



HM Treasury

Framework Document

British Council

March 2024



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Introduction and background

1. Purpose of document

- 1.1. This framework document (the “framework document”) has been agreed between the Foreign, Commonwealth and Development Office (FCDO) and the British Council in accordance with HM Treasury's handbook Managing Public Money¹ (“MPM”) (as updated from time to time) and has been approved by HM Treasury.
- 1.2. The framework document sets out the broad governance framework within which the British Council and the FCDO operate. It sets out:
 - the British Council's core responsibilities
 - a description of the governance and accountability framework that applies between the roles of the FCDO and the British Council
 - how the day-to-day relationship works in practice, including in relation to governance and financial matters, developing the framework established in the Royal Charter of the British Council (the “Royal Charter”), the FCDO's reserved rights and delegated authorities.
- 1.3. The document does not convey any legal powers or responsibilities but both parties agree to operate within its terms.
- 1.4. Copies of the document and any subsequent amendments have been placed in the Libraries of both Houses of Parliament and made available to members of the public on the British Council's website.

Amendments to and interpretation of this document

- 1.5. Any amendment, update or replacement of any provision of this document shall be agreed by the parties, from time to time, in writing and must be consistent with the Royal Charter (as may be amended, updated or replaced from this date).
- 1.6. This framework document should be reviewed regularly and updated at least every 3 years unless there are exceptional reasons that render this inappropriate that have been agreed with HM Treasury and the Principal Accounting Officer of the FCDO. The latest date for review and updating of this document is March 2027.
- 1.7. References to the British Council in this document shall also be taken to include any subsidiaries, joint ventures or associate undertakings of the British Council over which it exercises effective control.
- 1.8. British Council's work is delivered through a mixed funding model comprising:
 - Core grant-in-aid received from the FCDO allocated through the HM Government Spending Review
 - Self-generated income from: fees from customers paying for services direct (such as teaching and exam services); funding for work delivered under

¹https://assets.publishing.service.gov.uk/media/65c4a3773f634b001242c6b7/Managing_Public_Money_-_May_2023_2.pdf

contract to third parties (including UK Government bodies); partnership income and fundraising.

For the purposes of this document, the term “public funds” is used only in the context of the core grant-in-aid received from the FCDO. The term “public funds” in this document does not apply to British Council’s self-generated income from other sources as described above.

2.Objectives

- 2.1. The British Council is the United Kingdom’s international organisation for cultural relations and educational opportunities. To achieve this, the British Council and the FCDO will work together in recognition of each other's roles and areas of expertise, providing an effective environment for the British Council to achieve its objectives through the promotion of partnership and trust and ensuring that the British Council also supports the strategic aims and objective of the FCDO and wider government as a whole.

3.Classification and control

- 3.1. The British Council has been classified primarily² as a public non-financial corporation by the ONS/HM Treasury Classifications team.
- 3.2. The British Council is registered as a charity in England and Wales (number 209131) and Scotland (number SC037733). The British Council is incorporated by Royal Charter and the Royal Charter (as may be amended from time to time) also sets out the British Council’s constitution.
- 3.3. The FCDO does not have any involvement in the day-to-day operations of the British Council, save to the extent of the Foreign Secretary’s rights as set out in the Royal Charter (see section 7) or otherwise agreed. The British Council is also required to seek consent for certain matters as set out in this document.

Purposes, aims and duties

4.Purposes

- 4.1. The British Council has been established by Royal Charter. Its charitable purposes (known as “objects”) are set out in the Royal Charter (see section 5).

5.Aims

- 5.1. The charitable objects of the British Council are to:
 - advance, for the public benefit, any purpose which is exclusively charitable and which shall:
 - promote cultural relationships between the people of the United Kingdom and other countries;

² The British Council is primarily classified as a public non-financial corporation. However, it has a secondary classification as a non-departmental public body, to enable funding via grant in aid.

- develop a wider knowledge of the English language; and
- encourage education co-operation between the United Kingdom and other countries, support the advancement United Kingdom education and education standards overseas, and otherwise promote education.

Governance and accountability

6. Governance and accountability

6.1. The British Council shall operate corporate governance arrangements that, so far as practicable and in the light of the other provisions of this framework document, its charitable status, or as otherwise may be mutually agreed, accord with good corporate governance practice and applicable regulatory requirements and expectations.

6.2. In particular (but without limitation), the British Council will:

- Comply with the principles and relevant provisions of the (UK) Charity Governance Code
- take into account and comply with, the codes of good practice and guidance set out in Annex A of this framework document, as they apply to public corporations.

Role of the department

7. The responsible Minister

7.1. The Secretary of State for Foreign, Commonwealth and Development Affairs (“Foreign Secretary”) will account for the British Council on all matters concerning the British Council in Parliament. The Foreign Secretary may appoint an FCDO Minister to lead on British Council matters and delegate decisions accordingly.

7.2. The Foreign Secretary’s rights in respect of the British Council are set out in the Royal Charter.

7.3. These are:

- prior approval of candidates to be elected, and re-elected, as Chair and Deputy Chair of the British Council by the British Council’s Board of Trustees;
- the right to nominate three persons to be Trustees of the British Council and, at any time, to replace those persons [nominated Trustees may hold office for a term or terms not exceeding in total six years]; and
- prior approval of candidates for appointment by the British Council’s Board of Trustees to the post of Chief Executive.

8. Respective roles in appointments to the Board of Trustees and other appointments

- 8.1. The Foreign Secretary's rights in relation to the British Council Board of Trustees and other appointments are set out in the Royal Charter and Bye-Laws. In addition:
- Whilst the appointments of the Chair and the Deputy Chair are not subject to the Public Appointments Order in Council³, these appointments should comply with the spirit and overarching principles of the Governance Code on Public Appointments where applicable to appointments of this nature.
 - The Chief Executive shall be a permanent employee of the British Council, appointed through a process that adheres to best practice guidance for appointments in being open, fair and transparent. The request to the Foreign Secretary for prior approval of the final appointment should be accompanied by an explanation in writing as to why such appointment is recommended by the Board. This process also applies to proposals to appoint an interim Chief Executive.
 - In each case, the Board will give legal effect to the appointment.
- 8.2. All such appointments should have regard to the principle that appointments should reflect the diversity of the society in which we live, and appointments should be made taking account of the need to appoint Boards which include a balance of skills and backgrounds.

9. Other Foreign Secretary rights

- 9.1. The Foreign Secretary (or their delegate) will be consulted upon and agree the British Council's overarching strategic objectives, as set out in the Corporate Plan, and the performance framework (KPIs) within which the British Council will operate.
- 9.2. The Foreign Secretary (or their delegate) will provide guidance to ensure the strategic steers for the British Council are consistent with those of the FCDO and the government.
- 9.3. The FCDO must give prior written approval to the following:
- Approval of high level percentages for grant-in-aid geographic and thematic allocations.
 - any material changes to the approved capital structure and to the financial framework
 - the appointment of any external auditor (see section 32)
 - acquisitions, disposals and entering into joint ventures of a value greater than 15% of the British Council's net assets at the relevant time.
- 9.4. At the reasonable request of the Foreign Secretary, the Chair and/or Chief Executive shall:
- meet the Foreign Secretary or representatives to discuss the affairs of the British Council

³ <https://www.gov.uk/government/publications/governance-code-for-public-appointments>

- provide such information in relation to the affairs of the British Council as the Foreign Secretary may reasonably require.

9.5. The Foreign Secretary is committed to giving the Board of Trustees the freedom to operate the British Council in line with the spirit of this framework document. Decisions on the running and day-to-day management of the British Council will be taken by the Board of Trustees and the Executive Team (or equivalent), as delegated, in accordance with their respective statutory, regulatory, common law and fiduciary duties.

10. The Principal Accounting Officer (PAO)

10.1. The Principal Accounting Officer (PAO) is the Permanent Under-Secretary of the FCDO.

10.2. The PAO is accountable to parliament for the issue of any grant-in-aid to the British Council.

PAO's specific accountabilities and responsibilities

10.3. The PAO is responsible for advising the responsible Minister on:

- an appropriate framework of objectives and targets for the British Council in the light of the FCDO's wider strategic aims and priorities
- an appropriate grant-in-aid for the British Council in the light of the FCDO's overall public expenditure priorities
- how well the British Council is achieving its strategic objectives and whether it is delivering value for money
- via the sponsorship team (see section 11), the exercise of the Ministers' responsibilities concerning the British Council as outlined above

10.4. The PAO via the sponsorship team is also responsible for ensuring arrangements are in place in order to:

- Monitor the British Council's activities and performance
- address significant problems in the British Council, making such interventions as are judged necessary and reasonable within the context of the British Council's status as a charity in law
- periodically carry out an assessment of the risks both to the department and the British Council's objectives and activities in line with the wider departmental risk assessment process
- inform the British Council of relevant government policy in a timely manner
- bring ministerial or departmental concerns about the activities of the British Council to the full British Council Board of Trustees and/or the Executive Team (as delegated) requiring explanations and assurances that appropriate action has been taken

11. The role of the sponsorship team

11.1. The Partnerships Team in the FCDO (the "sponsorship team") is responsible for discharging the responsibilities of the FCDO and is the primary contact between the FCDO and the British Council. The main contact in the British Council is with

the Policy and External Relations Team. The sponsorship team is the main source of advice to the responsible Minister and the PAO on the discharge of their responsibilities in respect of the British Council. Therefore, the British Council should engage with the sponsorship team as the primary point of contact on sponsorship matters between the British Council and the FCDO.

- 11.2. The sponsorship team will, insofar as is appropriate for a charity in law:
- establish and maintain appropriate, effective and efficient corporate governance foundations which govern the relationship between the FCDO and the British Council
 - promote effective objectives, business planning and performance against the Corporate Plan
 - promote the organisational capability of the British Council
 - promote effective leadership (high quality boards and senior management)
 - promote effective relationships between the FCDO and the British Council
 - advise the British Council of relevant policy and guidance in a timely manner, including annual policy objectives in relation to the British Council's Corporate Plan and objectives
 - advise Ministers on the British Council's progress against agreed policy objectives and key performance indicators
 - engage closely with the British Council on wider policy developments and cross-Government priorities impacting on, or affected by, the work of the British Council
- 11.3. The responsible FCDO senior civil servant for this relationship is Director General, Finance and Corporate. The sponsorship team advises and, as appropriate, acts on behalf of the Foreign Secretary on relevant government policy developments and responding to requests from the British Council to provide a policy perspective on the British Council's activities and plans.
- 11.4. The FCDO will liaise regularly with the British Council to review performance against plans, achievement against targets and expenditure against its Departmental Expenditure Limit allocations.
- 11.5. The FCDO will notify the British Council in writing of any government policies regulated by the Cabinet Office that may affect the approval of certain British Council activities and expenditure, where the Cabinet Office requirements extend beyond the delegations set out at Annex B.

12. Freedom of Information requests

- 12.1. Where a request for information is received by either party under the Freedom of Information Act 2000, or the Data Protection Act 1998 or 2018, the party receiving the request will consult with the other party prior to any disclosure of information that may affect the other party's responsibilities.

13. Reporting on legal risk and litigation

- 13.1. The British Council shall provide an annual report to the FCDO on the existence of any active litigation and any threatened or reasonably anticipated litigation. The parties acknowledge the importance of ensuring that legal risks are communicated appropriately to the FCDO in a timely manner.

- 13.2. In respect of each substantial piece of litigation involving the British Council, the parties will agree a litigation protocol which will include specific provisions to ensure appropriate and timely reporting on the status of the litigation and the protection of legally privileged information transmitted to the FCDO to facilitate this. Until such time as a protocol is agreed, the parties will ensure that:
- material developments in the litigation are communicated to the FCDO in an appropriate and timely manner
 - legally privileged documents and information are clearly marked as such
 - individual employees handling the legally privileged documents are familiar with principles to which they must adhere to protect legal privilege
 - circulation of privileged information within government occurs only as necessary

The British Council's governance structure

14. Responsibilities of the British Council's Chief Executive as the accountable person

- 14.1. The PAO has designated the British Council's Chief Executive as the British Council's accountable person. Unless otherwise detailed in this Framework Document, Managing Public Money (MPM) only applies in respect to British Council's use of public funds as defined in paragraph 1.8.
- 14.2. The Chief Executive as accountable person is personally responsible for safeguarding the public funds for which they have charge; for ensuring propriety, regularity, value for money and feasibility in the handling of those public funds; and for the day-to-day operations and management of the British Council. In addition, they should ensure that the British Council as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management, that are set out in Box 3.1 of MPM. The British Council's financial decisions should reflect the expectations of MPM in the use and management of public funds, and align with the requirements set out in the Delegated Authority Letter.
- 14.3. A full outline of the responsibilities of the accountable person can be found in their letter of appointment set out in Annex C.

15. Responsibilities for accounting to parliament

- 15.1. Responsibilities to Parliament and the public include:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Foreign Secretary
- preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts
- ensuring that effective procedures for handling complaints about the British Council, in accordance with Parliamentary and Health Service Ombudsman's Principles of Good Complaint Handling, where applicable, are established and made widely known within the British Council and published
- acting in accordance with the agreed levels of control and accountability, including any relevant principles in MPM it has been agreed the British Council should comply with, and other instructions and guidance issued from time to time by the department, HM Treasury and the Cabinet Office
- ensuring that as part of the above compliance they are familiar with and act in accordance with:
 - their fiduciary duties arising under the Charities Act
 - the Royal Charter
 - this framework document
- giving evidence, normally with the PAO, if and when summoned before the PAC on the British Council's stewardship of public funds

16. Responsibilities to the FCDO

16.1. Responsibilities to the FCDO include:

- establishing, in consultation with the FCDO, the British Council's strategic plans
- informing the FCDO of progress in achieving the strategic plans as appropriate and in demonstrating how resources are being used to achieve those plans
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the FCDO, that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the FCDO in a timely fashion
- compliance with [FCDO safeguarding policy](#)

17. Responsibilities to the Board

17.1. The Chief Executive is responsible for:

- advising the Board of Trustees on the discharge of the British Council's responsibilities as set out in this document, in the Royal Charter and in any other relevant instructions and guidance that may be issued from time to time
- advising the Board of Trustees on the British Council's performance compared with its aim[s] and objectives
- ensuring that financial considerations are taken fully into account by the Board of Trustees at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed

17.2. The Chief Executive should follow the advice and direction of the Board of Trustees, except in very exceptional circumstances with a clear cut and transparent rationale for not doing so.

- 17.3. If the Board of Trustees or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical the chief executive in their role as accountable person should reject that course of action and ensure that the Board has an opportunity to discuss the rationale for that rejection.
- 17.4. If the Board of Trustees or its Chair is minded to instruct its accountable person to carry out a course of action inconsistent with their duties as accountable person, then the accountable person should make their reservations clear, preferably in writing. If the Board of Trustees is still minded to proceed, the British Council accountable person should then:
- ask the PAO of the FCDO to consider intervening to resolve the difference of view, preferably in writing
 - if the Board's decision stands, seek its written direction to carry it out, asking the FCDO to inform HM Treasury
 - proceed to implement without delay
 - follow the routine in paragraph 3.6.6 of MPM.

18. The Board of Trustees

Composition of the Board

- 18.1. The British Council will have a board in line with good standards of corporate governance as set out in its Royal Charter, the UK Charity Governance Code, and in guidance as set out in Annex A. Detailed responsibilities of the board shall be set out in the Board terms of reference. Remuneration and expenses of the Board will be disclosed in line with the guidance in the Government Financial Reporting manual (FRoM).
- 18.2. The Board will consist of 10 to 15 trustees, including a Chair and Deputy Chair. The Board should have the balance of skills, knowledge and experience appropriate to directing the British Council as a whole.

Board Committees

- 18.3. The Board may set up such committees as necessary for it to fulfil its functions. At a minimum, this should include an Audit and Risk Committee chaired by an independent and appropriately qualified member of the Board.
- 18.4. Matters reserved to the Board will be documented, in an appropriate format, and matters delegated to committees will be documented in committees' terms of reference approved by the Board. The Board Chair shall ensure that sufficient time is allowed at Board meetings for committees to report on the nature and content of discussion, on recommendations, and on actions to be taken.
- 18.5. Where there is any significant disagreement between the relevant committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement within the British Council. Where any such disagreement cannot be resolved, the committee concerned shall have the right to report the issue to the FCDO sponsorship team, PAO and/or responsible

minister. They may also seek to ensure the disagreement or concern is reflected as part of the report on its activities in the annual report.

- 18.6. The Board Chair should ensure that committee membership is periodically refreshed and that individual trustees are not over-burdened when deciding the chairs and membership of committees.
- 18.7. Agendas, papers and minutes of Board and Audit and Risk Committee meetings should be shared with the sponsor team in good time, and ahead of meetings where appropriate.

Duties of the Board

- 18.8. The Board of Trustees has corporate responsibility for discharging the duties set out in the British Council's Royal Charter and under charity law and for promoting the efficient and effective use of staff and other resources.
- 18.9. The Board is specifically responsible for:
- establishing and taking forward the strategic aims and objectives of the British Council consistent with its overall strategic direction, taking account of the provision of public funds and the UK's long-term international aims;
 - ensuring effective leadership of the British Council within a framework of prudent and effective controls which enables risk to be assessed and managed;
 - ensuring the financial and human resources are in place for the British Council to meet its objectives;
 - reviewing management performance;
 - ensuring that the Board receives and reviews financial and management information concerning the management of the British Council;
 - ensuring that it is kept informed of any changes which are likely to impact on the strategic direction of the British Council Board or on the attainability of its targets, and determining the steps needed to deal with such changes and where appropriate bringing such matters to the attention of the Responsible Minister and Principal Accounting Officer via the executive team, Partnership Team or directly;
 - ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its authority and any delegated authority agreed with the FCDO, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by FCDO;
 - ensuring that as part of the above compliance they are familiar with:
 - the British Council Royal Charter
 - this framework document,
 - any delegation letter issued to the British Council
 - any elements of any settlement letter issued by HM Treasury to the FCDO that is relevant to the operation of the British Council;
 - any separate settlement letter that is issued to the British Council from the FCDO; and
 - that they have appropriate internal mechanisms for the monitoring, governance and external reporting regarding any conditions arising from the above documents and ensure that the Chief Executive and

British Council as a whole act in accordance with their obligations under the above documents.

- demonstrating high standards of corporate governance at all times, including by using Board committees to help the Board to address key financial and other risks;
- determining all such other things which the Board considers ancillary or conducive to the attainment or fulfilment by the British Council of its objectives.

18.10. The appraisal process for the Chair is run by the Deputy Chair who shall seek input from trustees, members of the Executive Team (or equivalent) and the FCDO through the sponsorship team. Appraisals will take place 12 to 18 months after the Chair has taken up the role and approximately six months before the end of their first term.

18.11. The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control.

18.12. The Board should make a strategic choice about the style, shape and quality of risk management and should lead the assessment and management of opportunity and risk. The Board should ensure that effective arrangements are in place to provide assurance over the design and operation of risk management, governance and internal control consistent with the Management of Risk – Principles and Concepts (The Orange Book). The Board is expected to assure itself of the adequacy and effectiveness of the risk management framework and the operation of internal control.

19. The Chair's role and responsibilities

19.1. The role of the Chair is set out in the Royal Charter. Engagement between the British Council's Board and the Foreign Secretary should, in the first instance, be through the Chair engaging with the Foreign Secretary.

19.2. The Chair is responsible to the Board of Trustees of the British Council, who are the trustees under charity law. The Chair shall ensure that the British Council's policies are in line with the Royal Charter, that activity aligns with the UK's long-term international strategic objectives and the British Council's affairs are conducted with probity.

19.3. The Chair is responsible for leading the board in the delivery of its responsibilities. Such responsibility should be exercised in the light of their duties and responsibilities as set out in their appointment letter, the Royal Charter, charity law, and this document and the documents and guidance referred to within this document.

19.4. The Chair has the following leadership responsibilities:

- formulating the Board's strategy
- ensuring that the Board, in reaching decisions, takes proper account of guidance provided by the FCDO
- promoting the efficient and effective use of staff and other resources
- delivering high standards of regularity and propriety in the stewardship of public funds
- representing the views of the Board to the general public (where required).

- 19.5. The Chair also has an obligation to ensure that:
- the Board has a balance of skills and diversity which is appropriate to directing the British Council's business
 - the Chair, together with the other Board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice
 - Board members are fully briefed on terms of appointment, duties, rights and responsibilities and the Chair assesses the performance of individual board members regularly and when being considered for re-appointment
 - ensuring there are regular internal and external reviews of Board performance and composition, with an externally facilitated board evaluation at least every three years
 - ensuring the FCDO is advised as appropriate of the British Council's needs when vacancies in the roles of Chair, Deputy Chair and the FCDO-nominated trustees arise. The Chair will discuss board composition, external Board review and succession plans with the FCDO from time to time, and agree any actions
 - there are terms of reference in place setting out the role and responsibilities of the Board consistent with the (UK) Charity Governance Code
 - there is a code of practice for Board members in place, consistent with the principles of the Cabinet Office Code of Conduct for Board Members of Public Bodies⁴
- 19.6. The Chair must comply with the British Council's Code of Conduct for Board Members, which is consistent with the principles of the Cabinet Office Code of Conduct for Board Members of Public Bodies⁵.

20. Individual board members' responsibilities

- 20.1. Individual board members should:
- comply at all times with the British Council's the Code of Conduct for Board Members, which is consistent with the principles of the Cabinet Office of Conduct for Board Members of Public Bodies,
 - demonstrate adherence to the 12 Principles of Governance for all Public Body Non-Executive Directors⁶ as appropriate and not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations
 - comply with the Royal Charter and any additional rules agreed by the Board on the acceptance of gifts and hospitality, and managing interests
 - act in good faith and in the best interests the British Council
 - ensure they are familiar with any applicable guidance on the role of public sector boards that may be issued from time to time by the Cabinet Office, HM Treasury or wider government

⁴ <https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies>

⁵ <https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies>

⁶ <https://www.gov.uk/government/publications/public-bodies-non-executive-director-principles/12-principles-of-governance-for-all-public-body-neds>

- comply with the British Council's governing document (Royal Charter).

Management and financial framework

21. HM Treasury guidance

- 21.1. The activities, roles and responsibilities of the British Council as described in this document should reflect the expectations set out in MPM in relation to public funds as defined in paragraph 1.8.
- 21.2. Notwithstanding arrangements in respect of MPM, the British Council will be subject to the rules set out in Consolidated Budgeting Guidance⁷.

22. Delegated authorities from the FCDO

- 22.1. The FCDO and HM Treasury will, in consultation with the British Council, set delegated financial limits in relation to the British Council's use of public funds, and certain specific uses of self-generated income. These are set out in Annex B.
- 22.2. The British Council's financial delegations from the FCDO are also set out in the delegation letter from the PAO to the British Council CEO. Within this framework, the British Council Board is responsible for establishing appropriate internal financial delegations.
- 22.3. The British Council shall obtain the FCDO's and where appropriate HM Treasury's prior written approval before:
- entering into any undertaking to incur any expenditure that falls outside the delegations.
 - incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications.
 - making any change of policy or practice which has wider financial implications that might prove repercussive, or which might significantly affect the future level of resources required.

Financial monitoring

- 22.4. To fulfil its financial-monitoring responsibilities, the FCDO requires the following financial information in relation to Grant in Aid from the British Council:
- By 1 March each year, the British Council should submit to the FCDO a monthly profile for the next financial year of its forecast resource and capital grant-in-aid drawdown.

⁷ <https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2021-to-2022>

- a copy of the monthly organisational performance report or equivalent as presented to the British Council's Board and/or Executive Team (or equivalent) before the end of the following month.
- a grant-in-aid financial statement in a format agreed with the FCDO.
- an analysis of the financial results against expenditure and income plans, together with forecasts of spending for the remaining months, indicating proposed action when necessary
- a forecast of its grant-in-aid cash requirement for the following two months; and;
- an annual cash forecast of its ODA grant-in-aid spend for the financial year, including information on geographical area and theme.
- Additional ODA information as requested bi-annually in line with Statistics In Development requirements

Spending authority

22.5. Once the grant-in-aid budget has been agreed by the Foreign Secretary and subject to any restrictions imposed the Foreign Secretary or delegation letters, the British Council shall have authority to spend within Delegated Authority Limits (DAL), seeking approval where necessary, especially for novel, contentious and repercussive spend, and providing additional information to FCDO when reasonably required.

23. Banking, loans and working capital

23.1. Any loan facilities put in place should be reviewed and approved by the Board and take into account guidance set out in MPM (5.8 Borrowing by Public Sector Organisations and 5.9 External Borrowing) where relevant. Any loan facility arranged between the British Council and the FCDO and will be conducted on commercial arms-length terms for the purposes of providing working capital or funding investment projects approved by FCDO.

23.2. The British Council will operate through such banking arrangements as are approved by the Board, and the FCDO and HM Treasury as may apply.

24. Risk management

24.1. The British Council shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance and risk management. The British Council shall notify the FCDO of any significant risks in a timely manner.

25. Counter fraud and theft

25.1. The British Council should adopt and implement policies and practices to safeguard itself against fraud and theft.

25.2. The British Council should take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter a contract.

25.3. The British Council should keep records of and prepare and forward to the FCDO an annual report on fraud and theft suffered by the British Council and notify the FCDO of any unusual or major incidents as soon as possible.

26. Remuneration and staff

Status of the British Council's employees

- 26.1. The British Council's staff are not civil servants and therefore the annually updated Civil Service Pay Guidance⁸ does not apply. In selected cases British Council employees working overseas may be granted diplomatic status by the host government. British Council staff overseas are exempt from line management by Heads of Mission at Post.

Pay controls

- 26.2. Controls over remuneration and conditions apply as follows:
- the remuneration package of the British Council's Chief Executive and remuneration for any other roles that are Ministerial appointments or require Ministerial pre-approval, require approval by the Chief Secretary to the Treasury (CST) assuming the remuneration threshold⁹ is reached. In addition, any remuneration package for any member of staff that is in excess of the Chief Executive's will require CST approval
 - the appointments of the Chair and Deputy Chair are subject to pre-approval by the Foreign Secretary and are therefore subject to the provisions set out in the guidance on the approval of senior pay¹⁰ which came into force on 1 January 2018
 - any other appointments are made by the British Council and are not Ministerial appointments or appointments that are approved by a Minister. They do not engage the senior pay controls and do not require CST approval. This does not remove the Foreign Secretary's rights regarding appointments to the Board of Trustees as set out in British Council's Royal Charter and Bye Laws.

Board responsibilities regarding staff

- 26.3. The Board is accountable for all other staff matters, including the appointment and management of staff, determining staff numbers, determining terms and conditions of appointment in accordance with appropriate HR documents, including the remuneration policy.
- 26.4. The British Council must have regard to wider public sector pay policy when setting a remuneration policy.
- 26.5. The Remuneration Committee (or similarly named) should have oversight of all bonus and incentive schemes. The Board may delegate to the Remuneration Committee (or similarly named) those responsibilities set out above.
- 26.6. The Chief Executive is responsible for ensuring the British Council conducts its operations in accordance with MPM.

⁸ <https://www.gov.uk/government/publications/civil-service-pay-remit-guidance-202122>

⁹ <https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>

¹⁰ <https://www.gov.uk/government/publications/senior-civil-service-pay-and-reward>

- 26.7. It is the responsibility of the British Council to ensure it complies with the IR35 requirement.
- 26.8. Subject to further legislation coming into force¹¹, a cap of £95,000 on exit payments will be applicable.
- 26.9. Confidentiality clauses may only be used as permitted in relevant public sector guidance¹².
- 26.10. Salary sacrifice schemes must be consistent with MPM guidance on tax planning.
- 26.11. The British Council's travel policy must be consistent with public sector guidance, with first class travel restricted to exceptional cases¹³.
- 26.12. The British Council should report to the FCDO the number of posts paid above the remuneration threshold (with names). The annual report and accounts should contain full details of the remuneration of board members, provide information in bands for executive committee members paid above the remuneration threshold, and report the numbers of other staff (without names) paid above the remuneration threshold. The British Council should also notify the Treasury, via the FCDO, of all bonus arrangements put in place that are above the remuneration threshold as soon as the decision is made and within no more than one month. The number of bonuses paid above the threshold should be made public in the Annual Report.
- 26.13. Other benefits are set out in the British Council's remuneration policy, which also covers legacy arrangements. The British Council must not offer allowances that may be considered novel, contentious or repercussive.

Remuneration criteria

- 26.14. The Remuneration Committee shall determine the remuneration policy and remuneration levels in accordance with the following criteria (which shall also be reflected in the Remuneration Committee terms of reference and the remuneration policy itself). The criteria are that remuneration levels:
- are sufficient to attract and motivate high calibre individuals to drive the delivery of the activities and objectives of the British Council described in this document
 - are structured to link remuneration of all employees to performance in line with the Corporate Plan
 - are aligned with the objectives set out in this document
 - deliver value for money
 - take account of MPM and take account of remuneration levels within comparable public sector institutions and are set with wider public sector pay policy in mind

¹¹ Pursuant to further secondary legislation in relation to the Small Business Enterprise and Employment Act 2015 as amended by the Enterprise Act 2016.

¹² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/817156/Cabinet-Office-guidance-on-settlement-agreements-special-severance-payments-on-termination-of-employment-and-confidentiality-clauses.pdf

¹³ <https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note>

- 26.15. Staff terms and conditions should be set out in an Employee Handbook, which should be provided to the FCDO, together with subsequent amendments, on request.
- 26.16. The British Council may operate a performance-related bonus scheme based on the British Council's and individual's performance approved by its Remuneration Committee.
- 26.17. The travel expenses of board members will be tied to the rates allowed to senior staff of the British Council. Reasonable actual costs shall be reimbursed.

Business plans, management information and audit

27.Strategic and business plans

- 27.1. Each financial year the British Council will publish a Corporate Plan covering the period to the end of the Spending Review cycle. The Corporate Plan shall be developed in consultation with the FCDO, relevant HM Government departments and the Devolved Administrations, and approved by the British Council Board.
- 27.2. Among other things, the Corporate Plan shall include:
- financial information at a level of detail agreed between the British Council and the FCDO covering the forecast period, including an income statement, and explanatory narrative regarding assumptions
 - description of how the Strategic Objectives are being fulfilled in the current period and for the future including clear descriptions of risks and opportunities to the plan
 - a set of Key Performance Indicators (KPIs) to allow the Board and FCDO to track performance against the plan

28.Grant-in-aid and any ring-fenced grants

- 28.1. Any grant-in-aid provided by the FCDO for the year in question will be voted in the department's Supply Estimate and be subject to Parliamentary control.
- 28.2. The grant-in-aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. The British Council will comply with the general principle, that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of the public corporation. Grant-in-aid not drawn down by the end of the financial year shall lapse. Subject to approval by parliament of the relevant Estimates provision, where grant-in-aid is delayed, to avoid excess cash balances at the year-end, the sponsor department will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

- 28.3. In the event that the FCDO provides the British Council separate grants for specific (ring-fenced) purposes, it would issue the grant as and when the British Council needed it on the basis of a written request. The British Council would provide evidence that the grant was used for the purposes authorised by the department. The British Council shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.
- 28.4. The British Council generates other income from donors, partners, paying clients and customers. Its services include the management of programmes and projects in relevant fields for the UK Government and other national and international agencies, the teaching of English and the conduct of British examinations. The British Council's income from these sources is exclusively employed in the furtherance of its charitable objects.
- 28.5. The FCDO recognises the need to keep separate its role as a sponsor and as a purchaser of British Council services. The FCDO acknowledges the British Council's right to commercial confidentiality, where this does not conflict with the FCDO's other disclosure obligations.
- 28.6. British Council's reserve fund consists of accumulated surpluses from the British Council's income-generating activities and gifts or donations. Unused non-grant-in-aid cash surpluses can be held in an interest-bearing account with the British Council's bankers, or otherwise invested in line with the reserves and treasury and banking policies agreed by the Trustees of the British Council, and FCDO and HMT. Any balance in the reserve fund at the end of the financial year may be retained by the British Council and will be disregarded in the calculation of the grant-in-aid. Grant-in-aid funds shall not be allowed to form part of the British Council's reserves covered by this paragraph.

29. Annual report and accounts

- 29.1. The British Council Board must publish an annual report of its activities, together with its audited accounts after the end of each financial year. Together they form the annual report and accounts.
- 29.2. The annual report and accounts must be produced by the British Council and comply with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (Charities SORP).
- 29.3. The annual report and accounts shall also follow the principles in HM Treasury's Financial Reporting Manual (FRM) and provide the additional disclosures required by FRM if and where these go beyond FRS 102 and/or the Charities SORP .
- 29.4. The British Council will share a draft of the annual report and accounts with the FCDO for review on a timetable agreed each year to allow adequate time for review. The final report should be submitted to the FCDO immediately upon receipt of auditor approval. Publication will be dependent on other government and the British Council's announcements but will be as soon as feasibly possible.

29.5. The FCDO will lay the annual report and accounts before Parliament and it should be made available on the British Council's website.

30. Reporting performance to the FCDO

30.1. The British Council shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans.

30.2. The British Council shall inform the FCDO of any changes that make achievement of objectives more or less difficult. It shall report financial and non-financial performance, including performance in helping to deliver ministers' policies, and the achievement of key objectives regularly.

30.3. The British Council's performance shall be reviewed by the FCDO quarterly. This will be in the form of the review Key Performance Indicators, to meet monitoring responsibilities, including:

- information on geographical and thematic priorities, and funding which meets ODA criteria; and,
- as soon as possible after the end of the financial year, details of the resource and capital expenditure outturn on an accruals basis for the full financial year for each main budget heading

30.4. The Chair and/or Chief Executive shall meet the Foreign Secretary annually by agreement. In addition, the responsible (delegate) Minister will meet the British Council Chair and/or Chief Executive at least once a year, or more frequently by agreement.

30.5. The PAO will also meet the Chief Executive at least once a year.

31. Information provided to the FCDO

31.1. The British Council will facilitate the FCDO in fulfilling its function by providing relevant information on request including on, but not limited to, strategic plans, financial forecasts and budgets, financial performance, achievements against targets, capital expenditure and investment decisions, governance matters including board appointments and remuneration and reports on key corporate risks.

31.2. Where an FCDO-nominated Trustee receives information about the British Council (and where they are also an employee of the FCDO):

- in their capacity as the FCDO-nominated Trustee, they shall be authorised to share this information with the FCDO sponsor team
- from a third party in confidence, they are not obliged to disclose this information with the British Council. Where any such information could affect their ability to comply with their duties as Trustee of the British Council, they should notify the Board as soon as practicable and take appropriate steps to remedy the situation. This may include but is not limited to recusing themselves from relevant decision-making processes.

- 31.3. Meetings between the Senior Responsible Officers in FCDO the British Council will be held at minimum on a quarterly basis to discuss governance, financial performance and other relevant matters, or more frequently by agreement.
- 31.4. The British Council shall provide the sponsor team with such information about its operations, performance, individual projects or other expenditure as the FCDO may reasonably require.
- 31.5. The FCDO and HM Treasury may request the sharing of data held by the British Council in such a manner as set out in central guidance except insofar as it is prohibited by law. This may include requiring the appointment of a senior official to be responsible for the data sharing relationship.
- 31.6. As a minimum, the British Council shall provide the department with information monthly that will enable the department satisfactorily to monitor:
- the British Council's cash management
 - its draw-down of grant-in-aid
 - forecast outturn by resource headings
 - other data required for Central Accounting and Reporting.
 - data as required in respect of its compliance with any Cabinet Office Controls pipelines or required in order to meet any condition as set out in any settlement letter

32. Audit

- 32.1. The British Council will arrange for audit of its annual report and accounts in accordance with charity law and under the terms of this Framework Document.
- 32.2. As at the date of this document the Comptroller and Auditor General (C&AG), operating through the National Audit Office, shall be appointed as the British Council's auditor.
- 32.3. The CA&G may carry out value for money studies of [the public corporation] under the National Audit Act 1983, examining the economy, efficiency and effectiveness with which the British Council and/or its subsidiaries have used their resources in discharging their functions. The British Council will make available to the C&AG its accounts and other relevant information, documents and access to staff as necessary for such examinations.
- 32.4. The FCDO and the British Council shall provide, in conditions to any grants or contracts, for the C&AG to exercise such access to documents held by grant recipients, contractors or sub-contractors as may be required for its audit and examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.
- 32.5. The British Council will maintain an internal audit function (with or without external professional support) who will report to the Audit and Risk Committee and will cover (among other things) matters relating to risk management and internal controls, including compliance with the terms of this document.
- 32.6. The British Council Audit and Risk Committee will:

- approve the appointment of the Director of Internal Audit and operate in accordance with the Code of Good Practice for Corporate Governance and the Audit and Risk Assurance Committee Handbook.
- share with the FCDO information identified during the audit process and the Annual Audit Opinion Report (together with any other outputs) at the end of the audit, in particular on issues impacting on the Department's responsibilities in relation to financial systems within the British Council.

Reviews and winding up arrangements

33. Review of the British Council's status

- 33.1. The British Council will be reviewed as part of the wider Public Bodies Reviews programme, at a time determined by the FCDO's ministers and their PAO. The date of the next review will be as determined by Cabinet Office.

34. Arrangements in the event that the British Council is wound up

- 34.1. In the event of the decision being made to wind up the British Council, the British Council will be required to wind-up its affairs in accordance with its Royal Charter. A plan and timetable for the winding up should be agreed with the FCDO and the FCDO should be provided with assurance that arrangements are in place to ensure that the process is conducted in an orderly manner.

Annex A: Guidance

The British Council shall comply with the following guidance, documents and instructions:

Corporate governance

- This framework document
- The (UK) Charity Governance Code:
<https://www.charitygovernancecode.org/en/front-page>
- Code of conduct for Board members of Public Bodies:
<https://www.gov.uk/government/publications/code-of-conduct-for-board-members-of-public-bodies>
- Arm's length body sponsorship code of good practice:
<https://www.gov.uk/government/publications/arms-length-body-sponsorship-code-of-good-practice#:~:text=The%20Cabinet%20Office%20will%20provide,respect%20of%20the%20department's%20ALBs>

Financial management and reporting

- Managing Public Money (MPM): (with respect to definitions of public funds as defined in paragraph 1.8) <https://www.gov.uk/government/publications/managing-public-money>
- Government Financial Reporting Manual (FRoM):
www.gov.uk/government/collections/government-financial-reporting-manual-frem
- Relevant Dear Accounting Officer (DAO) letters:
www.gov.uk/government/collections/dao-letters
- Relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts: <https://www.gov.uk/government/collections/whole-of-government-accounts>
- The most recent letter setting out the delegated authorities, issued by the parent department (see also Annex B for list of delegated authorities)

Management of risk

- Management of Risk: www.gov.uk/government/publications/orange-book and <https://www.gov.uk/government/publications/management-of-risk-in-government-framework>
- Public Sector Internal Audit Standards:
www.gov.uk/government/publications/public-sector-internal-audit-standards

- HM Treasury approval processes for Major Projects above delegated limits: <https://www.gov.uk/government/publications/treasury-approvals-process-for-programmes-and-projects>
- The Government cyber-security strategy and cyber security guidance: <https://www.gov.uk/government/publications/national-cyber-strategy-2022/national-cyber-security-strategy-2022> and <https://www.gov.uk/government/collections/cyber-security-guidance-for-business>

Commercial management

- Procurement Policy Notes: <https://www.gov.uk/government/collections/procurement-policy-notes>
- Transparency in supply chains - a practical guide: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1040283/Transparency_in_Supply_Chains_A_Practical_Guide_2017_final.pdf

Staff and remuneration

- HM Treasury guidance on senior pay and reward: www.gov.uk/government/publications/senior-civil-service-pay-and-reward
- Public sector pay and terms: <https://www.gov.uk/government/publications/public-sector-pay-and-terms-guidance-note>
- Whistleblowing Guidance and Code of Practice: <https://www.gov.uk/government/publications/whistleblowing-guidance-and-code-of-practice-for-employers>
- The Equalities Act 2010: www.gov.uk/guidance/equality-act-2010-guidance

General

- Freedom of Information Act guidance and instructions: www.legislation.gov.uk/ukpga/2000/36/contents and <https://ico.org.uk/for-organisations/guide-to-freedom-of-information/>
- The Parliamentary and Health Service Ombudsman's Principles of Good Administration: <https://www.ombudsman.org.uk/about-us/our-principles>
- Other relevant instructions and guidance issued by the central Departments (Cabinet Office and HM Treasury)
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and are relevant to [the ALB].
- Guidance from the Public Bodies team in Cabinet Office

- The Civil Service diversity and inclusion strategy (outlines the ambition, to which Arm's Length Bodies can contribute):
<https://www.gov.uk/government/publications/civil-service-diversity-and-inclusion-strategy-2022-to-2025>
- Code of Practice for Official Statistics:
<https://code.statisticsauthority.gov.uk/#:~:text=The%20Code%20of%20Practice%20for%20Statistics%20sets%20the,produced%20by%20people%20and%20organisation%20that%20are%20trustworthy.>
- Accounting Officer System Statements (AOSS are produced by departments with input from ALBs): www.gov.uk/government/publications/accounting-officer-system-statements

Annex B: Financial delegated authorities from the FCDO

In accordance with the principles set out in section 22 of this document, British Council shall comply with the following delegated authorities:

Source of funds	Delegated limit		Disclosure threshold	
	Grant-in-Aid	Self-generated/earned	Grant-in-aid	Self-generated/earned
New projects and programmes with defined lifetime	£15 million	Unlimited	£5 million	£15 million
Policy proposals creating on-going expenditure	£15 million per annum	Unlimited	£15 million per annum	n/a
UK property	£100,000	£100,000	£100,000	n/a
Overseas property	£15 million	Unlimited	£5 million	£15 million
Losses and ex-gratia payments (including HR special payments)	£100,000	£100,000	£25,000	£25,000
Fruitless expenditure	£1 million	£1 million	£1 million	n/a
Gifts	£250,000	£250,000	£250,000	n/a
Gifts to staff and/or cash gifts	£0	£0	£0	n/a
Indemnities* *in the course of business-as-usual activities	£100,000	n/a	£25,000	n/a
Subscriptions to new international bodies or discretionary payments to international bodies	£5 million	£5 million	£1 million	£1 million

Other annexes

The following annexes have been mentioned elsewhere in the document:

- Annex C: Accountable Person appointment letter – issued 10 August 2021

HM Treasury contacts

This document can be downloaded from www.gov.uk

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