmes this year show how we generate value for the UK. Nearly two thirds of participants in our Creative Enterprise programme reported it had helped their business progress for example, and 60 per cent of UK respondents reported that our Active Citizens programme had increased their employability. Evaluations also showed that our education marketing services have encouraged students to study in the UK and that our programme to link schools internationally, Connecting Classrooms, is a powerful intervention supporting school improvement.

Contribute more to the UK's aid effort, spending an increased proportion (£100 million by 2014–15) of our FCO grant on aid-eligible countries and expanding development programmes.



Helping the UK to meet its official development assistance priorities, we have continued to deploy more of our government grant to countries where there are limited opportunities to fund work through earned income. In 2014–15 we met our target of spending £100 million of our FCO grant on development activity in aid-eligible countries.

Maintain our worldwide network of presence and expertise for the UK, giving priority to countries of strategic importance to the UK and those where we can create significant impact.



We have maintained a network of offices in over 100 countries despite economic pressures and sometimes difficult operating environments. Reflecting the growing global importance of Latin America we opened offices in Peru and Uruguay this year. We closed our offices in Denmark, Finland, Norway and Sweden but we will still work both with and in these countries, as we do with other countries where we do not have offices.

FCO grant will reduce as a proportion of our total income to 16 per cent by 2015–16. We will reduce our platform costs (premises, infrastructure and staffing) to 15 per cent of our total spend in 2014–15.



We met, a year early, the 2015–16 target set in our 2014–16 Corporate Plan of reducing FCO grant as a proportion of our total income to 16 per cent. This compares to 24 per cent at the start of the four-year spending review period in 2011–12.

Our platform costs (premises, infrastructure and support staff) were just under 14 per cent of our total spend, below our 2014–15 target of not more than 15 per cent.

Continue to develop the professional skills of our staff in English, arts, education and society and in areas which support growth such as digital, commercial partnering and business development.



This year we updated training for managers globally, which included improving our e-learning programmes and linking them to our new skills framework. We trained directors of our subsidiary entities on their responsibilities and on how subsidiaries operate within the wider business. We also continued to encourage staff development through secondments across our different business areas and through awards to support the enhancement of professional skills.

Uphold our values of valuing people, integrity, mutuality, creativity and professionalism.



Through our Code of Conduct, speaking-up policy and global policy statements, we continued to emphasise our commitment to our values and to promote consistency in how we conduct ourselves. Our customers again expressed a high level of satisfaction with our services and willingness to recommend us to others. Our diversity assessment results were again good this year. Responding to last year's staff survey we started work on improving information sharing and work/life balance.

## Our performance in 2014–15

This year we have maintained quality while engaging with millions more people. We have also started work to improve the way we measure our impact and the benefit we bring to the UK.

The number of people who took part in our programmes and used our products and services continued to grow this year, exceeding our 2014–15 Corporate Plan targets in all but one area. We achieved our aim of engaging with millions more people, reaching a total of 647 million people, 33 million over our target and over 43 million more than last year.

This year for the first time we are reporting our digital participation results under two separate categories ‘social media and learning’ and ‘online audience’. The ‘social media and learning’ category reflects people who engage more actively online and so this new split gives a more meaningful picture of our digital engagement. Results in both categories exceeded our targets for the year, reflecting a strategic shift to working on a much larger scale digitally.

Audiences for the more traditional media of broadcast and publications increased to over 470 million, again exceeding our target for the year. Through these channels we are able to reach large numbers of people who have not previously had access to UK culture, education and English language learning.

The quality of our work stayed high as the scale increased. Our customer satisfaction score exceeded our target for the year and showed that overall our customers agreed or strongly agreed that our programmes are of high quality. The number of people who would recommend our work to others remained at a level considered to be excellent.

We are currently reviewing how we measure our impact and did not carry out our Annual Impact Survey during 2014–15. We therefore cannot report on impact in as much depth as usual. However, external evaluations of some of our main programmes show that we have continued to make a major impact on the lives of people around the world this year.

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### What we measure

Each year we set targets for and assess:

- The scale of our work – how many people have benefited from taking part in our programmes and using our products and services?
- The quality of our work – as we increase the number of people we work with, are we maintaining quality?
- The impact of our work – does what we do make a difference to people’s lives and opportunities?

When we talk about the impact of our work, we look at:

- **Participation:** the more people who participate in our programmes the more impact we can potentially make.
- **Direct impact:** the impact that our work has on those people, their communities and the countries where they live.
- **Value to the UK:** the benefits that our work brings to the UK. We are currently working on ways to improve how we measure and report the value of our work to the UK.

We set financial targets in our Corporate Plan, which we report against in the Financial review of this report, and targets for sustainability and diversity which we report against in the Governance and Management section.

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### The scale of our work

Our work often involves young people who are in education and the early stages of their careers and people who are established leaders and influencers in their communities and countries.

Each year we measure the number of people who take part in our programmes and use our products and services. As well as showing the scale of our activity this also helps us to see if we are reaching a critical mass of people in particular markets or locations. This year’s results are shown below.

Participants in our activities	2013–14 result	2014–15 target	2014–15 result
<b>Face-to-face</b> People participating in activity where they come into face-to-face contact with others, including teaching centre students, examination candidates, teachers and learners.	10.9 million	12 million	11.4 million
<b>Digital social media and learning*</b> People participating through digital professional, educational and English learner communities on social networks.	16.1 million	12.7 million	24.9 million
<b>Exhibitions, festivals and fairs and performances</b> People attending exhibitions, live arts performances, arts and education fairs and festivals.	11.6 million	9.0 million	12.7 million
<b>Digital online audience*</b> Audiences for British Council digital arts, education and English (including teaching and examinations) content reached through websites, mobile devices and applications.	100 million	115 million	125 million
<b>Broadcast and publications</b> People participating by watching, listening to, or reading British Council produced or co-produced content in television services, via radio and in print.	465 million	465 million	473 million

\*Our 2014–16 Corporate Plan set a target of 100 million for digital participation in 2014–15. During the year this target was restated and split between 12.7 million for 'digital social media and learning' and 115 million for 'digital online audience' making a new total of 127.7 million. The digital participation results reported above include the results reported in the UK and Global Network sections of this report as well as digital participation figures that we are not able to link to a specific location.

This year:

- We worked with 11.4 million people face-to-face, just below our target of 12 million but an increase on last year's total of 10.9 million, and in line with our strategic aim to maintain this figure at a steady level as we work with more people digitally.
- At the end of the year we had nearly 25 million online learners and users of social media. The number of social media users and online learners engaging with us grows each year. This number increased by over eight million in the last year alone.
- There were 12.7 million visitors to exhibitions, festivals, fairs and performances, 40 per cent above our Corporate Plan target and higher than the 11.6 million recorded last year. There were over ten million visits to arts events in a variety of countries including the UK, China, Russia, Australia and Italy.
- Our digital content attracted 125 million users (websites, mobile devices and applications) of which around 95 million were visitors to English and examinations sites.

## The quality of our work

We measure how people 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.
- Responses to a question asked mainly of teaching centre students and examinations candidates to find out the extent to which they feel they have acquired new knowledge and/or skills.

This year we had feedback on levels of satisfaction from people involved in a wide range of our programmes. These are the results:

Quality	2013–14 result	2014–15 target	2014–15 result
Customer satisfaction	83	80	82
Net recommendation	54	60	53
Learning of new knowledge and/or skills	85 per cent	N/A	84 per cent

Sample size 300,000 respondents for customer satisfaction, 280,000 for learning and 232,000 for net recommendation.

Our customer satisfaction score is one point below last year's level but above our target for this year. Overall this score means that a significant majority of our customers fall within the range where they agree or strongly agree that our programmes are of high quality.

Our net recommendation score for 2014–15 has also gone down by one point and remains below our target of 60. The Net Promoter methodology is widely used and allows us to benchmark our scores externally. Net Promoter Scores (NPS) can be as low as -100 (everybody is a detractor) or as high as +100 (everybody is a promoter). An NPS that is positive (i.e. higher than zero) is considered to be good, and an NPS of +50 is considered excellent.

Our score of 53 remains above the 'excellent' threshold. It compares well with industry averages of 12 for health insurance, 21 for travel websites, 27 for online entertainment, 30 for airlines and 40 for UK universities and also against highly rated brands such as Amazon at 69.<sup>1</sup>

This year for the first time we are publishing feedback from users of a selection of our services. This year 84 per cent of those surveyed said that working with us had helped them to acquire new knowledge and/or skills.

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## The impact of our work

We evaluate the impact of our work through:

- An Annual Impact Survey.
- Programme evaluations.
- Thought leadership research into areas such as building trust, soft power and what attracts people to the UK.

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## Annual Impact Survey

Since 2012 we have worked with Ipsos MORI to run an Annual Impact Survey assessing the difference that our work makes to individuals, to their organisations and communities and to the strength of their relationship with the UK.

This year we have been piloting refinements to the survey and so we have not carried it out.

We will run the survey again in 2015–16 and have set targets for that year in our 2015–17 Corporate Plan.

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## Programme evaluations

We use external evaluations to assess the impact of our larger programmes and those we deliver on behalf of others.

Programmes evaluated in 2014–15 included:

- **The Creative Enterprise Programme: helping artists to prosper and enhancing the UK's reputation in the creative industries.** To date we have helped over 300 UK and overseas creative entrepreneurs to develop their business ideas, access new international networks and improve their knowledge and skills. Almost two-thirds report that the programme has helped their business progress and around a third have developed ready-for-market products or services.
- **The Glasgow 2014 Commonwealth Games Cultural Programme: growing audiences and building international links and collaboration through culture.** This programme provided part of the cultural strand to the Glasgow 2014 Commonwealth Games, with exhibitions of contemporary art and support for international collaboration between artists, curators and producers. Our evaluation reported that over 80 partnerships had been developed or consolidated. The project attracted an audience of 650,000 including over half a million visitors to galleries in Glasgow and Edinburgh.
- **English for All in India: developing a wider knowledge of the English language and promoting standards in English language assessment.** This project aims to develop the language proficiency and skills of 9,600 primary teachers in public schools in Mumbai and to provide a sustainable model for teacher education in English. Over half the teachers taking part in the project have improved their English language writing skills and over a third their speaking skills. The number of teachers making continuing professional development plans has doubled.
- **Connecting Classrooms: building long-term friendships for the UK through school exchange and teacher professional development.** Over 16,000 schools worldwide have now taken part in international partnerships or teacher training, compared with over 8,600 last year. Of these, 73 per cent reported improvements to global citizenship and 65 per cent of teachers improved their teaching skills in other curriculum areas.

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<sup>1</sup> Source: Satmetrix European Net Promoter Industry Benchmarks 2013.

- **Active Citizens: stronger institutions and communities in the UK and overseas.** This project has now created 90,000 active citizens around the world who have implemented social action projects to influence and improve the lives of others in their communities. Sixty per cent of UK respondents reported this year that the project had increased their employability. A third of those who reported a change in their employment status attributed this to their involvement in the programme.
- **Pyoe Pin Phase 2: supporting civil society engagement.** This project brings together civil society, government and the private sector in Burma to address issues such as education policy and teaching standards and the impact of HIV Aids. The latest evaluation reports that there are now 18 formal civil society networks involving a mix of 672 organisations directly involved across the country. This substantially exceeds the plan target. The project was rated A++ by DFID this year and was awarded 'Outstanding International Development Project in a Fragile State' at the British Expertise International Awards.
- **Britain is GREAT Campaign: promoting the UK as a destination for study.** An evaluation was carried out this year to look at the effectiveness of the GREAT campaign in encouraging overseas students to attend British universities. A survey of over 1,200 international students at UK higher education institutions found that one third said they had consulted the British Council or our Education UK website while deciding where to study internationally.

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## Heads of Mission survey

In previous years we have carried out a survey of FCO Heads of Mission to get their feedback on the impact of our work. This has not been carried out for the past two years because of extensive consultation with the FCO as part of the 2014 Triennial Review of the British Council. We are currently working with the FCO to put an appropriate survey or consultation in place for the future.

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## Thought leadership research

Our thought leadership research looks at the effectiveness of cultural relations in building trust, addressing global issues and attracting people to do business with, study in, and visit the UK.

One of our major publications this year was *As Others See Us*.<sup>2</sup> This report was based on a survey carried out among 18–34 year olds in China, India, Brazil, Germany, the US and the UK about what makes a country attractive. It also compared 15 of the world's biggest economies in terms of attractiveness.

The conclusion was that, while much of the thinking about soft power has concentrated on the role of business brands and government initiatives, it is actually cultural factors which are more influential in making countries attractive to young, educated people in countries of strategic importance to the UK. The UK was equal second for overall attractiveness out of the 15 countries in the study. This strengthens the case for it to build on the power of its cultural assets and for the cultural relations work carried out on its behalf by organisations such as the British Council.

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<sup>2</sup> British Council, *As Others See Us* (2014) [www.britishcouncil.org/organisation/publications/as-others-see-us](http://www.britishcouncil.org/organisation/publications/as-others-see-us)

# For and from the UK

## Our work for the UK

Seizing international opportunities is vital for the UK to maintain its position in the world.

Globalisation is affecting every part of the UK, changing communities, shaping the economy and making it crucial for the UK to maintain an international outlook. At the same time, there is a growing drive to look inwards to the diversity and cultural strengths of the UK's four countries. Through our work we aim to meet the needs and priorities of each of those four countries, while also helping to meet the international policy objectives of the UK as a whole.

### The benefits we deliver to the UK

Research we commissioned in 2012<sup>1</sup> shows that our work to connect people around the world with the UK through cultural and educational activities increases trust in the UK. This increased trust helps to enhance the UK's global influence and to attract students, visitors, commercial partners and inward investment.

At the same time we help internationalise the lives of UK individuals and the work of UK organisations by:

- Providing international experiences and skills for the UK's professionals and young people.
- Presenting and promoting the best of UK culture, education and arts on the world stage.
- Creating international networks, opportunities and business openings for UK organisations.

### International experiences and skills for professionals and young people

We work with professionals in UK schools, colleges, universities, youth organisations, and the education departments of all four UK countries, to raise the global awareness and ambitions of our young people.

We offer those young people support to study and work overseas, to connect with people from other countries and to learn languages. This helps give them international skills and experience, improving their career prospects and contributing to the UK's long-term economic success.

### Highlights in 2014–15 included:

- The launch of Generation UK–India, an initiative to support up to 25,000 UK young people to gain professional and academic skills and experience in India over the next five years. This follows Generation UK–China, which began last year and aims to give up to 80,000 young people work experience in China.
- The chance for UK graduates to work as English language assistants in schools and universities around the world, for example in Thailand where 250 UK graduates spent time teaching this year.
- Support for young people to study, train, and volunteer across Europe through the European Commission's (EC) new Erasmus+ programme. With our partner Ecorys UK, we awarded programme funding of more than €110 million to over 1,000 UK organisations, supporting both young people and also education professionals to work and learn alongside their European peers.
- Our Connecting Classrooms programme, run with DFID, linked over 3,000 UK schools with schools around the world. As part of Connecting Classrooms we worked with the four UK education departments and other national partners to improve understanding of the benefits of, and opportunities for, international learning. Devolved assembly members strongly supported the national events we held on this topic at the Northern Ireland Assembly and the Senedd in Wales.
- Continuing our drive to boost foreign language learning as an essential international skill, and responding to curriculum requirements in England and Scotland, we provided schools across the UK with over 1,400 overseas language assistants and piloted new ways of supporting primary school language learning. Initial findings from these pilots have shown a positive impact for teachers and pupils.
- We extended the annual survey on the state of language teaching in England to Wales for first time this year. The survey, which we conduct with education trust CfBT, will provide insights into the very different context of a bilingual education system in Wales.

## Promoting the best of UK culture, education and arts

We strengthen international links for the UK through cultural and educational programmes connected with major events and anniversaries across the UK's four countries. We showcase the best of the UK's talent globally through festivals and cultural seasons and create international opportunities for the UK's top cultural brands.

### Highlights in 2014–15 included:

- Our cultural and educational programme for the Glasgow 2014 Commonwealth Games, which helped **strengthen relationships between Scotland, the wider UK and countries from across the Commonwealth**. Working with over 80 international partners we delivered 14 projects. Through our Commonwealth Class project, run with the BBC and Commonwealth Secretariat, we encouraged children to debate online about what it means to grow up as a citizen of today's Commonwealth. An estimated **14,000 schools in the UK**, out of a total of over 33,000 worldwide, took part online.
- We marked the centenary of Dylan Thomas's birth in 1914 with Starless and Bible Black, a programme developed with the Welsh Government, Arts Council Wales and other national partners. Celebrating Dylan's legacy, we showed how he inspired a new generation of Welsh artists, writers and performers, **introducing new work from Wales to over 100,000 people** in the US, Canada, Argentina, India, Australia, Spain, Ireland and the UK.
- Our projects to mark the First World War centenary in 2014 aimed to **highlight the contemporary relevance of the anniversary, especially to the UK's young people**. We provided 30,000 UK schools with an education pack about the 1914 Christmas football truce and its connection with today's world. With the BBC World Service we developed The War that Changed the World, a series of live international panel discussions by leading artists and thinkers, broadcast to a potential weekly audience of two million in the UK and 190 million worldwide.
- Major cultural seasons took place with countries of international importance to the UK this year. **Artists from Northern Ireland made a particularly strong showing** in the UK–Russia Year of Culture thanks to our partnership with Arts Council Northern Ireland. As part of Transform, the UK's four-year season with Brazil, we

worked with partners such as Arts Council England and Creative Scotland to help UK museums, orchestras and festivals to strengthen their international links.

- We helped **link some of the UK's top cultural brands**, such as the Edinburgh Festivals, Hay Festival and South Bank Centre, **with international audiences** this year and saw the development of new partnerships. With the British Fashion Council we helped present 110 emerging designers from nearly 30 countries during London Fashion Week, in the largest public fashion exhibition of its kind. We also worked with the award-winning Manchester Global Innovators Lab, facilitated by FutureEverything, to **boost the UK's international profile as a leader in digital culture**.
- With the UK Department for Culture, Media and Sport (DCMS), Edinburgh International Festival, Scottish Government and the Scottish Parliament we helped convene the Edinburgh International Culture Summit. Informed by a report we commissioned for the summit, ministers of culture from 25 countries discussed **why culture should be at the heart of public policy**.

## Creating international networks, opportunities and business for UK organisations

We support UK organisations, social enterprises and businesses to develop international connections and networks, helping to give them access to new opportunities around the world.

### Highlights in 2014–15 included:

- Working with the UK government's GREAT Britain campaign to highlight UK excellence and lead on the campaign's overseas student recruitment. Supporting both the UK government's international education strategy, and the strategies of the devolved governments, we **promoted the UK as a destination for study in eight important target markets**. We estimate that our education marketing activities under the GREAT campaign have so far generated a return on investment of over £30 million for the UK economy.
- Our support to the UK's higher and further education institutions to grow their international partnerships included our Services for International Education Marketing, which **helped over 300 UK colleges, schools and universities to access opportunities in 58 countries around the world**.

- With our partner English UK, we continued to manage Accreditation UK, the largest quality assurance scheme for English language teaching organisations in the UK with over 550 accredited providers. Through Accreditation UK, and through exhibitions and fairs in significant international markets for students and educational agents, we **promoted the UK as the best destination for English language learning**.
- Our UK Skills seminars took place in each UK country this year. **Showcasing the strengths of the UK skills sector**, over 70 UK skills experts exchanged knowledge and best practice with 115 international policy makers. A number of UK participants have since benefited by establishing new international relationships and raising their profile overseas.
- **We used the UK's experience to promote the growth of social enterprise around the world**. This year we worked with UK-based support organisations to provide training and mentoring to social enterprises in developing countries and supported exchange in the field between UK and overseas academic experts.

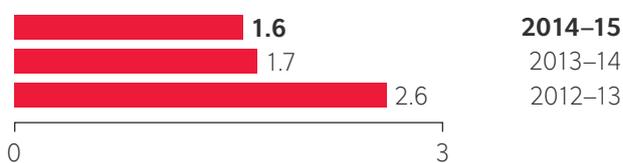
### Performance headlines this year

- We offered 1.6 million face-to-face opportunities for people in the UK to gain international skills and experience in 2014–15, a slight drop from 2013–14. The reduction in UK schools taking up language assistants reported last year may have continued to be a factor this year, as the number of pupils benefiting from working with a language assistant went down from 853,000 in 2013–14 to 631,000 in 2014–15.
- The most significant areas for face-to-face working were pupils working with language assistants (over 630,000), Erasmus + (over 370,000), Connecting Classrooms (over 310,000) and examinations (over 210,000).
- There were 1.5 million visitors to exhibition, fairs and festivals. This was higher than 2012–13 but lower than the two million achieved in 2013–14, which included UK tours of work by Grayson Perry and Jeremy Deller's 2013 Venice Biennale exhibition.
- There were almost seven million users of digital social media and learning, an increase of over 80 per cent from 3.8 million in 2013–14. There were over ten million users of our websites and online material, an increase on last year. Our most popular content included teaching and learning English resources on Facebook and Twitter and websites, as well as e-twinning, literature, film and Erasmus+ sites.

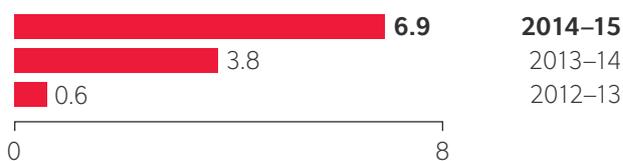
- There was a corresponding decline in audiences to our more traditional publications and broadcasts, down to 1.3 million, compared with two million the previous year. This figure can vary considerably from year to year depending on the different projects which take place. The lower figure also reflects a shift to connecting with people more through digital channels.

### Participation (millions)

#### Face-to-face



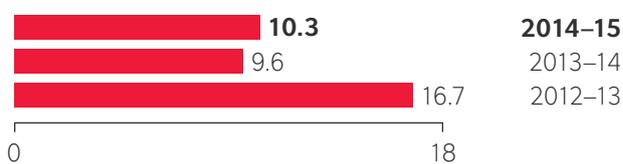
#### Digital social media and learning\*



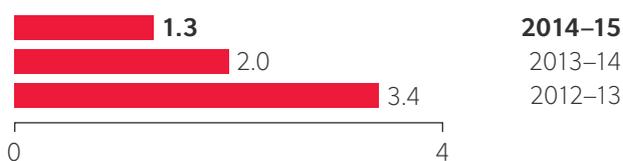
#### Exhibitions, fairs and festivals



#### Digital online audience\*



#### Publication and broadcast



\* In previous years we have reported digital audiences as a single figure. We have now split our reporting of these audiences into two categories, 'social media and learning' and 'digital online audiences', to better reflect the nature of our digital engagement.

## Sharing the UK's great cultural assets

We share the UK's best and most attractive cultural assets – English, the arts, education and the openness and diversity of our society – with countries and people around the world.

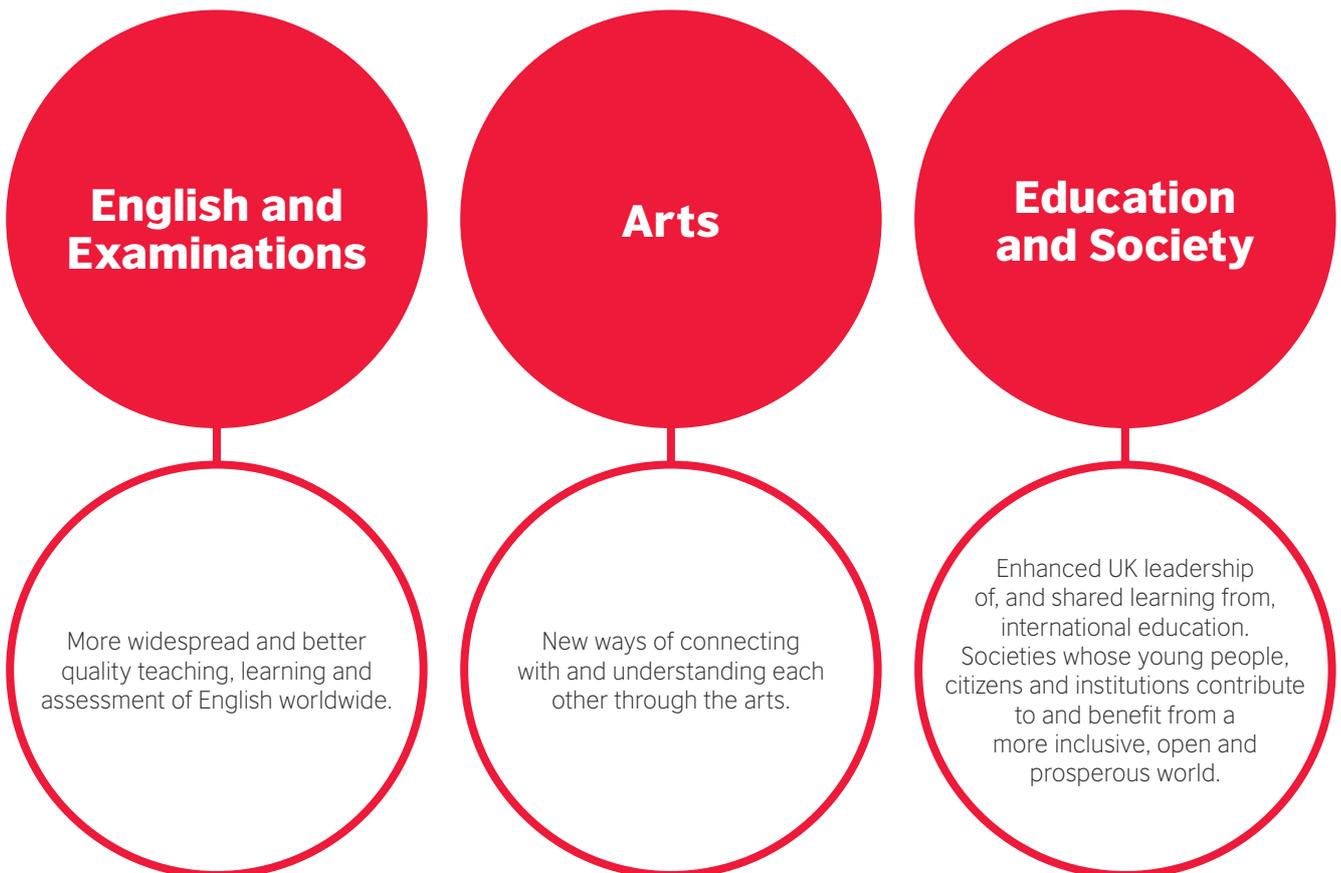
This builds trust in the UK, strengthening its international relationships and enhancing its reputation as an open, diverse country with a thriving cultural scene and an excellent education sector.

Our work helps the UK's cultural and educational institutions share their knowledge and expertise globally, learn from their counterparts overseas and develop new international links which create trade and export opportunities. We also help to meet growing global demand for the skills and expertise needed to support economic prosperity and stable societies.

Working with UK partners, we help people around the world to learn English and to gain UK qualifications, giving them greater access to educational and employment opportunities. With the best of the UK's arts and creative industries, we support prosperity by helping countries develop their creative economies. Our arts work also gives people a voice, especially in times of instability and change.

We involve a wide range of UK organisations in our education and society work, supporting the development of education systems and strong civil societies worldwide.

We do all this as an integral part of delivering the objectives of our main business areas:



# English and Examinations

**Our aim:** More widespread and better quality teaching, learning and assessment of English worldwide.

**How we work:** English language teaching and assessment are central to the British Council's cultural relations mission, creating international opportunities for people around the world and building trust for the UK. We promote English as a common language for trade, diplomacy, debate and access to education and employment. With UK partners we provide people worldwide with access to the life-changing opportunities that come from learning English and from gaining internationally respected UK qualifications.

Through our work we help to maintain the UK's profile and expertise in English language teaching and assessment worldwide. We do this by delivering English language learning and teaching face-to-face and online, supporting English language teaching and learning in public education systems, providing materials for self-access learning through a variety of media and managing English language examinations and other UK qualifications worldwide.

We deliver free-access and paid-for services both directly and working with UK providers. Our paid-for services deliver public benefit as well as generating income for us to invest in the British Council's cultural relations activities. Our English and Examinations work has grown rapidly in the past five years and continues to expand.

We offer **face-to-face teaching** in over 80 teaching centres in more than 50 countries, growing and adapting our services in response to increased demand and changing learner preferences.

## Highlights in 2014–15 included:

- The opening of our first early years English language centres in Chile and Singapore, working with Aardman Animations and their popular Shaun the Sheep and Timmy characters. Using the power of the UK's creative industry, this partnership is giving a **unique English language learning experience to children aged six and under**.
- The extension from East Asia to Europe and the Americas of our new myClass programme. myClass puts students in control of their progress, allowing them to choose lessons to suit their interests and schedule. It is now **reaching new audiences in 12 countries**.
- Funded by the EU, we supported **60,000 Syrian refugee children experiencing the trauma of displacement to acquire the language skills they need to access education** in Lebanon. Through a specially designed training programme, we are also developing the teaching skills of Lebanese English teachers and helping to ease intercommunity tension between Syrians and Lebanese by addressing issues of inclusion, tolerance and anti-discrimination.

- With English UK, we continued to manage Accreditation UK, a quality assurance scheme for the UK's English language teaching sector. Through Accreditation UK **we support the promotion of the UK as a leading destination for English language learners**, a market worth £3 billion a year to the UK economy. The scheme accredits over 550 UK English language centres and links them to education marketing in 58 countries.

**English for education systems** involves us working with education policy makers in over 100 countries to support the development of high-quality English language education policy and practice. We do this through teacher training, conferences, curriculum reform, materials development and assessment projects.

## Highlights in 2014–15 included:

- The launch of an English teacher training project to **help raise the level of Burma's education system to international standards**. Funded by the British Council and DFID, and delivered with Voluntary Service Overseas, the project will support over 1,500 state teacher educators across the country.
- **Bringing together the UK and India education sectors** at a forum to explore English skills for employability in India – an area of strategic and commercial importance for both countries. The event gave over 100 top UK English language education practitioners a better understanding of the opportunities for English language teaching in India.
- Developing new strategic partnerships to better respond to the demand for English and to **expand the UK market's access to global education opportunities**. This year, for example, we worked with education trust CfBT to evaluate English language provision and achievement in Colleges of Excellence in Saudi Arabia.

Through **self-access learning** we are able to reach millions more people, including those who have not traditionally had access to English learning materials. Over 109 million people access our range of online English pages, including those for English teaching and learning, while millions more access English through our print, broadcast, mobile and social media.

## Highlights in 2014–15 included:

- Working with the UK's leading social learning platform FutureLearn, we produced two new MOOCs. Breaking previous records for audience participation on FutureLearn, these courses gave over 290,000 people **free access to global learning opportunities**.

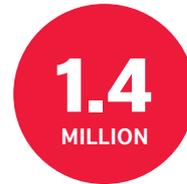
- **Helping children aged six and under learn English**, our new Learning Time with Timmy app, developed with Aardman Animations, reached number one in the overall paid app charts in three countries and the top ten in 22 others, including the UK. Our total mobile app downloads have reached 11 million to date.
- Our television series with the BBC, *Word on the Street*, and our radio programmes are especially successful in providing **free access to non-traditional audiences for English language learning**. Along with our publication materials, they reached nearly 136 million people this year.
- Our three Facebook pages ended the year with a **total of over 5.5 million fans**. The learner and teacher websites had over **109 million** unique visitors with a similar number of interactive exercises downloaded.

In **examinations**, three million candidates took UK examinations with the British Council in over 850 towns and cities worldwide, promoting the UK as a high quality assessment provider and helping people gain access to trusted qualifications to support their career and study prospects.

#### Highlights in 2014–15 included:

- Jointly owned by the British Council, IDP, IELTS Australia, and Cambridge English Language Assessment, IELTS celebrated its 25th year as the world's leading English language test. With our partners **we supported global education, employment and mobility** by delivering over 2.5 million IELTS tests, an increase of over half a million from last year.
- Our global English language assessment service British Council Aptis has been used in over 80 countries since its launch in 2012. Working with the University of Bedfordshire we continued to develop it this year and also released Aptis for Teens, **an assessment designed specifically to support young learners of English**.
- We continued to **develop mutually beneficial relationships with UK providers**, for example signing a global agreement with Cambridge International Examinations which lays the foundations for future growth together. We expanded our worldwide delivery network for Heriot Watt University through a new three-year agreement and renewed our contract with the Chartered Institute of Procurement and Supply to deliver their examinations in Sub-Saharan Africa.

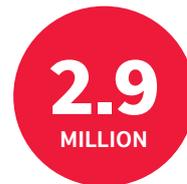
#### We worked with



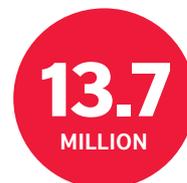
**Policy makers and government ministers, teachers and learners face-to-face**



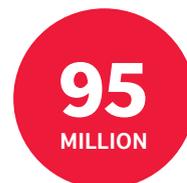
**Learners in teaching centre classes**



**Examinations candidates**



**Teachers and learners in online communities through digital social media**



**Digital online audiences**



**Viewers, listeners and readers of broadcast and publication material**

# Arts

**Our aim:** New ways of connecting with and understanding each other through the arts.

**How we work:** Our global arts team works with the best of the UK's creative talent to develop events and collaborations with artists and cultural institutions around the world. We encourage respect for difference based on the UK's values as a diverse and open society and help people to explore some of the big themes of our time through art.

Our **showcasing** work highlights the vibrancy and diversity of UK arts to global audiences and brings international art and culture to the UK. This supports people in the UK arts sector to develop new markets, to increase international audiences for their work and to collaborate with, and learn from, their counterparts overseas. Our major arts and cultural seasons strengthen relationships with countries which are important to the UK as international partners.

#### Highlights in 2014–15 included:

- The delivery of successful cultural seasons and focus country programmes to **build lasting connections for the UK** with Russia, India, South Africa and Brazil, plus the launch of new seasons between the UK and Mexico, China and Nigeria. The UK–Mexico year of culture will involve the largest number of UK cultural, academic and trade projects ever to take place in that country. The season in China is the first ever bilaterally agreed UK–China year of cultural exchange.
- The launch of a major new touring exhibition featuring work from the studio of leading British designer Thomas Heatherwick. Developed in partnership with the GREAT Britain campaign, Visit Britain and UK Trade and Investment (UKTI), the exhibition will **introduce new audiences in East Asia and India to the UK's innovative creative sector** and showcase the strength of British design.
- A rare **opportunity for UK audiences and writers to interact with Korean writers** and experience the best of contemporary Korean writing and publishing. This was made possible through our support for the Republic of Korea as the market focus country at the London Book Fair, one of the world's biggest publishing trade fairs.
- Our major Henry Moore exhibition continued its tour visiting Kosovo, Serbia and Uzbekistan, where it re-launched our arts programme. Citizens of these countries had the chance to **connect with the UK** through 86 works by one of the UK's greatest artists.
- **UK theatre and dance companies were offered opportunities** to perform overseas this year as a result of the international exposure they received at our *Edinburgh Showcase* in 2013. The 14 countries visited included China, Russia, Brazil, Egypt, Vietnam and Indonesia.

Our **culture and development** work aims to strengthen civil society, support the role of the creative industries in contributing to development and help those who are marginalised to express themselves. We create safe spaces for debate and exchange and support artists working in areas of conflict and upheaval.

#### Highlights in 2014–15 included:

- We continued to support communities in Burma emerging from years of isolation and repression **to develop the skills they need to build a strong civil society**. Using drama to encourage people to communicate and explore difficult issues, we help them to drive positive change in their communities in areas such as health, justice and education.
- We completed research which will support the development of the creative economies of Uganda, Kenya, Ethiopia and Tanzania and also provide **opportunities for the UK's creative industry sector to connect and share its expertise** with its counterparts in the region.
- **Our first ever arts project in the Democratic People's Republic of North Korea**, an exhibition of photographs by photojournalist Nick Danziger, giving UK audiences a view of the people of that country. The exhibition helped build understanding of, and open dialogue with, one of the most isolated countries in the world.
- A UK exhibition exploring how the response of Syrian artists to conflict and displacement can support the recovery and resilience of their communities. The exhibition was part of our Artists in Recovery programme, through which **we help the UK to support artists from countries and regions in crisis**. Working with commissioners of digital art, The Space, we also launched an online programme for Syrian artists to create work that raises awareness of those affected by conflict.

We provide **support for creative professionals and artists**, bringing together UK arts professionals and global contacts online and in person and helping artists to access funding.

#### Highlights in 2014–15 included:

- With the British Film Institute, Arts Council England, the Arts Council of Wales, Arts Council Northern Ireland and Creative Scotland we started to deliver the UK strand of a new seven-year EC programme to support creative businesses. This programme will give **UK media and culture organisations access to funds** from a budget of €1.46 billion to develop their international work.

- We launched the first pilot for a new online product to promote UK arts and culture to large digital audiences, so **creating new markets for UK arts organisations**. Following the successful pilot in China, we plan to make this product available in more countries over the next two years.
- We extended access to grants from the Artists International Development Fund to a wider range of applicants this year. Since 2012 the fund, which we deliver with Arts Council England, has **supported 265 emerging and early career UK artists to develop their international experience**.

Through our **skills and knowledge exchange work** we share the UK's policy experience, particularly in skills development and the creative and cultural industries.

#### Highlights in 2014–15 included:

- We began new pilot initiatives under our Cultural Skills programme to help **meet international demand for UK creative industry skills**. This includes training on how to manage and protect cultural heritage. This year we launched a museum training school with University College London using UK museum management expertise to train 26 professionals from 14 countries as diverse as Azerbaijan and Thailand.
- In January we **brought together over 200 UK and European managers of creative hubs** to connect with each other in Lisbon. Hubs are playing an increasingly important role in how creative people and businesses collaborate internationally and develop the creative economy. We provided funds for ten UK hub managers to attend.
- As part of **Transform**, our four-year season with Brazil, we launched a two-year cultural skills exchange project. This will **connect students and teachers from Brazil and the UK** and support creative learning, technical skills development and long-term international relationships. We are running the programme with a wide range of partners to support the development of creative and cultural industries in both countries.

#### We worked with



# Education and Society

**Our aim:** Enhanced UK leadership of, and shared learning from, international education. Societies whose young people, citizens and institutions contribute to, and benefit from, a more inclusive, open and prosperous world.

**How we work:** We support the UK's position as a global leader in education and research, and work to enhance its reputation for expertise and innovation. By creating international opportunities for professionals and participants at all levels of education we help to improve educational outcomes for people in the UK and around the world. We share the UK's values and its experience of how to build a diverse, inclusive and open society. Working extensively with partners, we give people the knowledge and skills they need to create more prosperous and stable communities and nations.

Through our **higher education** work we promote international mobility and collaboration, support the marketing of UK higher education and the recruitment of overseas students to the UK, and contribute to global policy development. Our **skills** programmes help people develop skills for employability, particularly in countries with large youth populations.

## Highlights in 2014–15 included:

- With our partner Ecorys UK, we began to deliver the EC's new Erasmus+ programme for the UK. €1 billion of funding over seven years will support people to study, train, do work experience and volunteer in countries across Europe, giving them **crucial international skills**. A recent EC study<sup>1</sup> highlighted the **significant benefits of participating in the programme for future employability**.
- Over 250,000 students attended our exhibitions to **promote UK education overseas** and millions more learned about study opportunities in the UK through our Education UK website and our work with the UK government's GREAT campaign. Our Services for International Education Marketing helped over 300 UK colleges, schools and universities to gain **access to markets in 58 countries**.
- **Keeping the UK at the centre of international discussion on the future of higher education** we hosted Going Global, the world's largest open conference for higher education leaders. Delegates from 70 countries convened in the United States to hear a record number of research papers on topics of global importance to higher education policy.
- **Improving employment prospects for young people**, we supported international skills partnerships linking 71 UK organisations with 86 partners from 11 different countries. In Vietnam, 10,000 vocational teachers will participate in an occupational skills assessment for the first time as the result of a partnership with the UK's Westminster Kingsway College.

Our work in **science** aims to help the UK science sector, including early career researchers, to benefit from international connections and collaborations.

## Highlights in 2014–15 included:

- **Support for UK individuals and organisations to work with their counterparts overseas**. This year we helped over 2,700 individual researchers to make international connections. Under the UK government's science and innovation initiative, the Newton Fund, we helped establish over 90 research links to support development and potential future trade links between the UK and 13 emerging economies.
- **Promoting the UK as a world leader in science and science engagement**, we helped UK scientists and science communicators attend international science festivals and fairs, including in Thailand and Hong Kong.

Our **schools** work connects schools in the UK to others around the world, improving school leadership and giving young people the international exposure to help them to live and work in a global society.

## Highlights in 2014–15 included:

- The award of **over €14 million worth of Erasmus+ grants to 500 UK institutions** to help more than 1,500 UK teachers and school leaders gain professional experience in Europe. Almost 80 per cent of teachers who have benefited from a similar programme reported a significant impact on their professional development.
- The completion of a four-year EU-funded contract to support education in Iraq which has **improved learning outcomes for over a million Iraqi school students** and helped educators to adopt a more student-centred approach. Working with the UK's Youth Sport Trust, we also helped introduce new ways of developing young people through sport.
- Our programmes to **create links between schools** in the UK and around the world have continued to grow. Through our Connecting Classrooms programme over 16,000 schools have now taken part in an international school partnership or benefited from teacher training, and over 7,000 school leaders have been trained in 37 countries. An independent evaluation of the programme this year stated that it provided a **powerful intervention in terms of school improvement, teacher development and pupil outcomes**.

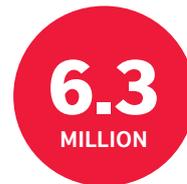
<sup>1</sup> *The Erasmus Impact Study (2014)* [http://ec.europa.eu/education/library/study/2014/erasmus-impact\\_en.pdf](http://ec.europa.eu/education/library/study/2014/erasmus-impact_en.pdf)

Our work in **society** shares the UK's expertise in strengthening civil society and governance, widening access to justice and the rule of law, developing social enterprise and empowering women and girls.

#### Highlights in 2014–15 included:

- Our DFID-funded programme in Burma, Pyoe Pin, **won a British Expertise International Award for 'Outstanding International Development Project in a Fragile State'**. Through Pyoe Pin we work with local partners to strengthen civil society by supporting collective action in health, education, the environment, the economy and the rule of law.
- We worked with Pakistan's Higher Education Commission to turn content from our youth leadership and community engagement programme, Active Citizens, into an accredited undergraduate course. This will involve over 100,000 students in 100 Pakistani universities **leading practical social action projects in their local communities** over the next three years.
- Through our DFID-funded justice programme, **we are making a significant contribution to rural law in Nigeria**. In Jigawa State, one of Nigeria's most conflict prone areas, we trained 1,500 traditional rulers and 100 of their wives. This has led to higher community satisfaction rates, increased dispute resolution rates of 90 per cent and extension of the scheme to other states.
- We worked with UK-based organisations to support **economic development** in countries including Burma, Morocco and India by providing training and mentoring to social enterprises there. To **help open new markets for UK social enterprises**, we worked with Social Enterprise UK to publish the first UK report on overseas trade and franchising by social enterprises.
- As part of our programme with the Premier League to support community development through football, we launched a project to **address issues of violence against women and girls in Eastern Kenya**. Funded by DFID, the project builds on our commitment last year to a target participation rate of 50 per cent women and girls in our football programmes by 2016.

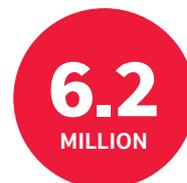
#### We worked with



Ministers, teachers, academics, education and youth sector leaders and young people face-to-face



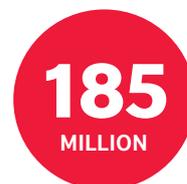
Education and citizenship exhibition and fair attendees



Teachers, academics, college and higher education leaders in online communities through digital social media and learning



Digital online audiences



Viewers, listeners and readers of broadcast and publication material

## Working with partners

Through innovative initiatives with a range of partners we are increasing the scale and impact of our work.



In 2014 the British Council embarked on a new partnership with Aardman, the world-famous animation studio, enabling us to showcase the UK's vibrant creative sector in a new and entertaining way by helping children across the globe to learn English. Central elements of the partnership are early years language centres in Chile and Singapore and an English learning app for children aged six and under featuring Aardman's iconic characters Shaun the Sheep and Timmy.



Our programme with the Premier League, Premier Skills, supports the development of coaches, young people and their communities through football. Over the past eight years we have trained 6,300 coaches and referees, and reached 945,000 young people. This year we added Burma to the list of 28 countries benefiting from the programme and launched a project in Kenya with DFID to tackle violence against women and girls through football.



We have been working with new partner, energy company SASOL, to challenge perceptions about disability and champion inclusion. With SASOL and Qatar Museums, we held an exhibition of works by disabled artists from Britain and the Gulf in Doha, and hosted a conference on accessibility and inclusion for the disabled community. The government of Qatar has since committed to helping more businesses there to employ disabled people.



With the British Film Institute, we lead on delivering Creative Europe Desk UK, the UK's information and advice service about the EU's new programme for creative organisations, Creative Europe. With Arts Council England, Arts Council of Northern Ireland, Creative Scotland and the Welsh Government, we are helping the UK's cultural, creative and audiovisual sectors to access funding and international opportunities through this seven-year programme.



We continue to work with UK government partners to support the UK government's GREAT Britain campaign. With the FCO, UKTI, the Department for Business, Innovation and Skills (BIS), the Cabinet Office, DCMS and Visit Britain we help to promote UK excellence internationally, attracting people to do business with, study in, and visit the UK.



With the Palestine telecommunications company Paltel Group and their mobile phone subsidiary Jawwal, we are supporting the employability of young Palestinians by helping them to learn English digitally. Through products delivered via mobile phone, we are helping to give young people an important skill to improve their career prospects in a country where the youth unemployment rate is among the highest in the world.



We are pleased to confirm our first major partnership with EY as a founder sponsor of the 2015 Year of the UK in Mexico. The year features the biggest ever programme of UK cultural, academic and trade projects to take place across Mexico, opening up new cultural and commercial opportunities for participants and sponsors, including EY, and strengthening the UK–Mexico relationship.



In partnership with the Vodafone Ghana Foundation, we are helping to increase the participation of Ghanaian women in science and technology. Over three years, the Vodafone Ghana Foundation Scholar Project will support 100 academically able but poorly resourced girls to study maths, science and technology courses at secondary school and ten women to study at the University of Education, Winneba.



We greatly valued the support of our long-standing partner BP in delivering the UK–Russia Year of Culture this year. Despite challenges in the wider UK–Russia relationship, this cultural season went ahead largely as planned, reaching over 12 million people and fulfilling our joint objective with BP of building connections between the people of the UK and Russia.



We have renewed our partnership with Tullow Oil plc to deliver an expanded skills and scholarships programme worth £12 million over the next three years. The Tullow Group Scholarship Scheme supports students from the African countries in which Tullow Oil operates to undertake postgraduate programmes in oil and gas related subjects at UK and European universities. It is now piloting a skills and vocational study programme.



This year we worked with the Northern Ireland Science Festival, to encourage science, technology, engineering and mathematics (STEM) activity across the country and raise awareness of international science opportunities. The partnership also hosted the Northern Ireland FameLab final – the regional heat of a global competition to find outstanding science communicators – and, together with the Royal Society of Chemistry, worked with 29 schools from Northern Ireland to undertake the world's largest ever practical science lesson.



Try Rugby, our partnership programme with Premiership Rugby, continues to go from strength to strength in Brazil, using rugby to develop young people and delivering educational, social and health benefits to their communities. 15,000 children a week take part in the programme which we are now planning to expand into Colombia and other countries.

# Our work around the world

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## Key:

•••• Countries that the British Council works in and with

The British Council works with many countries around the world, including over **100 countries** where it has a network of offices.



# Americas

**The major Latin American economies are characterised by economic growth, an emerging middle class and a growing voice on the world stage, making them of increasing importance to the UK as international partners. Maintaining the UK's traditional links with North America remains a priority.**

Positioning the UK as a strategic partner for education is central to our work in the Americas. This year we supported the creation of over £8 million worth of research partnerships with UK institutions through the Newton Fund, the UK government's initiative to support science and innovation projects. We helped train 1,000 early career researchers and launched collaborations in STEM education in Chile, Mexico and Brazil, targeting thousands of schools. We also secured agreement for a treaty on mutual recognition of qualifications which will transform educational collaboration between the UK and Mexico and serve as a template for such agreements worldwide.

In the US, our education marketing team supported the UK's position as the number one study destination for US students through 60 promotional events and online engagement. The US team also helped secure over US\$3 million worth of partner funding to support the British Council's charitable activities in South Asia, Sub-Saharan Africa, Israel and the Americas.

A top priority in the region is the transformation of teaching and learning to respond on a larger scale to the demand for English. This year we opened teaching hubs in Buenos Aires and Montevideo, supporting our partnership with Plan Ceibal to teach English remotely in 4,000 primary schools across Uruguay.

In Chile, as part of the British Council's global partnership with Aardman Animations, we opened an English teaching centre for two to six year olds. We plan to share its teaching methodology with Chilean government partners, bringing English to more young learners.

We reopened this year in Peru with a training programme for 400 English teachers. With the Bogotá Local Education Authority in Colombia we created an English language curriculum which also strengthens citizenship through the arts. Highlighting UK expertise in curriculum design, this project will open up opportunities for UK providers in its next phase, when it is planned to reach one million students.

In our society work, 15,000 Brazilian children a week took part in Try Rugby, a partnership with Premiership Rugby to support health, education and social cohesion through sport. The programme is now expanding into Colombia and Argentina.

We also launched an ambitious season of cultural, academic and trade projects to strengthen links between the UK and Mexico, brought the largest ever UK film delegation to Colombia to explore new partnership opportunities and organised the first ever conference on orchestra leadership in Brazil.

## Customer satisfaction

Score from 0–100

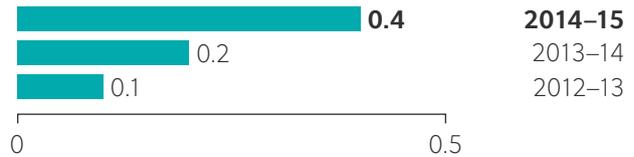


## Participation (millions)

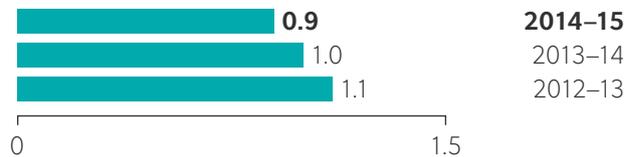
Face-to-face



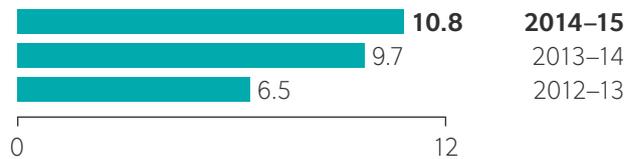
Digital social media and learning\*



Exhibitions, fairs and festivals



Digital online audience\*

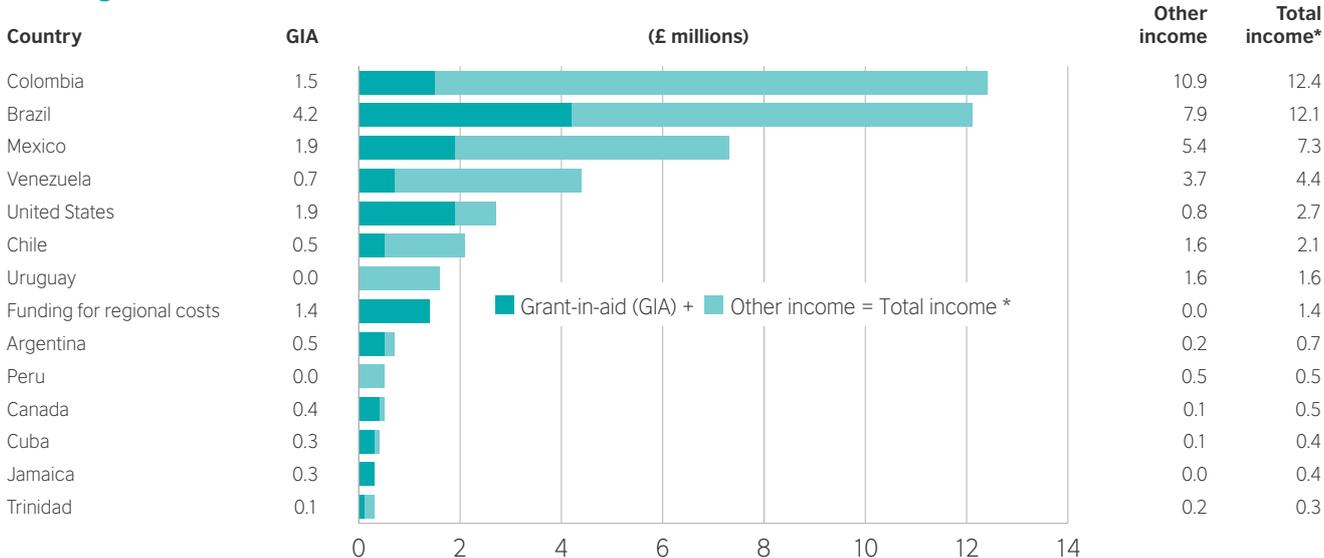


Publication and broadcast

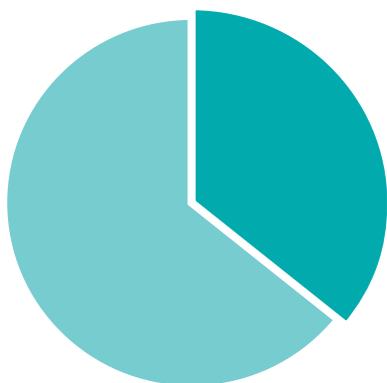


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**Funding data (£ millions)**

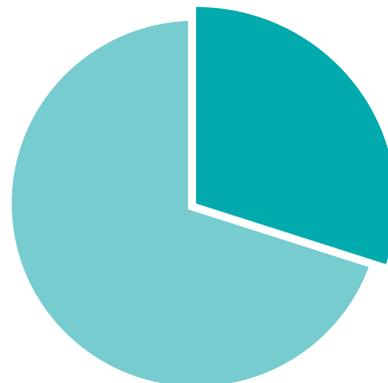


**2013-14**  
TOTAL INCOME\* £41.1M



**£14.8m** Grant-in-aid  
**£26.4m** Other income

**2014-15**  
TOTAL INCOME\* £46.8M



**£13.9m** Grant-in-aid  
**£32.9m** Other income

**GRANT-IN-AID REDUCING AS A PERCENTAGE OF TOTAL INCOME**

\*There may be minor differences between the sum of grant-in-aid and other income and the totals shown here due to rounding.

# East Asia

**The demand for education, skills and the English language in both the developed and emerging economies across East Asia remains high, with the region continuing to show good growth and dynamism. There are also strong drivers for the strengthening of civil society and increased international engagement.**

We meet the challenge of creating links and opportunities for the UK with over two billion people by working digitally and with a variety of UK partners.

This year, with the UK government's GREAT campaign, we continued to promote UK education with over 220 UK institutions attending our education fairs in Thailand, Hong Kong, Indonesia and Singapore. East Asia currently provides over half the number of students studying in the UK on Tier 4 visas, contributing over £2.5 billion a year to the UK economy.

Through the Newton Fund, we supported research collaborations between the UK and five countries in the region. In Hong Kong, we supported a research agreement between the Scottish Funding Council and the Hong Kong University Grants Committee. We also helped UK learning platform FutureLearn to secure its first Chinese and Korean online partners. FutureLearn connects learners around the world with the UK and with each other through free online courses.

In 2014–15 we administered over 1.2 million UK examinations, generating income of over £26 million for UK bodies. We also worked with ministries of education in Burma, Japan, Malaysia and China to train thousands of English teachers.

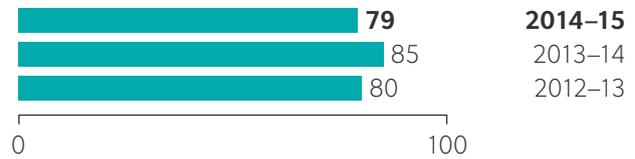
Social media enables many more people to access UK education and culture through our programmes. Our digital fashion week in Singapore this year reached millions of global online viewers. The launch of the 2015 UK–China Year of Cultural Exchange during HRH The Duke of Cambridge's visit to China, secured 500 million social media hits.

In the arts, we continued to support Japan's preparations for the Tokyo 2020 Cultural Olympiad by sharing the UK's 2012 experience. We launched an exhibition during the GREAT week in Singapore showcasing the work of UK designer Thomas Heatherwick. Boosting the international reputation of UK design, the exhibition will tour Beijing, Shanghai, Hong Kong and Seoul before going on to Mumbai.

Our work also helps meet regional demand for co-operation in the areas of justice, education and civil society. We run an EU/FCO-funded programme for abused women in the Pacific Islands which has resulted in the passing of new legislation in the Solomon Islands. In Thailand, Vietnam and Indonesia, policy work complementing our social enterprise training has led to proposed new laws to enable social enterprise development. Funded by DFID, the EU and Danish and Australian aid agencies, we continued to run large-scale programmes for social and judicial reform in Burma, Vietnam, China and Indonesia this year.

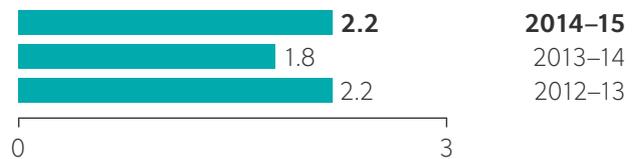
## Customer satisfaction

Score from 0–100

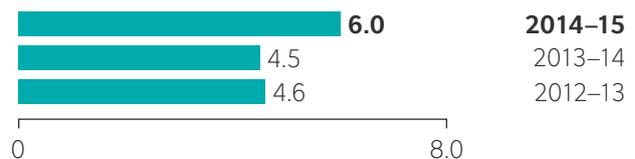


## Participation (millions)

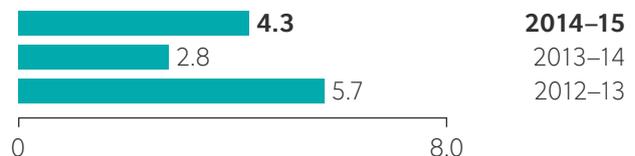
Face-to-face



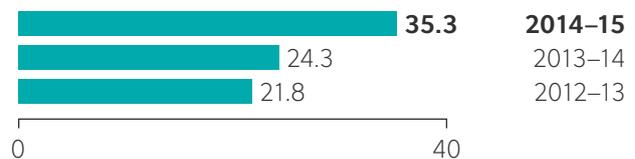
Digital social media and learning\*



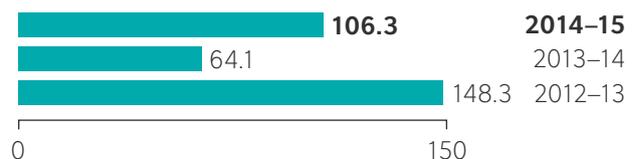
Exhibitions, fairs and festivals



Digital online audience\*

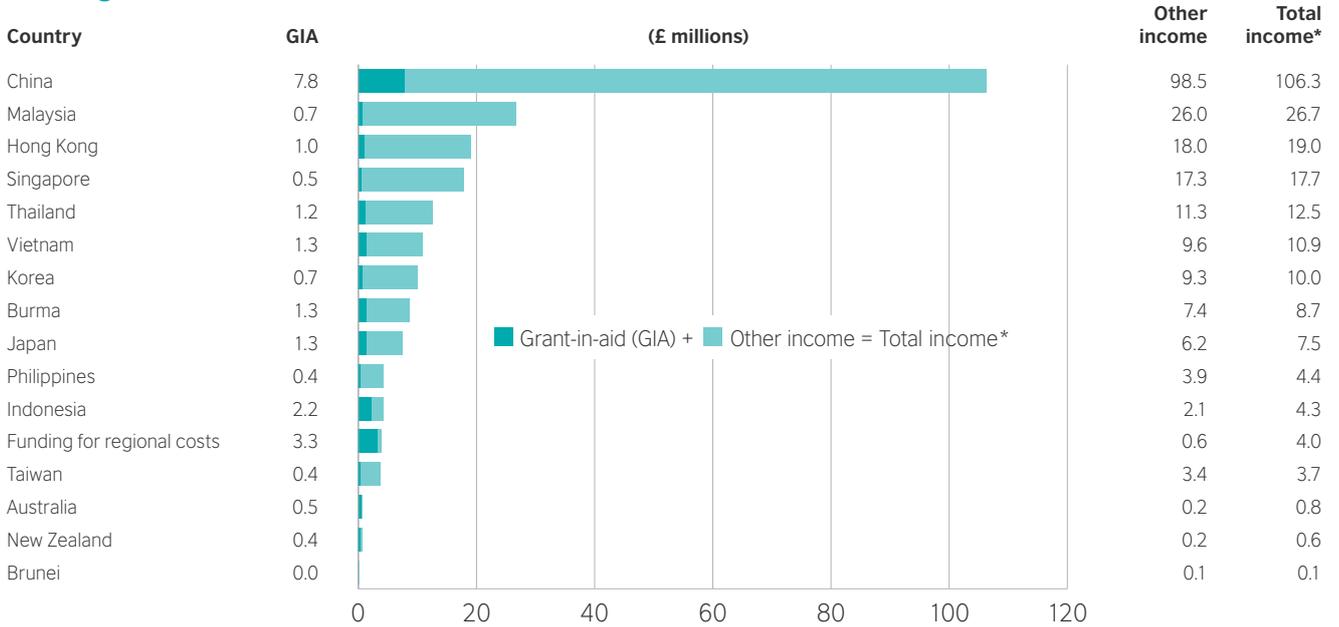


Publication and broadcast

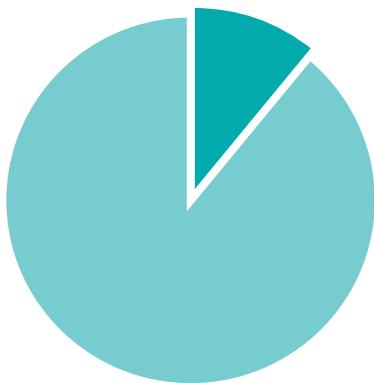


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**Funding data (£ millions)**

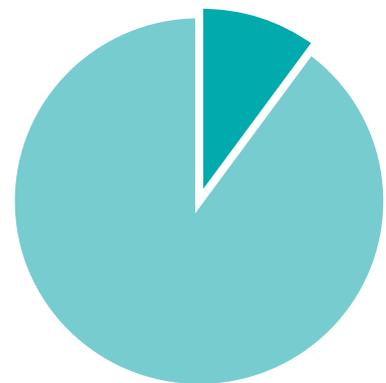


**2013-14**  
TOTAL INCOME\* £213.6M



■ **£23.6m** Grant-in-aid  
■ **£190m** Other income

**2014-15**  
TOTAL INCOME\* £237.3M



■ **£23.1m** Grant-in-aid  
■ **£214.2m** Other income

**GRANT-IN-AID REDUCING AS A PERCENTAGE OF TOTAL INCOME**

\*There may be minor differences between the sum of grant-in-aid and other income and the totals shown here due to rounding.

## EU Europe

**Many eurozone countries continue to face economic difficulties, with austerity measures and rising migration putting pressure on social cohesion and fuelling nationalism. Despite uncertainty created by the forthcoming UK referendum on EU membership, the EU remains vital to the UK's interests. Strong cultural ties continue to be important in supporting political and commercial relationships between the UK and the rest of Europe.**

In our six priority countries, France, Germany, Italy, Spain, Poland and Romania, we commissioned research to help us develop future online services for young people. This supports our Corporate Plan objective that by 2025 around 100 million under-35s will have benefited from a British Council-inspired international learning opportunity. The number of people we engaged with digitally increased by 15 per cent this year and we aim to double that in the next two years.

Most of our impact and income continues to come from English teaching and examination services and from EC contracts. We exceeded our income target for teaching and examinations this year in spite of a difficult external environment, with our operations in central Europe performing especially well.

In 2014–15 we won six contracts for delivery in the EU region worth a total value of €2.8 million. With our partners the Goethe Institut and the Alliance Française, for example, we have just won a bid for the second phase of a programme to link young Belarusians with people across the EU, including in the UK

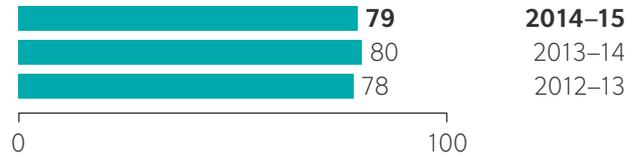
In the arts, we successfully bid in the first competitive round of the new EC €1.46 billion, seven-year Creative Europe programme. With partners from the UK, Italy, Greece, Poland and Serbia we will deliver a three-year project to help young people develop creative industry skills and give the UK arts sector insight into the European cultural market. Overall, we are now delivering 17 EC projects under contract, worth a total of €9.8 million.

As our grant-in-aid funding for the region has greatly reduced we have had to find new ways to create and maintain our ties in this region. To do this we are working more with partners and expanding our online products and services. This is allowing us to meet increasing demand for our work while further reducing our reliance on government grant, which is now under ten per cent of our total regional income.

As part of our strategy to concentrate our resources in fewer countries we closed our offices in Denmark, Finland, Norway and Sweden this year, though we continue to work both with and in these countries. Our digital engagement there has grown by 35 per cent and we are continuing to support events such as the Stockholm Culture Festival in 2015.

### Customer satisfaction

Score from 0–100



### Participation (millions)

Face-to-face



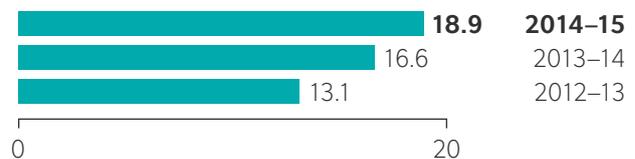
Digital social media and learning\*



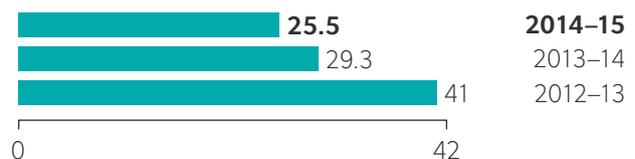
Exhibitions, fairs and festivals



Digital online audience\*

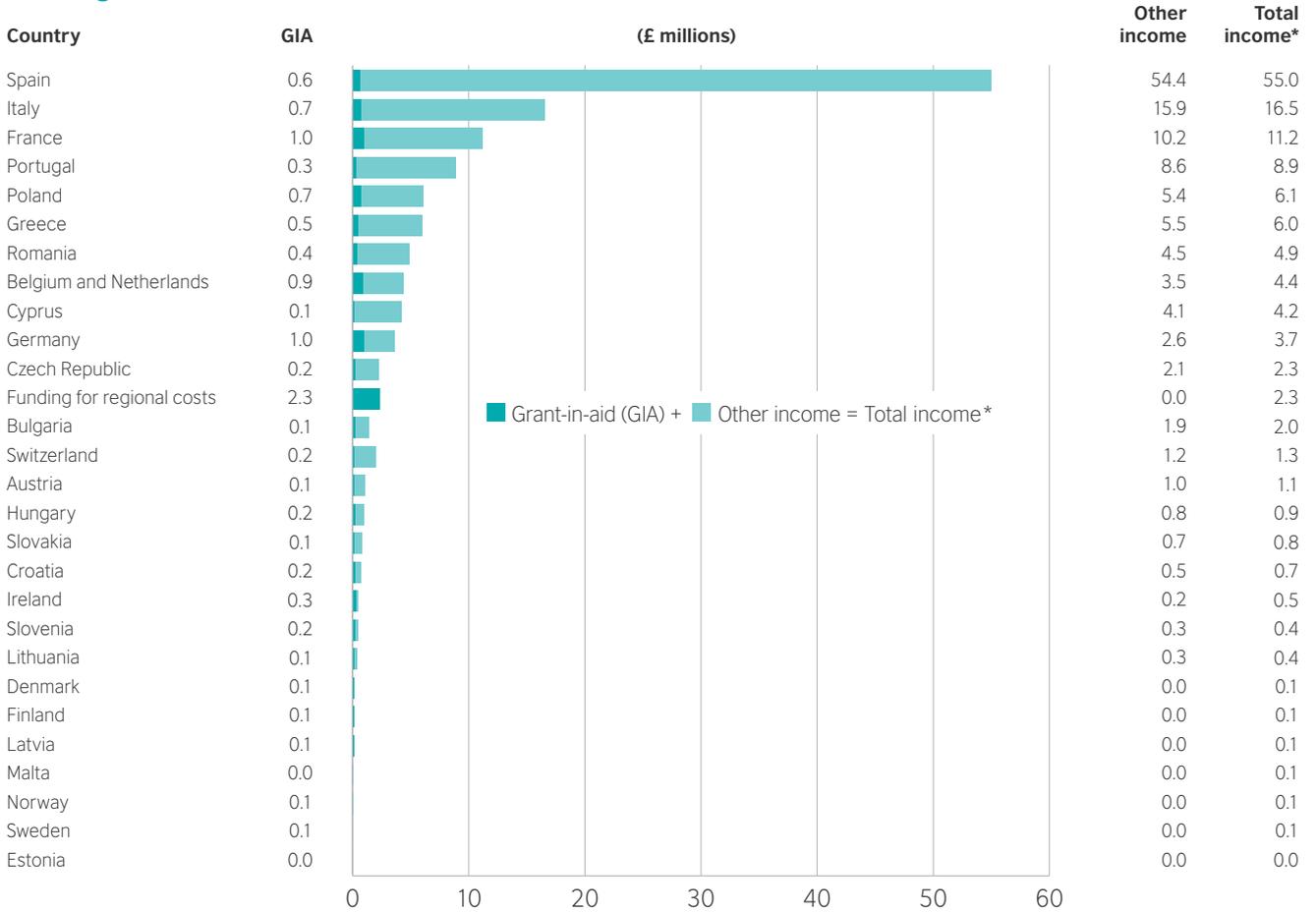


Publication and broadcast

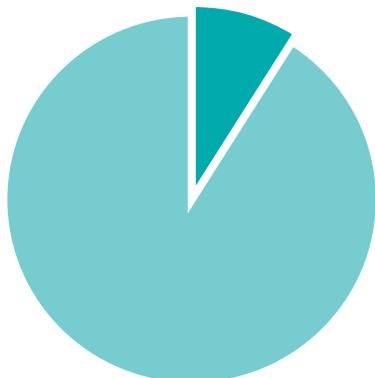


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**Funding data (£ millions)**

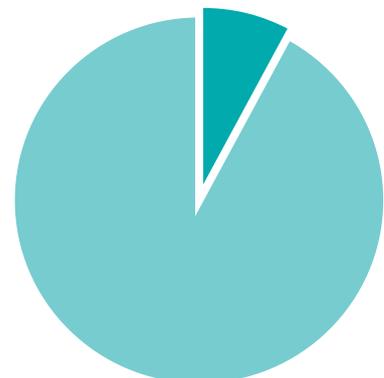


**2013-14**  
**TOTAL INCOME\* £133.8M**



**£12.6m** Grant-in-aid  
**£121.2m** Other income

**2014-15**  
**TOTAL INCOME\* £134.2M**



**£10.5m** Grant-in-aid  
**£123.7m** Other income

**GRANT-IN-AID REDUCING AS A PERCENTAGE OF TOTAL INCOME**

\*There may be minor differences between the sum of grant-in-aid and other income and the totals shown here due to rounding.

# Middle East and North Africa

**Security in the Middle East and North Africa has deteriorated over the past year, with conflict and terrorism increasing in many countries and fragile political transitions under threat in others. With the Gulf remaining a significant market for the UK, the region is of vital strategic importance to the UK's prosperity as well as its security.**

Youth unemployment is a major risk to regional stability and economic growth. By 2020 we aim to have helped 75 million young people in the region to gain the skills they need to find jobs and develop their societies.

Making English more accessible and affordable by working at government level and digitally is a regional priority. This year we started a project with the Algerian government, supported by UK English language training providers, which will eventually train all 32,000 middle and secondary school English teachers. We also helped establish a programme for 500 English language PhD candidates to study in the UK over the next five years. In Morocco, we worked with the Ministry of Education to develop the country's first English language baccalaureate.

Our LearnEnglish Facebook page now has a digital community of nearly three million learners. This year we reached over five million people across all social media channels, up 33 per cent on last year, and 560,000 people downloaded our English learning apps. We taught over 80,000 learners face-to-face and provided UK English examinations to more than 335,000 candidates, helping them gain qualifications to support their education and career prospects.

In Egypt, with the British Embassy, the Egyptian government and BIS, we set up £20 million worth of UK-Egypt research partnerships through the Newton Fund. As well as supporting development in a country critical to the future of the region these links will help position the UK as an important research partner for Egypt, creating opportunities for future trade.

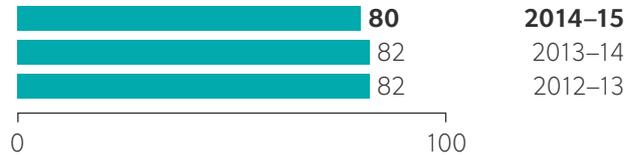
Across the region we have been working with women community leaders, funded by the UK's Arab Partnership Initiative. Through this programme we have given over 4,000 young women more power to influence and make a difference in their local communities.

We continued to support communities even when we could not maintain a physical presence in their home country. Funded by the EU, we again helped Syrian refugee children acquire the language skills they need to access education in Lebanon and our exhibition of Syrian artists in London helped give an international voice to those displaced by conflict.

Supporting UK educational and cultural organisations to gain insight into business opportunities in the region, we chaired education groups on Kuwait and Qatar and ran market briefings and events in the UK on Egypt, Iraq, Saudi Arabia, Kuwait and the United Arab Emirates. We also facilitated networking between the creative and cultural industries in the Gulf and the UK.

## Customer satisfaction

Score from 0–100

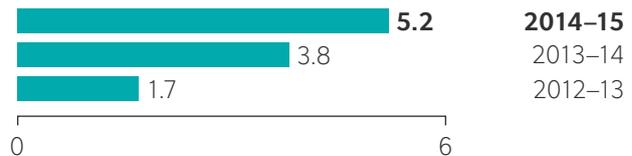


## Participation (millions)

Face-to-face



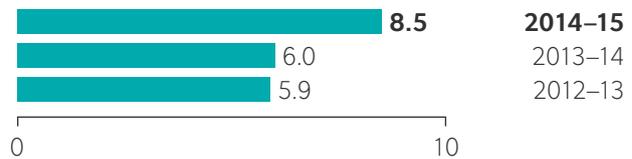
Digital social media and learning\*



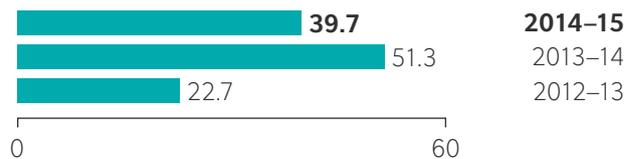
Exhibitions, fairs and festivals



Digital online audience\*

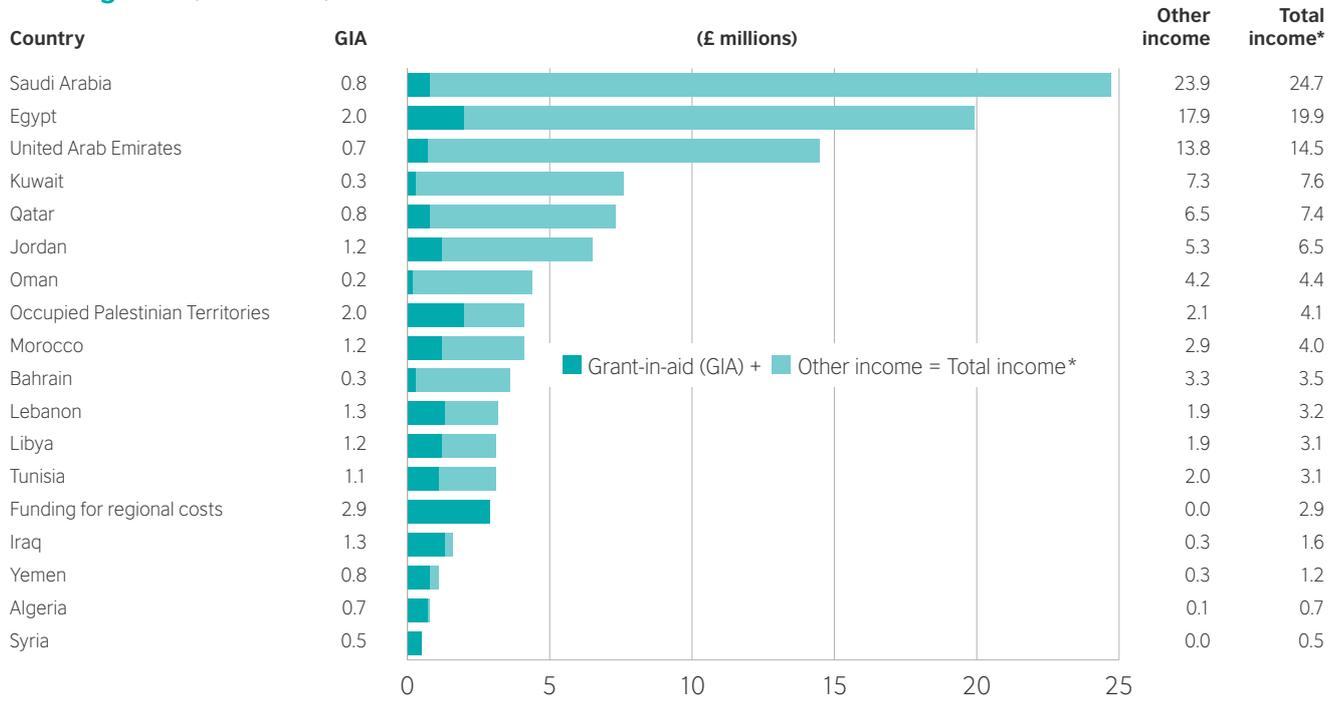


Publication and broadcast

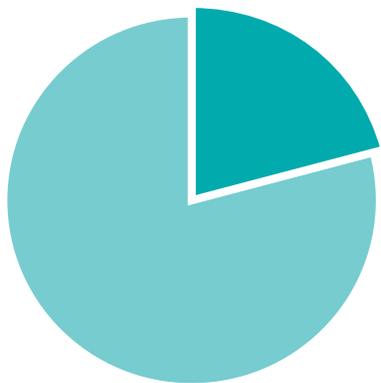


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**Funding data (£ millions)**

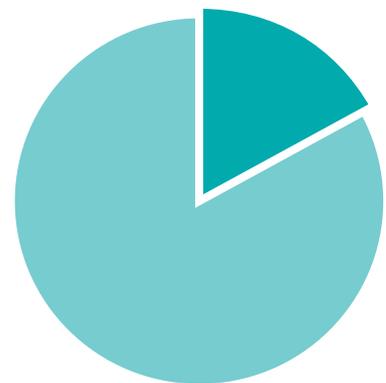


**2013-14**  
TOTAL INCOME\* £104.2M



**£22.3m** Grant-in-aid  
**£81.9m** Other income

**2014-15**  
TOTAL INCOME\* £112.9M



**£19m** Grant-in-aid  
**£94m** Other income

**GRANT-IN-AID REDUCING AS A PERCENTAGE OF TOTAL INCOME**

\*There may be minor differences between the sum of grant-in-aid and other income and the totals shown here due to rounding.

## South Asia

**South Asia's population of over 1.7 billion includes a growing middle class whose demand for educational and cultural services creates significant opportunities for the UK. The region's position at the centre of an emerging network connecting it to the Middle East and Africa increases its importance to the UK's security interests.**

English is core to what the UK has to offer South Asia and transforming English teaching and learning across the region remains our top priority. In Pakistan, our Punjab Education and English Language Initiative supports the government of Punjab's educational reform process. We increased the scale of the project significantly this year, working with over 100,000 teachers, teacher educators and educational managers and reaching over 3.5 million schoolchildren, more than a third of the province's total number.

In India and Nepal, through partnerships with state governments and donor agencies, we continued to support the professional development of teacher educators. Independent assessments in both countries this year showed significant progress in teacher and pupil attainment. We will now implement a three-year in-service teacher training project across the country with the government of Nepal.

In Pakistan, 3.5 million teachers benefited from our Teaching English radio series. In India over seven million learners have accessed English language learning digital products. Our online English for Employability skills learning package won a regional award for innovation in mobile education and has now been launched in Bangladesh and Pakistan.

This year we delivered 977,000 UK examinations to 616,000 candidates, supporting their career and study aspirations and remitting over £21 million in examination board fees to UK partners.

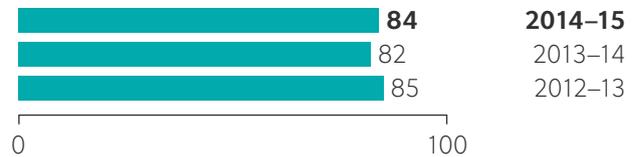
In the arts, India's Re-Imagine programme reached over half a million people through showcasing, creative collaborations, skills development and arts education. We provided new insights into the Indian market for the UK arts sector with research on audiences, performing arts and the museums sector. Supporting the improving relationship between the UK and Iran, we convened the first major symposium on cultural relations between the two countries since 2005. With UK partners we also ran a UK-Iran Season of Culture to explore existing and potential cultural links.

In education, quality and leadership are major themes of our work. Almost 400 policy makers and senior academic leaders participated in our series of South Asia-UK Higher Education policy events this year. Our school leadership programmes engaged 13,000 teachers. With partners in Pakistan we started working with schools in previously inaccessible federally administered tribal areas. Our programme with the Qatar Foundation has already ensured that 35,000 pupils have returned to school and is on track to get 130,000 pupils – mainly girls – back into school by 2016.

We also progressed plans this year for the opening of our two new libraries in Lahore and Karachi in 2016.

### Customer satisfaction

Score from 0–100

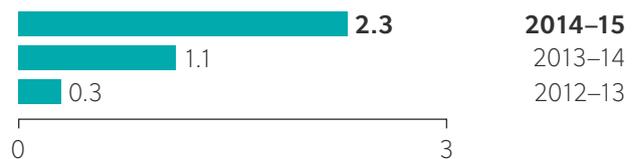


### Participation (millions)

Face-to-face



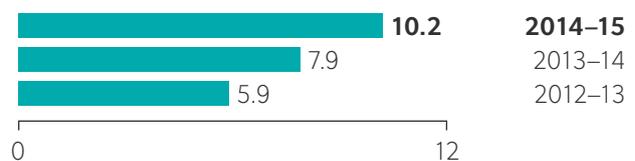
Digital social media and learning\*



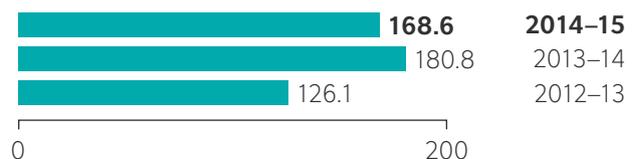
Exhibitions, fairs and festivals



Digital online audience\*

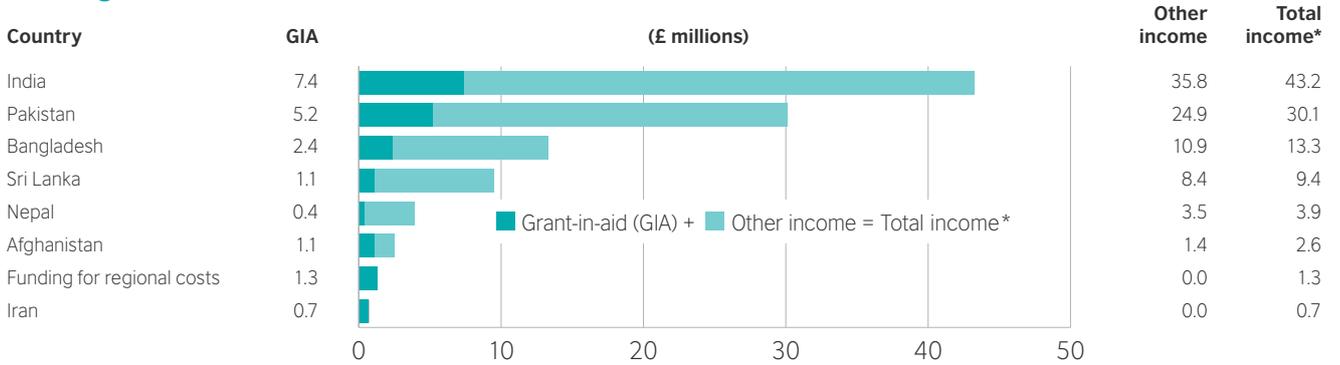


Publication and broadcast

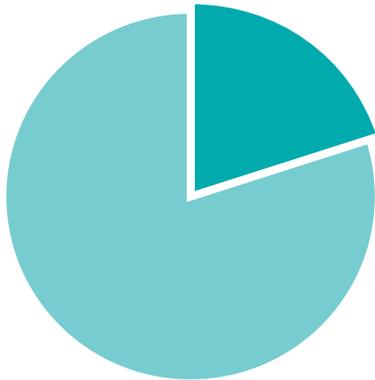


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**Funding data (£ millions)**

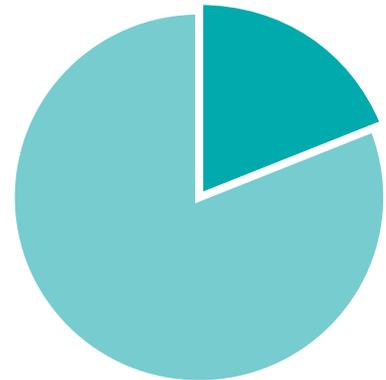


**2013-14**  
TOTAL INCOME\* £94.2M



**£19.1m** Grant-in-aid  
**£75.1m** Other income

**2014-15**  
TOTAL INCOME\* £104.5M



**£19.6m** Grant-in-aid  
**£84.9m** Other income

**GRANT-IN-AID REDUCING AS A PERCENTAGE OF TOTAL INCOME**

\*There may be minor differences between the sum of grant-in-aid and other income and the totals shown here due to rounding.

# Sub-Saharan Africa

**Seven out of ten of the world's fastest growing economies are in Sub-Saharan Africa and by 2050 an estimated fifth of the world's population will live there. This creates significant opportunities for the UK, both now and for the future. At the same time, the region remains vulnerable to insecurity and instability and faces a serious challenge in creating employment for its young people.**

Over two thirds of Sub-Saharan Africans are aged under 25. By 2020 we aim to have provided 200 million of them with opportunities to develop skills for employability and to connect with the UK. This year we renewed agreements with partners including British Gas, Barclays and Tullow Oil to invest in young people through scholarships and skills development. Building on our partnership with Virgin Atlantic in Nigeria, and with support from British Embassies and multinational companies, we will expand our programme to develop business skills for young people, complementing other programmes in Ghana, Senegal and Sudan.

In English, we work with governments to support English language development. In Sudan we have begun a contract with the Federal Ministry of Education to develop a new English curriculum. This will reach five million primary school pupils by 2016 and train 5,000 teachers across the country. We are also working to develop education and English for education systems in Ethiopia, Zambia and Sudan.

Our two-year arts programme to create connections between 18–35 year olds in the UK and South Africa continued this year. As well as introducing young people to new international networks, this programme supports the development of the creative industries in both countries.

Despite security problems and disruption from the Ebola crisis we continued to help create opportunities for the UK in the region this year.

Our programme to support UK higher educational institutions to operate internationally was launched in Kenya, Ghana and Uganda and continued to grow in Nigeria and South Africa. Supporting the UK government's priorities for Angola, we conducted an assessment of the potential market for the UK education sector there. Our examinations business grew by 15 per cent, bringing over £4 million income to UK partners. In Sierra Leone, our office became a co-ordinating centre for the UK mission responding to the Ebola outbreak.

Much of our impact in the region is created through our contracts work. We won new business this year for projects in education, civil society and justice. Our contract work for DFID, our major client, has achieved 'A' ratings at external review in Nigeria and Ethiopia.

In our society work we launched a three-year partnership with DFID and the Premier League to address violence against women and girls through football. This programme will be complemented by a national campaign to raise awareness and will work with 4,000 young people and 10,000 community members across Kenya.

## Customer satisfaction

Score from 0–100

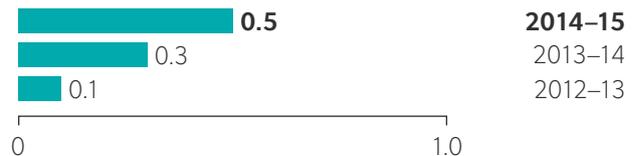


## Participation (millions)

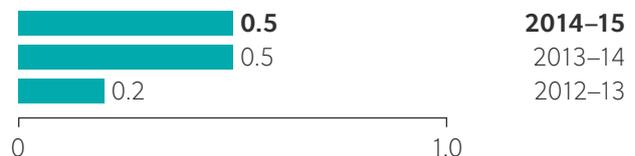
Face-to-face



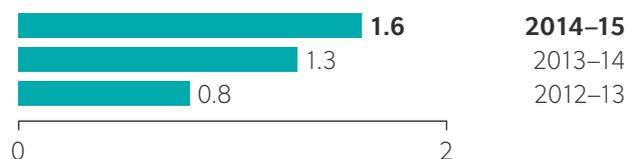
Digital social media and learning\*



Exhibitions, fairs and festivals



Digital online audience\*

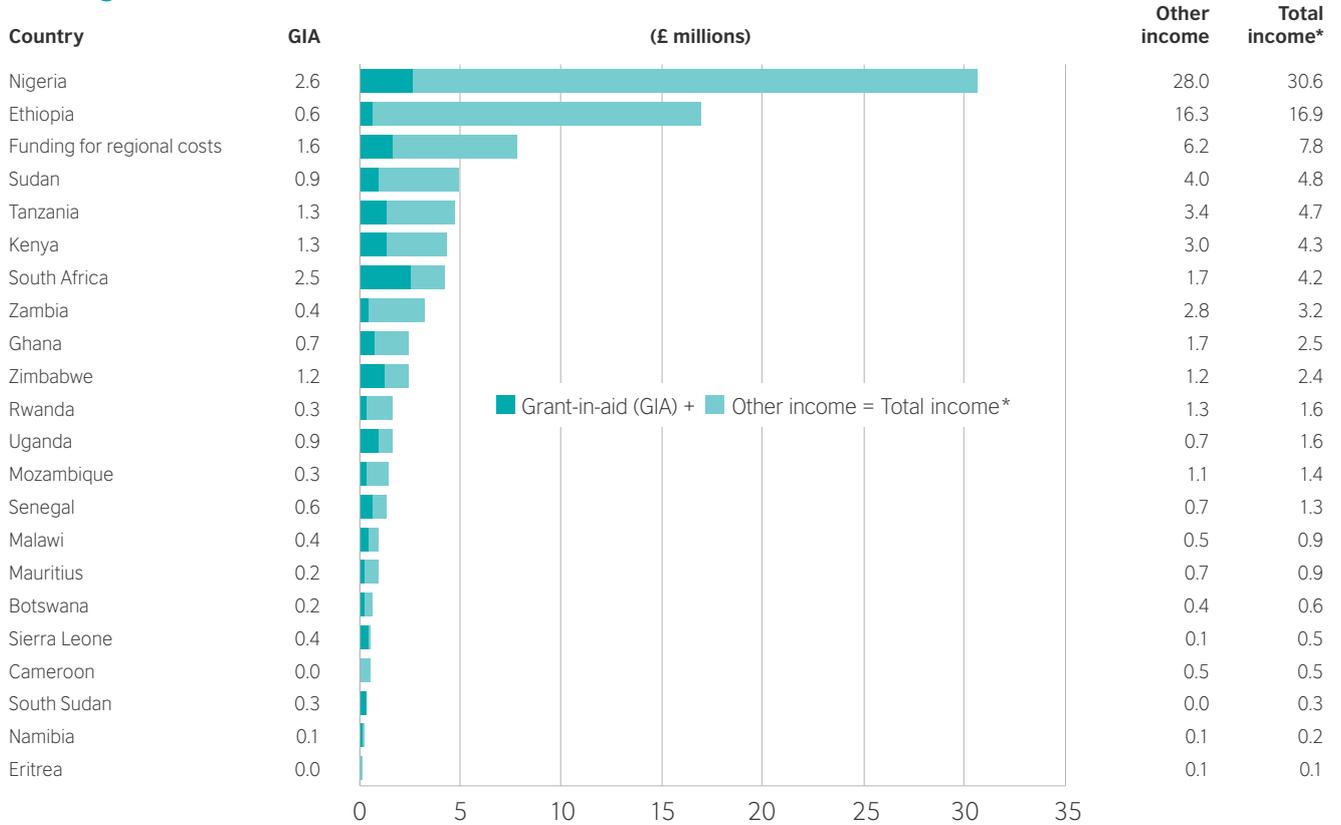


Publication and broadcast

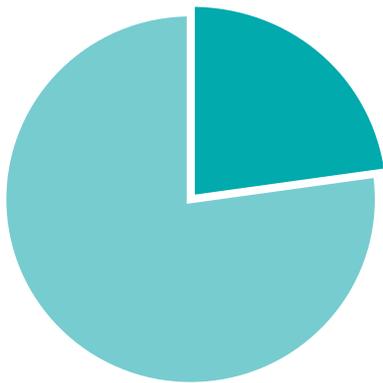


\* In previous years we have reported digital audiences as a single figure. We have now split our reporting of these audiences into two categories, 'social media and learning' and 'digital online audiences', to better reflect the nature of our digital engagement.

**Funding data (£ millions)**

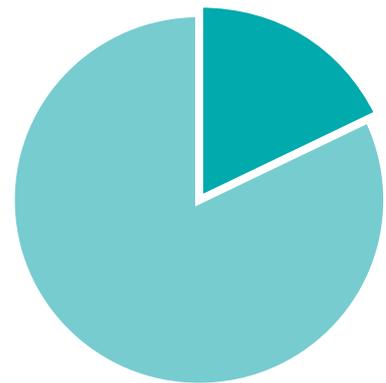


**2013-14**  
TOTAL INCOME\* £73.8M



**£17.1m** Grant-in-aid  
**£56.7m** Other income

**2014-15**  
TOTAL INCOME\* £91.3M



**£16.7m** Grant-in-aid  
**£74.6m** Other income

**GRANT-IN-AID REDUCING AS A PERCENTAGE OF TOTAL INCOME**

\*There may be minor differences between the sum of grant-in-aid and other income and the totals shown here due to rounding.

# Wider Europe

**Political, economic and social turbulence continues across this region. Relationships between Russia and the West, and between Russia and other countries in its neighbourhood, including Ukraine, remain challenging. Creating cultural and educational opportunities for the people of Wider Europe to connect with the UK is fundamental to maintaining the UK's relationships there.**

Positioning the UK as a partner for higher education is a regional priority. This year we awarded 53 grants worth £2.5 million for universities in the UK to work with research partners in Kazakhstan and Turkey. Funded by the UK, Kazakh and Turkish governments under the UK government's Newton Fund initiative, these grants will support collaboration in science and innovation. In January the UK Prime Minister announced eight new projects under the Britain Israel Research and Academic Exchange Partnership, a £10 million programme supporting British and Israeli scientists working together on regenerative medicine research.

Knowledge of English remains crucial to supporting international access for the region and is another priority for our work. In Ukraine we are teaching English to 300 civil servants, including at senior level, and in Montenegro we are improving the language skills of civil servants involved in EU accession talks. One thousand students are now learning English through our flexible myClass programme in Ukraine and we are teaching over 6,000 young people in Georgia. Our teacher training programme in Israel will have reached the majority of English teachers by 2018.

The 2014 UK–Russia Year of Culture went ahead largely as planned, helping to strengthen cultural bonds between our two countries despite difficulties in the wider UK–Russia relationship. Nearly a million people visited over 340 exhibitions and events in 13 cities across Russia and over 12 million were involved through other media and digital channels.

In the Western Balkans we work to build connections with EU countries, including the UK. Our EU-funded programme in Bosnia and Herzegovina is ensuring that children gain internationally recognised qualifications and in Serbia our internship programme has given civil servants an opportunity to learn EU processes from UK counterparts.

Reflecting our strategy to connect with more people digitally, our digital reach has increased by over 70 per cent in two years. In Turkey, as part of the UK government's GREAT campaign, we partnered with UK accredited providers of English to run a digital competition promoting famous British films which attracted 90,000 people to our website and 20,000 competition entrants.

We increase our impact through delivering large-scale projects under contract. This year we won contracts with a total value of over €8 million to promote gender equality in education in Turkey, develop civil society in Armenia, and support the development of viable cultural and creative industries in Ukraine, Georgia, Armenia, Azerbaijan, Belarus and Moldova.

## Customer satisfaction

Score from 0–100

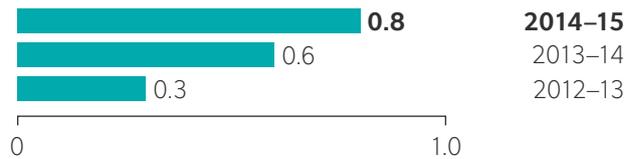


## Participation (millions)

Face-to-face



Digital social media and learning\*



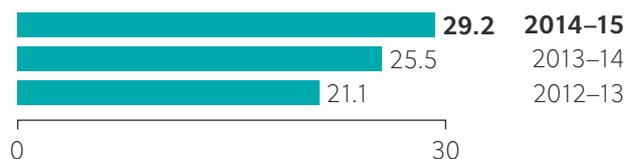
Exhibitions, fairs and festivals



Digital online audience\*

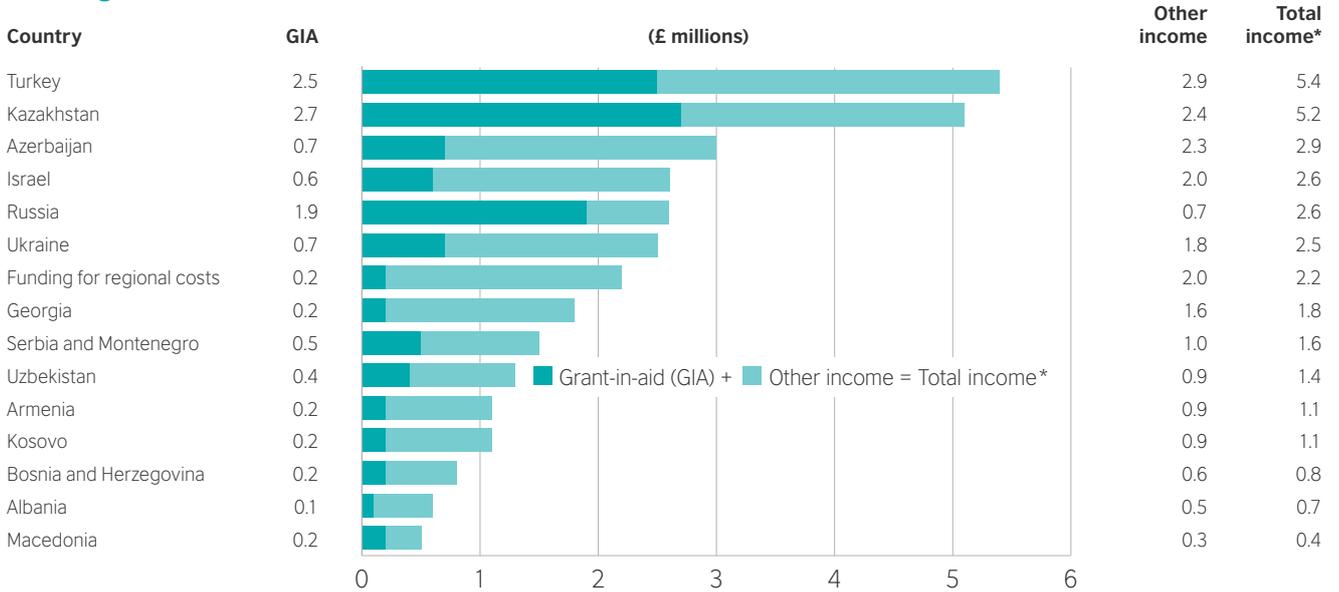


Publication and broadcast

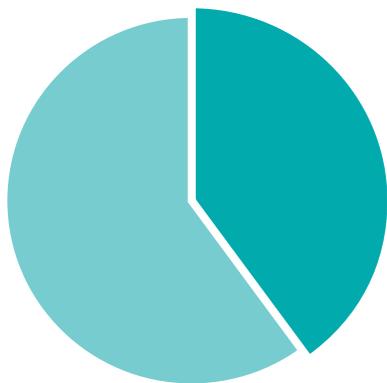


\* In previous years we have reported digital audiences as a single figure. We have now split our reporting of these audiences into two categories, 'social media and learning' and 'digital online audiences', to better reflect the nature of our digital engagement.

**Funding data (£ millions)**

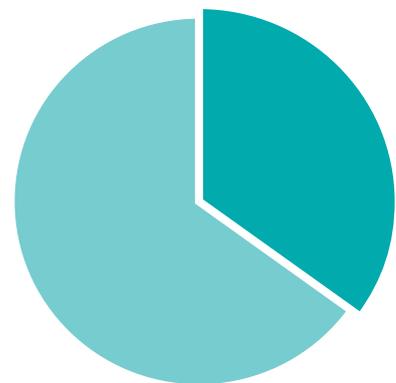


**2013-14**  
TOTAL INCOME\* £35.2M



**£14.1m** Grant-in-aid  
**£21.2m** Other income

**2014-15**  
TOTAL INCOME\* £32.2M



**£11.3m** Grant-in-aid  
**£20.9m** Other income

**GRANT-IN-AID REDUCING AS A PERCENTAGE OF TOTAL INCOME**

\*There may be minor differences between the sum of grant-in-aid and other income and the totals shown here due to rounding.

# Governance and management

## Governance Statement

This Governance Statement sets out the British Council's governance, risk and compliance framework and our management of the major risks to the achievement of our strategic objectives from 1 April 2014 to 31 March 2015.

### Governance Framework

We ensure that we have robust governance arrangements in place to promote high performance and safeguard propriety and regularity. The 'Corporate governance code for central government departments' focuses on the boards of government departments but we comply with the principles in paragraphs 1.2, 2.1, 3.1, 4.1 and 5.2. Its other principles are less directly applicable as the British Council is not a ministerial department and our Board's role is defined in the Royal Charter and charity law. We also apply the principles in 'Executive NDPB: Principles of Good Corporate Governance', to the extent that those principles apply to the British Council as a charity, and in 'Good Governance: A Code for the Voluntary and Community Sector'.

### Legal status

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

The British Council is registered as a charity under registration numbers 209131 (England and Wales) and SC037733 (Scotland).

The British Council has a group structure including wholly and jointly owned subsidiary undertakings in the UK and overseas. There is a list of these entities in note 12 to the accounts.

**Patron** Her Majesty the Queen

**Vice Patron** His Royal Highness the Prince of Wales

### Principal address

10 Spring Gardens  
London SW1A 2BN  
Telephone: +44 (0)161 957 7755

### Charitable objects

The objects for which the British Council is established and incorporated, as defined in its Royal Charter, are to advance any purpose that is exclusively charitable and that shall:

- Promote cultural relationships and the understanding of different cultures between people and peoples of the United Kingdom and other countries.
- Promote a wider knowledge of the United Kingdom.
- Develop a wider knowledge of the English language.
- Encourage cultural, scientific, technological and other educational co-operation between the United Kingdom and other countries.
- Otherwise promote the advancement of education.

The Royal Charter can be viewed in full on the British Council's website.

The Trustees have given careful consideration to the Charity Commission's and 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.

### Relationship with the Foreign and Commonwealth Office

As well as a charity, the British Council is a public corporation and an executive non-departmental public body. We are sponsored by the FCO, from which we have operational independence. The relationship is set out in the Management Statement and the Financial Memorandum. These documents were updated in July 2013 and are available on the British Council's website.

### Connected charities and organisations

The British Council co-operates with many organisations in the pursuit of its charitable objects. As at 31 March 2015 the British Council was a corporate trustee of nine charitable trusts. The British Council was the sole corporate trustee of four of these trusts, including the Sir Shiu Kin Tang Educational Trust and the Lefevre Trust, both registered with the Charity Commission. Our involvement with these charitable trusts is consistent with, and contributes to, the achievement of the British Council's cultural relations goals.

As at 31 March 2015, the British Council had one linked charity, the British Council Benevolent Fund (registration number 209131-1). British Council staff donate funds to the British Council Benevolent Fund which then issues grants or interest-free loans to support current or former members of staff, or their families, who have suffered hardship. Since the end of the year the British Council Benevolent Fund has registered as a separate charity (registration number 1161805).

### Board of Trustees

As defined by the Charities Act 2011, trustees are the 'persons having the general control and management of the administration of a charity'. Charity Commission guidance states that trustees have and must accept ultimate responsibility for directing the affairs of a charity and ensuring that it is solvent, well-run, and delivering the charitable outcomes for the benefit of the public for which it has been set up.

The British Council's Royal Charter vests all the powers of the British Council in its Board of Trustees. Sir Vernon Ellis is in his second and final term of office as Chair of the Board.

In accordance with the Royal Charter the Board elects Trustees following an open recruitment process. Up to two non-British citizens may sit on the Board. Trustees are appointed to the Board for a term of three years, with the possibility of re-election for a further three years. We have an induction and training programme for new Trustees which includes a comprehensive induction pack and a briefing programme with senior managers.

Under the terms of the Royal Charter the Foreign Secretary has the right to nominate one Trustee to the Board. The Foreign Secretary also approves appointments to the offices of Chair and Deputy Chair.

The Chief Operating Officer of the FCO was a Trustee during the year but stepped down at the last Board meeting of the financial year on 24 March 2015.

The Deputy Chair performs a role equivalent to that of a senior independent director. The Chair, Deputy Chair and members of the Board are not remunerated but we reimburse out-of-pocket expenses incurred on British Council business. We may also pay fees if a Board member undertakes work in a professional capacity at the request of the British Council, however no Trustees were remunerated for their services during 2014–15. The Board Code of Practice requires members to declare any interest that may conflict with their responsibilities as Board members. This register of Trustees' interests is updated annually and is available on the British Council's website.

The Royal Charter, also available on the British Council's website, gives further detail on membership of the Board. In appointing new trustees this year we have further strengthened the Board's mix of skills while maintaining diversity. More than a third of Board members are female. Members of the Board of Trustees who have served in 2014–15 are listed on page 52.

The Board met seven times during 2014–15. The Royal Charter establishes a quorum for Board meetings of seven Trustees.

The Board's effectiveness is reviewed annually. An external review was undertaken in October and November 2014 and its findings were reported at the Board's December 2014 meeting. The report was positive, recognising the British Council's strong and engaged Board, and noting strengths including the range of relevant skills and experience, effective leadership and the work of the committees. The report made a range of recommendations for building further engagement internally and externally and improving the content of meetings.

During 2014–15 the Board of Trustees drew on extensive consultation with the FCO, other government departments and partners in business, education, arts and civil society to refresh the British Council's Corporate Plan. The Plan was approved by the Trustees at the Board's March 2015 meeting.

The 2015–17 Corporate Plan provides the foundations for the British Council's longer-term ambition to 2020 in the context of the UK general election and the forthcoming Spending Review. The latest plan therefore includes financial plans for 2015–16 only, reflecting the final year of the Spending Review completed during 2013. Financial plans for subsequent years will be agreed as part of the forthcoming Spending Review which will shape the British Council's core government grant for 2016–17 onwards.

During 2014–15 the Board has also focused on developing the organisation's response to the core themes raised in the 2014 Triennial Review to strengthen the organisation and its reputation, and therefore bring more benefit to more people. Further details about the Board of Trustees' work during the year are available in the minutes published on the British Council website.

### **Financial reporting to the Board**

The Board of Trustees receives regular financial updates. It approves the British Council's annual budget as well as the overarching Corporate Plan. During the year it receives financial forecasts and the management accounts. At year-end it receives the statutory accounts of the British Council group. It also receives updates from the Chairs of the Audit Committee and the Finance and Contracts Committee and, once a year, a report from the wholly-owned holding company for investments in the group's subsidiaries, BC Holdings (United Kingdom) Limited.

### **Board delegation and sub-committees**

The Board of Trustees delegates certain authorities to the Chair and to the Chief Executive, who in turn can delegate them either wholly or partially.

During 2014–15 the Board had four sub-committees: Audit, Remuneration, Nominations, and Finance and Contracts. It delegated certain responsibilities to these sub-committees and received reports from them.

### **Audit Committee**

On behalf of the Board, the Audit Committee maintains an overview of risk, control and governance in the British Council, ensuring that the system of internal controls is adequate to deliver regulatory compliance, financial probity and value for money. The committee reviews and monitors the British Council's risk management processes and its arrangements for ensuring compliance with regulatory and financial reporting requirements. It also agrees a programme for internal audit and considers any other financial or accounting matters that the Board might specify.

The committee met four times during the financial year. In addition to the standing items on its agenda, the committee monitored the development and ongoing implementation of a global assurance framework. It also received reports on incidences of fraud and on fraud reporting procedures, information risk, compliance with the payment card industry data security standard, and on the status and tax programme.

Sir David Verey took over from Richard Gillingwater as the Chair of the Audit Committee in January 2015.

### **Remuneration Committee**

The Remuneration Committee sets annual performance measures and policy for total remuneration and benefits for the Chief Executive and agrees his annual performance evaluation. It also sets policy for remuneration of members of the Executive Board and reviews and agrees their performance evaluation reports, ratings and eligibility for bonuses. The full Executive Board remuneration report is on pages 56–59.

The committee 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.

The Deputy Chair of the British Council chairs the Remuneration Committee.

### **Nominations Committee**

The Nominations Committee monitors the composition of the Board of Trustees and makes sure that the Trustees provide the expertise and experience needed for the governance of the British Council, as determined by the Board and the Royal Charter. The committee also leads recruitment of the Chair, Deputy Chair and Chief Executive.

The Chair of the British Council chairs the Nominations Committee.

## Finance and Contracts Committee

The committee reviews and challenges the organisation's investment plans and the scale of, and strategy for, its global contracts and partnership portfolios. Its role is to provide advice and assurance to the Board in these areas.

The Chair of the British Council chairs the Finance and Contracts Committee.

## UK country advisory committees

We have UK country advisory committees for Scotland, Wales and Northern Ireland. These committees provide professional advice and an external perspective to the Chief Executive and to the British Council's country teams in Northern Ireland, Scotland and Wales.

The Chair of the Board of Trustees appoints the Chair of each country committee, and one place on the Board of Trustees is filled by the Chair of the Wales, Scotland or Northern Ireland country committee, co-opted on a rotating basis for a two-year period. Members of the country committees who have served during 2014–15 are listed on page 53.

## Executive Board

During 2014–15 the British Council's Executive Board was made up of the Chief Executive Officer and eight Executive Directors.

Executive Board members are responsible for the management and performance of the organisation and for delivering the strategy that has been agreed by the Board of Trustees. Executive Board appointments are filled through open recruitment. New members of the Executive Board are given induction briefings which include our governance arrangements.

Executive Board members who served during 2014–15 are listed on page 55. At 31 March 2015, four of the nine members of the Executive Board were female.

## 2014 Triennial Review

The UK government published a Triennial Review of the British Council in July 2014. This confirmed the British Council is a vital institution supporting UK influence globally and that it is a key element of the UK's approach to international relations. The British Council's ongoing presence worldwide was judged to be an important contributor to the UK's standing as one of the world's most attractive countries and a world leader in its soft power capabilities.

The review also challenged the British Council to work on three important areas:

- Alignment with government priorities and wider UK interests.
- Transparency and accountability.
- Perceptions of fair competition and the handling of inherent conflicts of interest.

Since July 2014 the British Council has set out to decisively address the review's recommendations with new policies in place and key actions now implemented, adopted or in the process of being embedded. The 2015–17 Corporate Plan provides detail on how these changes will become fully embedded.

## Reporting and accounting arrangements

As explained at page 54, the Trustees of the British Council are legally responsible for the preparation of financial statements for each financial year and for keeping proper accounting records in accordance with applicable law and regulations.

The Chief Executive's responsibilities as Accounting Officer are set out in *Managing Public Money* published by HM Treasury. These include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, keeping proper records, and safeguarding the British Council's assets.

## Audit arrangements

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, placed in the libraries of both Houses of Parliament.

At the date of signature of this statement by the Chair and Chief Executive, the fee for the external audit of the British Council's 2014–15 charity and group accounts is £168,500 (2013–14: £168,500). In addition to this fee, total audit fees of £191,000 (2013–14: £153,000) were payable to the separate auditors of the corporate entities in the group. Further disclosures are given in note 5 to the accounts.

At the time of approval of this report, so far as the Chief Executive is aware, there is no relevant audit information of which the British Council's auditor is unaware. 'Relevant audit information' means information needed by the entity's auditor in connection with preparing the audit report. The Chief Executive has taken all the steps that he ought to have taken as Accounting Officer in order to make himself aware of any relevant audit information and to establish that the British Council's auditor is aware of that information.

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. This policy was approved by the Audit Committee during 2012–13.

## Auditors

### British Council charity and group auditor:

#### Comptroller and Auditor General

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

### Subsidiaries auditor:<sup>1</sup>

#### PricewaterhouseCoopers LLP

1 Embankment Place,  
London WC2N 6RH

The British Council's internal audit arrangements are explained later in this governance statement.

## Bankers

### HSBC

129 New Bond Street  
London W1A 2JA

## Legal Advisers

### Bates Wells & Braithwaite London LLP

10 Queen Street Place  
London  
EC4R 1BE

## Risk assessment

### Management of risk

The Executive Board is responsible for the management of the risks facing the British Council and for ensuring that we have effective risk management processes in place. The Board of Trustees has ultimate accountability, including responsibility for determining our risk appetite.

An Enterprise Risk Management team of specialists in security, business continuity, health and safety, fire safety and risk management is responsible for strengthening our capacity to manage risk. Specialist teams provide support for the management of other areas of risk including financial control, information management and child protection. We provide a range of risk management training and guidance to staff to ensure they are equipped to manage risks appropriate to their duties and level of authority.

The Board of Trustees maintains oversight of the top risks facing the British Council and undertakes an annual review of the top risks to satisfy itself that the risks are being adequately mitigated. Through the Audit Committee, it regularly reviews the effectiveness of the risk and control processes in the organisation.

## Risk and control framework

In 2014–15, as in recent years, the British Council's risk and control framework comprised two key elements:

- The Financial Control Compliance Framework (FCCF).
- The Enterprise Risk Management Framework (ERMF).

As explained below, during the year we have started to implement a new Global Assurance Framework, which will strengthen our assurance, ensuring a holistic and appropriate approach across all areas.

During 2015–16 we will review the maturity of our risk and control frameworks with the aim of identifying opportunities to improve the way we use them to build our strategy and deliver our products to customers both in the UK and overseas.

### Global Assurance Framework

During the year the Audit Committee approved the implementation of a comprehensive assurance framework. It comprises a 'three lines of defence model' and more closely links enterprise risk management with the financial control framework. It also clearly allocates accountability for each source of assurance. When implemented, financial control assurance will be largely integrated with periodic financial reporting so that business leaders have a comprehensive view of business performance. In this way we will drive increased accountability at country and regional level whilst maintaining the appropriate degree of central oversight. A particular area of focus will be embedding the right counter-fraud controls into the organisation, both locally and centrally.

The financial governance function has also commenced a programme to ensure that risk-driven compliance activity is in place for all areas of compliance. A number of enhancements to our central monitoring and control capabilities are also in progress. Our financial governance specialists continue to work closely with the business, particularly where change is taking place, to ensure that the right controls are in place.

Until the new framework is fully implemented, the FCCF remains the British Council's primary tool for monitoring financial control and managing financial risk. The FCCF is a global quarterly process of assessment of control effectiveness based on validated self-certification against minimum control standards to address key financial risks in the organisation.

<sup>1</sup> PricewaterhouseCoopers (PwC) audits most of, but not all, the separate legal entities below the British Council in the British Council group. The specific local auditors are disclosed as required in each entity's financial statements.

The consolidation of self-certification returns and the resulting reports ensure that financial risk and compliance issues are identified, escalated and tracked, both by the financial governance team and by regional management, through to resolution. The framework provides the evidence which enables the Executive Board and management at regional and country levels to certify compliance with standards of financial control.

During the year, we continued to enhance FCCF reporting and we will be continuing this process as we implement new reporting and tools to deliver assurance.

Regional finance risk and compliance teams are now established and provide local risk and compliance support to operational management. The central team sets the overall strategy for risk and compliance, ensures consistency and provides advice to regional colleagues. It is accountable for ensuring that the control environment remains responsive to the most material risks that the business faces.

#### Enterprise Risk Management Framework

The Enterprise Risk Management Framework (ERMF) comprises a 'bottom-up' process for identifying, assessing, controlling and reporting on operational and tactical risks by countries and business units and a 'top-down' process for managing strategic risks.

All countries and business units maintain a risk register. These are reviewed and updated at least quarterly and refreshed at the start of each year. The Executive Board revises the corporate risk register at least twice a year and sets risk tolerances for each strategic risk based on the statement of risk appetite which was approved by the Board of Trustees in 2013–14. A member of the Executive Board is accountable for ensuring that there is effective mitigation for each risk.

A risk board, chaired by the Chief Operating Officer, meets quarterly to monitor changes to the British Council's risk profile, review the mitigation of strategic and operational risks and recommend action to improve mitigation where necessary. It receives commentary on the risk data from all countries and business units from the enterprise risk management team. The risk board also considers reports from the British Council's security, health and safety, and information assurance management committees.

#### Internal audit

The British Council has an in-house internal audit function, supported by resources from Deloitte LLP.

The British Council's internal audit charter sets out that it is management's responsibility to ensure that all major risks affecting the achievement of British Council objectives are well managed and that all internal controls are sound. The Director of Internal Audit is responsible for providing independent reassurance to the Board of Trustees (through

the Audit Committee), the Chief Executive Officer and the Chief Financial Officer, by confirming that management is:

- Identifying, prioritising and managing risks.
- Ensuring financial and operational controls are operating efficiently and effectively.
- Complying with laws and corporate governance standards as expressed in the British Council values and policies.

The internal audit charter was revised in November 2014 and will be reviewed and approved by the Audit Committee on an annual basis.

The Audit Committee approves internal audit's annual risk-based work plan and receives reports on delivery against that plan and emerging audit findings during the year. The Committee was kept informed about changes to internal audit during the year. These included the appointment of an interim Head of Internal Audit from our co-sourcing partner Deloitte and improvements to the audit approach, assurance rating definitions and reporting. In February 2015 the Committee approved a revised approach to internal audit planning, with a greater audit focus on strategic risks and on the corporate centre.

Following year end the Audit Committee receives a summary of the results from internal audit's work during the year. This includes an assurance statement, a summary of key issues by region, and commentary on the resourcing of the internal audit function. Internal Audit reported that for 2014–15 they could confirm: 'reasonable assurance that the British Council has an adequate and effective system of governance, internal control and risk management for the year ended 31 March 2015'.

#### Risk profile

The British Council's priorities for risk management during 2014–15 included:

##### Security and business continuity

Political instability and violent conflicts continue to pose a threat to our activities in many parts of the world. We maintained operations in Afghanistan despite the high levels of violence during the year and although it restricted our ability to move staff and visitors at times. Civil unrest continued in several locations including Egypt, Bahrain, Sudan and Venezuela. This required us to adjust our activities and, in some cases, implement short-term closures. The rapid ISIL surge in Iraq led us to withdraw staff from Baghdad and Erbil for a short period. The closure of western embassies in Libya prompted us to relocate our Tripoli-based operations to Tunisia with some local staff maintaining services in Libya under our careful and continuous safety review. In some countries, the volatile security situation affected our income-generating activities, such as English teaching.

Terrorism also poses a risk across our global network. This is especially the case in Afghanistan, Kenya, Libya, Nigeria, Pakistan and Yemen. To meet the security challenges of operating in high risk countries, we have developed and are now implementing security management plans with detailed security protocols. These plans provide the framework within which security is managed to meet our duty of care to staff, customers and partners.

At a global level, we continue to support the safety of our staff, customers and partners through risk assessments, briefings, training and security advice. We held a strategic security workshop in February 2015, bringing colleagues together who operate in high risk environments. This pooling of experience identified other strands of work that will further enhance our ability to protect people and assets. For instance, we have identified our top areas of security vulnerability. This will help us prioritise our focus for the coming year. We also provided regional security training for managers of security, such as ones we recently held in Africa and the Middle East.

To ensure our business operations are robust in the face of a crisis, we have well established crisis and business continuity plans in place across our overseas operations. The central risk management team maintains guidance and tools, which are easily accessible to all staff overseas. We test the effectiveness of these plans on an ongoing basis.

We employ external support to ensure we have the most up-to-date security information. We are in the second year of a service level agreement with the FCO for the inspection and assessment of the security of our estates portfolio overseas. Working with partners, we are able to expand our expertise and provide external assurance that our security risk is within our risk appetite. In 2015–16, we will look to optimise the reporting of assurance to better spot trends and continue to build a more strategic view of security.

#### Status and tax

We continued work during the year on the regularisation of the British Council's legal status overseas. The status and tax programme (which formally closed in March 2015, but continues now as business as usual) aimed to establish a robust platform for the growth of income generating activities and to address the reputational and financial risks associated with our status in some countries. We have reviewed status options and agreed preferred solutions in all directorates. However, we are now revisiting status solutions in 21 countries, either because of changes to local legislation or to our business. We will therefore retain a standing capacity in legal, tax and financial expertise to address status and tax issues and to support the new legal entities.

The focus for status change is on countries where risk and/or business potential are high. There are a number of countries where both are so low that no action is currently required, and others where the host government will not or cannot engage with us to allow us to change status. In some cases, regularisation has resulted in demands for back tax and we have made provisions for potential back tax payments where necessary.

A specialist team provides advice on international tax issues and supports the development and implementation of legal and governance arrangements for new entities. We also continue to work on regularising the employment related tax status (ERT) of UK staff working overseas, including teaching staff on a variety of contracts. This is a complex area, given the effect it has on individuals' personal tax liabilities and is overseen by a separate ERT advisory group, reporting to Director Human Resources, to help take it forward.

Further progress has been made on the development of the British Council's group structure and the financial and legal framework needed to support it. As at 31 March 2015 there were 23 separate legal entities within the British Council group of which, in addition to the British Council itself, two (BC Holdings (United Kingdom) Limited and BC Trading International Ltd) are registered in the UK. A transfer pricing mechanism which provides a transparent means of charging between different entities is in place. In view of the increased complexity of the group structure and the risks associated with it, priority is given to ensuring the British Council's governance, risk management and control framework is aligned with the new arrangements and its accounting software enables local statutory financial reporting.

#### Counter-fraud

The British Council is exposed to the likelihood of fraud all over the world, particularly in cash economies, and as a consequence will suffer financial loss if the risk is not managed well. The challenges faced when operating in environments where fraud and corruption are endemic can have a major impact on the organisation's ability to protect its assets.

During the year we started the process of rolling out a comprehensive counter-fraud strategy. This includes the establishment of a dedicated counter-fraud team and the recruitment of specialist staff. A particular area of focus in our control improvement work will be embedding the right counter-fraud approaches into the organisation, both locally and centrally. To assist in this we are in the process of developing refreshed counter-fraud training, and revising our whistleblowing process. We will also be improving the communication around fraud to ensure that the global

organisation learns from incidents and implements any required control improvements. It is important that whistleblowing is celebrated and that we overcome cultural barriers in this respect. Our zero tolerance approach needs to be maintained, as this will drive through a number of desired changes. We are confident that the approach we are taking will significantly improve our ability to prevent and detect fraudulent activity.

In the current year two cases of fraud with a value in excess of £20,000 were identified (£72,000 in Pakistan and £146,000 in Vietnam). Both of these frauds were identified via our internal review processes. No actual loss was suffered by the British Council as the perpetrators repaid the amounts due in full. Investigations were conducted in both cases to confirm the extent of the frauds and to identify areas for improvement. Both arose due to weaknesses in the local procurement processes. Action has already been taken to reduce the risk of similar frauds occurring in the future. In addition, we will implement additional (systems-based) monitoring controls across the organisation to mitigate the risk of fraud as part of our overall counter-fraud strategy.

#### Information management

We are committed to protecting and using our information securely and effectively, in compliance with our legal obligations and the standards and requirements set out by the Cabinet Office. Our Senior Information Risk Owner is a member of the Executive Board and chairs the Information Assurance Committee, which is responsible for monitoring compliance with relevant legislation and the proportionate management of information risk. Our Privacy Policy Statement was revised and re-issued during 2014–15 as the Information Security and Privacy Policy Statement. This broader policy demonstrates our commitment to information governance, including security and privacy.

We continue to improve our organisational capability to manage information risk through implementation of revised organisational structures and clearer accountability for information risk management. More changes are planned as part of a Global Operating Model review and are expected to further improve our information risk management.

We measure our performance in information management against the standards set out in the government's Information Assurance Maturity Model (IAMM). The results for 2014–15 show that the organisation is still working towards IAMM Level 1.

#### Child protection

The British Council works annually with around nine million children through a wide range of activities. We are committed to taking all necessary measures to protect children from abuse and have zero tolerance for any part of our organisation not doing so. We benchmark policy and practice against international child protection standards identified by Keeping Children Safe.

Key measures include completing country level child protection self-audits and ensuring child-safe action plans are in place for all countries. We have also introduced departmental and contract level child-safe action plans, enhanced child protection regional training for focal point leads and developed a child protection e-learning course for all managers. Safer recruitment regional webinars for HR and recruiting managers have been delivered and we have phased in the requirement for international child protection certificates for third parties. Child protection has also been integrated into existing departmental systems and procedures through the global roll-out of a country level child protection risk template to promote accuracy and consistency in risk reporting. In 2014–15 a small number of cases were referred to the UK police authorities for advice and support and were subsequently managed within the British Council and UK statutory procedures.

Through the year we have prepared for an external assessment of our compliance with the Keeping Children Safe international standards. Consistent with being a fully committed member, we will undergo the external assessment in the summer of 2015.

#### Health and safety

We are committed to providing a safe working environment for our staff, customers and partners. We deliver our duty of care to people taking part in our activities through compliance with health and safety legislation in the countries in which we operate and we aim, where practicable, to follow UK standards, guidance and codes of good practice as a benchmark. The health and safety committee, chaired by a senior manager and supported by the risk management team, is responsible for reviewing health and safety policies and compliance with health and safety standards throughout the organisation.

As the organisation develops and expands its operational activities, impact and reach, we have considered how the British Council can best deliver an appropriate standard of safety management for the future. During 2014–15 we undertook a thorough review of the corporate health and safety strategy, setting out the areas we need to focus on, identifying key corporate safety risks and how we will address them.

We have developed our global network of health and safety co-ordinators. West Africa, and in particular Sierra Leone, has been an area of focus during the year. Responding to the devastating Ebola crisis, we supported our colleagues in Freetown which has allowed uninterrupted operational activity and the hosting of the International Security Advice Team as part of the UK's contribution to the international aid response.

#### Relationship with government

The UK government and the devolved governments in Scotland, Wales and Northern Ireland are all key stakeholders in our work. Maintaining close working relationships with all four governments is crucial for our work and achieving our best impact for the UK. We already have well established Advisory Board structures and following the 2014 Triennial Review we have worked to extend and enhance our engagement with UK stakeholders. This year specifically we consulted the governments of Scotland, Wales and Northern Ireland, as well as undertaking comprehensive engagement with Whitehall departments, to ensure our corporate planning process incorporated their priorities as well as representing the whole of the UK in our work. The British Council 2015–17 Corporate Plan sets out in more detail how we will deliver on all four UK governments' priorities for, and on behalf of, the whole UK.

#### Exams income dependency

The British Council generates over 80 per cent of its income through paid-for services. A large portion of this comes from our work administering UK examinations around the world, particularly in Asia. We face a risk that should there be a significant decline in demand for our examinations work, either due to poor service delivery or negative external market forces, our income would be reduced. We therefore continuously improve the quality of our examinations services and scan the market to adjust our model for changes in demand. We also invest in increasing the efficiency of our operations and expanding our examinations work to reduce our dependency on particular markets.

#### Managing change

The British Council is going through a significant period of change, with an increasing focus on productivity and efficiency, including greater standardisation of business process, management information improvements and the integration of back-office systems. The funding for corporate change comes primarily from in-year surplus generation from our paid services, particularly English teaching and examinations. Our ability to implement all planned changes would therefore be affected if we do not achieve our business targets.

Staff capacity for change, given their day-to-day responsibilities, is another source of risk. Realising the benefits of change requires us to manage these risks effectively. We will update our governance processes at the corporate level to ensure that strategic priorities are identified and addressed through them. We are building a professional transformation function that groups together those working on change. The function will adopt and build from standard portfolio, programme and business change methods. We are also developing skills in senior post holders overseas, for instance by providing training in change management for country and regional directors as they take up new roles.

#### Executive Board recruitment and remuneration

As reported in the 2013–14 Annual Report and in the audit report of the Comptroller and Auditor General, the value of our new Chief Executive's salary was not approved by HM Treasury. As a penalty, the British Council's grant-in-aid funding was reduced by £200,000. During 2015–16 we also sought retrospective approval for a non-pensionable and non-consolidated payment made to the Chief Financial Officer on joining the British Council in June 2014. This payment was found to have breached government pay policy.

We have reviewed the process that was undertaken in both these cases to ensure that Cabinet Office and HM Treasury requirements are adhered to in future.

#### Accrual balances

Following the delayed publication of the 2013–14 Annual Report, caused by the need to cleanse and amend accrual balances in the accounts, we have implemented new procedures for this year. Such procedures included: the ongoing review of accrual balances throughout 2014–15, a change in our accounting period close procedures so that such entries receive more scrutiny, additional system checks, and enhanced accruals training for staff.

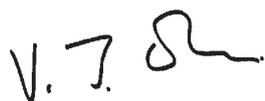
#### Review of effectiveness

As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control in the British Council. His review is informed by the work of Internal Audit and members of the Executive Board, 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:

- Comprehensive operational and financial planning and reporting processes within the organisation.
- Policies and procedures, to support the flow of timely, relevant and reliable information across the organisation.

- Formalised authorisation processes, with the maintenance of delegated authorities covering financial transactions and contracts.
- 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 Audit Committee, which provides oversight and guidance on the work of Finance and Internal Audit, and considers reports from the National Audit Office and other external auditors.
- The work of the National Audit Office, as external auditor, supported by PricewaterhouseCoopers, as auditor of subsidiaries in the British Council's group structure, in forming an opinion on the financial statements and in reporting the results of their value for money examination.

Based on the above, we are satisfied that this Governance Statement provides an accurate account of the British Council's governance, risk and compliance framework, and its management of the major risks to the achievement of its strategic objectives during the period 1 April 2014 to 31 March 2015.



**Sir Vernon Ellis**  
Chair, British Council  
23 November 2015



**Sir Ciarán Devane**  
Chief Executive, British Council  
23 November 2015

# The Board of Trustees and its sub-committees

Trustees serving during 2014–15	Period of appointment if not the full year	Membership of sub-committees			
		Audit	Finance and Contracts	Nominations	Remuneration
Chair: Sir Vernon Ellis			Chair	Chair	Member
Deputy Chair: Rt Hon. Baroness Prashar of Runnymede CBE				Member	Chair
Martin Bean	Until 19 December 2014	Member			
Professor Janet Beer	From 23 September 2014				
Gareth Bullock			Member		
Aled Eirug	Until 7 February 2015				
Professor Pamela Gillies CBE	Until 15 September 2014				Member
Richard Gillingwater CBE	Until 31 December 2014	Chair			
Rohan Gunatillake				Member	
Sue Hoyle OBE	Until 15 September 2014				
Howell James CBE				Member	Member
Rosemary Kelly OBE	From 9 February 2015				
Kirsty Lang	From 23 September 2014				Member
Rosamund Marshall			Member		
Martin Roth					
Matthew Rycroft CBE	Until 24 March 2015				
Raoul Shah	Until 15 September 2014				
Tom Thomson OBE		Member			
Sir David Verey CBE	From 2 December 2014	Chair			

#### Notes:

- 1 Deborah Bronnert (FCO Chief Operating Officer) and James Cronin were appointed as Trustees after 31 March 2015 and were serving on the date this report was approved.
- 2 Rosemary Kelly stood down as a member of the Board of Trustees on 16 September 2015.
- 3 Alison Coutts served as Secretary to the Board throughout the year.
- 4 Two of the Board's sub-committees include external members. These are Cameron Cartmell (Audit Committee) and John Downie (Finance and Contracts Committee).
- 5 Further information about the members of the Board, and minutes of the Board's meetings, are available on the British Council's website at: [www.britishcouncil.org/organisation/structure/board-trustees](http://www.britishcouncil.org/organisation/structure/board-trustees)

# British Council Country Committees

Country Committee	Members serving during 2014–15	Period of appointment if not the full year
<b>Northern Ireland<sup>1</sup></b>	Chair: Rosemary Kelly OBE	
	Dr Norman Apsley	
	Derek Baker	
	Gavin Boyd	
	Dr Mark Browne	From 9 December 2014
	Alan Clarke	Until 3 June 2014
	Bob Collins	
	Colette Fitzgerald	
	Katrina Godfrey	From 3 June 2014
	Isabel Jennings	
	Dr Vicky Kell	
	Peter May	Until 9 December 2014
	Dr Denis McMahon	Until 9 December 2014 <sup>2</sup>
	Professor Richard Millar	From 9 September 2014
	Judge Geoffrey Miller QC	
	Professor Anne Moran	Until 3 June 2014
	Duncan Morrow	
Cynthia Smith	From 9 December 2014 to 10 March 2015	
John Stewart		
Noel Thompson		
Kathryn Thomson	From 9 September 2014	
<b>Scotland</b>	Chair: Willy Roe CBE	From 1 January 2015
	James Boyle	Until 31 December 2014 (Chair)
	Professor Sir Ian Diamond	
	Professor Sir David Edward	Until 31 December 2014
	Dawn Ellis	
	Ken Greer	Until 24 June 2014
	Owen Kelly OBE	
	Mukami McCrum MBE	Until 31 December 2014
	Professor Dave Reay	Until 31 December 2014
	Tom Thomson OBE	Until 31 December 2014
	James Tough	
	Professor Petra Wend	
	Karen Watt – Ex officio	
<b>Wales</b>	Chair: Aled Eirug	
	Ashok Ahir	
	David Anderson OBE	
	Huw Brodie	Until 31 January 2015
	Philip Cooper	
	Gary Davies	
	Professor Richard B Davies	
	Rhiannon Wyn Hughes MBE	
	Efa Gruffudd Jones MBE	
	Professor Laura McAllister	
	Professor Elen ap Robert	Until 20 September 2014
	Berwyn Rowlands	
	Lleucu Siencyn	
Eluned Haf		

The secretaries to the committees during 2014–15 were: David Alderdice OBE (Northern Ireland); Dr Lloyd Anderson (Scotland) and Jenny Scott (Wales).

<sup>1</sup> Paul Sweeney stood down as a member of the Northern Ireland committee at the end of 2013–14.

<sup>2</sup> Denis McMahon re-joined the Northern Ireland committee on 10 June 2015.

# Statements of the Trustees' and Accounting Officer's responsibilities

## Statement of the Trustees' responsibilities

Under the Charities Act 2011 the Trustees are responsible for the preparation of financial statements for each financial year in the form and on the basis prescribed by regulations made by the Minister for the Cabinet Office. Under the Charities and Trustee Investment (Scotland) Act 2005 the Trustees are responsible for the preparation of financial statements for each financial year in the form and on the basis prescribed by Charities Accounts (Scotland) Regulations 2006.

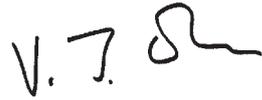
The accounts are prepared on an accruals basis and give a true and fair view of the British Council's, and of the group's, income and expenditure during 2014–15, and of the assets and liabilities held at the end of the year.

In preparing those financial statements the Trustees are required to:

- Observe the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs, including the relevant accounting and disclosure requirements.
- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set in the 2014–15 Government Financial Reporting Manual and in Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) have been followed, and disclose and explain any material departures in the accounts
- Prepare the accounts on a going concern basis.

The Trustees' responsibilities include keeping proper accounting records. These disclose with reasonable accuracy the financial position of the British Council and enable the Trustees to ensure that the financial statements comply with Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) (the Charities SORP) and United Kingdom Generally Accepted Accounting Practice (UK GAAP).

The Trustees are also responsible for safeguarding the British Council's assets and hence for taking reasonable steps for the prevention and detection of fraud and breaches of law and regulations. Details of any related party transactions undertaken by the Trustees are provided in note 20 to the accounts.



**Sir Vernon Ellis**  
Chair, British Council  
23 November 2015

## Statement of the Accounting Officer's responsibilities

The Accounting Officer for the Foreign and Commonwealth Office has designated the Chief Executive as the Accounting Officer for the British Council. The Chief Executive's responsibilities as Accounting Officer are set out in Managing Public Money published by HM Treasury. These include responsibility for the propriety and regularity of the public finances for which he is answerable, for keeping proper records and for safeguarding the British Council's assets.



**Sir Ciarán Devane**  
Chief Executive, British Council  
23 November 2015

# The Executive Board

At 31 March 2015

**Sir Ciarán Devane**

Chief Executive  
(from 1 January 2015)

**Dr Jo Beall**

Director Education and Society

**Adrian Greer CMC**

Chief Operating Officer

**Helen Murley**

Director Global Human Resources

**Mark Robson**

Director English

**Graham Sheffield CBE**

Director Arts

**Caroline Stockmann**

Chief Financial Officer  
(from 1 June 2014)

**Rebecca Walton**

Director Partnerships and Business Development

**John Worne**

Director Strategy

Executive Board members who served during the year

**Sir Martin Davidson KCMG**

Chief Executive  
(until 31 December 2014)

**Christopher Kinsella**

Interim Chief Financial Officer  
(until 6 June 2014)

# Executive Board Remuneration Report

Executive Board 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 three or above.

Performance is assessed on how far objectives and targets have been met or exceeded in the individual's performance agreement and how far duties have been completed to standards agreed in the job description. One of the five ratings is then given, which will determine the level of pay award given each year.

In 2014–15, Executive Board members received an increase to salary in accordance with the rules on Senior Civil Service pay for that year. Members of the Executive Board 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 Executive Board 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 2014–15 relate to performance in 2013–14.

Executive Board members do not receive non-cash benefits. Executive Board 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 Executive Board and their pension entitlements are set out below. All those individuals are members of the Principal Civil Service Pension Scheme.

An overview of retirement benefits is given below. Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (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 and nuvos are increased annually in line with Pensions Increase legislation. 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).

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

Employee contributions are salary-related and range between 1.5 per cent and 6.85 per cent of pensionable earnings for classic and 3.5 per cent and 8.85 per cent for premium, classic plus and nuvos. 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 uprated in line with Pensions Increase legislation. 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.

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## (ii) Partnership pension account

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between three per cent and 12.5 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 0.8 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 and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at [www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/](http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/)

### 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.

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### 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.

## Executive remuneration

Name and position	Salary 2014–15 (in bands of £5,000)	Salary 2013–14 (in bands of £5,000)	Bonus payments 2014–15 (in bands of £5,000)	Bonus payments 2013–14 (in bands of £5,000)	Value of pension benefits for single total figure of remuneration for 2014–15	Value of pension benefits for single total figure of remuneration for 2013–14	Accrued pension at pension age as at 31 March 2015 (in bands of £5000)
Davidson, M <sup>1</sup> Chief Executive Full year equivalent	155–160 170–175	170–175	15–20	15–20	21,607	9,261 <sup>5</sup>	65–70
Devane, C <sup>2</sup> Chief Executive Full year equivalent	45–50 185–190	N/A	N/A	N/A	17,182	N/A	0–5
Greer, A Chief Operating Officer	135–140	130–135	10–15	10–15	130,536	65,551 <sup>5</sup>	60–65
Robson, M Director English	140–145	140–145	15–20	10–15	53,616	57,369 <sup>6</sup>	25–30
Worne, J Director Strategy	120–125	120–125	15–20	10–15	37,287	21,220 <sup>6</sup>	40–45
Sheffield, G Director Arts	120–125	120–125	10–15	10–15	44,500	45,594 <sup>6</sup>	10–15
Beall, J Director Education and Society	120–125	120–125	10–15	10–15	44,621	45,594 <sup>6</sup>	10–15
Walton, R Director Partnerships and Business Development	120–125	110–115	10–15	10–15	83,529	26,277 <sup>7</sup>	45–50
Murley, H Director Global Human Resources Full year equivalent	125–130	110–115 125–130	10–15	N/A	52,173	42,493 <sup>6</sup>	5–10
Kinsella, C <sup>3</sup> Interim Chief Financial Officer Full year equivalent	90–95 380–385	125–130 380–385	N/A	N/A	N/A	N/A	N/A
Stockmann, C <sup>4</sup> Chief Financial Officer Full year equivalent	130–135 140–145	N/A	N/A	N/A	43,961	N/A	0–5
Highest paid	185–190	380–385					
Median	32,519	34,994					
Remuneration ratio	5.7:1 <sup>9</sup>	11.0:1					

The above table has 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 banded remuneration of the highest-paid director in the British Council in the financial year 2014–15 was £185,000–£190,000 (2013–14: £380,000–£385,000). This was six times the median remuneration of the workforce, which was £32,519 (2013–14: £34,994). The basis for the median pay calculation for both years 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.

The membership of the Remuneration Committee is included in the full membership list of the Board of Trustees on page 52.

### Annual incentives for Chief Executive Officer and Executive Board 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.

<sup>1</sup> Left 31 December 2014. On his departure, Mr M Davidson received a payment of £30,122 in respect of untaken annual leave. This is included in the amount above.

<sup>2</sup> Mr C Devane started on 1 January 2015.

<sup>3</sup> Mr C Kinsella services were supplied through an agency on an interim, non exclusive basis. He left on 6 June 2014.

<sup>4</sup> Mrs C Stockmann started on 1 June 2014. Included in the total salary amount, Mrs Stockmann received a further payment of £11,837 equivalent to a month's salary. The payment was non-pensionable and non-consolidated.

Accrued lump sum at pension age as at 31 March 2015 (in bands of £5,000)	Real increase (decrease) in pension at pension age (in bands £2,500)	Real increase (decrease) in lump sum at pension age (in bands £2,500)	CETV at 31 March 2015 (to nearest £1,000)	CETV at 31 March 2014 (to nearest £1,000)	Real increase (decrease) in CETV funded by employer (to nearest £1,000)	Total salary benefits 2014–15 (in bands of £5,000)	Total salary benefits 2013–14 (in bands of £5,000)
200–205	0–2.5	2.5–5	1,503	1,414 <sup>5</sup>	25	195–200	195–200
N/A	0–2.5	N/A	13	N/A	9	60–65	N/A
180–185	5–7.5	17.5–20	1,285	1,109 <sup>5</sup>	120	280–285	210–215
N/A	2.5–5	N/A	356	297 <sup>6</sup>	30	210–215	210–215
N/A	0–2.5	N/A	557	504	21	175–180	155–160
N/A	2.5–5	N/A	188	134 <sup>6</sup>	36	175–180	175–180 <sup>8</sup>
N/A	2.5–5	N/A	221	165 <sup>6</sup>	36	180–185	175–180 <sup>8</sup>
140–145	2.5–5	10–12.5	969	849 <sup>7</sup>	73	215–220	145–150 <sup>8</sup>
N/A	2.5–5	N/A	84	33 <sup>6</sup>	26	185–190	155–160
N/A	N/A	N/A	N/A	N/A	N/A	90–95	125–130
N/A	2.5–5	N/A	35	N/A	24	170–175	N/A

## 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 Executive Board are set by the Chief Executive Officer and by the British Council Chair for the Chief Executive Officer, at the start of the year.
- Payment is made after year end following the Remuneration Sub-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 normal cycle using the same parameters.

- Annual incentive payments are discretionary. The Remuneration Sub-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.

*Ciarán Devane*

**Sir Ciarán Devane**  
Chief Executive, British Council  
23 November 2015

<sup>5</sup> Changes have been made to value of pension benefits for 2013–14 due to CETV – Guaranteed Minimum Pension not included in CETV calculation.

<sup>6</sup> Changes have been made to value of pension benefits for 2013–14 due to inflation adjustments included in last year's calculation which should be excluded.

<sup>7</sup> Changes have been made to value of pension benefits for 2013–14 due to retrospective update to service history.

<sup>8</sup> Changes have been made to the value of prior year total salary benefits due to recalculation of prior year pension benefits.

<sup>9</sup> Differences in remuneration ratio due to 2013–14 being based upon agency payments for the interim director Mr C Kinsella who was appointed on a short-term basis.

# Equality, diversity and inclusion

Equality, diversity and inclusion are central to the British Council's cultural relations mission.

During 2014–15 we updated our Equality Policy and our Equality, Diversity and Inclusion Strategy. Our objectives of developing capability and leadership, fostering inclusion and measuring performance, impact and legal compliance remain the same, underpinning our work to strengthen diversity within our organisation and through the programmes, products and services we deliver.

## Developing capability and leadership

This year we held a workshop for our Regional Diversity Leads, helping them to share internal good practice and to engage with disability activists from around the world as part of the International Day of Disabled People.

In the UK this year we have been supporting the development of minority ethnic colleagues, following research to explore career progression and the interventions they feel will help.

## Fostering inclusion

Much of our external programme work supports our objective to foster inclusion. This year, for example, we undertook research on disability and gender in Pakistan to inform our work there. Our research on women in higher education has had a significant impact in Pakistan, across the wider region and within the sector.

We also partnered with the British Film Institute to show a series of five films giving a voice to lesbian, gay and transgender film-makers at *Flare*, the world's first global, digital lesbian, gay, bisexual and transgender film festival. Other partners included the United Nations Human Rights Office, Stonewall and Kaleidoscope.

## Measuring performance, impact and legal compliance

We use a Diversity Assessment Framework (DAF), to measure our progress on embedding equality and diversity into our work. The DAF measures progress against ten significant indicators of performance.

This year we launched a new DAF tool which measures progress against three indicators crucial to mainstreaming diversity – leadership deliverables, diversity plans and the use of equality screening and impact assessment tools before implementing major change. Results were good, with an average score of 4.4 being achieved across the organisation against a possible maximum score of 6.

Next year we will again run a full DAF exercise. Our target for 2015–16 is that eight out of ten indicators should be met globally.

## Equality monitoring

We set equality targets for our most senior management group and performance against these targets over the last three years was as follows:

Category	At 31 March 2013	At 31 March 2014	At 31 March 2015*	2016 target**
Minority ethnic	5.4%	3.6%	1.6%	13%
Women	32.8%	31.7%	36%	40%
Disabled	0%	1.8%	3.1%	4%

\*The data at 31 March 2015 refers to the 64 staff at the senior management level. Of these, declaration rates were 97 per cent for ethnicity, 100 per cent for gender and 97 per cent for disability.

\*\*2016 is the next year for which we have set a target. We have not set a target for 2015.

The mix of UK-contracted staff at all grades, as at 31 March 2015, was as follows (last year's figures in brackets):

Category	Total number	% of UK-contracted staff*
Minority ethnic	220 (190)	15.9% (15.5%)
Women	747 (695)	54% (53%)
Disabled	37 (33)	2.7% (2.7%)

\*UK-contracted staff includes colleagues on career break and maternity/paternity/adoption leave. Declaration rates for 2014–15 were: 99 per cent for ethnicity, 100 per cent for gender and 99 per cent for disability.

## Disabled employees

We have an external Disability Advisory Panel which advised on several of our programmes and projects during 2014–15, including our new Disability Arts International website and work in our English programmes on inclusive learning.

We display the 'positive about disabled people' double-tick symbol on our recruitment material, use a guaranteed interview scheme and make reasonable adjustments to help support the full participation of disabled people as employees and also as participants in our programmes and activities.

## Our staff

We recognise that developing, supporting and bringing out the best in all of our staff is crucial to our success.

This year we continued to help colleagues across the British Council meet the increased demands being placed on them as our organisation grows and develops. We have:

- Updated training for both new and more experienced managers globally.
- Improved the quality of our e-learning programmes and materials.
- Improved the way we deploy our staff internationally, increasing the use of psychometric tools and introducing a more open approach to ensure the best fit for each post, benefiting both individuals and the organisation.
- Developed more effective personal development planning.
- Run workshops to support the directors of our new subsidiary entities, making sure that they understand their responsibilities, are equipped to carry them out and know how to seek help and advice.

We also reviewed our senior management salary structure, opening up opportunities for staff to move more flexibly around the organisation. Next year we will build on work we have done to introduce career conversations by setting up a new career development framework. Together these two initiatives will help staff to plan their career in a more structured and informed way. Developing talent for the future, our intern programme attracted record numbers of applicants this year and is recognised as being one of the most sought-after of its kind.

Through our Code of Conduct and our global policy statements, we emphasise our commitment to our values and promote consistency in how we conduct ourselves. We review and update our global policy statements every year and will review our Code of Conduct next year. We also improved our professional service functions this year. In particular, we reviewed our global information services, HR and finance functions and began work to make sure that they deliver a better service to support the ambitions of the organisation.

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### Staff survey

We conducted our last full staff survey in February 2014. The results were positive, showing strong levels of employee engagement and support for the organisation's mission.

Staff identified some key areas for improvement, including concerns about not feeling free to raise issues and that increasing levels of work were having a detrimental effect on work/life balance in some locations. This year we have developed both local and senior sponsored organisation-wide plans to address all the main areas where we need to improve performance.

Next year we will report on the results of a 'pulse' survey we conducted in May 2015. Pulse surveys allow us to ask questions about a particular area of interest to the organisation. We are aiming to get feedback on well-being from approximately 25 per cent of our employees through this survey. The results will help us respond to one of the main issues raised in the last full staff survey and will inform a new British Council well-being strategy.

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### Consultation and engagement with staff

We recognise the value of our employees being able to express their views and concerns, and to influence change. We give all staff around the world regular opportunities to suggest how we can improve our products and services.

We consult with colleagues in line with local practice and legislation and support staff involvement in trade unions and staff associations. In EU countries we discuss transnational issues through the European Works Council. Managers are accountable for consulting with trade unions, staff associations and individual team members on proposals for change which have significant implications for staff.

We also encourage regular two-way communication through webcasts and online discussions about our work and organisational culture.

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### Absence monitoring

We monitor sickness absence in the UK through Absence Line, our contracted absence monitoring organisation, and analyse data monthly to assess trends and inform management. In 2014–15, 1.07 per cent of staff days were lost to sickness absence. This is an improvement of 0.3 per cent on the 2013–14 figure and continues a significantly improved trend dating from 2010–11.

# Environment

As an organisation with a significant physical presence around the world we are committed to reducing our impact on the environment and to operating sustainably.

We have a global environment policy and systems for managing and mitigating our impact on the environment both in the UK and overseas. We set environmental targets in our Corporate Plan and provide guidance and training to staff to help us meet those targets. Over the past two years we have supported over 1,600 of our staff around the world to complete our online environmental awareness course.

Operating more sustainably helps us to cut costs, attract new business and partners and provide better value for money for the UK and the countries where we work. We are currently developing a new sustainability strategy to integrate environmental sustainability even more closely into how we manage our premises, programmes and staff.

## Minimising our impact on the environment in the UK

We use an Environmental Management System to improve our environmental performance in the UK. In 2014–15 our six UK premises all succeeded for the third year running in maintaining the International Standard for Environmental Management (ISO 14001).

We set targets for our sustainability performance in line with the UK government's Greening Government Commitments. This covers our UK estate but does not include travel. As a public corporation we are not required to publish our results, but as an organisation committed to being transparent about our performance we chose to report on the significant areas set out in the table below.

These results show that efficient management of our resources, smart working and sharing our London headquarters with sub-tenants has helped us to meet our 2014–15 target for the reduction of carbon dioxide emissions from our UK offices. Although we have not met our targets for the reduction of water consumption and total waste, and the increase of recycling of waste, we have still made good progress in all of these areas.

We are now working on setting targets for future years to achieve further reductions in energy and water used and waste produced.

## Significant areas of UK sustainability performance

Impact	Baseline				Target for 2014–15
	2009–10 <sup>1</sup> Performance	2010–11 Performance	2013–14 Performance	2014–15 Performance	
Carbon dioxide emissions (CO <sub>2</sub> e) from energy (electricity and gas) in offices	2,254 tonnes of CO <sub>2</sub> e	2,041 tonnes of CO <sub>2</sub> e	1,358 tonnes of CO <sub>2</sub> e	1,393 tonnes of CO <sub>2</sub> e	Reduce CO <sub>2</sub> e by 25 per cent to 1,690 tonnes compared with 2009–10 baseline. Achieved with 40 per cent reduction.
Water consumption <sup>2</sup>	9,170 cubic metres	8,770 cubic metres	10,171 cubic metres	7,940 cubic metres	Reduce water consumption by 15 per cent to 7,794 cubic metres compared with 2009–10 baseline. Not achieved.
Total waste arising	124 tonnes	140 tonnes	92 tonnes	96 tonnes	Reduce overall waste arising (general and recycled) by 25 per cent to 93 tonnes compared with 2009–10 baseline. Not achieved.
Recycling (includes food and shredded waste)	36 per cent of waste arising	45 per cent of waste arising	51 per cent of waste arising	49 per cent of waste arising	Divert waste from landfill by increasing recycling by 20 per cent to 56 per cent compared with 2009–10 baseline. Not achieved.

Note: CO<sub>2</sub>e represents equivalent carbon dioxide and other greenhouse gases.

<sup>1</sup> The Greening Government Commitments require us to use a 2009–10 baseline, however, 2010–11 was the first year in which we could obtain reliable data.

<sup>2</sup> Includes extrapolated data for the Belfast and Cardiff Offices.

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## Minimising our impact on the environment overseas

Overseas, we use our Environmental Framework Tool (EFT) to manage and mitigate the environmental impact of our activities. This framework assesses our progress on a five-level scale starting at Level 1 'making a commitment' through to Level 5 'global sustainability leader'.

Our 2014–15 Corporate Plan target was that all offices should reach EFT Level 4 'the path towards sustainability excellence'. Any region that had regional plans in place this year for working towards sustainability excellence was marked at Level 4.

Despite the fact that we fell short of our overall target, four out of seven of our regions, the Americas, Wider Europe, EU Europe and South Asia, did succeed in reaching Level 4. Good progress has also been made in other areas. Sub-Saharan Africa, for example, doubled the number of its countries at Level 3 this year and our large network of teaching and examination centres in Spain continued to reduce their environmental impact.

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## Sustainability in our global estate

We aim for all our new build and refurbishment projects to result in a reduction of our impact on the environment. We comply with any local regulations and also follow our own sustainability guidance to ensure that sustainability is considered during the design, construction and refurbishment of all our buildings.

In Spain this year, for example, two major premises projects have taken place, the building of a new teaching centre and the ongoing extensive refurbishment of the British Council School in Madrid. These projects have complied fully with strict Spanish environment and building regulations as well as with our own internal guidance.

The most significant achievement of the year was in India. Here our refurbished flagship office in New Delhi was awarded the top 'platinum' rating in the Leadership in Energy and Environmental Design (LEED) green building rating system. The building now uses 17 per cent less energy than a conventional building and we have reduced the amount of power we use on lighting by 45 per cent and the amount of water by 44 per cent. The New Delhi office is the first British Council building in the world to achieve this globally acknowledged standard of excellence.

# Financial review and accounts

## Financial review

### Summary of results

- For every £1 of government grant-in-aid from the FCO we generated an additional £5.28 from other sources, up from £4.32 the previous year.
- Grant-in-aid reduced by £8 million to just 16 per cent of total income in 2014–15 (19 per cent in 2013–14).
- Despite the cut in grant-in-aid, we achieved a 13 per cent (£109 million) increase in total income compared with last year. The total income of £973 million is £23 million ahead of our income target set in the 2014–16 Corporate Plan.
- 2014–15 income disclosed in the accounts includes the value of income-in-kind (£21 million). This represents the benefit generated for the British Council from gifts in kind and donated services and facilities.
- We made savings through increased efficiency as our worldwide platform costs went down to 13.8 per cent of total expenditure from 14.4 per cent last year.
- We achieved our target of £100 million on Official Development Assistance.

### Income earned and funding received

Our government grant-in-aid continues to fall in line with the Spending Review Settlement of October 2010. The £154.9 million grant-in-aid received in 2014–15 was five per cent less than the previous year (2013–14: £162.4 million).

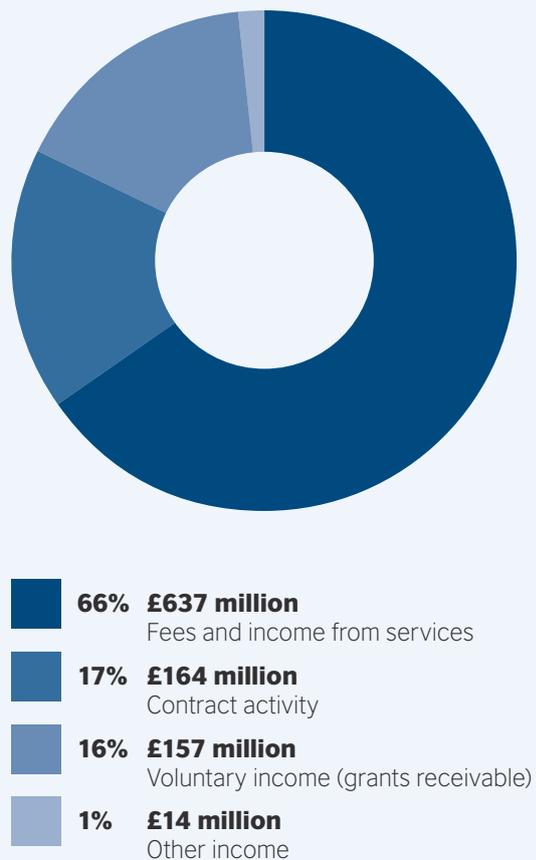
Despite the reduction in FCO grant-in-aid, total income increased by 13 per cent (£109 million) compared with 2013–14.

The most significant increase by value was in our teaching and examinations business. The £490 million teaching and examinations income generated in 2014–15 was nine per cent (£42 million) higher than the previous year.

In 2014–15, our partnership income totalled £111 million (2013–14: £88 million). This comprised £90 million of income from partner organisations (2013–14: £65 million) and £21 million of income in-kind, representing the value of gifts and donated services, (2013–14: £23 million). Our Corporate Plan target for partnership income, excluding income in-kind was £60 million.

Taken together, funding for contract activity and contract management fee income increased by 23 per cent to £24 million compared with the previous year (£20 million).

Sources of income<sup>1</sup>



<sup>1</sup> The difference in the total income and the sum of the totals shown here is due to rounding.

## Expenditure

Resources expended across the group increased by ten per cent (£91 million) compared with last year to a total of £972 million. This increase reflects both the growth in income generating activities and over £50 million having been invested in 2014–15 in projects for growth, infrastructure and operational efficiency, the British Council continues to drive towards its 2020 vision. Operating models such as the Global Operating Model and Strategic Business Unit Operational Model seek to mould the charity into a successful entrepreneurial organisation. Funds invested in product development and supporting operational efficiencies will move the organisation towards greater technical stability and provide essential business protection.

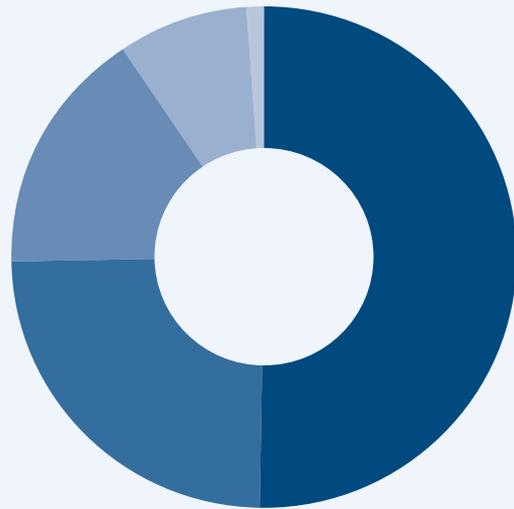
Our staff numbers reflect the growth in our business. We have increased the value of non-grant-in-aid income we have generated, relative to staff numbers, to £93,936 per employee in 2014–15 from £87,245 in 2013–14.

During the year the British Council suffered net exchange losses of £0.5 million (2013–14: £8.4 million) resulting from the impact of the strengthening of sterling on our overseas activities.

As part of the UK's commitment to ODA, we achieved our target and spent £100 million of our 2014–15 FCO grant-in-aid on development activity in ODA eligible countries as defined by the Organisation for Economic Co-operation and Development.

We achieved savings and efficiencies on our grant costs in 2014–15. One way in which we track our efficiency is by looking at the percentage of our total expenditure that relates to our worldwide platform of buildings, infrastructure and support staff. We have steadily reduced this percentage over the past five years from 18 per cent in 2010–11 to 14 per cent in 2014–15.

## Resources expended<sup>2</sup>



<sup>2</sup> The difference in the total resources expended and the sum of the totals shown here is due to rounding.

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## Revaluation of land and buildings

In accordance with our accounting policy, the British Council revalued 20 per cent of its land and buildings as at 31 March 2015. This revaluation was carried out by the British Council's 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. The revaluation gave rise to a net downward adjustment of £6.6 million. This has been applied by decreasing the revaluation reserve by £4.4 million relating to the reversal of prior year revaluations and by making an impairment charge on assets written down below their historical cost of £2.2 million. This charge has been carried to the capital reserve.

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## Fair trading

We have a fair trading policy to ensure that our trading activities are at all times conducted fairly and in accordance with relevant legal requirements. We maintain an accounting firewall to ensure that our use of grant 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.

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## Reserves policy

The Trustees approved the reserves policy in June 2012. As reflected on the Balance Sheet, the policy designates the British Council's free and unrestricted funds:

- First to a Risk Reserve representing a minimum level of funds required to protect the British Council from the potential financial impact of business risks and status and tax risks.
- Then to an Investment Fund representing funds earmarked for use on planned investment projects that will deliver growth and/or increase impact; or that increase efficiency and/or capability.

If a balance remains within the General Account after the designation to the Risk Reserve and the Investment Fund, it remains deployable at the discretion of management in line with the British Council's corporate targets.

Management regularly review funds within the scope of the reserves policy to take account of the latest targets and assessment of risks and opportunities, financial out-turn, and plans and projections for the following year. As a result of the latest review, the risk reserve as at 31 March 2015 has been reduced by £8 million to £37 million.

The British Council must manage its affairs to ensure that the level of reserves and associated cash balances related to activity substantially funded by the government grant are kept at an acceptable level in accordance with its responsibilities under Managing Public Money.

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## Grant making policy

Part of our charitable activity is undertaken by making grants to individuals and organisations to facilitate their participation in events, schemes or programmes set up to achieve our objectives. The grants are made to successful applicants, both from overseas and the United Kingdom, who fulfil the published criteria for each scheme and who are best suited to deliver the objectives of the activity.

During the year to 31 March 2015, the British Council made grants totalling £165.3 million. An analysis of the recipients and the objects of these grants is in note 8 of the accounts.

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## 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 2014–15, 98 per cent (2013–14: 98 per cent) of valid invoices were paid within this target period. This figure includes payments of grants and stipends. The total number of payment transactions processed in 2014–15 was 145,835 (2013–14: 131,664). These figures relate only to UK activity.

Trade creditor days for the British Council for the year ended 31 March 2015 were 17 days (2013–14: 22 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. These figures relate only to UK activity.

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## Estates management

Our global estate supports our work worldwide. We manage our property assets with the aim of improving the cost-efficiency, effectiveness and sustainability of the estate over time, and of measuring its performance against external property and commercial benchmarks.

We make decisions on property acquisitions, lease renewals, refurbishments or disposals to support the priorities agreed in the Corporate Plan or to address specific health and safety, security or maintenance issues.

The British Council's overseas estate comprises 268 commercial properties in 112 countries plus a small number of residences. The majority of the overseas properties are leased rather than owned to keep fixed costs low and to give greater flexibility. In the UK, we have large premises in London and Manchester, together with smaller regional offices in Cardiff, Edinburgh and Belfast. All the UK properties are leased.

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

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

I have audited the financial statements of the British Council for the year ended 31 March 2015. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and British Council Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Board of Trustees, Chief Executive and auditor

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

I audit under the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with those Acts.

My responsibility is to audit and express an opinion on the financial statements in accordance with the relevant legal and regulatory requirements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

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. This includes an assessment of whether the accounting policies are appropriate to the British Council's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the British Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements has 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 for qualified audit opinion on regularity

During 2014–15, the British Council appointed a new Chief Financial Officer and a new Chief Executive. In both instances, the British Council awarded remuneration packages that exceeded the threshold that requires approval by the Chief Secretary to the Treasury. These specific approvals were not sought by the Council at the appropriate times and the Chief Secretary to the Treasury has not provided these approvals retrospectively.

In the absence of the necessary approvals from the Chief Secretary to the Treasury, I have concluded that the remuneration packages agreed in excess of the levels requiring approval are not in conformity with the authorities which govern them and are materially irregular. I have therefore qualified my audit opinion on regularity in this regard.

I provide further information in my report, on pages 70 to 71.

### Qualified audit opinion on regularity

In my opinion, except for the matters described in the basis for qualified audit opinion paragraph above, in all material respects the expenditure and income has been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of British Council's affairs as at 31 March 2015 and of its net incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011, section 44 (1) (C) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Account (Scotland) Regulations 2006 (as amended) and directions issued by the Secretary of State for Foreign and Commonwealth Affairs.

### Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Charities Act 2011; and
- the information given in the sections titled Performance Overview, Governance and Management and Financial Review included within the Annual Report 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 which I 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; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

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

4 December 2015

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

### Background

The British Council (the Council) is an executive non-departmental public body, a public corporation and a charity, sponsored by the Foreign and Commonwealth Office. As an executive non-departmental public body, the Council is required to conform with the framework of authorities that governs it. I provide an opinion on whether, in all material respects, the financial transactions recorded in the financial statements conform to this framework of authorities.

One of the authorities that the Council must comply with is the Cabinet Office's *Guidance for Approval of Senior Pay*. This requires that, if remuneration of newly appointed Senior Civil Servants exceeds the Prime Minister's salary of £142,500, then approval must be obtained from the Chief Secretary to the Treasury.

### Appointment of the Council's Chief Financial and Chief Executive Officers

The British Council appointed a new Chief Financial Officer who commenced employment in June 2014 and a new Chief Executive who commenced employment in January 2015. The Council agreed to award a salary of £142,000 to the Chief Financial Officer, along with an additional one-off payment of £11,837, and a salary of £185,000 to the Chief Executive. In both instances, therefore, the Council awarded remuneration packages that exceeded the threshold requiring approval by the Chief Secretary to the Treasury. However, certain specific approvals were not sought by the Council at the appropriate times and the Chief Secretary to the Treasury has not provided retrospective approval.

### Sanctions imposed by the Chief Secretary to the Treasury

The Cabinet Office's *Guidance for Approval of Senior Pay* sets out that, in the case of breaches of pay controls, budgets may be reduced to recover costs. In refusing to provide retrospective approval for the Chief Executive's remuneration, the Chief Secretary to the Treasury also imposed a reduction of £200,000 in the budget of the Foreign and Commonwealth Office (FCO), as sponsor department of the Council. The Chief Secretary is also likely to reduce the funding of the FCO in respect of the Chief Financial Officer's remuneration, and the amount of the reduction is currently under discussion. The FCO, in turn, reduced the funding provided to the Council in 2014–15 by £200,000 and may make further reductions in 2015–16 funding in respect of the Chief Financial Officer.

### Basis of my qualification

I have concluded that the remuneration packages agreed in excess of the levels requiring approval are not in conformity with the authorities which govern them and are, therefore, materially irregular. I have qualified my audit opinion on regularity in this regard.

I noted the British Council's omission relating to the Chief Executive in my 2013–14 audit report. However, the appointment and related salary expenditure occurred in the 2014–15 financial year.

My qualification does not extend to the sanctions imposed by the Chief Secretary to the Treasury, since these are a budgetary disincentive and not an irregular transaction.

**Actions taken by the Council**

In response to the issues set out above, the Council has reviewed its process to ensure it complies fully with all the requirements for key appointments. It will engage fully with the Foreign and Commonwealth Office to ensure all have a shared understanding of the impact of the actions it is proposing in order to reduce the risk of such an event re-occurring. Further detail has been disclosed by the British Council in the Governance Statement and Note 19 to the financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

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

4 December 2015

# Accounts

## Statement of Financial Activities for the year ended 31 March 2015

	Notes	Unrestricted £'000	Restricted £'000	2014-15 Total £'000	2013-14 Total £'000
<b>Incoming resources</b>					
<b>Incoming resources from generated funds</b>					
Voluntary income	3	154,880	2,371	157,251	165,343
Investment income		2,205	–	2,205	2,661
Trading income		2,540	–	2,540	4,724
<b>Incoming resources from charitable activities</b>					
Fees and gross income from services and other sources	4	622,937	14,395	637,332	572,753
Funding for contract activity		–	164,111	164,111	117,212
Other incoming resources	6	9,438	–	9,438	1,596
<b>Total incoming resources</b>		<b>792,000</b>	<b>180,877</b>	<b>972,877</b>	<b>864,289</b>
<b>Resources expended</b>					
<b>Costs of generating funds</b>					
Trading expenses		660	–	660	87
<b>Cost of activities and grants made in furtherance of the objects</b>					
Developing a wider knowledge of the English language		487,813	919	488,732	486,036
Encouraging educational co-operation and promoting the advancement of education		129,172	113,127	242,299	194,758
Encouraging cultural, scientific and technological co-operation		79,271	359	79,630	66,730
Building capacity for social change		87,878	66,994	154,872	124,756
Governance costs		6,479	–	6,479	6,150
<b>Total resources expended to promote cultural relationships and the understanding of different cultures</b>	5	<b>790,613</b>	<b>181,399</b>	<b>972,012</b>	<b>878,430</b>
Taxation		3,191	–	3,191	1,893
<b>Total resources expended</b>		<b>794,464</b>	<b>181,399</b>	<b>975,863</b>	<b>880,410</b>
<b>Net incoming/(outgoing) resources</b>		<b>(2,464)</b>	<b>(522)</b>	<b>(2,986)</b>	<b>(16,121)</b>
<b>Transfers and other recognised gains/(losses)</b>					
Funds spent from restricted reserves	17	–	314	314	(1,930)
(Loss)/gain on revaluation of fixed assets for charity's own use	17	(4,409)	–	(4,409)	(3,656)
(Loss)/gain on revaluation of intangible fixed assets for charity's own use	17	501	–	501	(547)
Gain on revaluation of fixed assets for charity's own use – heritage assets	17	21,383	–	21,383	6,770
Transfer of heritage assets to restricted funds	17	(10,511)	10,511	–	–
Foreign exchange differences arising on consolidation of subsidiaries	17	(209)	–	(209)	(34)
Other reserve movements	17	–	–	–	579
<b>Net movement in funds</b>		<b>4,291</b>	<b>10,303</b>	<b>14,594</b>	<b>(14,939)</b>
Funds brought forward at start of year		294,806	61,890	356,696	371,635
<b>Funds carried forward at end of year</b>		<b>299,097</b>	<b>72,193</b>	<b>371,290</b>	<b>356,696</b>

The British Council's non-consolidated total incoming resources for 2014–15 were £901.3 million (2013–14: £823.4 million); total resources expended were £893.7 million (2013–14: £839.2 million); and total net incoming resources were £7.6 million (2013–14: net outgoing resources of £15.8 million).

Restricted activity includes £95 million (2013–14: £60 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 £11.1 million (2013–14: £9.3 million) received in relation to European Commission projects. There are no other recognised gains and losses other than those passing through the Statement of Financial Activities. All activities are continuing. The notes on pages 75 to 104 form part of these accounts.

## Balance Sheet as at 31 March 2015

	Notes	Group		British Council	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Fixed assets</b>					
Intangible fixed assets	9	7,511	4,636	7,499	4,618
Tangible fixed assets	10	165,118	169,487	160,865	165,850
Heritage assets	11	129,387	107,632	129,387	107,632
Investments	12 (f)	1,350	1,411	1,350	1,435
<b>Total fixed assets</b>		<b>303,366</b>	<b>283,166</b>	<b>299,101</b>	<b>279,535</b>
<b>Current assets</b>					
Stock		629	569	604	559
Loan to subsidiaries	12(c)	–	–	11,454	6,033
Debtors	13	107,577	76,709	98,348	76,160
Cash at bank and in hand	22	157,712	181,010	142,244	172,560
Short-term investments	14	91,219	72,306	91,219	69,925
<b>Total current assets</b>		<b>357,137</b>	<b>330,594</b>	<b>343,869</b>	<b>325,237</b>
<b>Liabilities: amounts falling due within one year</b>					
Creditors	15	(256,958)	(227,682)	(248,723)	(220,281)
Short-term provisions for liabilities and charges	16(a)	(13,025)	(8,970)	(12,860)	(8,128)
<b>Net current assets</b>		<b>87,154</b>	<b>93,942</b>	<b>(82,287)</b>	<b>96,828</b>
<b>Total assets less current liabilities</b>		<b>390,520</b>	<b>377,108</b>	<b>381,387</b>	<b>376,363</b>
<b>Liabilities: amounts falling due after more than one year</b>					
Long-term provisions for liabilities and charges	16(b)	(19,230)	(20,411)	(18,997)	(20,271)
<b>Net assets excluding retirement benefits scheme asset</b>		<b>371,290</b>	<b>356,697</b>	<b>362,390</b>	<b>356,092</b>
Retirement benefits scheme asset/(deficit)	7(i)	–	–	–	–
<b>Net assets</b>		<b>371,290</b>	<b>356,697</b>	<b>362,390</b>	<b>356,092</b>
<b>Funds and reserves</b>					
<b>Unrestricted funds</b>					
General account	17	9,500	–	9,500	–
Risk reserve	17	34,600	45,000	34,600	45,000
Investment fund	17	23,696	28,255	19,061	30,739
Retirement benefits scheme reserve	17	–	–	–	–
Capital account	17	98,370	95,956	94,679	92,374
Revaluation account	17	74,259	78,167	73,685	78,095
Heritage assets reserve – unrestricted	17	58,671	47,428	58,672	47,428
<b>Total unrestricted funds</b>		<b>299,096</b>	<b>294,806</b>	<b>290,197</b>	<b>293,636</b>
<b>Restricted funds</b>					
Other restricted funds	17	(368)	(314)	(368)	252
Endowment funds	17	1,846	2,000	1,846	2,000
Heritage assets reserve – restricted	17	70,715	60,204	70,715	60,204
<b>Total restricted funds</b>		<b>72,193</b>	<b>61,890</b>	<b>72,193</b>	<b>62,456</b>
<b>Total charity funds</b>		<b>371,289</b>	<b>356,696</b>	<b>362,390</b>	<b>356,092</b>
Minority interest	17	1	1	–	–
<b>Total capital employed</b>		<b>371,290</b>	<b>356,697</b>	<b>362,390</b>	<b>356,092</b>

Approved by the Board of Trustees and signed on its behalf on 23 November 2015.



**Sir Vernon Ellis, Chair**  
British Council



**Sir Ciarán Devane, Chief Executive** Accounting Officer  
British Council

## Cashflow statement for the year ended 31 March 2015

	2014-15		2013-14	
	£'000	£'000	£'000	£'000
<b>Net outgoing resources for the year</b>	(2,986)		(16,121)	
		(2,986)		(16,121)
<b>Add/(deduct):</b>				
Interest receivable	(2,205)		(2,661)	
Depreciation charge including impairments	10,890		9,600	
Amortisation charge including impairments	580		628	
(Gain)/loss on sale of tangible fixed assets	(181)		68	
Loss on revaluation of land and buildings	2,190		4,172	
Loss/(gain) on disposal of fixed asset investment	(103)		133	
Taxation charge	3,191		1,893	
Movement on donated heritage assets	–		(18)	
Foreign exchange difference arising on consolidation of subsidiaries	(209)		(34)	
Other reserve movements	–		579	
(Increase)/decrease in stocks	(60)		54	
(Increase)/decrease in debtors	(30,868)		3,173	
Increase/(decrease) in creditors	29,265		4,134	
Movement in provisions including short-term element	2,871		(769)	
Movement in pension asset	–		–	
<b>Total additions/deductions</b>		15,361		20,952
<b>Net cash inflow from operating activities</b>		12,375		4,831
<b>Returns on investments and servicing of finance</b>				
Interest receivable	2,205		2,661	
Net withdrawals from/(payments into) short-term deposits	(18,913)		(6,824)	
<b>Total returns on investments and servicing of finance</b>		(16,708)		(4,163)
<b>Taxation</b>				
Overseas corporation tax paid	(3,180)		(1,027)	
<b>Total taxation</b>		(3,180)		(1,027)
<b>Capital expenditure and investments activities</b>				
Receipts from sale of investments	257		1,348	
Payments to acquire investments	(93)		(427)	
Payments to acquire intangible fixed assets	(2,953)		(18)	
Payments to acquire tangible fixed assets	(15,430)		(9,610)	
Payments to acquire heritage assets	(371)		(686)	
Receipts from sales of tangible fixed assets	2,491		130	
Receipts from loan repayments	–		99	
Receipts from restricted grant reserve	314		(1,930)	
<b>Total capital expenditure and investments activities</b>		(15,785)		(11,095)
<b>Increase/(decrease) in cash</b>		(23,298)		(11,455)
Cash at start of year		181,010		192,463
<b>Cash at end of year</b>		157,712		181,010

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.

# Notes

## 1 Basis of preparation and consolidation

The accounts comply with Accounting and Reporting by Charities: Statement of Recommended Practice (Revised 2005) ('the SORP') and other applicable accounting standards; the Charities Act 2011; the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs; and with the 2014–15 Government Financial Reporting Manual ('the FReM') where this exceeds but does not conflict with the SORP.

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

The Group financial statements comprise a consolidation of the Charity, its subsidiary undertakings listed in note 12(a), and the special trusts controlled by the British Council listed in note 17 under the Expendable Endowment Reserve. All subsidiaries in the British Council Group have been consolidated under the acquisition method (see note 12).

No separate Statement of Financial Activities has been presented for the British Council Charity as the British Council has taken advantage of the exemptions afforded by paragraph 397 of the Charities SORP. A summary of all subsidiaries' results and balance sheets is provided in note 12(b). Intra group transactions are eliminated on consolidation and all income and expenditure figures in the Statement of Financial Activities relate to external transactions only.

The results of a joint venture, IELTS Inc., have not been consolidated or disclosed as they are not material. Further information about the British Council's interest in IELTS is in note 12.

The financial statements for the year ended 31 March 2015 have been prepared on a going concern basis: both the Board of Trustees and management believe that this is an appropriate basis of preparation.

## 2 Accounting policies

### (a) Contractual income

Contractual income earned through the provision of goods and services is recognised on an accruals basis. Incoming resources relating to the future provision of services under contracts are deferred until the services are provided and entitlement to the income is earned.

### (b) Grants and donations receivable

Grant-in-aid received from the Foreign and Commonwealth Office is recognised as unrestricted income in the year in which it is received.

Income received under other grants and donations is recognised in the Statement of Financial Activities when all of the SORP's criteria of entitlement, certainty, and measurability have been met by the Balance Sheet date.

### (c) Resources expended

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the British Council to the expenditure. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Grants payable are made to third parties in the furtherance of the charitable objects of the British Council. Grants payable are accounted for when either:

- the recipient has a reasonable expectation that they will receive a grant and the trustees have agreed to pay the grant without condition; or
- the recipient has a reasonable expectation that they will receive a grant and any condition attaching to the grant is outside the control of the British Council.

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 Statement of Financial Activities is classified under the SORP's three principal categories: cost of generating funds, charitable activities and governance.

Cost of generating funds comprises expenditure associated with generating trading income.

Charitable activities comprises 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, but excludes governance costs. Charitable expenditure is analysed between four of the British Council's charitable objects:

- Promote a wider knowledge of the United Kingdom.
- Develop a wider knowledge of the English language.
- Encourage cultural, scientific, technological and other educational co-operation between the United Kingdom and other countries.
- Otherwise promote the advancement of education.

The British Council also has an overarching charitable object: to promote cultural relationships and the understanding of different cultures between people and peoples of the United Kingdom and other countries, which encompasses the other four objects of the organisation.

In addition, the notes to the financial statements provide an analysis of expenditure by type.

Support costs included within charitable activities are allocated against the charitable objects based on a pro rata basis. Drivers (such as financial transaction volumes, staff costs, and gross expenditure) are applied to allocate the support costs to the 'developing a wider knowledge of the English language' activity. The balance of support costs are then apportioned between the remaining three categories of charitable activity on a pro rata basis based on total expenditure.

The SORP requires separate disclosure of governance costs. These relate to the cost of the public accountability of the British Council and of its compliance with regulation and good practice. Governance costs include relevant directly attributable staff costs as well as legal and statutory audit costs.

#### (e) Taxation

For the United Kingdom only, 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 brought to account net of VAT.

The British Council as a registered charity is exempt from 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 during 2014–15. Subject to the availability of similar charitable exemption overseas, provision has been made for overseas taxation on the profits of overseas subsidiaries and branches.

The British Council's policy is to comply with all relevant tax legislation and regulations in each country in which it operates, and to co-operate fully with relevant tax authorities. The British Council's tax status, and its liability to tax, varies from country to country according to the activities the British Council undertakes.

#### (f) Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £3,000 or more is incurred. Software licences are included at their value to the business by reference to current costs (i.e. market value), and are amortised at rates calculated to write off the assets on a straight-line basis over ten years or the period of the licence, whichever is shorter. Market value is established on an annual basis.

#### (g) Tangible fixed assets

Expenditure on assets with an economic life over one year is capitalised if:

- The cost of the asset, or a group of related assets purchased in bulk, is £3,000 or more.
- The costs meet the criteria for capitalisation set out in Financial Reporting Standard 15 – Tangible Fixed Assets.

Fixed asset purchases that cost less than £3,000 are expensed within resources expended in the Statement of Financial Activities in the year of acquisition.

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:

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

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

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

#### (i) Land and buildings

Land and buildings are recognised at a valuation arrived at 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 will be 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 will be reviewed annually and revalued where the change is material.

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. Specialised properties are valued on the basis of depreciated replacement cost. Properties earmarked for disposal are valued at open market value.

All upward revaluation adjustments for existing properties are held in the revaluation reserve. When a property is disposed of, the revaluation reserve is adjusted and any previous revaluation is released to the capital account. Downward revaluation adjustments as a result of consumption of economic benefit are charged to the Statement of Financial Activities. Other downwards revaluations are taken to the revaluation reserve to the extent of previous upwards revaluations, and thereafter are charged to the Statement of Financial Activities.

**(ii) Other tangible fixed assets**

All other tangible fixed assets are included at their value to the business by reference to current costs where material and are reviewed on an annual basis for material impairment. Upwards revaluations are added to the revaluation reserve as are downwards revaluations to the extent of previous upwards revaluations. Any excess downwards revaluations are taken to the Statement of Financial Activities before being moved to the capital account.

**(h) Heritage assets**

The British Council's permanent collection of purchased and donated works of art comprises over 8,500 heritage assets.

Where there is a readily ascertainable market value, the British Council's works of art are recorded on the balance sheet at current valuation. Where no readily ascertainable market value is available, they are recorded either at the initial purchase price or at the original valuation by the Curator of the collection on the date of donation.

The Curator carries out valuations of the collection each year as at 31 March. The Curator is a member of the British Council's staff as permitted under Financial Reporting Standard 30 – Heritage assets, and is a suitably qualified person. Any gains on the revaluation of heritage assets are recognised through the heritage asset revaluation reserve.

As permitted by Financial Reporting Standard 30 – Heritage assets, the British Council's heritage assets are not depreciated as they are considered to have an indefinite life. Any impairment of heritage assets is dealt with in accordance with Financial Reporting Standard 11 – Impairment of fixed assets and goodwill.

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

**(i) Fixed asset investments**

Investments held in subsidiaries and joint ventures are included in the Balance Sheet of the British Council 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 recognised as an expense within resources expended.

Other investments held for continuing use by the special trusts are included at the market value as at the Balance Sheet date.

Intragroup balances, including investments in subsidiaries, are eliminated on preparation of the group Balance Sheet.

**(j) Financial assets and liabilities**

Financial instruments are any contractual agreements that will give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. All material business arrangements are reviewed to determine the nature of the financial instruments they contain. Financial instruments are recognised on the Balance Sheet when the organisation becomes a party to the contractual provisions of the instrument.

The British Council may hold derivative financial instruments in the form of forward foreign exchange contracts. These are held to manage the organisation's exposure to currency fluctuations. Derivative financial instruments are classified as financial assets and liabilities, and are valued at fair value with gains and losses taken to the Statement of Financial Activities. Hedge accounting is not used.

Creditors are recognised at carrying value. 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 has been reliably estimated. Provisions for liabilities and charges are accounted for at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date, discounted to present values where the effect of discounting is considered to be material.

Debtors are recognised at carrying value, reduced by appropriate allowances for estimated irrecoverable amounts.

**(k) Stocks**

Stock is valued at the lower of historical cost and net realisable value. Replacement cost is not materially different from historical cost. Purchases of consumable items are expensed as incurred.

**(l) Gifts in kind**

Companies, organisations and individuals have provided the use of facilities, equipment and premises to facilitate specific activities organised by the British Council.

Incoming resources include a reasonable estimate of the gross value of these gifts in kind to the British Council based on an internally developed standard cost model that reflects the types of non-cash contributions the British Council most commonly receives and the locations where the gifts are provided.

Donated assets, services and facilities are recognised on the date that they are received. Donated stock is recognised in the year it is distributed.

Income-in-kind is included within partnership income in 'Fees and income from services and other sources' (note 4).

Where the British Council collaborates to increase impact through co-creation projects, the resources committed by co-creation partners, such as expertise or facilities provided and paid for directly by the partner, are excluded from the British Council's accounts. The value of time given by volunteers is also excluded as their contribution to the charity cannot be reasonably quantified in financial terms.

**(m) Leases**

Costs relating to operating leases are charged to the Statement of Financial Activities over the period of the lease. The British Council has no finance leases.

**(n) Exchange differences**

Transactions in foreign currencies are translated into sterling on a monthly basis at the opening rate of exchange for the period. Current assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling on the Balance Sheet date. The foreign exchange element of revaluations of fixed assets is

accounted for as part of the revaluation amount. All exchange differences incurred in the year are taken to the Statement of Financial Activities.

The financial statements of group subsidiaries are translated into sterling prior to consolidation in the British Council group accounts. Balance Sheet items are translated using the rate of exchange ruling on the Balance Sheet date. Income and expense items are translated using an average rate for the period. Exchange differences are taken to reserves.

### (o) Retirement benefits

#### PCSPS

Past and present UK-appointed employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This is an unfunded defined benefit scheme. 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 PCSPS of amounts calculated on an accruing basis. Liability to pay future benefits is a charge on the PCSPS rather than the British Council.

#### Early retirement in the PCSPS

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 in respect of payments to employees in the UK who have retired, or are expected to retire, early as part of structured retirement schemes. The British Council pays the required amounts annually to the Principal Civil Service Pension Scheme over the period between early departure and normal retirement date.

#### 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 expected cost of providing pensions as calculated periodically by independent actuaries is charged so as to spread the cost over the expected average remaining service lives of current employees.

For overseas defined contribution schemes, the British Council recognises the contributions payable for the year in accordance with Financial Reporting Standard 17 – Retirement benefits.

#### Terminal gratuities

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.

### (p) Contingent liabilities

Where the British Council has significant possible obligations which do not meet the provisions criteria set out in Financial Reporting Standard 12 – Provisions,

contingent liabilities and contingent assets, these are disclosed as contingent liabilities unless such disclosure would seriously prejudice the position of the British Council.

### (q) Revenue and expenditure under contracts and agreements

Where the British Council receives funding or income for a specified purpose and can exercise discretion over the use of the funds, the British Council is considered to be acting as principal. In these circumstances, expenditure on activities under contracts or agreements is brought to account when incurred. Revenue is recognised when the British Council has earned entitlement to the income, is virtually certain that it will be received, and can measure the amount it is entitled to with sufficient reliability. The difference between revenue and receipts for each individual contract or agreement is carried forward in the Balance Sheet as a debtor or creditor balance.

Where funds are received by the British Council acting as an 'agent' rather than as principal, and the British Council transmits those funds to a third party but does not have responsibility for their ultimate application, the resources are not recognised in the British Council's Statement of Financial Activities or Balance Sheet, in accordance with the SORP. The terms of the contract may require the British Council to collect receipts and pass them on to a third party, or monies may be disbursed by the British Council and subsequently reimbursed by the client.

### (r) Fund accounting

Funds are classified as either unrestricted or restricted.

#### (i) Unrestricted funds

Unrestricted funds comprise those 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 where the Trustees, at their discretion, have created a fund 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 the notes to the financial statements.

#### (ii) Restricted funds

These are funds which are to be used in accordance with specific restrictions imposed by the donor, grant giver or trust deed. 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

Transfers between funds are primarily not discretionary and are made for statutory accounting purposes. The only discretionary transfers relate to the designation of unrestricted funds to the Risk Reserve and the Investment Fund in line with the reserves policy approved by the Board of Trustees.

### 3 Voluntary income

	Unrestricted £'000	Restricted £'000	2014–15 Total £'000	2013–14 Total £'000
<b>Foreign and Commonwealth Office</b>				
Revenue grant-in-aid	150,300	–	157,400	
Capital grant-in-aid	4,580	–	5,000	
<b>Total grant-in-aid</b>			<b>154,880</b>	<b>162,400</b>
<b>Other grants</b>				
<b>Grants receivable from</b>				
Department for Education		568		591
Welsh Government – Education and Skills		529		527
Department of Education, Northern Ireland		346		346
Scottish Government Schools Directorate		300		312
Commonwealth Secretariat		172		250
Barrick Gold Corporation		100		–
Luce Foundation/Bridging Voices project		93		–
Blavatnik Fellowships		97		–
International Inspirations		32		756
Department for Business, Innovation and Skills		26		24
US State Department		62		–
Citi Foundation		31		–
European Commission		–		31
Fledging Fund		12		–
Donations from Individuals		2		–
Columbia University		1		–
Henry Luce Foundation		–		90
Social Science Research Council		–		16
<b>Total other grants</b>			<b>2,371</b>	<b>2,943</b>
<b>Total grants receivable</b>			<b>157,251</b>	<b>165,343</b>

### 4 Fees and income from services and other income

	Contract management fee income £'000	Teaching and exams income £'000	Partnership income £'000	Other income £'000	2014–15 Total £'000	2013–14 Total £'000
<b>Fees, sponsorship and other income received from activities in furtherance of the objects:</b>						
Developing a wider knowledge of the English language	1,867	489,599	40,858	10,343	542,667	496,986
Encouraging educational co-operation and promoting the advancement of education	11,526	35	49,227	1,479	62,267	42,395
Encouraging cultural, scientific and technological co-operation	195	1	12,362	14	12,572	11,603
Building capacity for social change	10,866	11	8,745	204	19,826	21,769
<b>Total income received to promote cultural relationships and the understanding of different cultures</b>	<b>24,454</b>	<b>489,646</b>	<b>111,192</b>	<b>12,040</b>	<b>637,332</b>	<b>572,753</b>

Income-in-kind has been included within partnership income in the table above. For 2014–15, total income-in-kind was £21,179,653 (2013–14: £23,301,171).

Included in the above fees and income are restricted resources of £14,394,500 (2013–14: £840,000).

## 5 Total resources expended

	Grants payable	Staff costs	Other direct costs	Support costs	2014-15 Total	2013-14 Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost of activities in furtherance of the objects</b>						
Developing a wider knowledge of the English language	389	228,255	207,480	52,608	488,732	486,036
Encouraging educational co-operation and promoting the advancement of education	111,977	49,463	72,177	8,682	242,299	194,758
Encouraging cultural, scientific and technological co-operation	3,095	29,794	29,797	16,944	79,630	66,730
Building capacity for social change	49,804	28,091	40,216	36,761	154,872	124,756
Governance costs	–	4,800	436	1,243	6,479	6,150
<b>Total costs to promote cultural relationships and the understanding of different cultures</b>	<b>165,265</b>	<b>340,403</b>	<b>350,106</b>	<b>116,238</b>	<b>972,012</b>	<b>878,430</b>

Included in the above resources expended are costs of £181,398,424 relating to restricted expenditure.

Expenditure relating to income-in-kind has been included within other direct costs in the table above. For 2014-15, total income-in-kind was £21,179,635 (2013-14: £23,301,171).

The SORP requires grantmaking charities to identify the amount of support costs associated with grantmaking 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.

Included in governance costs are fees of £168,500 (2013-14: £168,500) payable to the Charity's auditors for the audit of the Charity's Annual Report. In addition to the Charity audit fees, total audit fees of £191,000 (2013-14: £153,000) were payable to the auditors of the Group's component audits.

There were no fees paid to the Charity's auditors in respect of non-audit work. Fees of £51,000 (2013-14: £160,000) were payable to the auditors of the Group's component audits for non-audit services.

In addition to the above, also included in other direct costs are amounts in respect of:

	2014-15	2013-14
	£'000	£'000
Payments for travel, subsistence, etc.	18,028	17,982
Property rental costs relating to operating leases	19,818	21,323
Depreciation and amortisation charged	11,470	10,228
Provisions charged to expenditure in year	18,081	14,526
Foreign exchange losses	9,620	9,714

The annual property rental costs relating to operating leases stated does not equal the annual commitments disclosed in note 18 of the accounts as a result of leases under contracts cancellable within one year.

## 6 Other incoming resources

	2014-15	2013-14
	£'000	£'000
Profit on disposal of fixed assets	354	244
Foreign exchange gains	9,084	1,334
Donated heritage assets	–	18
<b>Total other incoming resources</b>	<b>9,438</b>	<b>1,596</b>

## 7 Staff emoluments and related costs

### (a) Total staff costs

	2014–15	2013–14
	£'000	£'000
Wages and salaries – permanent	264,334	251,331
Wages and salaries – non permanent	50,356	54,766
Social security costs	9,023	5,659
Other pension costs	16,643	13,152
Early retirement costs	46	1,291
<b>Total staff costs</b>	<b>340,402</b>	<b>326,199</b>

Included in non-permanent wages and salaries is £30,945,926 (2013–14: £34,774,619) 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.

The totals above include allowances of £24,489,949 (2013–14: £22,209,771) for staff based in the UK and overseas.

(b) The number of employees at 31 March 2015, on a full time equivalent (FTE) basis, was 8,708 (2013–14: 8,045) analysed as follows:

	2014–15	2013–14
	Number of staff	Number of staff
<b>United Kingdom</b>		
Management and administrative (senior managers – 207 (2013–14: 207))	992	939
<b>Overseas</b>		
Management and administrative (senior managers – 294 (2013–14: 396))	5,128	5,087
Teachers	2,588	2,019
<b>Total employees</b>	<b>8,708</b>	<b>8,045</b>

Casual staff are excluded from the above figures.

(c) 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 of departure. Where the British Council has agreed early retirements, the additional costs are 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 the table.

Exit package cost band – UK-appointed staff	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014–15	2013–14	2014–15	2013–14	2014–15	2013–14
<£10,000	2	–	1	–	3	–
£10,000–£25,000	4	3	4	2	8	5
£25,000–£50,000	1	2	4	6	5	8
£50,000–£100,000	–	1	5	5	5	6
£100,000–£150,000	–	–	1	–	1	–
£150,000–£200,000	–	–	1	–	1	–
<b>Total number of exit packages</b>	<b>7</b>	<b>6</b>	<b>16</b>	<b>13</b>	<b>23</b>	<b>19</b>
<b>Total resource cost (£)</b>	<b>109,673</b>	<b>212,898</b>	<b>911,168</b>	<b>625,997</b>	<b>1,020,841</b>	<b>838,895</b>

Redundancy and other departure costs for staff appointed overseas have been paid in accordance with local terms and conditions of service.

Exit package cost band – overseas appointed staff	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014–15	2013–14	2014–15	2013–14	2014–15	2013–14
<£10,000	54	29	11	16	65	45
£10,000–£25,000	20	10	7	5	27	15
£25,000–£50,000	13	5	7	1	20	6
£50,000–£100,000	3	2	1	1	4	3
£100,000–£150,000	–	–	–	–	–	–
£150,000–£200,000	–	–	–	–	–	–
£200,000–£250,000	–	–	–	–	–	–
£250,000–£300,000	–	–	–	–	–	–
£300,000–£350,000	–	–	–	–	–	–
<b>Total number of exit packages</b>	<b>90</b>	<b>46</b>	<b>26</b>	<b>23</b>	<b>116</b>	<b>69</b>
<b>Total resource cost (£)</b>	<b>1,219,757</b>	<b>540,075</b>	<b>471,708</b>	<b>257,237</b>	<b>1,691,465</b>	<b>797,312</b>

(d) The current Chief Executive's total actual emoluments plus pension was £47,373 (2013–14: £229,447) comprising salary of £46,250 (2013–14: £188,012), which includes a bonus of £0 (2013–14: £17,500) and pension contributions of £1,123 (2013–14: £41,435). The Chief Executive is a member of the Principal Civil Service Pension Scheme. The previous Chief Executive's (left 31 December 2014) total emoluments plus pension was £177,872, comprising salary of £146,520, which includes a bonus of £17,500 and a pension contribution of £31,352.

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

	2014–15	2013–14
	Number of staff	Number of staff (Restated)
£60,000–£70,000	127	112
£70,001–£80,000	86	78
£80,001–£90,000	54	59
£90,001–£100,000	38	29
£100,001–£110,000	17	13
£110,001–£120,000	9	12
£120,001–£130,000	8	7
£130,001–£140,000	10	7
£140,001–£150,000	5	3
£150,001–£160,000	6	5
£160,001–£170,000	1	2
£170,001–£180,000	2	1
£180,001–£190,000	0	1
<b>Total</b>	<b>363</b>	<b>329</b>

Of staff with remuneration over £60,000, 281 UK-appointed staff (2013–14: 255) are members of a defined benefit pension scheme, and none are members of a defined contribution scheme (2013–14: none). Locally-appointed overseas staff are subject to a variety of locally agreed arrangements.

### Off Payroll engagements

Table 1: For all off-payroll engagements as of 31 March 2015, for more than £220 per day and that last for longer than six months.

Number of existing engagements as of 31 March 2015	35
Of which...	
Number that have existed for less than one year at time of reporting	18
Number that have existed for between one and two years at time of reporting	11
Number that have existed for between two and three years at time of reporting	1
Number that have existed for between three and four years at time of reporting	3
Number that have existed for four or more years at time of reporting	2*

### Notes

Table 1 – All existing off-payroll engagements, outlined in Table 1 above, have at some point been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

\*The two engagements in Table 1 identified as being in place for four or more years were contracts, renewed annually, where the services provided amounted to only 30 and 80 days per annum respectively.

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2014 and 31 March 2015, for more than £220 per day and that last for longer than six months.

Number of new engagements, or those that reached six months in duration, during the period	94
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	94
Number for whom assurance has been requested	94
Of which...	
Number for whom assurance has been received	94
Number for whom assurance has not been received	0
Number that have been terminated as a result of assurance not being received	0

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2014 and 31 March 2015.

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	1
Number 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.	26

## Notes

Table 3 – The off-payroll engagement referred to above, which ceased in June 2014, was an interim arrangement to provide temporary cover pending recruitment of a full-time employee in a senior finance role and based on a non exclusive basis.

(f) Travel expenses reimbursed to eight (2013–14: six) members of the Board of Trustees amounted to £30,119 (2013–14: £62,347).

No Trustees or any persons connected with them received any remuneration for their services during the year ended 31 March 2015.

(g) The Principal Civil Service Pension Scheme (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 2012.

For 2014–15, employers' contributions of £9,786,212 were payable to the PCSPS (2013–14: £8,736,084) at one of four rates in the range 16.7 per cent to 24.3 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 2014–15 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 £155,040 (2013–14: £95,303) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from three per cent to 12.5 per cent of pensionable earnings. Employers also match employee contributions up to three per cent of pensionable earnings. In addition, employer contributions of £10,722 (2013–14: £7,729), 0.8 per cent of pensionable pay, 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 £11,512 (2013–14: £15,080). Contributions prepaid at that date were £nil (2013–14: £nil). Employer contributions of £6,362 were also payable to the National Employment Savings Scheme (NEST) for employees auto-enrolled in that scheme (2013–14: £2,943)

(h) The British Council operates a small number of insured schemes for overseas-appointed staff. None of these schemes is of a significant size due to the small numbers of staff involved.

(i) The British Council operates a defined benefit scheme for UK-appointed employees formerly employed by the Central Bureau for Educational Visits and Exchanges (CBEVE). Financial Reporting Standard 17 Retirement Benefits 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 2011 and updated to 31 March 2015 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

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

	2015	2014	2013
	£'000	£'000	£'000
Fair value of scheme assets	18,808	18,707	18,242
Present value of scheme liabilities	15,239	15,394	17,286
Surplus/(deficit) in scheme	3,569	3,313	956
Unrecognised surplus	3,569	3,313	956
Asset/(liability) to be recognised	–	–	–

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

	2015	2014
	£'000	£'000
Scheme liabilities at start of period	15,394	17,286
Current service cost	5	5
Interest cost	619	648
Past service cost	(2,108)	251
Actuarial (gains)/losses	2,746	(1,491)
Benefits paid and death in service insurance premiums	(1,417)	(1,305)
<b>Scheme liabilities at end of period</b>	<b>15,239</b>	<b>15,394</b>

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

	2015	2014
	£'000	£'000
Fair value of scheme assets at start of period	18,707	18,242
Expected return on scheme assets	624	904
Actuarial gains/(losses)	894	866
Benefits paid and death in service insurance premiums	(1,417)	(1,305)
<b>Fair value of scheme assets at end of period</b>	<b>18,808</b>	<b>18,707</b>

The actual return on the scheme assets over the period ending 31 March 2015 was £1,518,000 (2013–14: £1,770,000).

### Total expense recognised in the Statement of Financial Activities

	2015	2014
	£'000	£'000
Current service cost	5	5
Interest cost	619	648
Past service cost	(2,108)	251
Expected return on scheme assets	(624)	(904)
Previously unrecognised surplus deducted from the past service cost	2,108	–
<b>Total (income)/expense recognised in the Statement of Financial Activities</b>	<b>–</b>	<b>–</b>

## Statement of total recognised gains and losses

	2015	2014
	£'000	£'000
Actual return less expected return on pension scheme assets Amount: gain/(loss)	894	866
Experience gains and losses arising on the scheme liabilities Amount: gain/(loss)	(203)	218
Changes in the assumptions underlying the defined benefit obligation Amount: gain/(loss)	(2,543)	1,273
<b>Total actuarial gains or loss (before restriction due to some of the surplus not being recognisable)</b> Amount: gain/(loss)	<b>(1,852)</b>	<b>2,357</b>
Effect of previously unrecognised surplus deducted from the past service cost Amount: gain/(loss)	2,108	(2,357)
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable Amount: gain/(loss)	(256)	(2,357)
<b>Total amount recognised in statement of total recognised gains and losses</b> Amount: gain/(loss)	<b>–</b>	<b>–</b>

## Assets

	2015	2014	2013
	£'000	£'000	£'000
Equity	9,900	9,484	8,373
Bonds	4,809	4,677	6,075
Property	3,369	3,573	3,539
Cash	730	973	255
<b>Total assets</b>	<b>18,808</b>	<b>18,707</b>	<b>18,242</b>

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

	2015	2014	2013
	% per annum	% per annum	% per annum
Inflation	3.20%	3.50%	3.40%
Salary increases	n/a	n/a	n/a
Rate of discount	3.10%	4.20%	3.90%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	5.00%	5.00%	5.00%
Allowance for commutation of pension for cash at retirement	None	None	None

The mortality assumptions adopted at 31 March 2015 imply the following life expectancies

Male retiring at age 60 in 2014	24.2
Female retiring at age 60 in 2014	26.3
Male retiring at age 60 in 2034	27.4
Female retiring at age 60 in 2034	29.5

### 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.

The expected long-term rates of return applicable for each period are as follows

	2015	2014
	% per annum	% per annum
Equity	7.00%	8.00%
Bonds	4.00%	3.50%
Property	6.25%	6.25%
Cash	1.50%	1.50%
Overall for scheme	5.82%	6.07%

### Amounts for the current and previous four years

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	18,808	18,707	18,242	17,177	17,225
Present value of scheme liabilities	15,239	15,394	17,286	12,996	11,515
Surplus/(deficit) in scheme	3,569	3,313	956	4,181	5,710
Experience adjustment on scheme assets	894	866	333	(675)	687
Experience adjustment on scheme liabilities	(203)	218	(88)	(11)	425

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.

### (j) Trustees

Capita ATL Pension Trustees Limited, independent Trustee to the Scheme, was paid fees amounting to £54,640.75 (2013–14: £33,598.00) excluding VAT during the year. Two other Trustees were paid fees amounting to £5,550.00 and £2,075.00 respectively (2013–14: £6,500.00 and £0.00 respectively) excluding VAT during the year. No travel expenses were reimbursed to Trustees during the year.

## 8 Grants payable

The British Council gives financial support to particular programmes and activities in the form of grants to institutions and individuals. Analysis of the grant recipients by object and category:

Type of institution	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 2014-15	Total 2013-14
	£'000	£'000	£'000	£'000	£'000	£'000
Universities	111	71,616	64	130	71,922	45,946
Charities, NGOs and social enterprises	25	5,393	361	34,557	40,336	27,548
Other bodies	121	9,589	1,107	12,224	23,041	14,317
Schools	–	13,144	37	450	13,631	8,983
Colleges	–	7,908	–	280	8,189	2,449
Arts bodies	–	381	914	472	1,767	2,214
National and international government bodies	18	2,721	1	14	2,754	2,190
Local government bodies	45	385	–	12	441	1,392
Environmental groups	–	111	–	1,241	1,352	858
Religious bodies	–	1	–	214	214	76
<b>Total grants to institutions</b>	<b>320</b>	<b>111,249</b>	<b>2,484</b>	<b>49,594</b>	<b>163,647</b>	<b>105,973</b>
Grants to individuals	68	729	610	212	1,619	3,372
<b>Total grants payable to promote cultural relationships and the understanding of different cultures</b>	<b>388</b>	<b>111,978</b>	<b>3,094</b>	<b>49,806</b>	<b>165,266</b>	<b>109,345</b>

## 9 Intangible fixed assets

Software licences	
£'000	
<b>Modified cost or valuation</b>	
At 1 April 2014	6,237
Additions/transfers	2,954
Disposals	–
Revaluations	(557)
<b>At 31 March 2015</b>	<b>8,634</b>
<b>Amortisation</b>	
At 1 April 2014	(1,601)
Charge for year	(580)
Disposals/transfers	–
Revaluations/backlog amortisation	1,058
<b>At 31 March 2015</b>	<b>(1,123)</b>
<b>Net book value</b>	
At 31 March 2015	7,511
At 1 April 2014	4,636

Included in the above:

### Assets under construction (AUC)

Software	
£'000	
AUC cost at 1 April 2014	–
Transfers of completed assets to additions	–
Additions to AUC	2,612
<b>Total AUC cost at 31 March 2015</b>	<b>2,612</b>

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 ten years or the period of the licence, whichever is shorter. These revaluations take place annually in line with market value.

## 10 Tangible fixed assets

	Freehold land and property – commercial	Freehold land and property – residential	Leasehold land and property – commercial	Leasehold land and property – residential	Furniture and equipment	Information technology	Vehicles and plant	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Modified cost or valuation</b>								
At 1 April 2014	89,285	5,917	77,058	15,025	8,625	13,457	13,428	222,795
Additions/transfers	8,754	125	2,707	–	1,742	2,621	1,244	17,193
Transfers of completed assets from AUC	(797)	–	–	–	(310)	(428)	(227)	(1,762)
Reclassifications	–	–	–	–	–	–	–	–
Disposals	(1,105)	–	(2,949)	–	(700)	(389)	(216)	(5,359)
Revaluations (CCA)	–	–	–	–	–	–	–	–
Revaluations	(6,345)	–	(906)	–	–	–	–	(7,251)
<b>At 31 March 2015</b>	<b>89,792</b>	<b>6,042</b>	<b>75,910</b>	<b>15,025</b>	<b>9,357</b>	<b>15,261</b>	<b>14,229</b>	<b>225,616</b>
<b>Depreciation</b>								
At 1 April 2014	(3,350)	(54)	(24,812)	(96)	(6,222)	(10,023)	(8,751)	(53,308)
Charge for the year	(1,847)	(70)	(5,457)	(198)	(781)	(1,527)	(1,010)	(10,890)
Reclassifications	–	–	–	–	–	–	–	–
Disposals/transfers	312	7	1,756	–	627	138	208	3,048
Backlog depreciation (CCA)	–	–	–	–	–	–	–	–
Revaluations	621	–	31	–	–	–	–	652
<b>At 31 March 2015</b>	<b>(4,264)</b>	<b>(117)</b>	<b>(28,482)</b>	<b>(294)</b>	<b>(6,376)</b>	<b>(11,412)</b>	<b>(9,553)</b>	<b>(60,498)</b>
<b>Net book value</b>								
<b>At 31 March 2015</b>	<b>85,528</b>	<b>5,925</b>	<b>47,428</b>	<b>14,731</b>	<b>2,981</b>	<b>3,849</b>	<b>4,676</b>	<b>165,118</b>
At 1 April 2014	85,935	5,863	52,246	14,929	2,403	3,434	4,677	169,487

Included in the above:

### Assets under construction (AUC)

	Land and property	Furniture and equipment	Information technology	Vehicles and plant	Total
	£'000	£'000	£'000	£'000	£'000
AUC cost at 1 April 2014	5,536	582	1,337	918	8,373
Transfers of completed assets to additions	(797)	(310)	(428)	(227)	(1,762)
Additions to AUC	4,298	484	273	59	5,113
<b>Total AUC cost at 31 March 2015</b>	<b>9,037</b>	<b>756</b>	<b>1,182</b>	<b>750</b>	<b>11,725</b>

Included in tangible fixed assets are assets to the value of £32.8 million (2013–14: £25.7 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.

Freehold and long-leasehold land and buildings are revalued during a five-year rolling programme. From 2014–15 20 per cent of the portfolio is revalued every year augmented by annual revaluations of key properties in volatile markets. All freehold and long-leasehold land and buildings, except those earmarked for sale during the year, were valued as at 31 March 2014. They were valued by an external valuer, CBRE, a commercial property consultancy, in accordance with the guidelines issued by the Royal Institution of Chartered Surveyors.

Impairments to fixed assets in the year to 31 March 2015 resulting from this revaluation were £2.2 million. These are included within expenditure in note 5 (Total Resources Expended).

Non-specialised properties are valued on the basis of existing use value, except where restrictions on the British Councils' 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.

Properties earmarked for sale are valued at open market value as at the date during 2014–15 that they were valued for sale. Expected selling costs have not been deducted as they are not material.

Historical cost records are not available so the historical 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 Councils' 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 are several properties whose market value exceeds the existing use value at which the property has been included in the accounts. This is because the property would be worth more if used for a different purpose; for example where the British Council is using it for educational purposes, but it could be sold for a higher price for development for residential or office use. Cumulatively market value exceeds existing use value by £11.4 million (£11.6 million at 31 March 2014).

There is also one property where existing use value exceeds market value by £12.1 million due to restrictions on sale and the British Council not being entitled to all of the proceeds of sale.

The adjustments for current cost accounting revaluation and backlog depreciation, where material, include the effect of both upward and downward indices. Upwards revaluations are added to the revaluation account as are downwards revaluations to the extent of previous upwards revaluations. Any excess downwards revaluations are taken to the income and expenditure account before being moved to the capital account. 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 £1.4 million (2013–14: £1.9 million), this is the only property where treatment deviates from the accounting policy.

The British Council valued its fixed assets in 1994 when changing from cash to resource accounting principles. It is not practical to identify the original cost and accumulated depreciation of those assets included at valuation at that date.

The British Council currently has assets with a cost of £605,997 and a net book value of £61,420 in Damascus, Syria. The office in Damascus was closed in February 2012 and at the date of the financial statements remains so without a reopening date confirmed.

## 11 Heritage assets

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
<b>Modified cost or valuation</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>
At 1 April – cost	2,073	1,387	1,267	1,192	1,034
At 1 April – valuation	105,559	98,771	83,244	77,189	69,915
<b>Total value at 1 April 2014</b>	<b>107,632</b>	<b>100,158</b>	<b>84,511</b>	<b>78,381</b>	<b>70,949</b>
Collection additions – purchased	372	686	120	75	106
Collection additions – donated	–	18	450	27	52
Increase in valuation	21,383	6,770	15,077	6,028	7,274
<b>At 31 March 2015</b>	<b>129,387</b>	<b>107,632</b>	<b>100,158</b>	<b>84,511</b>	<b>78,381</b>
Unrestricted	58,672	47,428	43,629	37,250	78,381
Restricted	70,715	60,204	56,529	47,261	–
<b>Total</b>	<b>129,387</b>	<b>107,632</b>	<b>100,158</b>	<b>84,511</b>	<b>78,381</b>

The British Council maintains a permanent collection of works of art which started in 1938 and at present has over 8,500 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 collections 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 or above costs.

Artworks donated to the British Council are held as 'restricted' on the balance sheet as these assets are deemed to be inalienable (i.e. cannot be sold).

Artworks that are purchased by the British Council are held as 'unrestricted' on the balance as the British Council is free to sell these assets subject to Charity Commission approval.

The 'increase in valuation' figure for 2014–15 is a net amount. There were no disposals in 2014–15.

## 12 Investments

### (a) Subsidiary undertakings

Organisation Name	Country of incorporation	Principal activity	Class shares held/% (Charity)	Class shares held/% (Group)	Accounting year end date
BC Holdings (United Kingdom) Limited	England and Wales	Holding company	Ordinary/100%	Ordinary/100%	31 March
BC Trading International Ltd	England and Wales	Raising funds through trading activities	–	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
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%	Ordinary/100%	31 March
BC English and Examinations Services India Private Limited	India	Carrying out charitable objectives of the British Council	Ordinary/0.01%	Ordinary/100%	31 March
BC Management Services Private Limited	India	Provision of support services to the British Council	Ordinary/0.003%	Ordinary/100%	31 March
Yayasan Dewan Ingggris	Indonesia	Carrying out charitable objectives of the British Council	–	–	31 March
British Council Civil Association (registered name: British Council Asociación Civil)	Mexico	Carrying out charitable objectives of the British Council	Ordinary/99.99%	Ordinary/100%	31 December
British Council Associated Civil Association (registered name: British Council Asociados)	Mexico	Raising funds through trading activities	Ordinary/0.01%	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
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	Not yet operational	–	Ordinary/100%	31 March
BC Holdings (Thailand) Limited	Thailand	Holding company	–	Ordinary/100%	31 March
BC Operations (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	–	Ordinary/74%	31 March
BC Language Teaching (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/1%	Ordinary/100%	31 December
Friends of British Council, USA	USA	Fundraising and carrying out charitable objectives of the British Council	–	–	31 March

The entities in China, Brazil, Poland and Taiwan were invested during 2014–15. The Taiwan entity was registered but no trading had taken place at year end. We have also registered an entity in Russia but no investment or trading had taken place by 31 March 2015.

Friends of British Council (USA) is consolidated as a subsidiary undertaking 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 is made up of 48.8 per cent 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 is made up of 100 per cent ordinary shares, 49 per cent of which are owned by BC Holdings (United Kingdom) Limited and 51 per cent of which are owned by BC Holdings (Thailand) Limited. The Group therefore owns a total of 73.9 per cent of BC Operations (Thailand) Limited's share capital.

BC Language Teaching (Thailand) Limited's share capital is made up of 100 per cent ordinary shares, owned by BC Operations (Thailand) Limited. The Group therefore owns 73.9 per cent of BC Language Teaching (Thailand) Limited's share capital.

The Mexican entities, Ukrainian entities, and the Brazilian and Chinese entity all have a year end reporting date of 31 December due to their local statutory reporting requirements.

## (b) Financial results of subsidiaries

	BC Holdings (United Kingdom) Limited	BC Trading International Ltd	BC Education Consulting (Beijing) Co Ltd	BC Management Services Private Limited	British Council Foundation in Poland
	£	£	£	£	£
Investment at 1 April 2014	1	100	–	961,826	–
Additions	–	–	3,360,000	29	417
Investment at 31 March 2015	1	100	3,360,000	961,855	417

	2014–15	2014–15	2014–15	2014–15	2014–15
	£000	£000	£000	£000	£000
Assets	9,451	2,280	14,324	2,675	1,700
Liabilities	(9,708)	(2,268)	(5,980)	(1,543)	(1,741)
Reserves	(256)	11	8,344	1,132	(41)
Incoming resources/turnover	189	2,540	28,404	4,547	6,968
Resources expended/expenditure	(203)	(1,145)	(24,144)	(5,001)	(7,012)
Net incoming/(outgoing) resources/ profit/(loss)	(13)	1,395	4,261	(454)	(44)
Donation of profits to the British Council	–	(1,245)	–	–	–

	British Council (Singapore) Limited	BC Holdings (Thailand) Limited	BC Operations (Thailand) Limited	BC Language Teaching (Thailand) Limited	Other Subsidiaries
	£	£	£	£	£
Investment at 1 April 2014	–	2,053	1,848,049	1,026,694	620,667
Additions	–	–	–	–	101,666
Investment at 31 March 2015	–	2,053	1,848,049	1,026,694	722,333

	2014–15	2014–15	2014–15	2014–15	2014–15
	£'000	£'000	£'000	£'000	£'000
Assets	16,051	952	2,793	2,016	5,295
Liabilities	(7,848)	(1,126)	(2,245)	(2,086)	(5,688)
Reserves	8,203	(174)	548	(69)	(393)
Incoming resources/turnover	21,992	–	5,562	6,044	13,364
Resources expended/expenditure	(17,325)	(38)	(5,808)	(6,157)	(12,932)
Net incoming/(outgoing) resources/ profit/(loss)	4,667	(38)	(246)	(113)	432
Donation of profits to the British Council	–	–	–	–	–

### (c) Loans to subsidiaries

During the financial year British Council charged BC English Services Trans-National Limited interest of £7,854 (2014: £7,822) on the loan. At 31 March 2015, the balance on the loan was £345,199 (2014: £337,345).

During the financial year British Council charged BC Holdings (United Kingdom) Limited interest of £197,822 (2014: £83,464) on the loan. At 31 March 2015 the balance of the loan was £9,701,477 (2014: £4,276,542).

During the financial year British Council charged British Council Singapore Limited interest of £36,558 (2014: £24,316) on the loan. At 31 March 2015 the balance of the loan was £1,407,790 (2014: £1,419,555).

During the financial year BC Holdings (United Kingdom) Limited charged Friends of British Council USA interest of £3,749 (2014: £3,734) on the loan. At 31 March 2015 the balance of the loan was £161,497 (2014: £157,748).

During the financial year BC Holdings (United Kingdom) Limited charged BC Holdings (Thailand) Limited interest of £35,448 (2014: £41,812) on the loan. At 31 March 2015 the balance of the loan was £1,106,506 (2014: £957,157).

During the financial year BC Holdings (United Kingdom) Limited charged Limited Liability Company 'British Council (Ukraine)' interest of £8,529 (2014: £3,238) on the loan. At 31 March 2015 the balance of the loan was £314,437 (2014: £372,544).

During the financial year BC Holdings (United Kingdom) Limited charged Private Extra-Curricular Educational Institution 'British Council (Ukraine)' interest of £856 (2014: £669) on the loan. At 31 March 2015 the balance of the loan was £3,981 (2014: £60,249).

During the financial year BC Holdings (United Kingdom) Limited charged British Council Indonesia Foundation interest of £15,525 (2014: nil) on the loan. At 31 March 2015 the balance of the loan was £1,315,547 (2014: £175,302).

During the financial year BC Holdings (United Kingdom) Limited charged British Council Poland Foundation interest of £9,942 (2014: nil) on the loan. At 31 March 2015 the balance of the loan was £409,942 (2014: £nil).

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 Charity's balance sheet include only those loans to BC Holdings (United Kingdom) Limited, British Council (Singapore) Limited and BC English Services Trans-National Limited with a total value of £11,454,466 (2014: £6,033,442).

### (d) IELTS

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. The British Council's interest in IELTS is established in a joint venture agreement signed by the partners.

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 funded by loans from its founding members, including the British Council. These were paid off before 31 March 2015. The British Council's share of the IELTS Inc. income, expenditure, assets and liabilities have not been consolidated or disclosed in the accounts as they are not material.

IELTS Inc. has a 31 December year end. The auditor's report for the year end 31 March 2014 was unqualified.

**(e) Quoted investments**

	2015	2014
	£'000	£'000
Market value as at 1 April	1,411	2,461
Purchases during the year	93	426
Disposals during the year	(257)	(1,349)
Exchange differences	–	–
Net realised/unrealised gain/(loss)	103	(127)
<b>Market value at 31 March</b>	<b>1,350</b>	<b>1,411</b>
<b>Historical value as 31 March</b>	<b>1,017</b>	<b>1,017</b>
<b>Total investments at 31 March</b>	<b>29</b>	<b>36</b>
Held in the United Kingdom	20	25
Held outside the United Kingdom	9	11

All quoted investments are held by the special trusts within restricted funds, are listed on a recognised stock exchange and are valued at market value at the year end.

**(f) Total investments**

	2015	2014
	£'000	£'000
Quoted investments	1,350	1,411
Investment in subsidiaries	–	–
<b>Total</b>	<b>1,350</b>	<b>1,411</b>

**13 Debtors (amounts falling due within one year)****(a) Analysis by type**

	Group		British Council	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade debtors	53,651	35,239	42,537	32,954
VAT debtor	817	620	463	602
Other debtors	2,657	7,281	1,390	6,806
Balances resulting from activity under contracts and agreements	16,915	10,068	16,915	9,996
Prepayments and accrued income	33,537	23,501	32,280	22,857
Amounts due from subsidiary undertakings		–	4,763	2,945
<b>Total debtors</b>	<b>107,577</b>	<b>76,709</b>	<b>98,348</b>	<b>76,160</b>

**(b) Intra-government debtors**

	2015	2014
	£'000	£'000
Balances with central government bodies	8,071	1,880
Balances with local authorities	9	35
Balances with public corporations and trading funds	44	474
<b>Total intra-government debtors</b>	<b>8,124</b>	<b>2,389</b>
Balances with bodies external to government	99,453	74,320
<b>Total debtors</b>	<b>107,577</b>	<b>76,709</b>

**14 Short-term investments**

	Group		British Council	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Short-term deposits maturing in under one year	91,219	72,306	91,219	69,925
<b>Total short-term investments</b>	<b>91,219</b>	<b>72,306</b>	<b>91,219</b>	<b>69,925</b>

The British Council holds non-restricted funds on short-term deposit accounts or money market deposits with a maturity of not more than 12 months at market rates. Short-term deposits that can only be recalled with more than 24 hours' notice do not fall under the definition of cash as described in FRS1 and are therefore disclosed separately in this note.

**15 Creditors (amounts falling due within one year)****(a) Analysis by type**

	Group		British Council	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Trade creditors	17,228	20,062	22,772	18,114
Balances resulting from activity under contracts and agreements	31,399	54,103	31,304	54,103
Other creditors	7,487	5,239	6,430	5,186
Taxation and social security	5,797	4,664	4,495	4,411
Accruals	85,491	51,004	77,772	47,519
Deferred income	109,556	92,610	99,207	85,179
Amounts due to subsidiary undertakings	–	–	6,743	5,769
<b>Total</b>	<b>256,958</b>	<b>227,682</b>	<b>248,723</b>	<b>220,281</b>
At 1 April	92,610	87,514	85,179	78,762
Income recognised during the year	(105,581)	(179,840)	(97,021)	(150,967)
Income deferred during the year	122,527	184,936	111,049	157,384
<b>At 31 March</b>	<b>109,556</b>	<b>92,610</b>	<b>99,207</b>	<b>85,179</b>

**(b) Intra-government creditors**

	2015	2014
	£'000	£'000
Balances with central government bodies	7,213	5,061
Balances with local authorities	27	27
Balances with public corporations and trading funds	–	23
<b>Total intra-government creditors</b>	<b>7,240</b>	<b>5,111</b>
Balances with bodies external to government	249,718	222,571
<b>Total creditors</b>	<b>256,958</b>	<b>227,682</b>

**16a Provisions for liabilities and charges  
(amounts falling due within one year)**

	Terminal gratuities	Early retirement	Other staff	Other	Total costs
	£'000	£'000	£'000	£'000	£'000
At 1 April 2014	–	773	1,370	6,827	8,970
Unrealised loss on exchange		(738)	–	(459)	(1,197)
Net amounts paid or utilised in year		(2,313)	(570)	(7,071)	(9,954)
Charged to expenditure		2,280	1,927	10,178	14,385
Movement between short and long term		821	–	–	821
At 31 March 2015	–	823	2,727	9,475	13,025

**16b Provisions for liabilities and charges  
(amounts falling due after more than one year)**

	Terminal gratuities	Early retirement	Other staff	Other	Total costs
	£'000	£'000	£'000	£'000	£'000
At 1 April 2014	18,038	2,373	–	–	20,411
Unrealised loss on exchange	308	1	–	–	309
Net amounts paid or utilised in year	(6,836)	(1,782)	–	–	(8,618)
Charged to expenditure	6,293	1,656	–	–	7,949
Movement between short and long term	–	(821)	–	–	(821)
At 31 March 2015	17,803	1,427	–	–	19,230

Terminal gratuities are payments made to a member of local staff at the end of his/her 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 are 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.

The provision for early retirement relates to costs to service the number of early retirement schemes offered by the Principal Civil Service Pension Scheme. This provision has been discounted at a rate of 1.3 per cent as per PES 2014 (09).

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

### Movement in unrestricted funds

	Funds designated from the General account						Total
	General account	Risk reserve	Investment fund	Capital account	Revaluation account	Heritage asset reserve	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2014	–	45,000	28,255	95,956	78,167	47,428	294,806
Net incoming resources for the year	(2,465)	–	–	–	–	–	(2,465)
Employer pension contributions	–	–	–	–	–	–	–
Total pension expense	–	–	–	–	–	–	–
Actuarial loss recognised in the retirement benefits scheme	–	–	–	–	–	–	–
Losses on curtailments in the retirements benefits scheme	–	–	–	–	–	–	–
Revaluation of heritage assets	–	–	–	–	–	21,383	21,383
Transfer of purchased heritage assets	(371)	–	–	–	–	371	–
Foreign exchange differences arising on consolidation of subsidiaries	(209)	–	–	–	–	–	(209)
Transfer to restricted funds: heritage assets	–	–	–	–	–	(10,511)	(10,511)
Valuation account movement on land and buildings	2,190	–	–	(2,190)	(4,409)	–	(4,409)
Valuation account movement on general fixed assets	–	–	–	–	–	–	–
Valuation account movement on intangible fixed assets	–	–	–	–	501	–	501
Nominal transfer to capital account	(4,604)	–	–	4,604	–	–	–
Transfer from Risk Reserve	10,400	(10,400)	–	–	–	–	–
Transfer from/to Investment fund	4,559	–	(4,559)	–	–	–	–
<b>Balance as at 31 March 2015</b>	<b>9,500</b>	<b>34,600</b>	<b>23,696</b>	<b>98,370</b>	<b>74,259</b>	<b>58,671</b>	<b>299,096</b>
Minority interest							1
<b>Total capital employed</b>							<b>299,097</b>

The minority interest shown above relates to external shareholders in our own subsidiaries in Thailand (see note 12).

## Reserves policy

The closing balance of the General Account, and the designation of the Investment Fund, reflect the reserves policy approved by the Trustees in June 2012.

The risk reserve has been reduced by £8 million following a review of the maximum potential financial impact of the risks faced by the British Council. This has established a minimum level of funds (£37 million with effect from 31 March 2015) to be maintained in the Risk Reserve to protect the British Council from the potential financial impact of business risks and of status and tax risks.

The policy also designated funds for use in specific planned investment projects during 2015–16.

## Designated funds

Designated funds and the purpose for which their income may be applied are:

- Risk reserve – a designated reserve created from funds transferred from the General Fund that represents a minimum level of funds required to protect the British Council from the potential financial impact of business risks and status and tax risks.
- Investment fund – a designated reserve created from funds transferred from the General Account representing funds earmarked for use on specific planned investment projects. Funds held in the Investment Fund will be used for projects during 2015–16 and these funds will be added to from trading surpluses generated during the year.

The resources will be used for:

- (i) Growth and impact projects that will result in increased future impact, or revenues and/or surpluses.
  - (ii) Efficiency and capability projects that reduce cost structure and/or increase capability to deliver the British Council's objectives.
- Retirement benefits reserve – actuarially assessed net asset/(liability) relating to the British Council's share of the Central Bureau for Educational Visits and Exchange pension scheme.
  - 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 reserve – 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 revaluation of those assets. This excludes donated heritage assets which are shown within restricted reserve.

## Movement in restricted funds

	Income (restricted grants)	Expendable endowment reserve	Heritage asset reserve	Total
	£'000	£'000	£'000	£'000
Balance as at 1 April 2014	(314)	2,000	60,204	61,890
Transfer from unrestricted funds: heritage assets	–	–	10,511	10,511
Funds spent from reserves	314	–	–	314
Net incoming resources for the year	(368)	(154)	–	(522)
Balance as at 31 March 2015	(368)	1,846	70,715	72,193

### Permanent endowment reserve

The British Council must permanently maintain the whole of the fund. This is represented by:

- Sir Steven Runciman Prize Trust – Annual book prize awarded to a student of the University of Peshawar.

The Sir Steven Runciman Prize Trust is not disclosed in a separate Permanent Endowment Reserve as its total reserve balance is £397 which does not appear in the accounts when rounded to the nearest thousand.

### 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.

- Lefevre Trust – To promote understanding between the UK and France, and the mutual learning of each other's customs and language through an exchange programme for French and British boys and girls between the ages of 11 and 19.
- Hammond Trust – Provides small grants of up to £500 to students of Asian origin in the UK who are suffering hardship, to help them complete their course of study and return to their country of origin.
- De Souza Trust for Goanese Students – Assist education of men and women living in Goa, or born of Goan parents, by the award of scholarships or grants for study in the UK.
- The Sir Shiu Kin Tang Educational Trust – To advance the education of postgraduate students from Hong Kong in the UK. The Trust funds one to two scholarships a year.
- UK 9/11 Scholarship Fund – Provides scholarships to any child or other dependant of any person who has been killed or permanently injured as a result of the terrorist attack on the World Trade Centre in New York and similar tragedies, for higher education study 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 17–19 to undertake a specific study project relating to the language or culture of the other country.

	Unrestricted funds	Restricted funds	Total funds
Analysis of group net assets between funds	£'000	£'000	£'000
Fixed assets	231,301	70,715	302,016
Investments	125	1,225	1,350
Current assets	325,116	32,021	357,137
Current liabilities	(238,216)	(31,767)	(269,983)
Amounts falling due after more than one year	(19,230)	–	(19,230)
<b>Total net assets</b>	<b>299,096</b>	<b>72,194</b>	<b>371,290</b>

## 18 Commitments

### (a) Capital commitments

	2015	2014
	£'000	£'000
Contracted expenditure	1,614	1,555

Contracted expenditure includes £198,993 (2013–14: £218,730) relating to subsidiary capital commitments.

### (b) Specific charitable projects (grants)

	2015	2014
	£'000	£'000
To be undertaken in the following year	4	2,034

Grants to be undertaken in the following year includes £nil (2013–14: nil) relating to subsidiary charitable commitments.

### (c) Annual commitments under non-cancellable operating leases

	2015			2014		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
In one year or less	7,903	836	8,739	5,009	201	5,210
Between one and five years	6,909	83	6,992	6,288	977	7,265
In five years or more	5,219	–	5,219	4,956	–	4,956
<b>Total lease commitments</b>	<b>20,031</b>	<b>919</b>	<b>20,950</b>	<b>16,253</b>	<b>1,178</b>	<b>17,431</b>

Commitments under operating leases to pay rentals during future years are analysed according to the period in which each lease expires.

## 19 Losses and special payments

During the year ended 31 March 2015, there were 509 cases of losses totalling £587,153 as defined in Managing Public Money. This includes fraudulent and non-fraudulent business losses.

As reported in the 2013–14 Annual Report and in the Audit Report of the Comptroller and Auditor General, the value of our new Chief Executive's salary was not approved by HM Treasury. As a penalty, the British Council's grant-in-aid funding was reduced by £200,000. This is reflected in the £587,153 above.

There were no losses over the threshold for individual disclosure.

During the year ended 31 March 2015, the British Council made no payments that fall within the category of special payments as defined in Managing Public Money.

## 20 Related party transactions

The British Council is a non-departmental public body sponsored by the Foreign and Commonwealth Office (FCO).

The FCO is regarded as a related party. During the year the British Council has 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:

- Department for International Development
- Department for Business, Innovation and Skills
- Department for Education

In addition, the British Council has 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 British Council Board of Trustees.

None of the Trustees, Board members, key managerial staff or other related parties has undertaken any material transactions with the British Council during the year other than as disclosed below.

Organisation	Trustee/Board Member	Relationship	Spend	Debtor	Creditor
			Grants provided and funds disbursed under contracts/agreements	Receivable balance at year end	Payable balance at year end
			£'000	£'000	£'000
Oxford University	Professor Janet Beer	Visiting Fellow at Nuffield College	1,291	5	–
Sheffield Hallam University	Christopher Kinsella	Board Member	808	25	–
Imperial College London	Martin Roth	Member of the Council	656	9	–
University of Swansea	Aled Eirug	Strategic Policy Advisor	647	2	–
Open University	Martin Bean	Vice Chancellor	629	182	(3)
University of Portsmouth	Andy Mackay	Wife is an employee	556	3	–
Lancaster University	Christopher Kinsella	Fellow	504	10	–
Glasgow Caledonian University	Professor Pamela Gillies CBE	Principal and Vice Chancellor	294	12	–
KPMG	Michael Bird	Wife is an employee	216	1	–
Oxford Brookes University	Professor Janet Beer	Vice Chancellor	160	5	–
Universities UK	Professor Janet Beer	Vice President	113	–	–
Leonard Cheshire Disability	Martin Davidson	Trustee	104	–	–
Institute of Directors	Professor Pamela Gillies CBE	Member	42	1	–
British Museum	Martin Bean	Member	42	–	(1)
Trinity College	Sir David Verey CBE	Member, Trinity College, Finance Committee	39	–	–
Cabinet Office	Sir Vernon Ellis	Chair Arts and Media Honours Committee	28	–	–
Royal College of Art	Martin Roth	Member	23	–	–
Tate	David Verey CBE	Honorary Patron	18	–	–
Ernst & Young	Rika Hiphanna	Previous employee; maintains good relationship	16	–	(9)

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 British Council and these partners, however there may be other indirect benefits or similar.

## 21 Contingent liabilities

As a result of the regularisation of the British Council's status overseas there may be potential liabilities arising. Full disclosure has not been made in relation to these potential liabilities of the organisation as this could seriously prejudice the position of the British Council and impact the probability of the liability arising.

The British Council is estimated to have contingent liabilities of £0.5 million (2013–14: £2.7 million) in relation to ongoing legal action and £0.2 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.

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 2015.

## 22 Financial instruments

The Governance Statement sets out the British Council's approach to managing its main financial risks. In addition, the British Council is required to make the following disclosures under the UK Financial Reporting Standard 29.

The categories of financial instruments held within the British Council are:

- Loans and receivables: the British Council values loans and receivables initially at fair value and subsequently at amortised cost. The British Council does not intend to trade loans or receivables.
- Assets available for sale: the only assets that the British Council holds under this category are cash and short-term investments. These are stated in the accounts at fair value.
- Financial liabilities: the British Council's policy is that short-term creditors are recorded at carrying value and long-term creditors are reflected at amortised cost where reasonable timescales exist over which to discount and where this is materially different from carrying value.
- Financial assets and liabilities at fair value through profit or loss: 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 statement of financial activities.

### 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 five 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.

The British Council, as at 31 March 2015, held cash and cash equivalents amounting to £249 million (2013–14: £253 million), of which £82 million (2013–14: £109 million) was held in sterling, £50 million (2013–14: £48 million) was held in euros and £6 million (2013–14: £5 million) was held in US dollars. Other currency holdings amounted to £111 million (2013–14: £91 million).

Of the total cash balances of £249 million (2013–14: £253 million), £124 million or 50 per cent (2013–14: £99 million or 39 per cent) was held in overseas bank accounts of which £99 million (2013–14: £83 million) was held with banks incorporated in the UK and regulated by the Prudential Regulation Authority, £26 million (2013–14: £16 million), was held with overseas banks outside the UK bank portfolio. Counterparty risks relating to our banks holding balances overseas are reviewed regularly and 97 per cent of all funds are held with banks with an S&P short term deposit rating of A1 or greater.

At 31 March 2015, total interest income amounted to £2.2 million (2013–14: £2.6 million), of which £0.8 million (2013–14: £1.2 million) was earned in the UK and the balance of £1.4 million (2013–14: £1.4 million) attributable to cash invested overseas.

### 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 and US dollar 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 2015.

Cash held overseas and considered to be trapped due to foreign exchange controls amounted to a sterling equivalent of £17 million (2013–14: £16 million) as at 31 March 2015. 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.

In 2014–15, the British Council also used forward foreign exchange contracts to manage its exposure to the Indian rupee by mitigating the effect of unfavourable exchange rate movements. At 31 March 2015, the fair value of the forward foreign exchange contracts held was £0.1 million (2013–14: 0.1 million). All expire within 12 months of the Balance Sheet date.

## 23 Contract activity as an agent

During the year the British Council executed activities under two contracts where the British Council acted as an agent. As a result the resources are not recognised in the Statement of Financial Activities or Balance Sheet, in accordance with the SORP.

The resources from these contracts is analysed as follows:

	2014–15	2013–14
	£'000	£'000
<b>Commonwealth Scholarships</b>		
Contract income	1	31
Contract expenditure	1	31
Current assets	400	400
Current liabilities	400	400

## 24 Post Balance Sheet events

The financial statements were authorised for the issue by the Accounting Officer and Trustees on the date shown on the audit certificate. There were no post Balance Sheet events to report.



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<b>Australia</b> Sydney	<b>Cyprus</b> Nicosia	<b>Ireland</b> Dublin	<b>Malaysia</b> Kuala Lumpur Kota Kinabalu Kuching Penang	<b>Philippines</b> Manila	<b>South Africa</b> Johannesburg Cape Town	<b>United Kingdom</b> Belfast Cardiff Edinburgh London Manchester
<b>Austria</b> Vienna	<b>Czech Republic</b> Prague Brno	<b>Italy</b> Rome Milan Naples	<b>Malta</b> Valletta	<b>Poland</b> Warsaw Kraków	<b>South Sudan</b> Juba	<b>United States of America</b> Washington DC New York Los Angeles
<b>Azerbaijan</b> Baku	<b>Egypt</b> Cairo Alexandria Heliopolis	<b>Jamaica</b> Kingston	<b>Mauritius</b> Rose Hill	<b>Portugal</b> Lisbon Coimbra Miraflores Paredes Porto	<b>Spain</b> Madrid Barcelona Bilbao Guadalajara Palma de Mallorca Segovia Valencia	<b>Uruguay</b> Montevideo
<b>Bahrain</b> Manama	<b>Estonia</b> Tallinn	<b>Japan</b> Tokyo	<b>Mexico</b> Mexico City	<b>Qatar</b> Doha	<b>Sri Lanka</b> Colombo Jaffna Kandy	<b>Uzbekistan</b> Tashkent
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<b>Belgium</b> Brussels	<b>France</b> Paris Lyon Marseille	<b>Kazakhstan</b> Almaty Astana	<b>Morocco</b> Rabat Casablanca	<b>Russia</b> Moscow	<b>Switzerland</b> Bern	<b>Vietnam</b> Hanoi Ho Chi Minh City
<b>Bosnia and Herzegovina</b> Sarajevo	<b>Georgia</b> Tbilisi	<b>Kenya</b> Nairobi	<b>Mozambique</b> Maputo	<b>Rwanda</b> Kigali	<b>Taiwan</b> Taipei	<b>Yemen</b> Sana'a
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<b>Brazil</b> Recife Rio de Janeiro São Paulo	<b>Ghana</b> Accra Kumasi	<b>Kosovo</b> Prishtina	<b>Nepal</b> Kathmandu	<b>Senegal</b> Dakar	<b>Thailand</b> Bangkok Chiang Mai	<b>Zimbabwe</b> Bulawayo Harare
<b>Bulgaria</b> Sofia	<b>Greece</b> Athens Thessaloniki	<b>Kuwait</b> Kuwait City	<b>Netherlands</b> Amsterdam		<b>Trinidad and Tobago</b> Port of Spain	
<b>Burma</b> Mandalay Rangoon			<b>New Zealand</b> Auckland			
<b>Canada</b> Montréal Toronto			<b>Nigeria</b> Abuja Kano Lagos Port Harcourt			

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Details were correct as at 31 March 2015.