

Annual Report and Accounts 2016–17

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Introduction from the Chair



Now, more than ever, is the time to build bridges with the rest of the world.

The British Council supports our national interests by strengthening cultural ties and exchanges with other nations. We create the essential people-to-people links that connect and engage the UK with the rest of the world using these relationships to build trust and understanding. Our work stimulates societal development, supports prosperity and contributes to stability at home and overseas.

The political, social and economic uncertainties that exist in today's world provide a new imperative for our work and a great opportunity for the British Council to build bridges around the world.

Since becoming Chair a year ago, I have met with political and cultural leaders in a dozen of our partner countries and British Council teams in the UK and around the world. It is clear to me that our ability to build exceptional long-term relationships is one of our real strengths.

This is an era in which digital technologies are transforming how we live and interact with each other, with business and with government. Our ability to reach out and engage with people, especially young people, through social media and online learning is a key skill for the future. But face-to-face engagement remains central to our work even as we evolve to meet the challenges and opportunities of the digital world. In the words of Robert Burns, face-to-face contact helps us 'to see ourselves as others see us'. This understanding helps us towards our goal of being a world-class partner to cultural, scientific and educational communities at home and overseas.

In the aftermath of the EU referendum we believe intercultural and international understanding has never been more important and our overseas partners have repeatedly confirmed that these are connections they value immensely. Trade deals are central to our economic future – but trade deals alone cannot secure our place in the world.

This Annual Report reveals the increasing scale and impact of the British Council's digital engagement and strategic partnerships. It is encouraging to see that we are forging dynamic new partnerships across the private, public and philanthropic sectors to help achieve our objectives.

As Trustees, our focus is on the value and impact of the British Council's work and on the long-term health and sustainability of the organisation. I am glad to report that we are making good progress on refining what we do and how we do it. But there is still work to be done on both fronts.

I am especially grateful to our staff in over 100 countries for their work this year, often delivered in challenging environments. Without their passion and commitment we would be a much less effective organisation.

I would like to thank the Foreign and Commonwealth Office (FCO) and other government departments in the UK as well as the devolved governments in Northern Ireland, Scotland and Wales and our many partners around the world, for their continuing support and, finally, to thank my fellow Trustees for their continued engagement and sound counsel.

Introduction from the Chief Executive



The overall story of 2016–17 is the delivery of great cultural relations impact by our teams and our partners.

In the past 12 months our staff and our partners have worked together to do some extraordinary and impactful things.

The young Syrians we support are working hard to build peaceful inter-community relations across their nation and are seeking the skills to rebuild their society once peace arrives. Our UK/India Year of Education, Research and Innovation is just one example of how we engaged with the emerging economies critical to our future. Marking 400 years since Shakespeare's death through our Shakespeare Lives programme was nowhere more vibrant than in Russia. Detailed work has contributed to the strengthening of the world's education systems. Just one example of this is the mutual recognition of degrees between the UK and Colombia.

Our EU–UK Culture and Education Series has convened over 300 leaders of scientific, educational and cultural institutions from 32 European nations to debate what the UK exiting the EU may mean for the educational and cultural sectors.

As this Annual Report makes clear our reach and impact have increased. Pleasingly this is especially true in those places where we have most to contribute and which are particularly important to the UK. And again this year the economic value we bring into the UK significantly exceeds our UK government grant-in-aid.

Monitoring the effectiveness of our programming is critical to resource allocation. This year's progress in the development of our results and evidence framework and in the

commissioning of academic studies allows us to have confidence in the overall effectiveness of our portfolio. That said, there is further for us to go.

We increased our redeployable surplus which we use to subsidise grant-type activities, in particular in developed countries, and to fund investment. However, we ended the year with an overall loss of £9 million which meant a further reduction in free reserves. This needs to be addressed.

Doing so means we need to be ever more agile and creative, professional and sustainable. We are making progress with our change portfolio which is comprehensive but challenging. Perhaps the most critical project is our financial transparency programme which will lead to the creation of a single global finance function, addressing the complexity of data which in the past prevented adequate clarity. We have also made progress in implementing the findings of the 2014 Triennial Review, but there is again more for us to do.

The overall story of 2016–17 is the delivery of great cultural relations impact. At the same time internally we have accelerated the change programmes which will drive our sustainability. The coming year will see more of the same – a more impactful British Council operating in a more nimble and flexible way.

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

About the British Council



Introduction

The British Council is the UK's international organisation for cultural relations and educational opportunities. We create friendly knowledge and understanding between the people of the UK and other countries. We do this by making a positive contribution to the UK and the countries we work with – changing lives by creating opportunities, building connections and engendering trust. This enhances the security, prosperity and influence of the UK and, in so doing, helps make the world a better, safer place.

We work with over 100 countries across the world in the fields of arts and culture, English language, education and civil society. Each year we reach over 20 million people face-to-face and more than 500 million people online, via broadcasts and publications.

We combine strategic alignment to the UK's long-term foreign policy priorities with the long-standing principle of operational independence in our work. This is important for our impact in building trust for the people of the UK globally and is in keeping with our legal status as a charity.

Our status and funding

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

Our strategic framework and priorities to 2020

The aims of the British Council are aligned with the following UK policy objectives:

- **Security and stability:** make a lasting difference to the security of the UK and to stability worldwide by creating opportunities and connections in fragile and conflict-affected states to build resilience and respond to crises.
- **Prosperity and development:** contribute to the UK's prosperity and to development in the countries we work with by building trust, connections and skills, which create favourable conditions for growth.
- **Influence and attraction:** contribute to the UK's international influence and attraction in the world by building mutually beneficial connections and long-lasting relationships between the people of the UK and countries we work with.

In the period to 2020, we are prioritising impact in the following areas:

- Maintaining and strengthening cultural and educational relationships and connections with the people of the countries of the EU and other major developed economies as the UK leaves the EU.
- Strengthening cultural, educational, science and sporting connections with India, China and other major high-growth developing economies.
- Strengthening stability and security and addressing the factors that enable violent extremism in priority countries in the Middle East, Africa and South Asia.
- Strengthening connections with the next generation in Russia and neighbouring countries to increase long-term UK relationships and connections.
- Responding to the refugee crisis in Syria, Iraq and neighbouring countries, strengthening education and delivering cultural programmes.
- Creating international opportunities and connections for UK young people and promoting the learning of languages.

The British Council's activities are geared towards achieving our corporate outcomes, which in turn help to create wider benefits for the UK.

| Key areas of work | | | Corporate outcomes | Wider benefit to UK |
|--|--|--|---|-----------------------------------|
| Voice and opportunity for young people | English for peacekeeping | Changing lives and life chances through sport, creativity and the arts | Create opportunities Lives are transformed through English, education, skills, qualifications, arts and culture. Build connections Stronger cultural relationships between people in the UK and people worldwide. Engender trust Increased trust and understanding between people in the UK and people worldwide. | Security and stability |
| Alternative pathways for young people at risk | Connecting with the next generation in Russia and neighbouring countries | Tackling the causes and effects of migration | | Prosperity and development |
| Civil society and access to justice | Art for prosperity | Skills, confidence, chances for women and girls | | Influence and attraction |
| English, education, science and skills for growth | Culture and development | Growing social enterprise and investment | | |
| English as the world's preferred language | Creating global networks and digital spaces | Connecting global cities: UK and overseas | | |
| Sharing UK professional standards and qualifications | Supporting future global leaders | Promoting UK education, culture and values | | |

This is an updated version of the table printed in our Corporate Plan 2016–20.

Update on strategic objectives and targets

| Objective/target | Commentary and update |
|---|--|
| <p>During the period to 2020 we will make a positive contribution to the UK and the countries we work with – changing lives by creating opportunities, building connections and engendering trust and make a lasting contribution to the security, prosperity and influence of the UK</p> | <p>We know from research that people who have participated in our cultural relations activities trust the UK on average 24 percentage points more.¹ This is directly associated with an increased interest in doing business with, visiting and studying in the UK.</p> <p>As outlined in the UK government's National Security Strategy, the British Council contributes to the UK's leading position across the world in soft power. In 2016 the UK was ranked second in the Portland Communications global ranking of soft power. Ninety-two per cent of Department for International Development (DFID) evaluations of our programmes have been awarded an A rating or higher, meaning they are delivering positive impact in the countries where we work (this represents spend of over £27 million in 2016–17).</p> |
| <p>By 2020 work directly with 100 million people</p> | <p>In 2016–17 we engaged directly with 65 million people² – an increase of over 20 per cent on the previous year. In addition, through our digital channels and through publications and broadcast media we reached over 660 million people, up ten per cent on the previous year.</p> |
| <p>Growing impact in places of strategic importance to the UK</p> | <p>We have focused this year on the relationship with Russia and neighbouring countries, on cultural connections with Gulf countries, maintaining our profile and building new connections within the EU, working to help build resilience in countries experiencing instability and we continue to strengthen cultural and educational connections with India, China and other major high-growth economies.</p> |
| <p>Over £1.5 billion of delivery by 2020</p> | <p>In 2016–17 total income was £1,077 million, an increase of £97 million on 2015–16 total income figures.</p> <p>In the Corporate Plan 2017–20 the 2020–21 target is £1.4 billion of delivery to match our projected income target for that financial year.</p> |

1. British Council (2012) *Trust Pays*, <https://www.britishcouncil.org/organisation/policy-insight-research/research/trust-pays>

2. Direct engagement includes face-to-face interactions, exhibitions and through social media and digital learning.

Objective/target

Commentary and update

Increased deployable cash through 8.5 per cent annual growth in surplus

We reached our Corporate Plan surplus targets for 2016–17 and remain on track to achieving the target of 8.5 per cent compound annual growth over the Spending Review period.

Continuing implementation of the Triennial Review

Action taken to address the findings of the Review includes stronger alignment with UK government priorities, the introduction of a new independent complaints process, new processes to manage overseas contract opportunities and working towards greater financial transparency.

By 2020 gross value added for UK economy of over £2.7 billion

Research conducted in 2015 showed that the work of the British Council generated £1.8 billion gross value added (GVA) for the UK economy.³ Further research will be conducted periodically up to 2020 to measure progress against target.

Increasing the scale and effectiveness of partnerships

We are placing a greater focus on strategic partnerships across the private, public and philanthropic sectors that amplify engagement and impact to deliver our cultural relations mission. Examples include the Bill and Melinda Gates Foundation and GlaxoSmithKline.

Driving critical projects to completion, on time and on budget to improve our approach and processes

We are driving through a number of critical change projects to improve our effectiveness, efficiency and sustainability. These projects will ensure that we are agile in the way we work and deliver our services for customers and stakeholders, putting them at the heart of everything we do. Projects are focused on our main business areas such as teaching and exams, on our corporate overheads and management costs and on building a more professional and specialist workforce which can deliver greater impact for the UK.

Strengthening the evidence base to manage performance

In 2017 we developed a new results and evidence framework as part of a concerted push to strengthen the quality of our monitoring and evaluation so that we can report more effectively and transparently on our impact and to ensure that lessons are learned and shared. It will enable us to report in a comprehensive way on high-level global organisational results against our corporate outcomes, on wider business performance and alignment with UK policy objectives.

Supporting our people to develop and build their skills

We have taken a number of steps during 2016–17 to take forward this goal including developing and delivering a senior leadership development programme, piloting a new management capability programme and opening up our talent pools for international posts by recruiting from local markets.

3. Amion Consulting, Economic value of the British Council to the UK, 2015.

Our achievements

The key areas of work and priorities set out in our Corporate Plan enable us to create opportunities, build connections and engender trust. This enhances the security, prosperity and influence of the UK and, in so doing, helps make the world a better, safer place. This selection of achievements, across the range of sectors in which we work, help to illustrate our impact.



The UK–Russia Year of Language and Literature was an extraordinary opportunity to build links between people and institutions in our two countries at a time of political tension between our governments. The year was a great success for a number of reasons ...

It capitalised on two of the UK's strongest soft power assets: the English language and Shakespeare, on the 400th anniversary of his death. It drew on the great cultural traditions of each country, the love we share for each other's literature and the value we both place on education.

*Laurie Bristow, HM Ambassador,
British Embassy Moscow.*



© Max Avdeev

UK– Russia Year of Language and Literature

In 2016–17 we delivered the UK–Russia Year of Language and Literature, the success of which has led to the 2017 UK–Russia Year of Science and Education. This was with a range of UK and Russian partners and in close collaboration with the British Embassy and the GREAT Britain campaign,

The core premise for the year was that in order to build trust we need to understand each other better. There were many highlights including the launch of the Shakespeare train on the Moscow Metro, the Midsummer Nights Festival in three cities opened by Sir Ian McKellen, a travelling arts residency on the Trans-Siberian railway involving UK and Russian writers and performers, a Shakespeare Schools Olympiad and the UK being Country of Honour at the Moscow Non-Fiction Book Fair.

Digital engagement was a central feature of the programme with online channels available for Russians of all ages to improve their English and explore UK literature and culture, including for example the Shakespeare massive open online course (MOOC), run in conjunction with FutureLearn.

The programme connected the UK with 19 million people (13.2 per cent of the Russian population) and engaged 30,000 teachers. It had a positive effect on perceptions of the UK with nearly 90 per cent of participants surveyed saying they had learned something new about UK culture and 87 per cent gaining knowledge and skills that they would use in their professional work.

As well as achieving these outcomes the programme also helped support wider UK objectives. The involvement of Sir Ian McKellen, and the media attention that generated, helped raise the profile of lesbian, gay, bisexual and transgender (LGBT) issues and the British Embassy's human rights work. The Department for International Trade ran a series of business networking events linked to cultural activity which led to increased exports and Visit Britain promoted tourism to the UK through an interactive UK literature map and competition. The British Council also used the year to promote the UK as a destination for study, both for English language and for higher education. Surveys found that 35 per cent of participants indicated that they were more likely to study in the UK as a result of their participation and 36 per cent are more likely to visit the UK. In broader terms the programme helped to build positive connections at a time of political tension, keeping open channels for communication and dialogue and better mutual understanding.



2016 UK–India Year of Education, Research and Innovation

The Year was announced through a joint prime ministerial statement in November 2015 and culminated in the UK–India Tech Summit in November 2016 in Delhi where Prime Minister Modi called for more young people from India and the UK to work together in the global knowledge economy. Highlights of the year included: the UK being the key partner in India Skills week and a high-level delegation from India visiting the UK for the UK Skills Show in Birmingham; the UK–India schools week which attracted over 1,000 delegates; the launch of Study UK with the Chief Executive of Universities UK and 30 UK vice-chancellors; the launch of the science communication programme Famelab; and the delivery of a programme designed to support young girls develop digital and English language skills.

As well as creating numerous opportunities for young Indians and building connections on many levels between the UK and India the year resulted in three bilateral outcomes that support the prosperity of both countries:

1. The UK and India to be partners of choice for technology-enabled learning via a new memorandum of understanding for UK universities to upload content on India's MOOC platform (SWAYAM) to reach up to 20 million students.
2. Increased mobility of students and academic staff between the UK and India leading to greater understanding and strengthened relationships.
3. Increased multi-disciplinary collaboration leading to strengthened academic partnerships via an increased and extended Newton Bhabha programme to include humanities and social sciences.

In addition there were a number of specific outcomes such as a new memorandum of understanding between the Scottish government and Andhra Pradesh on education co-operation and the launch of the third phase of the UK India Education Research Initiative (UKIERI3) with £30 million investment to 2021 to strengthen skills, leadership and digital partnerships over the next five years.

Since the very first days of my participation in the Active Citizens programme... I could recognise its power to change people and positively impact their lives and the way they deal with their communities.

The programme changed me personally and then through my learning journey I started noticing its impact on society.

Syrian participant in Active Citizens and member of the Mobaderoon network



UK professional examinations and IELTS

We have worked with 140 awarding bodies in 124 countries with computer-based testing in over 60 countries. In 2016–17 almost two million candidates took an exam with us. In China alone we delivered a record-breaking total of 954,000 exams, over 70,000 of which were held on a single day. In addition, through our partnership with Cambridge English Language Assessments and IDP we delivered a record 2.9 million IELTS tests worldwide. Our work promoting and delivering exams underpins the international higher education student market in the UK, which is worth a total of £25.8 billion⁴ for the UK economy and helps individuals to gain globally trusted UK qualifications to support their education and employment ambitions.

We work with the British Council because we trust them and they have that quality mark. In China they have helped us reach over 50,000 students by identifying venues in the right places. The British Council has really helped us to grow and achieve our global aspirations.

Sarah Corcoran, Director of e-Assessment Transformation, Association of Chartered Certified Accountants

Active Citizens

Delivered since 2009 with over 690 partners, Active Citizens continues to build trust within and between communities, locally and globally, building networks that allow UK and international participants to share their experience.

In Syria, Mobaderoon, meaning ‘initiative takers’ in Arabic, was set up as a result of Active Citizens. It has gone on to become one of the most respected non-government organisations (NGOs) in Syria – supporting over 4,000 Syrian community activists still inside Syria and facilitating the delivery of over 100 social action projects to build community resilience, tolerance and essential skills for young people in Syria. Evaluation carried out by INTRAC showed that 86 per cent of Mobaderoon participants who had received Active Citizens training believed it had a direct positive impact on their role as a peaceful citizen within Syrian society.

Globally, over 210,000 Active Citizens have been trained, with over 7,800 social action projects implemented, including in a range of countries across the Middle East and Africa. In 2016–17, 55,000 people were trained over the course of the year, a significant jump in the numbers as the programme focuses increasingly on engaging with universities, especially in Pakistan and Ukraine.

Through creating opportunities for people including young social leaders and building connections and networks, the British Council is contributing directly to the stability of the countries in which it works and thereby promoting the UK’s security.

4. Economic Impact of International Students, March 2017, Universities UK.

Calendar of events

April IATEFL online

Our partnership with the International Association of Teachers of English as a Foreign Language reached a global audience of over 60,000 through online coverage of the annual conference.



May ▲ Art Connects Us

We launched our refreshed **Arts Strategy** which positions the UK as a global hub for collaboration, capacity building and policy development.

June ▲ Cultural Protection Fund

We launched the £30 million UK Cultural Protection Fund in partnership with the Department for Culture, Media and Sport.

July Language for Resilience

We launched our study into the impact of language learning on the resilience of refugees with a symposium involving panellists from the UNHCR and Syria.



May ▲ Going Global

Going Global, the world's largest open forum for education leaders was held in Cape Town, South Africa and was attended by more than 800 people from 70 countries.

June ▲ Sir Ian McKellen in China

Sir Ian McKellen's visit to China for Shakespeare Lives included a talk for students and a *Richard III* gala screening. Social media content reached 12.5 million people with 18 million page views on Sina Weibo.

August ▲ Edinburgh International Culture Summit (EICS)

EICS is a biennial ministerial forum run in collaboration with the Scottish government, UK government, the British Council, Edinburgh International Festival and Scottish Parliament.



September ▲
Transform in Rio

Our arts Transform programme between the UK and Brazil concluded with outdoor performances of Graeae’s *The Garden*, involving British and local disabled artists, to audiences of 44,000 people.



November ▲
UK/Nigeria 2015–16

We unveiled *Wind Sculpture VI*, the first ever public work in Nigeria by Yinka Shonibare MBE (RA) in Lagos. More than 115,000 people visited *Wind Sculpture VI* over two months and the project trended on Twitter in Nigeria.

January
MoU with Microsoft on
Connecting Classrooms

We signed a new five-year memorandum of understanding (MoU) with Microsoft for Connecting Classrooms. Through the MoU we are now offering joint teacher training on digital skills in Greece.



February ▲
Launch of UK/INDIA 2017

HM the Queen and India’s Finance Minister Arun Jaitley launched the UK/India Year of Culture at Buckingham Palace. It is a partnership with the High Commission of India, Arts Council England, the British Film Institute and a wide range of UK cultural organisations.

February
EU–UK Series

We launched the EU–UK Culture and Education Series in Berlin, in partnership with DAAD and Goethe-Institut.



March ▲
Enterprise Summit

We hosted the Enterprise Africa Summit in Accra, Ghana. The three-day event brought together speakers from 23 countries. Selected entrepreneurs will receive grants and ongoing support from TEDx Accra to develop their businesses.



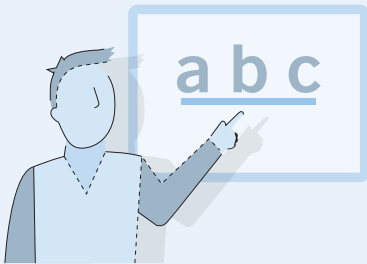
March ▲
Premier Skills exhibition

In February and March 2017, the British Council celebrated a ten-year partnership with the Premier League, hosting an exhibition on the Premier Skills programme, which has reached more than 1.2 million children and young people since it began.

Our work around the world

We worked with 731 million people in 2016–17.

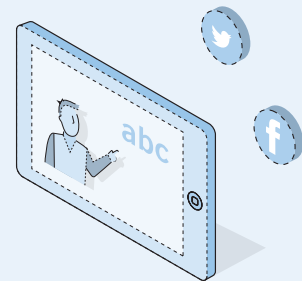
12m face-to-face participants including young learners, teachers, exam candidates, young professionals and future leaders



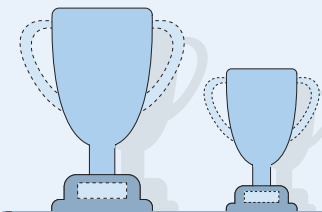
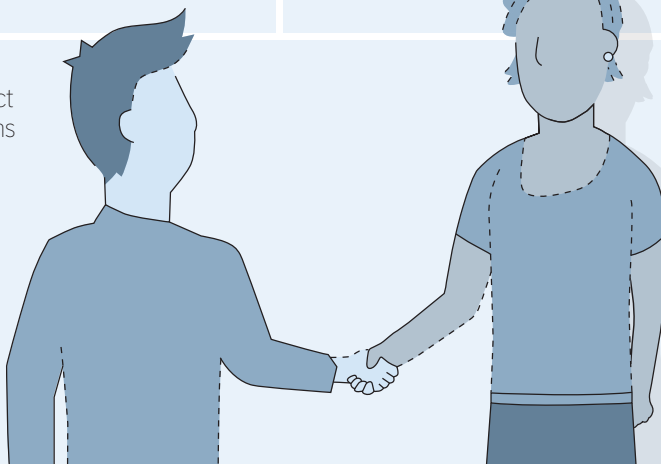
17m visitors to exhibitions and fairs



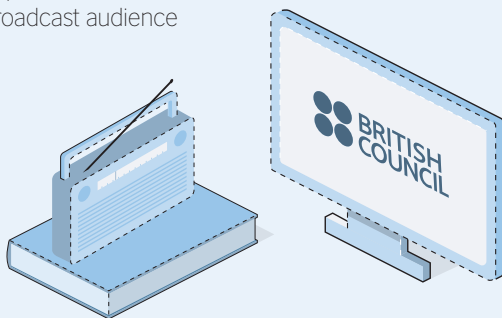
36m users of digital social media and learning



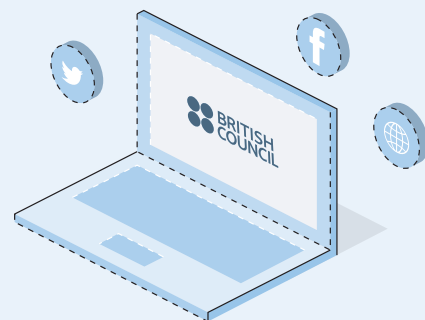
65m direct interactions



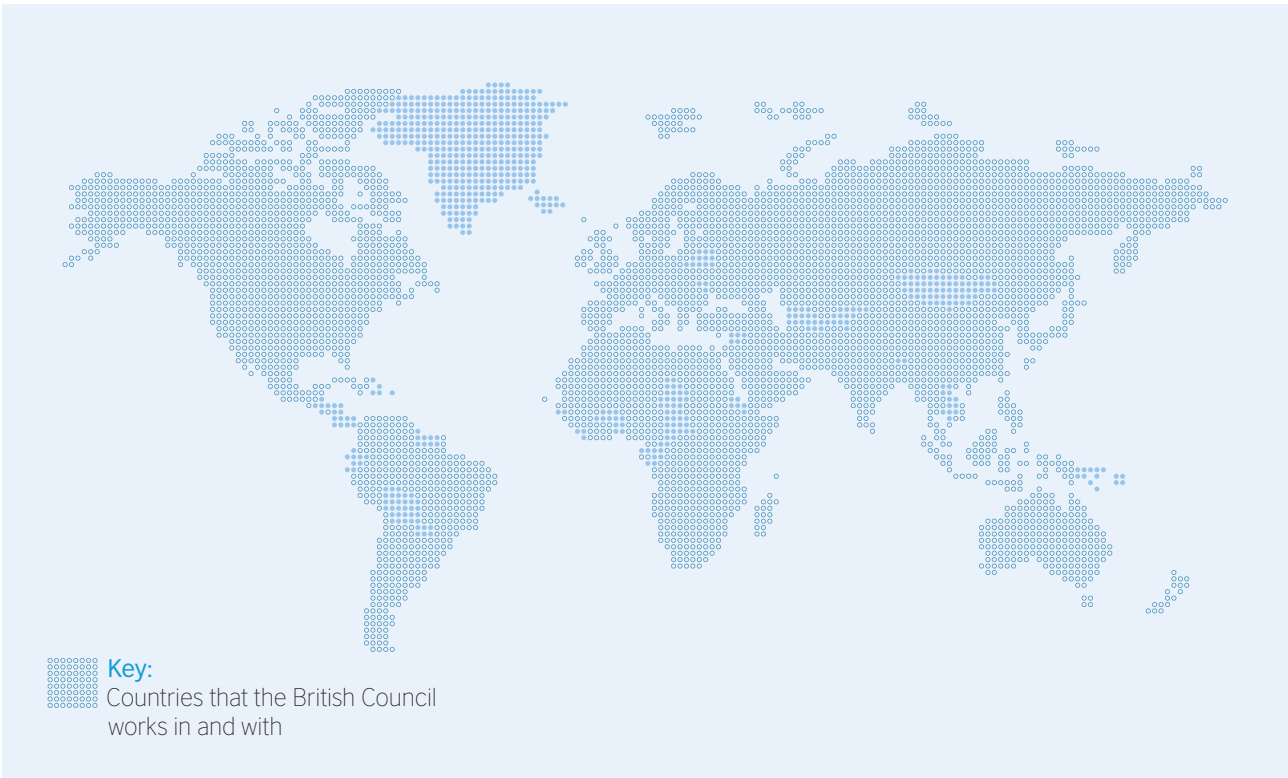
504m publication and broadcast audience



162m online audience



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



Our work was high quality.

83 per cent of our customers agree our programmes are of high quality.

We increased our income and spent more on official development assistance (ODA) activities.

Total income reached **£1,077m**, of which **85 per cent** is earned income.

77% ODA

77 per cent of our grant-in-aid counted towards the UK's ODA target.

A global perspective

The British Council makes a positive contribution to the people, institutions and governments of the countries we work with.

The UK's decision to leave the European Union has created new challenges for our work within the EU itself but also more widely in demonstrating an internationally-minded UK across the world. There remain challenges in connection with the refugee crisis in Syria and instability in other parts of the world. We have continued to adapt and focus our work and programmes to support the UK's response to changing geopolitical circumstances.

We have maintained our profile and built new connections within the EU. We continue to strengthen cultural and educational connections with India, China and other major high-growth economies, including cultural connections with Gulf countries. In Brazil the Transform programme ran alongside the Olympic and Paralympic Games and we celebrated the Shakespeare anniversary in the UK and globally. We have focused this year on the relationship with Russia and neighbouring countries. We have worked to help build resilience in countries experiencing instability and we continue to respond to challenges in connection with the refugee crisis in Syria.

Our digital programmes have continued to expand, enabling us to reach new markets and operate more efficiently. Examples this year include a programme which allows students to check their level of English online, a video-based channel that showcases the best of UK arts and culture along with English language exercises, and the development of e-libraries.

Our extensive overseas network in over 100 countries, including our teaching centre network in more than 50 countries, gives the UK a unique platform for changing lives through our work in the fields of arts and culture, English language, education and civil society.

This year we have maintained our overall presence around the world despite closing a limited number of teaching centres and offices. However, looking to the future there is a potential funding gap and our most recent financial plan assumes a much lower spend in developed countries from 2018 onwards. If we are unable to bridge that funding gap our ability to deliver across the developed world will be challenged. Given the changes in the strategic landscape and the UK's decision to leave the EU in particular, there is an even greater demand for cultural relations across the world.

Internally, we have been improving the affordability and sustainability of our network for the longer term. We are working more effectively and sustainably in a number of ways. One of these is to group countries together into small clusters to enable sharing of expertise and skills and maximise efficiencies through shared posts and services. This also allows us to achieve greater impact than would otherwise be possible, including in countries where a permanent presence is not affordable. About 75 per cent of the countries in the overseas network now work as part of a cluster.

The following examples from around the world highlight the impact of our work in 2016–17 and its link to wider UK policy objectives around security and stability, prosperity and development, and influence and attraction. Through the examples and case studies we aim to show the scale and scope of our work, the difference it can make to people's lives and the mutual benefits for the UK and the countries we work with.

We have summarised below how our income is divided across our seven overseas regions and also direct engagement figures by region in order to provide a context for this narrative.

2016–17 income by region (£ millions)

| | Grant income | Total other income* |
|--------------------|--------------|---------------------|
| Americas | 15.99 | 24.73 |
| East Asia | 22.37 | 272.60 |
| European Union | 8.24 | 127.75 |
| MENA | 17.22 | 122.04 |
| South Asia | 25.45 | 78.41 |
| Sub-Saharan Africa | 15.63 | 61.54 |
| Wider Europe | 13.87 | 22.87 |

* Other income includes fees from teaching, examinations, and contracted services, as well as partnership income, and grants and donations other than grant-in-aid funding from the FCO. Further information about our sources of income is provided in notes 2 to 5 in the accounts.

Direct engagement by region (millions)

| | |
|--------------------|------|
| Americas | 3.6 |
| East Asia | 15.7 |
| European Union | 5.1 |
| MENA | 8.6 |
| South Asia | 6.6 |
| Sub-Saharan Africa | 4.1 |
| Wider Europe | 8.0 |
| UK | 10.5 |
| Other/corporate* | 2.6 |

* Includes direct interactions on our corporate social media platforms.

Security and stability

We make a lasting difference to the security of the UK and to stability worldwide.



© Hayssam Moussaw

Strengthening Teacher Education in a Plurilingual Society (STEPS): a British Council project that supports Lebanese public school teachers to teach English and French to Syrian refugee children

Conflict, crises, unrest and violent extremism have impact on countries, communities and individuals. In fragile and conflict-affected states across the Middle East, Africa and South Asia the ability of extremist and terrorist groups to attract support creates risks for the UK and its people as well as for those countries directly affected. Political, economic and social turbulence continues in and around Ukraine. A refugee crisis continues in Syria, and instability in other parts of the world is a factor in increased global migration. Important cultural sites and heritage across the Middle East and North Africa are at significant risk of destruction. Our work helps individuals, their communities and countries by providing positive pathways for young people and improves their resilience, skills, employability and life chances.

Examples of our work and the impact we are creating include the following:

Voice and opportunity for young people

Young Arab Voices uses youth-led debate and dialogue to develop critical thinking skills to enable young people to discuss their issues and priorities across the Middle East and North Africa. An innovation of the programme in 2016–17 has been its expansion to encompass Al-Azhar University in Egypt. Young Azhari Voices has trained 400 students and teachers and included a debate with the UK Foreign Secretary Boris Johnson, on his visit to Cairo.

The programme has engaged more than 100,000 young people across the region enabling them to discuss the changes taking place in their societies. In Tunisia alone, 720 debate clubs have been formed. We have acted on the recommendations of the May 2016 Chatham House report *Young Arab Voices – Moving Youth Policy from Debate into Action* to help bring about policy and practice changes. In Tunisia, for example, we signed a memorandum of understanding with the Ministry of Education in September 2016 to enable the delivery of Young Arab Voices in all secondary schools across the country. In March, as a prelude to the launch of the next phase of the programme with EU funding, we took participants from across the region and from Europe to meet the EU Vice President and High Representative, Federica Mogherini in Brussels.

Connecting with the next generation in Russia and surrounding countries

As part of our ongoing commitment towards the next generation in Ukraine, we worked with 16 universities displaced by the conflict in the east of the country, and one from Crimea. These universities have had to re-establish themselves within government-controlled territory to continue providing education to 40,000 students who moved with them. We are helping these exiled institutions adapt to their new circumstances, to develop their services for a dispersed student base and build university links with the UK. This includes support to distance learning, leadership and change management, capacity building for English teachers and international office staff and support for student self-organisation. By providing Ukrainian students displaced by the conflict with viable options to complete their studies locally, this work is helping to keep young talent within the country, supporting its long-term security and stability.

English for Peacekeeping

In regions where there is instability or conflict **English for Peacekeeping** is a valuable tool to enable international communication across borders for military, police, border forces and other security personnel. In Sub-Saharan Africa we have been working with the Ethiopian Ministry of National Defence and the Federal Police Commission to increase their capacity to contribute to multinational peacekeeping missions by establishing a sustainable system of English language training. To date over 4,000 personnel have been trained, 85 per cent of whom have been deployed on missions. The project is not just about teaching English; it develops awareness of global issues, changes attitudes and develops professional skills for conflict prevention and resolution.

Alternative pathways for young people at risk

Language for resilience establishes pathways and links between displaced learners and formal and informal education systems in areas of conflict and intense migration with a focus on post-conflict Syria. Through learning and teaching programmes in Jordan, the Kurdistan region of Iraq, Lebanon and Turkey, we have worked with over 120,000 Syrians and members of host communities since the start of the refugee crisis.

The British Council in Jordan is delivering **LASER**, a three-year, €4 million EU-funded project to provide displaced young Syrians, principally in Jordan and Lebanon, with increased options to begin or continue their higher education studies through access to language and academic skills and online learning opportunities.

During 2016–17, we tested the English language levels of 4,000 students and 1,200 completed a 12-week language course. Approximately 350 of the highest achieving language students have progressed to accredited online degree courses, in partnership with Open University and Amity University in India. Over 400 students enrolled in MOOCs designed to equip them with the knowledge and skills to find employment on their return to Syria. Through improving their English language skills, students have been provided with alternative pathways for their future, helping to build a more stable and inclusive world.

All of my dreams and my ambitions to complete my education had faded because of the war and my future was fuzzy, hazy. Now, everything has changed.

Student participating in the LASER programme

Changing lives and life chances through sport, creativity and the arts

In October 2016 the British Council and Fundación Batuta brought representatives from around the globe to Bogotá for an event on **Music for Social Transformation**. The event took place at a historic moment for the country, during the final stages of negotiation on a Colombian peace agreement.

Participants shared best practice on how music and other art forms can be used as tools for the construction of peace and social transformation. The UK was represented by six organisations (Streetwise Opera, Music in Prisons, Buskaid, Beyond Skin, Drake Music and Paraorchestra), who are now developing longer-term partnerships with their Colombian counterparts.

The British Council in Belfast has been working closely with the team in Colombia to share Northern Ireland's experience of engaging young people and building peace through music and other art forms. Escuelas de Paz subsequently participated in the Global Youth Peace Summit in Belfast in March 2017, organised by Beyond Skin.

Tackling the causes and effects of migration

We are working with children at the Skaramagas refugee camp in Greece to help build tolerance and understanding of other cultures to facilitate their integration into Greek society. We provide a daily programme of English, life skills, arts, digital literacy and sport for 300 children from Afghan, Kurdish, Syrian Arab and Yazidi backgrounds working with our team of teachers, trainers, psychologists, child protection experts and cultural mediators. The project is part of the **School Readiness Programme**, funded by UNICEF to contribute to the special educational needs of refugee children fleeing conflicts in the Middle East. An evaluation conducted by the National and Kapodistrian University of Athens into the first two months of the project highlighted some of the challenges, including language barriers and engaging students with very limited experience of schooling. The report showed that teachers were quickly adapting to the challenges: *All the teachers stressed the importance of understanding cultural differences and modifying accordingly their teaching practices, approaches, expectations and goals*. The report highlighted that the students were very positive about the learning centre, especially around appreciation of student diversity and mutual respect.

Bridging Transatlantic Voices is an EU-funded dialogue programme which engages civil society and policymakers from across the Atlantic to research and strengthen understanding of civil society efforts to counter violent extremism. It focuses on three themes: countering ideologies and narratives in violent extremism; the role of Muslim aid organisations in countering violent extremism; and how civil society groups engage youth. The first report has been shared with over 150 prominent actors in the field and has received excellent feedback; the University of Maryland stated that the report is becoming a standard in the sector. Additionally, the report was used in the British Council's parliamentary inquiry on countering violent extremism.

Prosperity and development

We contribute to the UK's prosperity and to development in the countries we work with.



India, China and emerging markets across the world are set to grow and develop, becoming more influential on the global stage in the coming decades. There will be substantial benefits from close co-operation, including in areas such as science, education and culture, and the creative industries. The UK's decision to withdraw from the EU places more importance on the role of the British Council in developing even stronger ties between the UK and countries around the world where the UK will be seeking to develop stronger trade relationships. This work supports long-term growth and development globally, and complements the government's ambition for a truly global Britain.

Examples of our work and the impact we are creating include the following:

English, education, science and skills for growth

The **Newton Fund**, which is supported by the Department for Business, Energy and Industrial Strategy (BEIS), leverages the UK's strength in science and innovation to address pressing development issues and build stronger academic and research connections with the UK.

The Fund is supporting a team of scientists from several universities in Mexico and from Oxford University in the UK, who are working together to test the universality of a vaccine against Dengue fever and bring it to the market. The Fund has supported the training of ten scientists from Mexico at Oxford University and three British scientists had the opportunity to carry out research in Mexico, leading to the formation of a consortium for vaccine development. The success of the study led to the submission of a patent application for the vaccine in the UK.

Across the whole Fund, we have enabled more than 230 early career researchers to be mobile between the UK and partner countries, granted 588 PhD scholarships and placements, supported almost 300 bilateral workshops, and established 200 Institutional Links partnerships between 65 different UK institutions and their counterparts.

Civil society and access to justice

The final stages of the UK Aid-funded **Justice for All** (J4A) programme, which supports Nigerian-led reform of the justice sector, were implemented in 2016–17. J4A has been active in seven states focusing on cross-sector co-ordination, courts, policing and security, and anti-corruption. Representatives of the Nigerian government have strongly endorsed the impact of the programme, indicating that it had helped shape justice sector reforms in Nigeria. It was highly commended at the British Expertise Awards and received an A* rating from DFID in 2016–17.

Over the life of the programme there is evidence of a reduction in the number of victims of crime in areas covered by the programme. Access to good quality, objective justice for poorer citizens has been increased which has led to a 30 per cent reduction in the time it takes to deal with cases. Citizens are more satisfied with the performance of the police in J4A states, with levels of satisfaction increasing from 40 to 59 per cent. We have also assisted major anti-corruption agencies in the development and implementation of strategic plans and, largely through support provided by the programme, they were able to recover stolen assets of over £700 million overall.

Skills, confidence, chances for women and girls

Co-funded by the Turkish government and the European Union, a British Council-led consortium worked in partnership with the Ministry of National Education in 40 schools in remote traditional areas of Turkey to promote gender equality through the curriculum, textbooks, classroom and community practices. The first project of its kind in Turkey, **Gender Equality through Education** trained 8,000 teachers and education leaders, who cascaded their learning to another 60,000 teachers, created a media campaign that reached 23 million people and advocated for national policy change. The project features in the European Union's publication *Inspiring Stories*.

We use arts to support the empowerment of women and girls around the world. Over the last year, our ongoing partnership with the Southbank Centre has resulted in two **Women of the World** (WOW) Festivals in Karachi and Kathmandu to celebrate the stories and achievements of women in South Asia. Through talks, performances, workshops and social events, the Festivals provided unique platforms for frank discussion on the challenges and obstacles holding back girls and women from reaching their potential. In Karachi there were 9,000 visitors and a digital reach of 5.7 million and in Kathmandu there were 6,000 visitors and a digital reach of 13.7 million.

I'm thrilled that we could bring the WOW Festival to Karachi and provide a space for Pakistani women to discuss the key issues they face today and celebrate their achievements. WOW Karachi is a powerful addition to an international movement and we hope to build upon its success as we aspire to achieve gender equality across the globe.

Jude Kelly CBE, Artistic Director, Southbank Centre

Culture and development

We have delivered **Creative Enterprise Workshops** to over 750 new businesses over the past two years, in over 19 countries. Bringing together individuals from a diverse range of disciplines, the training showed them how to turn their creative skills into sustainable business models using methodology developed by Nesta. In Mexico and Peru, our workshops were delivered to female-only cohorts, aiming to promote women-led enterprises. Independent evaluation of the economic impact of the workshops found that there was an average increase in turnover of £6,800 per business post-training. This work has left a legacy of networks of creative professionals more confident and inspired to play their part in growing their creative economies. Our partnership with the British Library led to over a million people in Sub-Saharan Africa finding out about free creative business webinars and over 2,000 registering to take part virtually.

Growing social enterprise and investment

The UK is recognised as a world leader in social investment. The British Council is working closely with government departments and the UK social enterprise sector to position the UK as a global centre for the social economy. As part of this strategy we aim to bring back learning from successful social sector innovations and practices overseas and create opportunities for UK social sector organisations to build international networks and explore opportunities overseas. In February 2017, the British Council launched a partnership with the United Nations to support the growth of **social enterprise and investment** across the Asia-Pacific region. Underscoring its commitment to social entrepreneurship and social innovation as vehicles for achieving the Sustainable Development Goals, the UN has committed US\$1 million to our partnership over three years and will fund ministers from the region to attend a social enterprise policy dialogue we are co-hosting at the Social Enterprise World Forum in New Zealand this September.

We continue to build capacity globally in social enterprise as a way to help foster inclusive growth and employment and have so far trained 17,600 social entrepreneurs, with 1,700 being trained in 2016–17. In Bali, Indonesia, for example, in partnership with Diageo, we supported the villagers of Nyambu to develop an ecotourism social enterprise offering a range of tours and activities that generate sustainable income without harming the environment. One beneficiary explained: *'It is unnecessary to build many hotels as villagers are the actors [of ecotourism development] who can reap the benefits.'* And the head of the village said that thanks to the project, *'we are able to protect the environment and conserve our culture.'*

Art for prosperity

Working with 2,300 cultural professionals in the UK and Brazil as well as governmental bodies across 114 projects, **Transform** helped to change the cultural relationship between Brazil and the UK in the four years between the Olympic Games in London in 2012 and Rio de Janeiro in 2016. It helped deliver systemic change in the way the UK and Brazil collaborate through culture and the arts and stimulated a range of mutually beneficial collaborations.

Transform also provided unique opportunities for young people from both Brazil and the UK to gain new skills and access potential employment opportunities. Backstage to the Future, for example, was a flagship youth training programme which offered hands on experience with UK touring productions featuring in the official Rio2016 Cultural Olympiad programme.

External research into the programme confirmed that it provided a trusted, self-sustaining platform for collaboration between the UK and Brazil which helped individuals and organisations to learn from each other, develop skills and access commercial opportunities. Seventy-eight per cent of UK organisations and 64 per cent of Brazilian organisations felt stronger and more resilient as a result of their participation. The Transform initiative linked 199 institutions in the UK and Brazil and reached audiences of over 1.7 million people.

What strikes me as very significant is that the British Council through Transform creates an institutional structure which clearly contributes, facilitates and gives life to these experiences and provides a system for these exchanges.

Marcelo Araujo, President of the Brazilian Museums Institute

Influence and attraction

We contribute to the UK's international influence and attraction in the world.



The UK builds long-term relationships with future world leaders from politics, education, business, the arts and society. These powerful relationships benefit the UK now and in the longer term, contributing to a stronger UK voice in the world, sharing our values and supporting prosperity, security and mutual collaboration. It is crucial to maintain this influence as the next generation of leaders emerges with new international outlooks and priorities. Given the decision to leave the EU, it is even more important to continue to strengthen the UK's cultural and educational ties and relationships.

Examples of our work and the impact we are creating include the following:

English as the world's preferred language

The British Council promotes the teaching and learning of English through a range of **digital and broadcast** products. We have developed a video-based channel which showcases the best of UK arts and culture with wrap-around English exercises. The online channel allows users to develop their English language skills while enjoying film, music and lifestyle content. The website reached more than 750,000 unique visitors in the first two and a half months.

The numbers of teachers and learners of English who access our English language digital and broadcast products continues to rise. The total number of visitors to the global websites for learners and teachers of English was over 72 million, up from 64 million in 2015–16 and, on our social media channels we engaged with a further 7.8 million learners and teachers of English. Our MOOCs, delivered on the FutureLearn platform, reached 1.8 million learners and teachers in 2016–17, taking our total MOOC audience to over three million registrations. The audience from our radio series for learners and teachers of English increased by ten million to 67 million. Articles for learners and teachers were syndicated in more than 1,000 national newspapers around the world, reaching over 44 million people.

Creating global networks and digital spaces

Through our **Teaching Centre network** in 2016–17 we helped 400,000 learners in more than 50 countries and in 175 locations learn English and prepare for a better future. In Spain alone, our largest teaching centre network, 33,000 English learners joined our classes and 57,000 candidates did their exams with us.

Through our partnership with Aardman Animations we have developed a global portfolio of **English learning programmes** and products for two to six year olds, combining the UK's expertise in early years learning with Aardman's popular characters Shaun the Sheep and Timmy.

We extended our Learning Time with Shaun & Timmy network in 2016–17 with seven pop-up centres opening in Mexico, Egypt, Bahrain and Spain. As of March 2017 we had ten up and running, and we are in the process of expanding the product range to include new digital and publishing products. Highlights this year include the pop-up learning centres winning the Society for British and International Design Award for Intelligent Design and our Learning Time with Timmy apps winning a Made4Mums Award.

We also extended our **libraries network** in 2016–17. The British Council launched a new network of libraries in Lahore and Karachi designed to foster creative expression and build greater cultural links between the UK and Pakistan. The project included a digital partnership to enable Pakistanis to access a vast catalogue of contemporary UK journalism, publications, films and music.

In Bangladesh we are working with the Bill and Melinda Gates Foundation and the government of Bangladesh to expand learning for millions including women, young people and micro-entrepreneurs by establishing 30 model public libraries, an e-library network, upgrading technology facilities in existing libraries and enabling all librarians to become community catalysts.

Promoting UK culture and values

With up to 500,000 international visitors each year, the **Venice Biennale** is one of the longest-running cultural festivals in the world. The British Pavilion at Venice Biennale has been curated by the British Council, on behalf of the British people, since 1937 – showcasing the best of the UK's contemporary artists, architects, designers and curators. For the 2016 exhibition, which opened in May 2016, *Home Economics* tackled the front line of British architecture today: the home. The exhibition presented five new models for domestic life to an audience of over 145,000 visitors.

It has been an honour to represent Britain at the Venice Architecture Biennale, and an invaluable experience working with the British Council and our team of collaborators to produce Home Economics.

Shumi Bose, Jack Self and Finn Williams, curators of Home Economics at the British Pavilion for the 2016 Venice Architecture Biennale

Collaborative research enables us to seek knowledge and, above all, to look for solutions to the problems which affect our world... I look forward to the success of the initiative and to continued beneficial collaboration and partnership with the British Council and with UK universities, researchers and research bodies.

*President Professor Mansoor,
Ahlia University, Bahrain*

Supporting future global leaders

Working with partners in the UK government, the British Council has been supporting the professional development and leadership capability of the next generation of **science leaders in the Gulf**. To date nearly 300 Gulf-based scientists have participated in a broad programme of activity that supports leaders in the fields of science and innovation, by providing the networks and funds to connect with scientists in the UK. In addition, a series of symposia on themes which represent shared challenges for the UK and the Gulf such as sustainability, smart cities and innovation were held to improve research quality by sharing expertise, insight and innovation.

Working in partnership with the GREAT Britain campaign and UK universities, we have now been running the **Study UK Alumni Awards** for three years – a global competition which captures and celebrates the longer-term benefits of a UK education and its life-changing impact on individuals and their societies. More than 2,400 alumni from 16 countries have taken part so far – representing 125 out of 154 UK universities. The Alumni Awards celebrate and raise the profile of UK education and individual institutions by showcasing the outstanding success stories of alumni, inspiring the next generation of students from India, China and other countries to choose the UK as their study destination.

I'm delighted to support the Alumni Awards 2017 as Global Ambassador. Studying in the UK was an experience that changed my life and contributed to my success today. It is an honour to be supporting today's recent outstanding UK university alumni by sharing their success stories and positive impact on the world.

*Professor Jimmy Choo OBE,
Global Ambassador of the Alumni Awards*



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A UK perspective

Our vision is for a UK which is internationally inspired and globally connected.

The British Council supports the international interests of the UK government and the devolved governments in Northern Ireland, Scotland and Wales. Our work has a strong partnership focus and we work with cities, universities, arts institutions, creative entrepreneurs,

artists, schools and social entrepreneurs to help them realise their international ambitions and agendas. Our work creates benefits directly for UK individuals and organisations that are involved in our programmes and builds trust for the UK.

Real economy impact



£1.3bn Expenditure by international students directly attributable to British Council



£333m Expenditure to UK companies/organisations



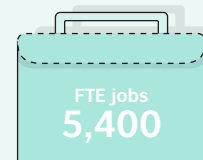
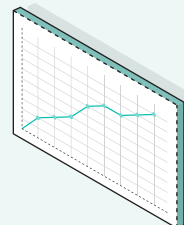
Indirect/induced contribution



GVA associated with British Council employment in the UK



£1.2bn Worth of increased trade and investment through increased trust



**Total GVA £1.8bn;
56,000 FTE jobs**

Gross Value Added (GVA) is a measure of the economic value of goods and services produced in an area. It is defined by the Office for National Statistics (ONS) as ‘...the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production.’ FTE refers to full time equivalent (jobs).

Source: Amion Consulting, Economic value of the British Council to the UK, 2015

Creating opportunities



47,000 people from the UK took part in Erasmus+

200 UK students took up internships in China

500 UK students took up opportunities in India

2,000 UK undergraduates worked as English Language Assistants in schools and universities around the world

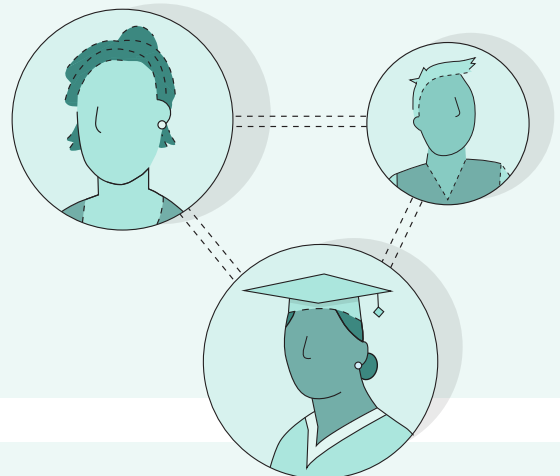
Over **250,000** international students introduced to UK academic institutions through exhibitions

Almost **2 million** candidates took UK professional exams

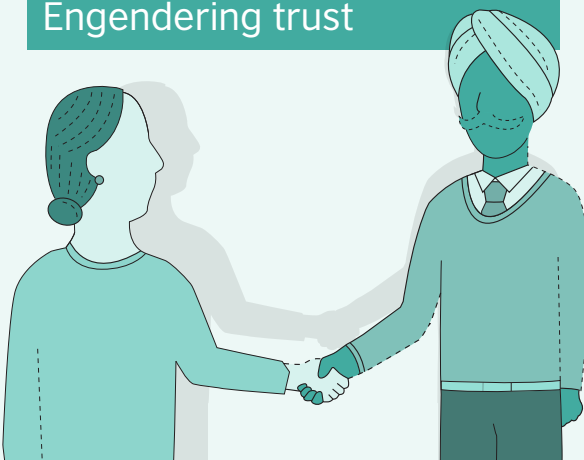
2.9 million IELTS tests taken

450 delegates building connections through the Momentum programme in Edinburgh

Building connections



Engendering trust



2.7 billion hashtag reach through Shakespeare Lives

77% of international first-year students in UK aware of the British Council⁵

460,000 audience for exhibitions and festivals during UK/Nigeria 2015–16 arts season

26,000 teachers from 40 countries participated in training through Connecting Classrooms

5. Calculations by In2Impact based on a survey carried out by Research Stories.

Creating opportunities

We have given individuals in the UK opportunities to learn about the world, develop new skills and engage with people in other countries.

Supporting the international mobility of young people and professionals, we helped over 2,000 UK undergraduates work as **English Language Assistants** in schools and universities in our 14 partner countries across Europe, the Americas and in China. We have also supported schools in the UK to enhance language teaching through placement of Modern Language Assistants who we selected with our partners in cultural organisations overseas.

Erasmus+ UK National Agency is a partnership between the British Council and Ecorys UK. It awarded more than €128 million of funding to more than 1,000 UK projects,⁶ enabling young people, students and staff to study, volunteer or train in Europe, helping organisations to partner and share best practice across Europe. 2016 was the most successful year for Erasmus+ so far with an estimated 47,000 UK people taking part in activities. Independent research demonstrates how the programme boosts the skills and employability prospects of young people in the UK.

Generation UK–China was launched by the British Council in 2013. By 2020, it aims to help 80,000 students from the UK boost their employability, enhance their long-term job prospects, and develop a global mindset through study and work experience opportunities in China. By promoting outward student mobility, the campaign supports the UK government's agenda to foster the UK's competitiveness and develop a new generation of globally mobile, culturally agile young people who can succeed and compete in an increasingly international business environment. The Generation UK–China campaign is supported by BEIS, and the Department for the Economy, Northern Ireland, the Welsh government and the Scottish government.

This is a fantastic opportunity for Scottish students to develop highly valuable knowledge and skills working in one of the world's fastest-growing and most dynamic economies.

Shirley-Anne Somerville, Minister for Further Education, Higher Education and Science

Highlights of the programme in 2016 included:

- With sponsorship from all four UK administrations support for over 200 UK students to undertake internships in six cities across mainland China.
- A new partnership with Huawei UK until 2020. The partnership will support 200 UK science, technology, engineering and maths (STEM) students to visit China for internship opportunities with Huawei.
- Agreements with the University of Hertfordshire, the University of Bristol and Cardiff University to support 40 students from these universities to take up internships across China, with the aim of scaling up this collaboration in the long term.

My experience interning in Beijing was fast-paced, exciting and always engaging... my experience in China undoubtedly improved my employability.

Justine Porter, a graduate of the University of Dundee who completed a two-month internship at a law firm in Beijing through the Generation UK–China campaign

In partnership with the Institute of Education we also launched the **Mandarin Excellence Programme**, a new intensive language programme, funded by the Department for Education. It will see at least 5,000 school pupils in England on track to fluency in Mandarin Chinese by 2020. Pupils will be given an immersive experience of China, including visits to China arranged by the British Council.

Through the **Generation UK–India** programme, the British Council is working with partners to create opportunities for young people and professionals from the UK to gain study and work experience in India. This year over 500 UK students went to India as part of a partnership with Tata Consulting Services (TCS), Air India and KPMG. The first cohort of 17 TCS interns started their work in India in 2016–17.

Building connections

We have created international introductions, connections and business opportunities for UK organisations.

The economic opportunities we provide for UK organisations span our work in exams and accreditation, higher education, English language teaching and more broadly across our arts programmes.

In 2016–17 our **examinations distribution work** included school exams such as IGCSEs and A-levels, English language exams, professional and university exams. We worked with 140 awarding bodies, offering exams in 124 countries and computer-based testing in over 60 countries. Almost two million candidates took an exam with us resulting in about £36 million annually in board fees for UK examination bodies.

6. 707 projects in England received €97 million, 177 projects in Scotland received €15 million, 63 projects in Wales received €9 million and in Northern Ireland 52 projects received nearly €7.5 million.

Cambridge International Examinations has worked with the British Council for many years, and they play a key role in our mission to make our programmes and qualifications as widely available as possible.

Janet Morris, Director International Network, Cambridge International Examinations

In 2016–17 we also saw another year of positive growth for IELTS, with a record 2.9 million tests taken and over 10,000 organisations now recognising the test worldwide. We remitted a total of £62 million in board fees to UK bodies last year for IELTS.

A recent study by Universities UK has shown that international students in UK higher education contribute £25.8 billion gross output for the UK economy. The British Council works directly with individuals planning to study overseas and helps to make connections and facilitate partnerships for the UK higher education sector. It is estimated⁷ that the value in economic terms of the British Council's work in this area is around £1.3 billion per annum.

The main programmes that contribute to this include the GREAT Britain campaign and Study UK: Discover You, in partnership with UK government, and our Services for International Education Marketing.

The British Council strand of the **GREAT Britain campaign** promotes the UK as a destination for study in specific markets. It has generated £228 million⁸ return on investment (ROI) for the UK economy since the start of the campaign in 2013–14 with £85.3 million attributable to the 2016–17 academic year. The ROI figures measure the contribution that international students who have been influenced by the campaign make to the UK economy, verified by HMG's independent strategic evaluators. In Autumn 2016 we launched **Study UK: Discover You**, a digitally focused programme to promote the attractiveness and value of a UK education. And through our wider **Services for International Education Marketing** we have worked with over 500 UK academic institutions supporting their promotional activities in more than 50 countries, reaching in excess of 250,000 prospective students through exhibitions work alone.

In partnership with English UK, we continue to manage Accreditation UK, the largest quality assurance scheme for English language teaching organisations in the UK with over 540 accredited providers. We promoted the UK as a destination to study English in over 50 countries. This supports the **promotion of the UK as a leading destination for English language learners**, a market worth £1.2 billion a year to the UK.

We have also created connections and business opportunities for organisations working in the cultural sector.

Momentum is a world-leading delegate programme in Edinburgh providing a dynamic platform for cultural figures from across the world to build relationships with Edinburgh and the wider Scottish cultural sector. The programme is managed by Festivals Edinburgh, British Council Scotland and Creative Scotland with additional support from City of Edinburgh Council, Event Scotland and the Scottish government. In Summer 2016, in the context of the Edinburgh Festivals, international cultural policymakers and practitioners gathered to meet Scottish artists, festival directors and partners. Since the start of the programme, over 450 international delegates have participated which has resulted in seasons of work by New Zealand and India at the Festivals and many opportunities for Scottish artists to tour to Brazil, India, Australia and other countries around the world.

We have also supported new cultural collaborations between Wales and China. In February 2017 a Welsh cultural delegation visited China with the objective of extending cultural ties between both countries. Organised by the British Council, the visit built new partnerships, new learning opportunities, and new exchanges of exhibitions and performers, to and from both countries.

The British Council continues to be the vital key that unlocks so much goodwill and actual collaboration as a result of its existence.

Michael Garvey, Director BBC National Orchestra of Wales

7. London Economics (2015) Benefits for the UK of the British Council's activity in Higher Education.

8. Calculations by In2Impact based on a survey carried out by Research Stones.

Engendering trust

We have shared and connected the UK's cultural and educational assets with the world and brought the best of the world's culture and educational assets to the UK.

Shakespeare Lives was a celebration of the influence of William Shakespeare on global culture, language, education and society. The British Council, the GREAT Britain campaign, VSO and an unprecedented number of partners invited the world to participate in a programme of events including online collaborations, performances on stage and film, exhibitions, public readings, debates and school programmes. It was delivered in more than 140 countries and the Shakespeare Live hashtag reach was 2.7 billion. External evaluation has shown that the programme resulted in a better knowledge of the UK and the English language and helped individuals and organisations engage with contemporary UK culture and form new connections with UK cultural bodies.

International seasons help us to develop new cultural and artistic relationships with governments, artists and audiences around the world. The launch of the UK/India season in February 2017 has been welcomed across the UK. In Wales, for example, the Economy Secretary Ken Skates announced 11 Welsh arts projects that will take Welsh culture to India. These projects are recipients of funding from the £450,000 India Wales Fund, a joint Wales Arts International and British Council scheme, which aims to help build relationships between Wales and India.

Wales has strong and long-standing relations with India. The UK–India Year of Culture 2017 offers an important opportunity for Wales and India to refresh and strengthen these links, and also to create new dynamic connections and creative collaborations.

Economy Secretary Ken Skates AM

In November 2016 we welcomed 30 delegates to the Outburst Queer Arts Festival in Belfast. The delegates represented the Americas where a particular focus on arts work for equality, diversity and inclusion is being explored.

Outburst's partnership with the British Council has enabled us to showcase brilliant new LGBTQI work from the Global South in our annual festival. Even more than supporting our programme to grow in scope and ambition, the international partnership has helped to initiate a global conversation and support network for LGBTQI artists and producers.

*Ruth McCarthy, Artistic Director,
Outburst Queer Arts Festival*

Our **Connecting Classrooms** partnership with DFID works with teachers and school leaders to introduce new education approaches and school partnerships that give young people the knowledge, skills and outlook to live and work in a globalised economy. Over 26,000 teachers and 11,000 school leaders across more than 40 countries have now taken part in core skills training since 2015. Seventy-four per cent of teachers confirmed that their professional teaching practice had been enhanced by professional development opportunities. In its first year of delivery, the programme received an A rating from DFID in its annual review.

Imaginative schools partnerships between the City of Hull and Sierra Leone demonstrate the value of this programme. As the Ebola crisis triggered a state of emergency in Sierra Leone and schools closed down, schools in Sierra Leone worked with a network of schools from Hull, which proved a vital source of support throughout the crisis. Teachers from Hull designed lesson plans for the teachers in Sierra Leone to deliver by radio and through house visits. The house visits were particularly effective for communities which struggled to afford batteries for radios.

Our performance: measurements and results in 2016–17

We evaluate and measure our performance to understand how our programmes change people's lives and how we create value for the UK and for the countries where we work.

We measured performance against the following areas:

- **Customer and product:** the scale, quality and impact of our work.
- **Operations and innovation:** the research we are doing, our development of new partnerships and managing critical projects.
- **People and organisation:** our people, diversity and environmental performance.
- **Finance:** our overall financial performance against corporate targets.

This section presents our performance in 2016–17, with comparisons to previous years and where appropriate showing progress against targets set for 2020–21. We provide more detailed commentary on performance against our financial plans in the financial review section of this document.

Customer and product

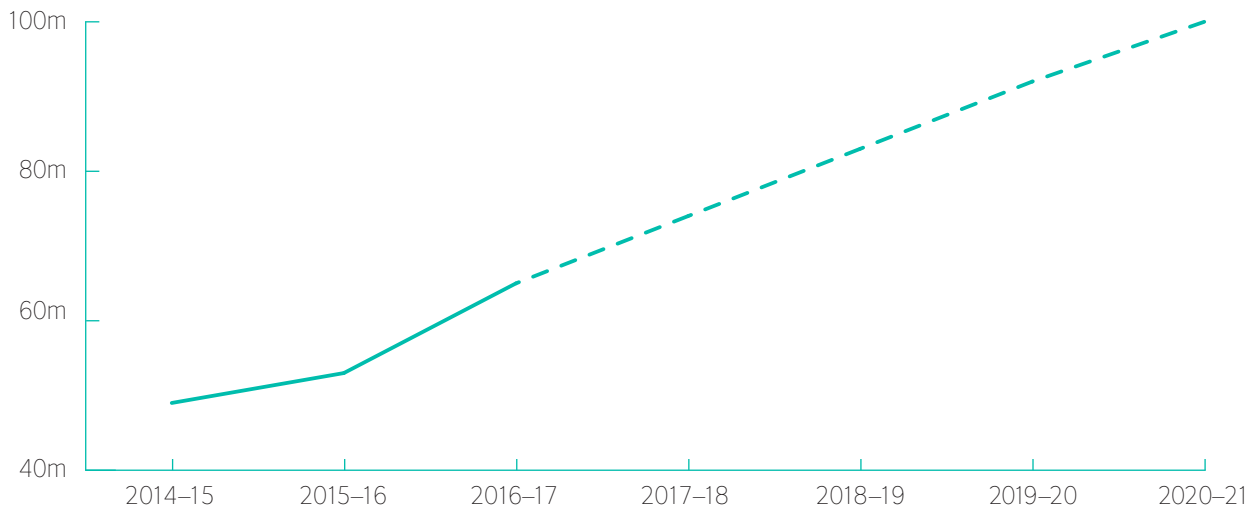
The scale of our work

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 see if we are reaching a critical mass of people in particular markets or locations.

This year 731 million people took part in our programmes and used our products and services, exceeding last year's performance by 84 million. Almost 65 million people interacted with us directly, which represents an increase of 12 million on the previous year, significant progress towards our target of 100 million by 2020. Given the recent rate of growth we expect to reach that target.

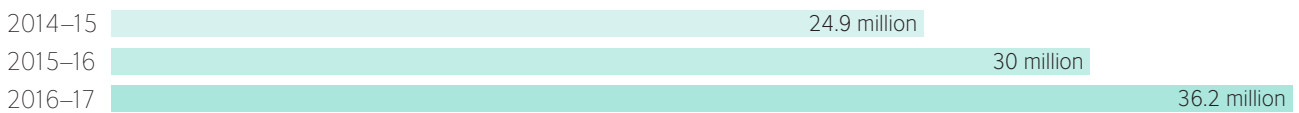
Reflecting the wider shift towards digital, the number of people we connected with through digital social media and learning increased by six million and our online audience increased by 14 million. The significant increase in our broadcast and publication figures in 2016–17, due in large part to our Shakespeare Lives programme, enabled us to reach beyond our physical presence and traditional audiences.

Number of direct interactions 2014–15 to 2016–17 and target to 2020

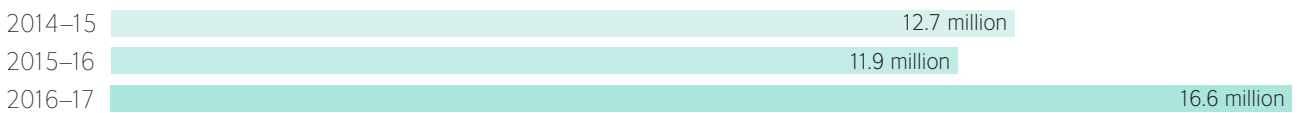


Participants in our activities 2014–15 to 2016–17

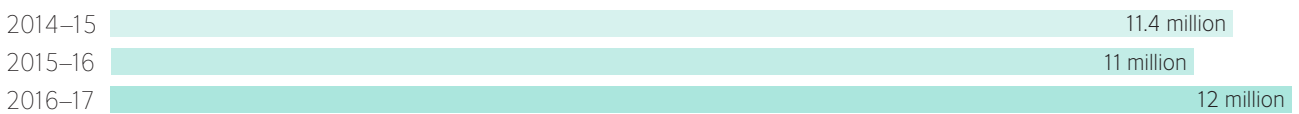
Digital social media and learning



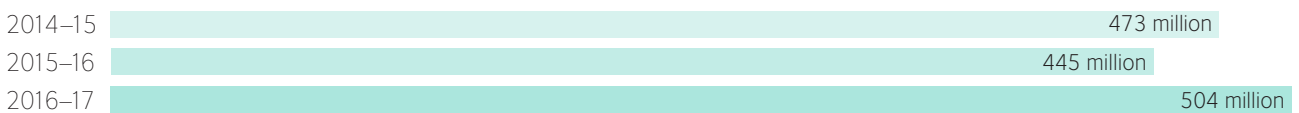
Exhibitions, festivals and fairs and performances



Face-to-face



Broadcast and publications



Digital online audience



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.

We have broken down customer satisfaction and net recommendation into two categories – customers who receive our services for free and those who pay. This gives us greater insight into how different groups of customers value our work.

Our **customer satisfaction** scores showed that a significant majority of our customers agree or strongly agree that our programmes are of high quality. These figures have been largely consistent over the last three years.

Our **net recommendation** scores reflect the extent to which our customers would recommend our work to others. Overall our results continue to benchmark well against industry averages. We increased our net recommendation score for paid-for services with a slight dip in free services performance compared to last year. However, a score of 50 or more using this methodology is considered to be excellent.

We published feedback from the users of a selection of our services over the past two years. This year 85 per cent of those surveyed again reported that working with us had helped them to acquire new knowledge and/or skills – a slight improvement on the past two years.

The impact of our work

We measure our impact to demonstrate the value of our work and improve our programmes and services. We use a number of customer questionnaires and surveys and undertake detailed programme evaluations to assess the impact of our work.

Corporate performance surveys

Over 2015 and 2016 working with Ipsos MORI we conducted a series of pilots to test new methods for assessing our performance at a corporate level and the extent to which our work builds trust and friendly knowledge and understanding between the UK and other countries.

A survey of English language students in Singapore for example provided clear evidence of increased skills and knowledge of, and trust in, the UK as a result of their engagement with the British Council. A survey of stakeholders who had worked with our literature department signalled increased opportunities to engage with international organisations and 79 per cent of customers in Pakistan signalled a greater appreciation of the UK as a result of their engagement.

Programme evaluations

This year we have continued to measure our work through a number of surveys and evaluations of our priority programmes. We use external evaluations to assess the impact of our larger programmes and those we deliver on behalf of others. Overall 92 per cent of the evaluations conducted by DFID in 2016–17 were judged as grade A or better. A number of these case studies have been referred to earlier in this Annual Report.

Customer satisfaction results 2014–15 to 2016–17

| Quality | 2014–15 Result | 2015–16 Result | 2016–17* Result |
|--|----------------|----------------|-----------------|
| Customer satisfaction: paid-for services | 81% | 81% | 80% |
| Customer satisfaction: free services | 86% | 85% | 86% |
| Net recommendation: paid-for services | 47 | 47 | 48 |
| Net recommendation: free services | 64 | 63 | 62 |
| Learning of new knowledge and/or skills | 84% | 84% | 85% |

* Sample size 301,000 respondents for customer satisfaction, 222,000 for net recommendation, and 287,000 for learning.

Brand tracking and perception research

For the first time we conducted a piece of brand tracking and perception research across 22 countries, targeting a sub-set of the general public, to assess levels of brand awareness, understanding and sentiment. In 15 of the 22 markets awareness of the British Council was moderate to high (in excess of 70 per cent) with our profile highest in Singapore, India, China and Indonesia.

In countries where respondents were relatively familiar with the British Council and our activities, brand sentiment and promoter scores were much higher and we were viewed more favourably. Although interest was high in all strands of our work, over half of the global respondents knew the British Council through our English language teaching and exams work.

Operations and innovation Research

In 2017 we developed a new results and evidence framework to further improve the way we monitor and evaluate our work. This has involved improving and consolidating all the indicators that we have across our work with a particular focus on collecting more high-quality evidence of our impact and contribution to cultural relations across the globe.

An increased focus on research is helping us to gather the evidence we need to assess our impact. Last year we commissioned a second run of our research looking at the G20 countries' perceptions of the UK through data gathered on trust and the influence of our national political, educational and cultural institutions. This research, conducted pre and post the EU referendum in June 2016, enabled the British Council to analyse changes in the perception of the UK's position internationally following this historic moment and will continue to inform dialogues with our policy and sector stakeholders. We will be conducting research into activities including science, the arts, languages, and higher education. Recognising that the majority of the British Council's work globally is in urban areas, including across the devolved nations of the UK, we have introduced a new research theme looking at cities as unique sites for social, political and economic development.

Increasing the scale and effectiveness of partnerships

Strategic partnerships remain a major priority for us as they amplify reach, engagement and impact, to deliver our cultural relations mission. These partnerships are with organisations and individuals across the private, public and philanthropic sectors. One element of our strategy is to identify and promote those areas of our work that lend themselves to large-scale partnerships. Major festivals and seasons provide an excellent platform to establish new partnerships and we developed this model in 2016–17 with the launch of four major bilateral years of culture in Korea, UAE, India and Indonesia.

In addition we are focusing increasingly on major foundations, identifying opportunities where we share goals and developing initiatives together and we continue to build partnerships with major corporations such as GlaxoSmithKline.

In February 2017 we also became a founding partner of the Micro:bit Educational Foundation, an independent, non-profit organisation which lowers barriers to technology invention, empowering teachers and governments worldwide to revolutionise digital learning. Working with fellow founding partners Amazon, ARM, BBC, Microsoft and Samsung, we will enable 100 million people globally to use a micro:bit computer.

Critical projects

We have a number of critical change projects which aim to improve our effectiveness, efficiency and sustainability and support our objective of achieving increased deployable cash through 8.5 per cent compound annual growth in surplus over the period up to 2020. These projects will ensure that we are agile in the way we work and in the delivery of our services to customers and stakeholders. Projects cover our main business areas such as teaching and exams and there are also several change initiatives focused on our people to ensure we continue to operate as a professional and specialist workforce.

Over the past year the organisation has made a number of improvements to the management of our change portfolio including setting up an Investment Board to provide a better overview of change and more informed decision making.

People and organisation

Our staff

Our ambition is to support our people to develop their skills, and to make it easier for them to spend their time on activities which have an ever growing impact. As part of this we have:

- Developed and delivered a senior leadership development programme that has been attended by 60 of our most senior leaders.
- Developed and piloted a new management capability programme that will reach 1,000 team leaders and managers.
- Refreshed our approach to career pathways, enabling individuals to plan and identify the skills they need to develop.
- Opened up our talent pools for international posts by recruiting from local markets in the countries where we operate, resulting in an increase in the number of locally-appointed country directors.
- Introduced a simplified global recruitment policy and implemented standardised recruitment processes in the UK and overseas regions.

We also continue to gather feedback from our staff through the biannual staff survey. This year we developed a bespoke survey relevant to the British Council while maintaining integrity with previous years' data. We also introduced two new ways of analysing our data: segmentation and linkage analysis.

A total of 7,254 employees took part, a final response rate of 69 per cent. Our overall global engagement score has increased; in particular, improvements were noted in perceptions of leadership, respecting individual differences, and employees' understanding how they contribute to the success of the British Council.

Equality, diversity and inclusion

The British Council is committed to equality, diversity and inclusion (EDI). Our work is centred on building meaningful, enduring and respectful relationships across different cultures and the different contexts in which we work.

We display the 'positive about disabled people' double-tick symbol on our recruitment material, use a guaranteed interview scheme and make reasonable adjustments to support the participation of disabled people, both as employees and as participants in our programmes and activities. We use a range of tools to support and measure our efforts to build EDI into all that we do, which this year has included equality monitoring of our workforce, equality screening and assessing the impact of new policies, and reviewing how diversity is built into regional planning and activities. This year we established a pool of accredited diversity facilitators who have delivered training on subjects such as unconscious bias and religion and belief to colleagues across the organisation.

We use an externally validated diversity assessment framework to assess how well we are supporting equality, diversity and inclusion in everything we do worldwide. We also monitor specific characteristics against targets outlined below. We have already exceeded our 2017–18 target for women in senior roles, currently at 42 per cent. However, we are some way off reaching our aspirational targets for both ethnic minority and disabled staff in senior roles.

Environmental performance

We use an environmental management system to improve our environmental performance in the UK. In 2016–17 our six UK premises all succeeded, for a fifth year, in maintaining the International Standard for Environmental Management (ISO 14001).

We use our environmental framework tool to manage and mitigate the environmental impact of our activities outside the UK. This framework assesses our progress on a five-level scale, from level 1 'making a commitment' to level 5 'global sustainability leader'. Our target for 2016–17 was for all of our seven regions to reach level 4 'the path towards sustainability excellence'. Regions are marked at level 4 if they have an environmental plan in place to mitigate and reduce our environmental impact. Five of our seven regions reached this level as shown below.

Diversity assessment 2016–17

| | 2015–16 result | 2016–17 result | 2017–18 target |
|----------------------|----------------|----------------|----------------|
| Senior level* | | | |
| Minority ethnic | 4.1% | 4.5% | 10% |
| Women | 37.8% | 42% | 40% |
| Disabled | 2.7% | 2.3% | 5% |
| Overall | | | |
| Disabled staff | 2.8% | 2.5% | 5% |

* Senior level includes all those above senior management payband, which are: Leaders of Major Functions and Geographies; Enterprise Leadership; and Executive Board.

Environmental performance 2016–17

| | 2015–16 result | 2016–17 result | 2016–17 target |
|---|--|--|----------------------------|
| Environmental framework tool: a scale from level 1 'making a commitment' to level 5 'global sustainability leader' | Five regions at level 4. Two regions below level 4. | Five regions at level 4. Two regions below level 4. | All regions reach level 4. |

Finance

Detailed information on the financial performance of the British Council can be found in the financial review section of this Annual Report.

The chart below shows the breakdown between earned income and grant over the last three years.

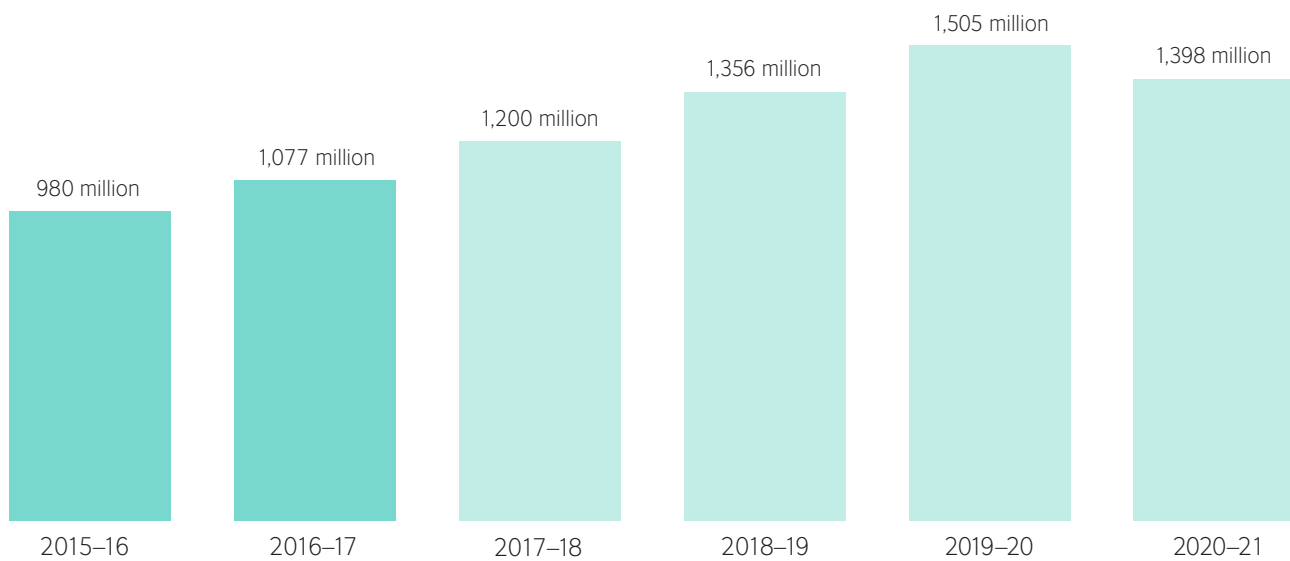
We set a target of £1.5 billion of delivery by 2020 in our Corporate Plan 2016–20. That target was revised to £1.4 billion in the 2017–20 Corporate Plan. The chart below shows recent growth in our income up to 2016–17 and projected growth up to 2020.

Total income 2014–15 to 2016–17 (£ millions)



* Other income includes fees from teaching, examinations, and contracted services, as well as partnership income, and grants and donations other than grant-in-aid funding from the FCO. Further information about our sources of income is provided in notes 2 to 5 in the accounts.

Total income 2015–16 to 2016–17 and projected income to 2020–21 (£ millions)



Governance statement

This explains the British Council's legal status, governance arrangements and how we managed risk during 2016–17.

Corporate governance

Constitution and charitable purpose

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

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

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

The Royal Charter is available on the British Council's [website](#).

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

Group structure

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

Connected charities

As at 31 March 2017 the British Council was a corporate trustee of eight charitable trusts. The British Council was the sole corporate trustee of three of these trusts: the Sir Shiu Kin Tang Educational Trust, the United Kingdom 9/11 Scholarships Fund and the Lefèvre Trust, each separately 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.

Relationship with the FCO and other stakeholders

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

As well as its legal status as a charity incorporated by Royal Charter, the British Council is classified by the Office of National Statistics as a public non-financial corporation and as an executive non-departmental public body (NDPB).

To ensure the greatest value for the UK, the British Council is firmly committed to strategically aligning its work to the long-term policy priorities of the UK governments. This includes supporting the broad policy interests and priorities of the FCO, other relevant UK government departments in Whitehall and the devolved governments in Scotland, Wales and Northern Ireland from whom it receives funding as disclosed at note 4 to the accounts.

The British Council's Corporate Plan 2017–20 was developed in consultation with stakeholders and partners across the UK government, the British Council's advisory committees and the governments and executives of Northern Ireland, Scotland and Wales. The plan also draws on our understanding and assessment of the needs of our partners overseas.

Governance codes

The British Council has robust governance arrangements reflecting the Charity Commission's guidance in 'The Hallmarks of an Effective Charity' (CC10). The 'Corporate governance in central government departments: code of good practice 2011', published by HM Treasury and the Cabinet Office, is intended for the boards of government departments, comprising executive and non-executive

members as well as Ministers. The composition and role of a government department's board differs from that of a board of unremunerated trustees of a charity such as the British Council. However, the British Council complies with the principles in paragraphs 1.2, 2.1, 3.1, 4.1 and 5.2 of the central government code, except that, rather than having annual board evaluations, it has an externally facilitated board evaluation every three years. The code's other principles are less directly applicable as the British Council is not a ministerial department and the responsibilities of its Trustees are defined in the Royal Charter and charity law.

The Board of Trustees

The British Council's Royal Charter vests all the powers of the British Council in its Board of Trustees. The Trustees are responsible for governing the British Council. They must ensure that it is solvent, well-run, and delivering the charitable outcomes for the benefit of the public for which it has been set up. Trustees who have served during the year are listed on page 46.

At the start of the financial year there was a short gap between the end of the term of the previous Chair, Sir Vernon Ellis, on 24 March 2016 and the start of the term of the current Chair, Christopher Rodrigues CBE, on 23 May 2016. Rt Hon. Baroness Prashar of Runnymede CBE, who served as Deputy Chair throughout the year, chaired the meeting of the Board of Trustees held during that period.

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

An external review of the Board's effectiveness was ongoing as at 31 March 2017. The Board of Trustees considered the review's findings at its June 2017 meeting. It was reported that the quality of both financial data and performance data submitted to the Board had improved during 2016–17, however there was still some way to go. A plan to respond to issues emerging from the effectiveness review will be developed and implemented during 2017–18.

The Board's work during 2016–17

As well as receiving regular reports from the Board's committees, matters considered by Trustees during the year included:

- the future sustainability of the British Council's overseas network
- the British Council's work in China
- the impact of the referendum on the UK's membership of the European Union on the British Council's plans
- the British Council's risk register and risk management objectives and appetite
- its strategy for engaging with stakeholders, and
- plans for the relocation, within London, of the British Council's headquarters in 2020.

The Trustees approved the British Council's Corporate Plan 2017–20 at their March 2017 meeting. They received financial updates during the year, including the management accounts, and were briefed on the programme to improve financial transparency. The British Council's 2016–17 Annual Report and Accounts will be submitted for approval at the Board's July 2017 meeting.

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

Trustee recruitment and induction

The Nominations Committee, a committee of the Board of Trustees, reviews the composition of the Board, including its expertise and diversity, and acts as the selection panel for the appointment of Trustees. The Deputy Chair leads the recruitment of a new Chair.

Trustees are appointed in three ways.

- Under the terms of the Royal Charter the Foreign Secretary has the right to nominate one Trustee. Currently this post is filled by Deborah Bronnert CMG, the FCO's Director General Global Britain.
- One Trustee post is filled by the Chair of the Wales, Scotland or Northern Ireland country committees (explained further below), co-opted on a rotating basis for a two-year period. Alan Shannon, the Chair of the Northern Ireland Committee, held this post throughout 2016–17.

- All other Trustees, including the Chair and Deputy Chair, are elected by the Board following an open recruitment process. The Foreign Secretary approves appointments to the offices of Chair and Deputy Chair. Elected Trustees are appointed to the Board for a term of three years, with the possibility of re-election for a further three years.

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

The Board's committees

The Board's decision-making is supported by detailed scrutiny carried out by its committees. The Chairs of the committees report to the full Board after each committee meeting.

The committees' terms of reference and protocols are available on the British Council's **website**. The members of the committees are listed on page 46.

The Board of Trustees and its committees

| | | | | |
|--|---|---|--|--|
| <p>Board of Trustees</p> <p>Approves the British Council's strategy and has independent control over, and legal responsibility for, the British Council's management and administration.</p> <p>The Board is supported by five committees (see below).</p> <p>Ten to 15 Trustees including one nominated by the Foreign Secretary and one co-opted.</p> <p>The Trustees are not remunerated.</p> <p>There were six Board meetings in 2016–17.</p> | | | | |
| <p>Audit and Finance</p> <p>Reviews internal controls and finances.</p> <p>Four members during 2016–17: three Trustees, one external.</p> <p>Four meetings in 2016–17.</p> | <p>Contracts</p> <p>Reviews the British Council's contracts and partnerships portfolio.</p> <p>Four members: three Trustees, one external.</p> <p>Three meetings in 2016–17.</p> | <p>Risk</p> <p>Reviews top and emerging risks and how they are managed.</p> <p>Three members during 2016–17, all are Trustees.</p> <p>Two meetings in 2016–17.</p> | <p>Remuneration</p> <p>Leads on Executive Board performance evaluation and remuneration.</p> <p>Four members, all are Trustees.</p> <p>Two meetings in 2016–17.</p> | <p>Nominations</p> <p>Reviews the Board's composition and leads the recruitment of the Trustees and Chief Executive.</p> <p>Four members, all are Trustees.</p> <p>Two meetings in 2016–17.</p> |

Audit and Finance Committee

Chaired by Sir David Verey CBE, the Audit and Finance Committee maintains an overview of financial risk management and governance processes across the British Council group, ensuring that the system of internal control is satisfactory to deliver regulatory compliance, financial probity and value for money. It reviews and challenges financial plans and performance, in the context of the long-term financial viability of the British Council. It also reviews and approves the annual internal audit plan. The Director of Internal Audit and Risk reports directly to the Chair of this committee, with a dotted line into management.

Matters considered by the committee during 2016–17 included the financial transparency project; sanctions-related policy and process; audit plans, findings and fees; and preparations for year-end financial reporting including the significant accounting judgements.

After year-end but before the approval of the 2016–17 Annual Report and Accounts, the committee reviewed the draft governance statement, financial review and accounts. At its May 2017 meeting it also reviewed an updated policy on the engagement of external auditors for non-audit services.

Contracts Committee

The Contracts Committee reviews proposed high value income-generating contracts before they are submitted to the Board for approval. It reviews the scale and nature of the British Council's global full cost recovery and partnership portfolios and the pipeline of high value contract and partnership opportunities. It also advises on the organisation's strategies in these areas.

The Chair of the British Council chairs the Contracts Committee.

Risk Committee

Chaired by Tom Thomson OBE, the Risk Committee analyses the organisation's top and emerging risks, with the exception of those related to financial plans, performance and related management processes and reporting, which are reviewed by the Audit and Finance Committee. The Risk Committee holds the executive to account for identifying and managing risks in line with the risk appetite articulated by the Board.

Remuneration Committee

The Remuneration Committee sets annual performance measures and policy for the total remuneration and benefits of 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 50 to 53.

The Remuneration Committee reviews and approves remuneration packages for staff that exceed £100,000 per annum. It considers the impact of its work on remuneration policy for the organisation as a whole and addresses any other matters referred to it by the Board.

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

Nominations Committee

The Nominations Committee monitors the composition of the Board of Trustees to ensure it provides the expertise and experience needed for the governance of the British Council. The committee also leads the recruitment of the Trustees and Chief Executive.

The Trustee recruitment conducted towards the end of 2016–17 sought in particular applications from those with expertise in the areas of transforming organisations, marketing and communications.

The Chair of the British Council chairs the Nominations Committee.

UK country advisory committees

The Board of Trustees, the Chief Executive and the British Council's country teams in Northern Ireland, Scotland and Wales draw on the professional advice and external perspective of the British Council's UK country advisory committees for Scotland, Wales and Northern Ireland. Members of the country committees who served during 2016–17 are listed on pages 47 and 48 and further information about each committee is available on the British Council [website](#).

Delegation of authority and matters reserved to the Board

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

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

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

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

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

Executive Board

The British Council's Executive Board comprises the Chief Executive and nine Executive Directors. The members who served during 2016–17 are listed in the remuneration report on page 52.

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 normally filled through open recruitment. New members receive induction briefings which include our governance arrangements. At 31 March 2017, the Executive Board comprised six men and four women.

Disclosure of information to auditors

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.

External audit

The British Council's accounts are audited by the Comptroller and Auditor General by agreement with HM Treasury and are, as part of the Annual Report and Accounts, placed in the libraries of 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 charity and group accounts is £190,000 (2015–16: £190,000). In addition to this fee, total audit fees of £296,300 (2015–16: £265,300) were payable to the auditors of the group's component audits. Further disclosures regarding the auditors are given on page 48 and in note 6(c) to the accounts.

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

Internal audit

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

The Audit and Finance Committee reviews and approves internal audit's annual work plan and receives reports on delivery against that plan and emerging audit findings. Following year-end the Audit and Finance Committee receives a summary of the results from internal audit's work during the year. In 2016–17 internal audit continued to focus on overseas operations with additional emphasis on IT and Programme assurance. Based on work undertaken in 2016–17 internal audit reported: '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 2017'.

The assurance results show areas where controls could further mature. Change programmes and management plans are being implemented to improve these areas. It is internal audit's judgement that the balance of these results suggests that the overall assurance opinion should be unqualified.

Whistleblowing

The Raising Concerns policy sets out how staff can raise concerns about malpractice or wrongdoing confidentially and without fear of victimisation or disadvantage. The policy, which was updated during the year, uses clear and straightforward language. It includes named contact points, and highlights the external agencies to which staff can report concerns.

Personal data

During 2016–17 the British Council suffered a data loss, relating to a mobile application, that required a report to the Information Commissioner's Office (ICO). The ICO found that the British Council had taken appropriate remedial action and concluded that the incident did not meet the criteria for formal enforcement action.

Further data breaches were reported to the British Council's information governance and risk management (IGRM) team during the year as outlined below:

- Two cameras used for examinations registration and testing were stolen from secure storage. The cameras contained data from sessions run in Panama on 21 April 2016.
- The results of 150 examination candidates were dispatched, in error, by post to the wrong recipients.

- A third party occupational health provider released invoices which included personal and medical information to a third party vendor. The personal information should have been redacted. The third party notified the two British Council employees impacted and the Information Commissioner's Office was informed.
- A permissioning error was identified and rectified on an internal electronic folder containing HR data.
- A third party supplier accidentally emailed sickness absence data to the wrong member of staff.
- A bulk email sent to exam candidates revealed the email addresses of all recipients to the other candidates.
- An unencrypted USB pen drive containing 27 speaking English tests was lost in transit.

Risk management and control

Approach to Risk Management

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

The Executive Board is responsible for guiding the management of the risks the British Council faces in line with the strategic direction and risk appetite set by the Board of Trustees. The Executive Board revises the register of top risks at least twice a year. The risk team co-ordinates a twice-yearly assessment process in which regions, strategic business units and UK professional functions report on their top risks. This bottom-up and top-down approach enables the British Council to consider the potential impact of different types of risks on processes, activities, stakeholders, products and services.

We will continue to further embed risk management in standard processes and in strategy setting. We are also implementing more structured risk data collection and analysis and improved alignment of assurance activities.

Risk profile

The following areas of risk have the greatest potential impact on the achievement of our strategic objectives. Next to each risk we highlight actions undertaken to mitigate them over the course of the reporting year.

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

| Risk area | Mitigations |
|---|--|
| Ensuring that our strategy is clear to both staff and external stakeholders | <ul style="list-style-type: none"> The Corporate Plan has been reviewed and revised through to 2020. Clearer narrative on purpose, programmes and impact including the value arising for UK security, stability and influence. |
| Maintaining a strong relationship with the UK government and devolved administrations | <ul style="list-style-type: none"> Development of a five-year parliamentary strategy. Embedding high-level indicators, and developing evaluation and research strategies, to evidence impact against the UK government's and the devolved governments' priorities. Programme of stakeholder engagement for the UK government and parliament covering a range of issues including the UK's place in the world, post-referendum programme, and our funding position. Corporate Insight programme to share key evidence and views with policymakers. |
| Competition in the global, and increasingly digital, English and examinations market | <ul style="list-style-type: none"> Investment in recognition, test security, and digitisation. Investment in the development of new products, both digital and non-digital, in teaching and examinations. Transformation programmes are underway to support standardisation, automation and efficiencies within our teaching and examinations businesses. Additions to leadership to strengthen capacity around marketing, sales and insight. |
| Income generation concentrated in certain countries | <ul style="list-style-type: none"> Establishing separate legal entities to provide a stable platform for the business. Investment planning designed to take into account the need to grow surpluses elsewhere to diversify income and reduce dependency on key locations. |
| Staff skills and recruitment of talent | <ul style="list-style-type: none"> Change programmes in implementation to improve alignment between strategic objectives and human capital, in both staff capability and capacity. |
| Managing our legal structure effectively across the world, often facing complicated tax regulations in each country | <ul style="list-style-type: none"> Dedicated status and tax team is in place to ensure that the corporate structure is appropriate for current and future needs. |
| Protecting from abuse children we directly work with and/or those impacted by our programmes | <ul style="list-style-type: none"> Child protection policies and procedures are in place to prevent and respond to child abuse incidents, with awareness raised through mandatory training. Safer recruitment processes are in place for recruitment to roles which interact with children. Mandatory child safe action plans are in place for each country and reviewed each year. A global network of regional focal points has been established to ensure mandatory processes are in place. Annual cycle of child protection compliance reviews. |
| Geopolitical instability that threatens the security and well-being of our staff and those with whom we work | <ul style="list-style-type: none"> Crisis management capability has been enhanced, including roll-out of bespoke training and live crisis support. An annual cycle of safety and security reviews is in place to assess local procedures and minimise potential threats and incidents. An incident reporting tool is in place to highlight any security incidents. |
| Fraud and financial crime | <ul style="list-style-type: none"> Counter-fraud strategy developed. Increase in fraud awareness through mandatory fraud e-learning and workshops. Enhanced fraud investigation process. Fraud reporting portal and case management system launched successfully. |

| Risk area | Mitigations |
|-------------------------------------|---|
| Information security and governance | <ul style="list-style-type: none"> • Development of information governance minimum standards, alignment of risk methodology to external standards, strengthening of team capability and clear ownership of data assets. • Planning for the new General Data Protection Regulation. • Cyber security standards are in place to ensure a minimum level of security for data assets. • Global network of IGRM risk advisers monitor data protection processes. • Incident reporting process in place to escalate any breaches for co-ordinated organisational response. |
| Change management | <ul style="list-style-type: none"> • Establishing an investment board (comprising four members of the Executive Board) to approve programmes to deliver strategic objectives and oversee the implementation of those programmes. • Development and implementation of programme management standards and guidance. • Team of in-house project management professionals support change programmes with expertise and experience. |

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:

- An ongoing assessment of governance across the organisation including policies, procedures, systems and processes.
- Assurance work conducted by the British Council's financial governance, legal, counter fraud, information governance, and risk management teams amongst others.
- Quarterly and year-end self-certification by all country and UK directors of minimum financial control application, providing assurance that the organisation's financial risks have been understood, reported and managed.
- The work of internal audit, which provides an independent and objective opinion on the adequacy of processes around risk, control, governance and finance systems. As noted in the internal audit opinion, 'the assurance results show areas where controls could further mature. Change programmes and management plans are being implemented to improve these areas'.

- The Audit and Finance 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.

Based on the above, the Chief Executive considers the framework of internal controls and risk management in place during 2016–17 to have been effective.

Christopher Rodrigues CBE

Chair, British Council

11 July 2017

Sir Ciarán Devane

Chief Executive, British Council

11 July 2017

Reference and administrative details

Legal form and 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 in the UK as a charity under registration numbers 209131 (England and Wales) and SC037733 (Scotland).

Patron: Her Majesty the Queen

Vice Patron: His Royal Highness the Prince of Wales

Principal address: 10 Spring Gardens, London SW1A 2BN

Membership of the Board of Trustees and its committees

| | Start/end of term if not a Trustee for the whole year | Committee membership | | | | | |
|--|---|----------------------|-------------------|------|-----------|-------------|--------------|
| | | Attendance | Audit and finance | Risk | Contracts | Nominations | Remuneration |
| Trustees during 2016–17 | | | | | | | |
| Christopher Rodrigues CBE (Chair) | Start: 23 May 2016 | 5/5 | | | ✓ | ✓ | ✓ |
| Rt Hon. Baroness Prashar of Runnymede CBE (Deputy Chair) | | 6/6 | | | | ✓ | ✓ |
| Professor Janet Beer | | 6/6 | | ✓ | | | |
| Deborah Bronnert CMG | | 4/6 | | | | | |
| Gareth Bullock | | 6/6 | | ✓ | ✓ | | |
| James Cronin | | 5/6 | | | | | |
| Rohan Gunatillake | | 5/6 | | | | ✓ | |
| Howell James CBE | End: 24 May 2016 | 1/1 | | | | ✓ | ✓ |
| Oliver Laird | | 6/6 | ✓ | | | | |
| Kirsty Lang | | 5/6 | | | | | ✓ |
| Rosamund Marshall | | 5/6 | | | ✓ | | |
| Martin Roth* | | 2/6 | | | | | |
| Alan Shannon* | | 4/6 | | | | | |
| Tom Thomson OBE | | 6/6 | ✓ | ✓ | | | |
| Sir David Verey CBE | | 4/6 | ✓ | | | | |

* Martin Roth resigned from the Board of Trustees on 16 May 2017 and Alan Shannon resigned from the Board of Trustees 31 May 2017.

William Roe CBE was appointed as a Trustee on 1 June 2017 and Yasmin Diamond CB was appointed as a Trustee on 11 July 2017. They were both serving on the date this report was approved by the Board of Trustees.

Two of the Board's committees include members who are not Trustees. These are Cameron Cartmell (Audit and Finance Committee) and John Downie (Contracts Committee).

Further information about the members of the Board, the register of Trustees' interests, minutes of the Board's meetings and the terms of reference of its committees are available on the British Council's [website](#).

Membership of the UK country committees

| Committee | Members during 2016–17 | Start/end of term if not a member for the whole year |
|------------------|-------------------------------|--|
| Northern Ireland | Alan Shannon (Chair) | |
| | Dr Norman Apsley OBE | |
| | Gavin Boyd | |
| | Bob Collins | End: 8 November 2016 |
| | John Edmund | Start: 14 March 2017 |
| | Colette Fitzgerald | |
| | Isabel Jennings | |
| | Dr Vicky Kell | |
| | Professor Richard Millar | End: 7 June 2016 |
| | Geoffrey Miller QC | |
| | Andrew McCormick | |
| | John McGrillen | |
| | Professor Ian Montgomery | Start: 8 November 2016 |
| | Professor Duncan Morrow | |
| | Leo O'Reilly | |
| | Colm Shannon | Start: 14 March 2017 |
| Julie Thompson | Start: 8 November 2016 | |
| Noel Thompson | | |
| Scotland | William Roe CBE (Chair) | |
| | Professor Anne H Anderson OBE | |
| | Professor Graham Caie CBE | |
| | Professor Sir Ian Diamond | |
| | Dawn Ellis | |
| | Hala El Ousta | |
| | Owen Kelly OBE | |
| | Ruth McFarlane | |
| | Cindy Sughrue OBE | |
| | James Tough | |
| | Professor Petra Wend | |
| | Karen Watt (ex-officio) | |

Membership of the UK country committees

| Committee | Members during 2016–17 | Start/end of term if not a member for the whole year |
|-------------------------|---------------------------------------|--|
| Wales | Professor Richard B Davies (Chair) | |
| | Ashok Ahir | |
| | David Anderson OBE | |
| | Michelle Carwardine-Palmer | Start: 8 March 2017 |
| | Philip Cooper | |
| | Gary Davies | End: 4 July 2016 |
| | Judith Evans | Start: 8 March 2017 |
| | Efa Gruffudd Jones MBE | End: 28 July 2016 |
| | Eluned Hâf/Nicola Morgan (ex-officio) | |
| | Natasha Hale | End: 13 October 2016 |
| | Professor Laura McAllister | |
| | Karl Napieralla OBE | Start: 8 March 2017 |
| | Berwyn Rolands | End: 20 February 2017 |
| | Lleucu Siencyn | |
| | Professor Carol Tully | Start: 8 March 2017 |
| Emma Williams | End: 17 February 2017 | |
| Rhiannon Wyn Hughes MBE | | |

External auditors:

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

Subsidiaries auditor¹: PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH

Bankers: HSBC, 129 New Bond Street, London W1A 2JA

Legal advisers: Bates Wells & Braithwaite London LLP, 10 Queen Street Place, London EC4R 1BE

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

Fundraising: The Charities (Protection and Social Investment) Act 2016 introduced a new requirement for charities to include certain disclosures regarding fundraising in their annual reports. In 2016–17 the British Council engaged with a small number of high net worth individuals but did not carry out fundraising among the wider public nor did it contract external paid fundraisers. Neither the British Council nor any persons contracted to act on its behalf were bound by voluntary fundraising regulatory schemes or standards. We did not receive complaints about British Council fundraising activities during the year.

1. PricewaterhouseCoopers (PwC) audits most, but not all, of the British Council group's subsidiary undertakings. The specific local auditors are disclosed as required in each entity's financial statements.

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 2016–17, 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
- state whether applicable accounting standards as set out in the
 - 2016–17 Government Financial Reporting Manual and in
 - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)

have been followed, and disclose and explain any material departures in the accounts

- select suitable accounting policies and apply them consistently
- make judgements and estimates on a reasonable basis
- prepare the accounts on a going concern basis.

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.

Christopher Rodrigues CBE

Chair, British Council

11 July 2017

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

11 July 2017

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 one, two or three.

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 2016–17, 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 2016–17 relate to performance in 2015–16.

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 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly-appointed civil servants and the majority of those already in service joined alpha. Prior to that date,

civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

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

Employee contributions are salary-related and range between 3.80 per cent and 8.05 per cent of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6 per cent and 8.05 per cent for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32 per cent. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

(ii) Partnership pension account

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8.00 per cent and 14.75 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3.00 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha.

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

Cash equivalent transfer values

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

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

Real increase in CETV

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

Executive remuneration

| Name and position | Salary 2016–17 (in bands of £5,000) | Salary 2015–16 (in bands of £5,000) | Bonus payments 2016–17 (in bands of £5,000) | Bonus payments 2015–16 (in bands of £5,000) | Value of pension benefits for single total figure of remuneration for 2016–17 | Value of pension benefits for single total figure of remuneration for 2015–16 |
|---|-------------------------------------|-------------------------------------|---|---|---|---|
| Devane, C, Chief Executive | 185–190 | 185–190 | 10–15 | N/A | 76,431 | 71,420 |
| Greer, A, Chief Operating Officer | 140–145 | 140–145 | 5–10 | 10–15 | 30,653 | 79,908 |
| Robson, M, Director English | 150–155 | 145–150 | 5–10 | 15–20 | 57,854 | 57,485 |
| Sheffield, G, Director Arts | 125–130 | 120–125 | 5–10 | 10–15 | 48,902 | 47,943 |
| Beall, J, Director Education and Society | 125–130 | 120–125 | 5–10 | 10–15 | 48,837 | 48,099 |
| Murley, H, ¹ Director Global Human Resources | 125–130 | 125–130 | 5–10 | 10–15 | 55,008 | 55,727 |
| Stockmann, C, ² Chief Financial Officer Full year equivalent | 95–100 140–145 | 140–145 | N/A | 10–15 | 38,758 | 55,821 |
| Arthur, N, ³ Chief Financial Officer Full year equivalent | 160–165 350–355 | N/A | N/A | N/A | N/A | N/A |
| Cross, H, Director Strategy and Engagement Full year equivalent | 115–120 | 25–30 115–120 | N/A | N/A | 45,207 | 10,020 |
| Horton, A, Director Digital, Partnerships and Innovations Full year equivalent | 115–120 | 5–10 115–120 | N/A | N/A | 45,207 | 3,018 |
| Ewart-Briggs, K, Director Global Network | 100–105 | 95–100 | 0–5 | 5–10 | 47,302 | 120,161 |
| Highest paid | 350–355 | 185–190 | | | | |
| Median | 38,497 | 37,797 | | | | |
| Remuneration ratio ⁴ | 9.1:1 | 4.90:1 | | | | |

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 2016–17 was £350,000–£355,000 (2015–16: £185,000–£190,000). This was nine times the median remuneration of the workforce, which was £38,497 (2015–16: £37,797). The basis for the median pay calculation is based on the requirements specified in the Hutton Review of Fair Pay – Implementation guidance. The guidance requires the calculation to be based on the pay of full-time equivalent staff of the British Council, at the reporting end date, on an annualised basis.

The membership of the Remuneration Committee is included in the full membership list of the Board of Trustees on page 46.

- Ms H Murley's 2015–16 pension benefits value was restated by MyCSP from £55,597 to £55,727.
- Mrs C Stockmann left on 9 December 2016.
- Mr N Arthur's services were supplied through an agency on an interim basis from 4 October 2016 to 16 April 2017.
- The remuneration ratio is calculated on the highest paid director which is Mr Arthur, based on the payments to the agency to which Mr Arthur was contracted. Excluding Mr Arthur, the current year ratio would be 5.3:1.

| Accrued pension at pension age as at 31 March 2017 (in bands of £5,000) | Accrued lump sum at pension age as at 31 March 2017 (in bands of £5,000) | Real increase (decrease) in pension at pension age (in bands of £2,500) | Real increase (decrease) in lump sum at pension age (in bands of £2,500) | CETV at 31 March 2017 (to nearest £1,000) | CETV at 31 March 2016 (to nearest £1,000) | Real increase (decrease) in CETV funded by employer (to nearest £1,000) | Total salary benefits 2016–17 (in bands of £5,000) | Total salary benefits 2015–16 (in bands of £5,000) |
|---|--|---|--|---|---|---|--|--|
| 10–15 | N/A | 2.5–5 | N/A | 126 | 66 | 38 | 280–285 | 255–260 |
| 65–70 | 200–205 | 0–2.5 | 5–7.5 | 1,553 | 1,456 | 31 | 180–185 | 235–240 |
| 30–35 | N/A | 2.5–5 | N/A | 491 | 433 | 34 | 215–220 | 220–225 |
| 15–20 | N/A | 2.5–5 | N/A | 300 | 255 | 42 | 185–190 | 185–190 |
| 15–20 | N/A | 2.5–5 | N/A | 297 | 251 | 42 | 180–185 | 180–185 |
| 10–15 | N/A | 2.5–5 | N/A | 198 | 143 | 30 | 185–190 | 195–200 |
| 5–10 | N/A | 0–2.5 | N/A | 111 | 79 | 22 | 135–140 | 195–200 |
| N/A | N/A | N/A | N/A | N/A | N/A | N/A | 160–165 | N/A |
| 0–5 | N/A | 2.5–5 | N/A | 44 | 8 | 28 | 160–165 | 35–40 |
| 0–5 | N/A | 2.5–5 | N/A | 29 | 2 | 19 | 160–165 | 10–15 |
| 25–30 | 60–65 | 2.5–5 | 0–2.5 | 428 | 382 | 24 | 140–145 | 225–230 |

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.

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 the 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.

Sir Ciarán Devane

Chief Executive, British Council

Financial review

2016–17

Summary of results

The British Council achieved almost ten per cent growth in total income to £1,076.9 million (2015–16: £979.6 million) due to a combination of strong performance in its English teaching and examinations business and the lower value of sterling which resulted in foreign exchange gains on its overseas income. For every £1 of government grant-in-aid from the FCO, an additional £5.80 was generated from other sources compared to £5.06 last year. Total income this year was £8.9 million ahead of the £1,068 million target set in the Corporate Plan 2016–20.

Total pre-tax expenditure increased by 11.3 per cent to £1,076.4 million (2015–16: £966.7 million) as a result of the growth in the British Council's operations globally and the lower value of sterling. Whilst direct operational expenditure grew, savings were made through increased efficiency as support costs fell to 10.7 per cent of total pre-tax expenditure from 11.2 per cent in 2015–16.

Included in the above are net foreign exchange gains of £0.1 million from the devaluation of sterling on overseas activities (2015–16: net foreign exchange losses £2.3 million).

The British Council achieved its target of £119.0 million spend on official development assistance (ODA).

Income

Grant-in-aid income

Government grant-in-aid income from the FCO was £158.3 million (2015–16: £161.7 million). The percentage of total income from grant-in-aid has fallen by 1.8 per cent to 14.7 per cent (2015–16: 16.5 per cent).

Income from charitable activities

Income from charitable activities grew by 11.3 per cent to £896.2 million compared to £805.4 million in 2015–16, notably through the British Council's work in English teaching and examinations.

The British Council's teaching and exams income grew by 20.2 per cent to £650.1 million (2015–16: £540.7 million) due to the achievement of greater volume delivery of IELTS tests

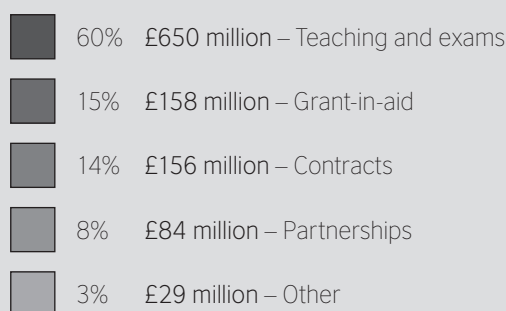
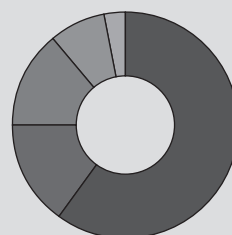
alongside the British Council's IELTS partners, and foreign exchange gains on overseas income receipts in foreign currencies following the devaluation of sterling.

The British Council also receives contract, partnership and grant income mainly for the delivery of its work programmes and grant disbursement activities in education and society.

Contract income decreased by 9.3 per cent to £156.2 million (2015–16: £172.3 million). This was partly due to a change in accounting methodology for the British Council's Erasmus+ programme which better reflects actual commitments in the current year rather than a reduction in overall activity level. Erasmus+ contributed income of £94.8 million in 2016–17, a change of £5.1 million from £99.9 million in 2015–16. Excluding Erasmus+, contract income decreased by £11.0 million driven by delays in overseas projects.

Partnership income fell slightly by £1.2 million to £83.8 million (2015–16: £85 million). Grant income and other income from charitable activities were broadly stable at £1.7 million and £4.4 million respectively (2015–16: £1.7 million and £5.6 million).

Sources of income



Other sources of income

Income from other trading activities, predominantly sponsorship income, was £1.5 million (2015–16: £1.8 million). Income from investments grew to £3.3 million (2015–16: £2.3 million). Other income was £17.6 million compared to last year (2015–16: £8.6 million) consisting mainly of £17.1 million foreign exchange gains (2015–16: £8.5 million).

Expenditure

Expenditure on charitable activities

Expenditure on charitable activities increased by 11.3 per cent to £1,075.7 million compared to £966.2 million in 2015–16. This partly reflects the growth in income generating activities and continued investment in projects to support future growth, infrastructure and operational efficiency. The increase in expenditure is also partly driven by the increased cost of operating overseas due to the weakening of sterling.

The British Council supports particular programmes and activities through the provision of grant funding to individuals and organisations to facilitate their participation in events, schemes or programmes set up to achieve its objectives. In 2016–17 £125.3 million of grants were payable to individuals and institutions, a 14.4 per cent decrease from £146.4 million in 2015–16. This reduction was driven partly by the change in accounting methodology for the British Council’s Erasmus+ programme which is outlined above. Excluding Erasmus+, grants payable decreased by £14.8 million.

British Council staff numbers reflect the growth in business and total income. £86,692 of non-grant-in-aid income per employee was generated in 2016–17 (2015–16: £84,995). Total staff costs increased by 15.2 per cent to £423.2 million compared to £367.4 million in 2015–16.

Other direct costs increased by 19.7 per cent to £412.4 million (2015–16: £344.4 million) reflecting the growth in the British Council’s income generating activities – predominantly English teaching and examinations, and the increased cost of overseas operations as a result of the devaluation of sterling.

Whilst support costs increased by 6.1 per cent to £114.7 million (2015-16: £108.1 million), efficiencies were achieved in the way the British Council supports the delivery of its activities. One way in which the British Council tracks efficiency is by looking at the percentage of total pre-tax expenditure that relates to its worldwide support platform of buildings, infrastructure and support staff. The British Council has steadily reduced the percentage of support costs over the past seven years from 18 per cent in 2010–11 to 10.7 per cent in 2016–17.

Included within other direct and support costs are £17.0 million of foreign exchange losses (2015–16: £10.7 million).

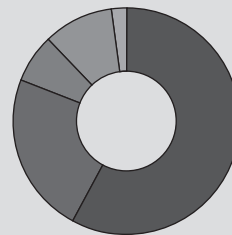
As part of the UK’s commitment to ODA, The British Council achieved its target of spending £119.0 million of its 2016–17 FCO grant-in aid on development activity in ODA eligible countries, including those across Africa, the Middle East and South Asia. ODA countries are defined by the Organisation for Economic Co-operation and Development.

The British Council continued to invest in specific projects for growth, infrastructure and operational efficiency, with revenue expenditure of £22.6 million (2015–16: £22.9 million) and related capital expenditure of £9.0 million (2015–16: £7.3 million). Such projects involve investing in new technology and processes to support future growth. The British Council also continues to focus investment spend on its estate so as to maximise the productivity of staff through their working environment. These funds invested in product development and supporting operational efficiencies will move the organisation towards greater technical stability and provide essential business protection.

Other expenditure

Other pre-tax expenditure relates to expenditure on raising funds of £0.7 million (2015–16: £0.6 million).

Resources expended



| | | |
|-----|--------------|---|
| 58% | £635 million | – Developing a wider knowledge of the English language |
| 23% | £253 million | – Encouraging educational co-operation and promoting the advancement of education |
| 7% | £71 million | – Encouraging cultural, scientific and technological co-operation |
| 10% | £110 million | – Building capacity for social change |
| 2% | £17 million | – Other |

Foreign exchange gains and losses

During the year the British Council saw net foreign exchange gains of £0.1 million (2015–16: net foreign exchange losses £2.3 million). Foreign exchange gains principally arise from the retranslation of cash held in bank accounts that is already committed to overseas operations that are denominated in foreign currencies. The British Council has also benefited from exchange gains on the receipt of income from its overseas teaching and examinations in foreign currencies. These gains are however offset by the increased cost of operating overseas due to the weakening of sterling and the impact of overseas local currency exchange devaluation.

Revaluation of land and buildings

In accordance with its accounting policy, the British Council revalued approximately 20 per cent of its land and buildings as at 31 March 2017 by value. This revaluation was carried out by its surveyors, CBRE, a commercial property consultancy firm. The valuation took into account prevailing market conditions and restrictions on the British Council's right to use the property.

Due to the significant change in the value of sterling, where a full revaluation was not carried out on the remaining 80 per cent of land and buildings, their carrying value has been amended to reflect the closing exchange rate, rather than continuing to carry them at a historical rate.

The revaluation gave rise to a net upward adjustment of £8.8 million which has been applied by increasing the revaluation reserve.

Fair competition

The British Council has a fair competition policy to ensure that its trading activities are at all times conducted fairly and in accordance with relevant legal requirements. An accounting firewall is maintained to ensure that the British Council's use of government grant-in-aid funds does not result in any distortion of competitive markets. This accounting process is supported by a global transfer pricing policy that reflects the principle that transactions between the different legal entities within the group should be conducted on an arm's length basis.

Counter fraud

The British Council is committed to its zero tolerance to fraud policy and to be transparent in its management of counter fraud. In the year ended 31 March 2017, 47 instances of fraud were recorded with gross losses of £98,268, of which 34 per cent were recovered. Further information including details on sanctions applied to cases can be found on the British Council's [website](#).

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

Treasury

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

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

a. Currency management

The treasury team monitors predicted future cashflows which require settlement in another currency and obtains certainty of these by entering into forward foreign exchange deals where these cashflows are either known or highly likely. The British Council had no open forward exchange deals as of 31 March 2017 (31 March 2016: £0.1 million). The British Council does not hedge account for these deals. Any unrealised gain/loss arising at the Balance Sheet date is recognised in the Statement of Financial Activities. Other foreign exchange needs are met by the exercise of spot exchanges as they arise. Further details on how the British Council manages its exposure to foreign currency risk are set out in note 22 of the accounts.

b. Cash management

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

c. Short-term investments

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

Information on payment policy

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

During the financial year 2016–17, 99 per cent (2015–16: 98 per cent) of valid invoices relating to UK activity were paid within this target period. This figure includes payments of grants and stipends. The total number of UK payment transactions processed in 2016–17 was 75,857 (2015–16: 114,325).

Trade creditor days for the British Council's UK activity for the year ended 31 March 2017 were 11 days (2015–16: 19 days) based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by the trade creditors.

Reserves

The British Council must manage its affairs to ensure that the level of reserves and associated cash balances remain sufficient such that the British Council will continue to operate on a sustainable basis for the foreseeable future. When considering the levels of these reserves, the British Council also assesses its current and future cash levels and liquidity. As reflected on the Balance Sheet, the reserves policy designates the British Council's free and unrestricted funds.

The British Council has £363.0 million total reserves (2015–16: £348.9 million), of which £69.9 million is restricted (2015–16: £70.7 million). Restricted funds are those that are held for specific purposes and relate primarily to the British Council's arts collection and amounts held in trusts.

Unrestricted reserves comprise capital, revaluation and unrestricted heritage asset reserves, which are tied into the British Council's tangible and intangible assets, and its General account. Those reserves tied to fixed, intangible and heritage assets, which amount to £233.3 million, can only be released through the sale of those assets (2015–16: £217.3 million).

The British Council's free reserves are represented by the balance in the General account, and the two designated reserves funded from the General account: the Risk reserve and the Investment fund.

The closing balances of the General account, Risk reserve and Investment fund have been determined in accordance with a revised Reserve policy, approved by the Trustees at their meeting on 11 July 2017.

The Risk reserve represents the minimum level of funds required to protect the British Council from the potential financial impact of known business risks. These risks are of uncertain amounts and it is highly unlikely that they will all crystallise in the next 12 months. Having assessed the current risks to the business, the Trustees have set a revised target to grow the Risk reserve to £50 million by 2020 (2012 policy: £34.6 million). The balance at 31 March 2017 was £39.8 million (31 March 2016: £34.6 million). The British Council is in the process of creating a plan to generate further surpluses in order to increase the Risk reserve to the revised target of £50 million.

The Investment fund represents funds required for specific planned investments within a three-year horizon. The balance at 31 March 2017 was £20 million (31 March 2016: £26.3 million) and represents the forecast investment relating to the British Council's UK head office relocation in 2020.

The British Council has reviewed its cash balances of £194.0 million (2015–16: £169.6 million) and short-term investments of £103.5 million (2015–16: £103.4 million) against its cash flow forecast for the next 12 months, taking into account contractual commitments, and this indicates that its liquidity risk is low.

Going concern

The British Council has reviewed its financial position, taking into account its budgeted plan for 2017–18 and longer-term projections made by its management together with its current levels of reserves, cash (including short-term investments) and concluded that the British Council has sufficient access to resources to remain sustainable.

These forecasts take into account the British Council's confirmed CSR settlement letter from the FCO from August 2016 and the continuation and growth in profitability of its non-government funded operations (mainly English and examinations businesses).

The British Council has reviewed the likely impact of the result of the referendum held on 23 June 2016 which resulted in a vote in favour of the UK leaving the European Union.

The British Council currently holds a number of contracts with the European Commission and does not consider that the cancellation or changes to these contracts will have a material impact on its ability to act as a going concern. The British Council also holds bank accounts and investments denominated in foreign currencies, as well as a considerable number of overseas operational properties, the value of which have changed with the fluctuations in the value of sterling since the referendum result. These assets are held to enable the British Council to continue to operate overseas and meet its overseas commitments.

Thus the British Council continues to adopt the going concern basis of accounting in preparing the annual accounts.

The audit report 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 2017. 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 Trustees, Accounting Officer and Auditor

As explained more fully in the Statement of the Trustees' and Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005. 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 have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

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

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 the British Council's affairs as at 31 March 2017 and of its net expenditure 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: Impact and Activities, Governance and Management, and Financial Review 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.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

17 July 2017

Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Accounts

Consolidated Statement of Financial Activities for the year ended 31 March 2017

| | | Unrestricted | Restricted | 2016–17 Total | Unrestricted* | Restricted* | 2015–16 Total* |
|---|-------------|----------------|----------------|------------------|----------------|----------------|-------------------|
| | Notes | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Income and endowments from: | | | | | | | |
| Donations and legacies | 3 | 39,300 | 119,000 | 158,300 | 48,950 | 112,700 | 161,650 |
| Charitable activities | | | | | | | |
| Developing a wider knowledge of the English language | | 669,373 | 1,603 | 670,976 | 566,521 | 1,573 | 568,094 |
| Encouraging educational co-operation and promoting the advancement of education | | 53,962 | 112,646 | 166,608 | 47,163 | 109,866 | 157,029 |
| Encouraging cultural scientific and technological co-operation | | 7,906 | 870 | 8,776 | 6,806 | 355 | 7,161 |
| Building capacity for social change | | 24,175 | 25,694 | 49,869 | 20,391 | 52,680 | 73,071 |
| Total income received to promote cultural relationships and the understanding of different cultures | 4 | 755,416 | 140,813 | 896,229 | 640,881 | 164,474 | 805,355 |
| Other trading activities | | 1,478 | - | 1,478 | 1,753 | - | 1,753 |
| Investments | | 3,302 | - | 3,302 | 2,282 | - | 2,282 |
| Other | 5 | 17,584 | - | 17,584 | 8,599 | - | 8,599 |
| Total income | | 817,080 | 259,813 | 1,076,893 | 702,465 | 277,174 | 979,639 |
| Expenditure on: | | | | | | | |
| Raising funds | | 714 | - | 714 | 560 | - | 560 |
| Charitable activities | | | | | | | |
| Developing a wider knowledge of the English language | | 609,338 | 25,521 | 634,859 | 507,146 | 24,835 | 531,981 |
| Encouraging educational co-operation and promoting the advancement of education | | 85,600 | 167,432 | 253,032 | 64,269 | 155,072 | 219,341 |
| Encouraging cultural scientific and technological co-operation | | 49,385 | 21,960 | 71,345 | 52,494 | 20,480 | 72,974 |
| Building capacity for social change | | 61,708 | 48,487 | 110,195 | 57,264 | 79,073 | 136,337 |
| Governance costs | | 6,226 | - | 6,226 | 5,553 | - | 5,553 |
| Total resources expended to promote cultural relationships and the understanding of different cultures | 6(a) | 812,257 | 263,400 | 1,075,657 | 686,726 | 279,460 | 966,186 |
| Taxation | 8 | 9,563 | - | 9,563 | 4,617 | - | 4,617 |
| Total expenditure | | 822,534 | 263,400 | 1,085,934 | 691,903 | 279,460 | 971,363 |
| Gain on equity investment | 12(b) | 24 | - | 24 | 850 | - | 850 |
| Net income/(expenditure) | | (5,430) | (3,587) | (9,017) | 11,412 | (2,286) | 9,126 |

* Restated – see note 2(i)

| | | Unrestricted | Restricted | 2016–17 Total | Unrestricted* | Restricted* | 2015–16 Total* |
|---|--------------|----------------|---------------|------------------|-----------------|----------------|-------------------|
| | Notes | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Transfers between funds: | | | | | | | |
| Transfer of unrestricted heritage asset reserve to restricted funds | 17(a), 17(b) | (1,043) | 1,043 | - | (432) | 432 | - |
| Other recognised gains/(losses): | | | | | | | |
| Funds spent from restricted reserves | 17(a) | (1,766) | 1,766 | - | (368) | 368 | - |
| (Losses)/gains on revaluation of tangible fixed assets | 17(a) | 8,755 | - | 8,755 | 299 | - | 299 |
| (Losses)/gains on revaluation of intangible fixed assets | 17(a) | 1,483 | - | 1,483 | 527 | - | 527 |
| (Losses)/gains on revaluation of heritage assets | 17(a) | (51) | - | (51) | (9,890) | - | (9,890) |
| Foreign exchange differences arising on consolidation of foreign operations | 17(a) | 12,883 | - | 12,883 | (15,274) | - | (15,274) |
| Net movement in funds | | 14,831 | (778) | 14,053 | (13,726) | (1,486) | (15,212) |
| Total funds brought forward | | 278,236 | 70,707 | 348,943 | 291,962 | 72,193 | 364,155 |
| Total funds carried forward | | 293,067 | 69,929 | 362,996 | 278,236 | 70,707 | 348,943 |

* Restated – see Note 2(i)

The British Council's non-consolidated total incoming resources for 2016–17 were £966.6 million (2015–16: £872.9 million); total resources expended were £990.7 million (2015–16: £876.0 million); and total net outgoing resources were £24.1 million (2015–16: net outgoing resources of £3.1 million).

Restricted activity includes £87.6 million (2015–16: £93.2 million) of income and expenditure relating to projects carried out on behalf of the European Commission.

Unrestricted fees and gross income from services and other sources includes £7.7 million (2015–16: £9.8 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 66 to 103 form part of these accounts.

Consolidated and British Council Balance Sheet at 31 March 2017

| | Notes | Group | | British Council | |
|--|-------|----------------|----------------|-----------------|----------------|
| | | 2017 | 2016 | 2017 | 2016 |
| | | £'000 | £'000 | £'000 | £'000 |
| Fixed assets | | | | | |
| Intangible fixed assets | 9 | 10,544 | 10,249 | 10,540 | 10,242 |
| Tangible fixed assets | 10 | 174,855 | 158,330 | 168,245 | 152,070 |
| Heritage assets | 11 | 120,056 | 119,880 | 120,056 | 119,880 |
| Investments | 12(a) | 400 | 762 | 432 | 794 |
| Investment in joint venture | 12(b) | 1,004 | 850 | 1,004 | 850 |
| Total fixed assets | | 306,859 | 290,071 | 300,277 | 283,836 |
| Current assets | | | | | |
| Stock | - | 756 | 972 | 709 | 937 |
| Loans to subsidiaries | 12(e) | - | - | 962 | 8,514 |
| Debtors | 13 | 136,142 | 124,654 | 115,932 | 110,114 |
| Cash at bank | 14(a) | 194,037 | 169,646 | 162,497 | 145,503 |
| Short-term investments | 14(b) | 103,509 | 103,375 | 102,144 | 103,375 |
| Total current assets | | 434,444 | 398,647 | 382,244 | 368,443 |
| Liabilities: amounts falling due within one year | | | | | |
| Creditors | 15(a) | (349,854) | (314,960) | (323,860) | (291,878) |
| Short-term provision for liabilities and charges | 16(a) | (4,699) | (3,869) | (3,587) | (3,441) |
| Net current assets | | 79,891 | 79,818 | 54,797 | 73,124 |
| Total assets less current liabilities | | 386,750 | 369,889 | 355,074 | 356,960 |
| Liabilities: amounts falling due after more than one year | | | | | |
| Long-term provisions for liabilities and charges | 16(b) | (23,754) | (20,946) | (22,722) | (20,498) |
| Net assets | | 362,996 | 348,943 | 332,352 | 336,462 |

| | Notes | Group | | British Council | |
|---------------------------------------|-------|----------------|----------------|-----------------|----------------|
| | | 2017 | 2016 | 2017 | 2016 |
| | | £'000 | £'000 | £'000 | £'000 |
| Funds and reserves | | | | | |
| Unrestricted funds | | | | | |
| General account | 17(a) | - | - | - | - |
| Risk reserve | 17(a) | 39,801 | 34,600 | 15,772 | 34,600 |
| Investment fund | 17(a) | 20,000 | 26,323 | 20,000 | 20,110 |
| Capital account | 17(a) | 100,076 | 93,494 | 99,340 | 88,029 |
| Revaluation account | 17(a) | 85,323 | 75,085 | 79,445 | 74,283 |
| Heritage asset reserve – unrestricted | 17(a) | 47,866 | 48,733 | 47,866 | 48,733 |
| Total unrestricted funds | | 293,066 | 278,235 | 262,423 | 265,755 |
| Restricted funds | | | | | |
| Income reserve – restricted | 17(b) | (3,024) | (1,766) | (3,024) | (1,429) |
| Expendable endowment reserve | 17(b) | 763 | 1,326 | 763 | 989 |
| Heritage asset reserve – restricted | 17(b) | 72,190 | 71,147 | 72,190 | 71,147 |
| Total restricted funds | | 69,929 | 70,707 | 69,929 | 70,707 |
| Total charity funds | | 362,995 | 348,942 | 332,352 | 336,462 |
| Minority interest | 17(a) | 1 | 1 | - | - |
| Total capital employed | | 362,996 | 348,943 | 332,352 | 336,462 |

Approved by the Board of Trustees and signed on its behalf on 11 July 2017.

Christopher Rodrigues CBE
Chair, British Council

Sir Ciarán Devane
Chief Executive, Accounting Officer,
British Council

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

| | Notes | 2016-17 | | 2015-16 | |
|--|-------|---------|---------------|----------|---------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Net (expenditure)/income for the reporting period (as per the Statement of Financial Activities) | | (9,017) | | 9,126 | |
| | | | (9,017) | | 9,126 |
| Adjustments for: | | | | | |
| Interest receivable | | (3,302) | | (2,282) | |
| Depreciation charges including impairments | 10 | 11,498 | | 10,390 | |
| Amortisation charges including impairments | 9 | 2,064 | | 1,078 | |
| (Gain)/loss on the sale of tangible fixed assets | | 299 | | 203 | |
| (Gain)/loss on the sale of fixed asset investments | | (37) | | 109 | |
| (Gain)/loss on equity investment | 12(b) | (24) | | (850) | |
| Taxation charge | 8 | 9,563 | | 4,617 | |
| (Increase)/decrease in stocks | | 216 | | (343) | |
| (Increase)/decrease in debtors excluding foreign exchange translation | | (6,043) | | (15,345) | |
| Increase/(decrease) in creditors excluding overseas corporation tax creditors and foreign exchange translation | | 22,647 | | 50,860 | |
| Increase/(decrease) in provisions excluding foreign exchange translation | | 3,266 | | (8,307) | |
| Total adjustments | | | 40,147 | | 40,130 |
| Net cash flow from operating activities | | | 31,130 | | 49,256 |

* Restated – see note 2(l)

Consolidated Cash flow Statement for the year ended 31 March 2017

| | Notes | 2016–17 | | 2015–16* | |
|--|--------------|---------------|----------------|---------------|-----------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Cash flows from operating activities: | | | | | |
| Net cash flow from operating activities | | 31,130 | | 49,256 | |
| Overseas corporation tax paid | | (2,234) | | (6,595) | |
| Net cash provided by (used in) operating activities | | | 28,896 | | 42,661 |
| Cash flows from investing activities: | | | | | |
| Interest receivable | | 3,302 | | 2,282 | |
| Purchase of intangible fixed assets | 9 | (874) | | (2,659) | |
| Purchase of tangible fixed assets | 10 | (10,102) | | (13,977) | |
| Proceeds from the sale of tangible fixed assets | | 455 | | 289 | |
| Purchase of heritage assets | 11 | (222) | | (381) | |
| Purchase of fixed asset investments | | (18) | | (121) | |
| Proceeds from sale of fixed asset investments | | 417 | | 565 | |
| Net (payments into)/withdrawals from short-term deposits | 14(b) | (134) | | (12,156) | |
| Net cash provided by (used in) investing activities | | | (7,176) | | (26,158) |
| Cash flows from financing activities: | | | | | |
| Receipts from loan repayments | | - | | - | |
| Payments out of restricted grant reserve | | - | | - | |
| Net cash provided by (used in) financing activities | | | - | - | - |
| Cash and cash equivalents in the year | | | 21,720 | | 16,503 |
| Change in cash and cash equivalents due to foreign exchange rate movements | | | 2,671 | | (4,569) |
| Cash and cash equivalents at start of year | 14(a) | | 169,646 | | 157,712 |
| Cash and cash equivalents at end of year | 14(a) | | 194,037 | | 169,646 |

* Restated – see note 2(l)

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

1 Basis of preparation and consolidation

The accounts have been prepared in accordance with: the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102); Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) (the SORP); the Charities Act 2011; the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs; and the Government Financial Reporting Manual 2016 to 2017 (the FReM), where this exceeds but does not conflict with the SORP.

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

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

The Group accounts consolidate the Charity, its subsidiary undertakings listed in note 12(c), 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 are consolidated on a line by line basis. Intra group transactions and balances are eliminated on consolidation. A summary of all material subsidiaries' results and balance sheets is provided in note 12(d).

No separate cash flow statement has been presented for the British Council Charity as the British Council has taken advantage of the exemptions in paragraph 1.12 of FRS 102.

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

The accounts for the year ended 31 March 2017 have been prepared on a going concern basis: both the Board of Trustees and management believe that this is an appropriate basis of preparation. There are no material uncertainties about the British Council's ability to continue as a going concern. The British Council has a budgeted plan for 2017–18 with projected expenditure covered by earned income and the confirmed grant-in-aid from the FCO. The balance on the Risk reserve protects the British Council from the potential impact of business, and tax and status risks. The British Council has a long-term forecast of its reserve balances and takes this into account in its strategy and planning. The level of cash held means that the British Council's liquidity risk is low.

2 Accounting policies

(a) Fund accounting

Funds are classified as either unrestricted or restricted. Unrestricted funds can be spent on any of the British Council's charitable objects whereas restricted funds are subject to specific restrictions by the provider of the funds and can only be used for the purposes specified.

(i) Unrestricted funds

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

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

(ii) Restricted funds

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

(iii) Transfer between funds

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.

(b) Income

Income is recognised when the British Council becomes entitled to it, its receipt is probable and the amount can be measured reliably.

(i) Income from donations

Income from donations includes grants provided by government and charitable foundations which are of a general nature and are not conditional on delivering certain services or goods.

Grant-in-aid received from the Foreign and Commonwealth Office is recognised in the period in which it is received.

(ii) Income from charitable activities

Income from charitable activities includes grants where the income is specifically for the provision of goods and services to be provided as part of charitable activities or services to beneficiaries.

It also includes contractual income earned through the provision of goods and services. Income from the supply of services is recognised with the delivery of the contracted service provided that: the stage of the completion, the costs incurred in delivering the service and the costs to complete the requirements of the contract can all be measured reliably.

Income is deferred where payment is received before income can be recognised.

Where income is recognised before payment is received, a debtor is recognised which is classified as 'Balances resulting from activity under contracts and agreements'.

Donations of services, goods or facilities are also included in Income from charitable activities as they are always provided to facilitate specific charitable projects or activities.

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

(iii) Other trading activities

Income from other trading activities includes sponsorship income.

(iv) Donated services, facilities and goods

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

The value of these donated services, facilities and goods is not included in the accounts in 2016–17 as it could not be measured reliably.

Donated stock is recognised in the period that it is distributed.

The value of time given by volunteers is excluded from the accounts as their contribution to the charity cannot be reasonably quantified in financial terms. During 2016–17, the British Council used volunteers to provide logistical and administration support, for example at some British Council events in the UK and overseas.

(v) EU income

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

(c) Recognition of expenditure

All expenditure is accounted for on an accruals basis.

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

Where a grant commitment is payable over a period of more than one year, a liability is recognised for the full grant obligation, unless: conditions apply that would allow the British Council to avoid payment or that restrict the expenditure to a particular future time period; or there is reliable evidence, such as historic data for sufficiently similar programmes, that the recipient will not spend the full grant available. Where this is the case, a liability is recognised for the estimated amount that it is probable will be paid.

The cost of developing new products and services is recognised as expenditure 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 as expenditure on raising funds or expenditure on charitable activities. Governance costs are shown separately as these contribute to all of the British Council's activities.

(i) Expenditure on raising funds

Expenditure on raising funds includes all expenditure on raising funds. It does not include the costs of negotiating contracts or grants that require the British Council to provide specific charitable services. These are considered as part of the cost of carrying out the related activity and included within expenditure on charitable activities.

(ii) Expenditure on charitable activities

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

Expenditure is analysed into the same categories of charitable activity as income from charitable activities.

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

Governance costs relate to the cost of the public accountability of the British Council and of its compliance with regulatory requirements and good practice.

Governance costs include relevant directly attributable staff costs as well as legal and statutory audit costs.

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

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

(e) Taxation

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

(i) Income tax

The British Council as a registered charity is exempt from corporation tax on its income and gains falling within Chapter 3 Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objects. Accordingly, no UK corporation tax has been incurred by the charity during 2016–17. Subject to the availability of similar charitable exemptions overseas, provision has been made for overseas taxation on the profits of overseas subsidiaries and branches.

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

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

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

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

(ii) Value Added Tax

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 into account net of VAT.

(f) Intangible fixed assets

Intangible assets include purchased computer software licences and any costs directly attributable to bringing the licences into use, such as configuration or implementation costs. In addition, where the British Council is developing a bespoke system, development costs are capitalised where all of the criteria in FRS 102 are met. Intangible assets are capitalised as intangible fixed assets where expenditure of £3,000 or more is incurred.

Intangible assets are included initially at cost and revalued to reflect their current value in existing use (i.e. market value). Valuation takes place annually as at the Balance Sheet date, using appropriate cost indices.

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

(g) Tangible fixed assets

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

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

(i) Depreciation

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

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

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

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

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

(ii) Valuation basis

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

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

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

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

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

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

(h) Heritage assets

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

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

Purchased heritage assets are recorded initially at purchase price. Donated heritage assets are valued at market value at the time of donation, where this is readily ascertainable.

Where market value can be estimated, the British Council's works of art are revalued and 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 on the date of donation.

The unique works of art in the Collection consist of paintings and drawings and some sculptures. The paintings were valued by a professional external valuer during the year ended 31 March 2016, and the drawings were valued by a professional external valuer during the year ended 31 March 2017. These have been included at the valuations reached. The professional external valuer used is Art & Antiques Appraisals, an independent art advisory and valuation business. Their qualifications and expertise are available at: www.artantiquesappraisals.com/specialists.html

The other works of art are valued by the Curator by reference to data on sales of similar items. The Curator is a member of the British Council's staff. A sample of the Collection is valued at each year end, so that the whole Collection is valued on a rolling basis. Any gains on the revaluation of heritage assets are recognised in the heritage asset revaluation reserve.

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

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

(i) Fixed asset investments

Fixed asset investments include investments in subsidiaries and joint ventures, and quoted investments, which are held by the special trusts. Investments in subsidiaries and joint ventures are included in the Balance Sheet of the British Council charity at the amount invested by the British Council less any impairments (in the case of equity or loans) and any amounts repaid (in the case of loans). Where impairments are identified, they are expensed. Intragroup balances, including investments in subsidiaries, are eliminated on preparation of the group Balance Sheet. Quoted investments are valued at market value at the Balance Sheet date.

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

(j) Current assets and liabilities

Stock is valued at the lower of cost and net realisable value. Purchases of consumable items are expensed as incurred.

Debtors are recognised at carrying value, reduced by appropriate provisions for estimated irrecoverable amounts. The British Council does not have any debts due in more than one year.

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

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

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

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

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The only financial assets and liabilities that the British Council holds that do not fall within the definition of basic financial instruments per section 11 of FRS 102 are forward foreign exchange contracts. The British Council uses these to manage its exposure to currency fluctuations. These are initially recognised at transaction price and revalued to fair value as at the Balance Sheet date. Revaluation gains or losses are taken to the SOFA. Hedge accounting is not used.

(k) Leases

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

(l) Exchange differences

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

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

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

In the prior year such movements belonging to branches of the charity were taken to the SOFA. We have therefore restated the SOFA and Cash flow statement to reflect this presentational change. As a result previously reported net expenditure for the year of £6.4 million is now net income of £9.1 million.

(m) Pension schemes

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

(ii) Other pension schemes

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

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

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

(n) 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.

(o) Contingent liabilities

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

(p) Key accounting estimates and judgements

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

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

(i) Valuation of property

Where the British Council does not have clear title to a property, but has unrestricted use of the property, it is included in the accounts as if it were owned. Land and buildings held in sterling but valued in foreign currency are retranslated into sterling at the Balance Sheet date where the movement in the exchange rate is judged to be material. For further information on the valuation of property, see note 2(g).

(ii) Valuation of heritage assets

The methodology of the heritage assets valuations is complex and based on estimates. For further information on the valuation of heritage assets, see note 2(h).

(iii) Provisions

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

3 Donations

| | Unrestricted | Restricted | 2016–17 Total | Unrestricted | Restricted | 2015–16 Total |
|--|---------------|----------------|------------------|---------------|----------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Foreign and Commonwealth Office | | | | | | |
| Revenue grant-in-aid | 39,300 | 119,000 | 158,300 | 43,950 | 112,700 | 156,650 |
| Capital grant-in-aid | - | - | - | 5,000 | - | 5,000 |
| Total donations | 39,300 | 119,000 | 158,300 | 48,950 | 112,700 | 161,650 |

4 Income from charitable activities

| | Contract income | Grants for delivering specific charitable activities | Teaching and exams | Partnership income | Other income | 2016–17 Total | 2015–16 Total |
|--|--------------------|--|-----------------------|-----------------------|-----------------|------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fees, sponsorship and other income received from activities in furtherance of the objects: | | | | | | | |
| Unrestricted | | | | | | | |
| Developing a wider knowledge of the English language | 584 | - | 649,925 | 17,762 | 1,102 | 669,373 | 566,521 |
| Encouraging educational co-operation and promoting the advancement of education | 19,289 | - | 133 | 31,842 | 2,698 | 53,962 | 47,163 |
| Encouraging cultural, scientific and technological co-operation | 846 | - | 4 | 6,583 | 473 | 7,906 | 6,806 |
| Building capacity for social change | 15,176 | - | 6 | 8,882 | 111 | 24,175 | 20,391 |
| Total unrestricted income | 35,895 | - | 650,068 | 65,069 | 4,384 | 755,416 | 640,881 |
| Restricted | | | | | | | |
| Developing a wider knowledge of the English language | 1,603 | - | - | - | - | 1,603 | 1,573 |
| Encouraging educational co-operation and promoting the advancement of education | 92,125 | 1,742 | - | 18,779 | - | 112,646 | 109,866 |
| Encouraging cultural, scientific and technological co-operation | 870 | - | - | - | - | 870 | 355 |
| Building capacity for social change | 25,694 | - | - | - | - | 25,694 | 52,680 |
| Total restricted income | 120,292 | 1,742 | - | 18,779 | - | 140,813 | 164,474 |
| Total | | | | | | | |
| Developing a wider knowledge of the English language | 2,187 | - | 649,925 | 17,762 | 1,102 | 670,976 | 568,094 |
| Encouraging educational co-operation and promoting the advancement of education | 111,414 | 1,742 | 133 | 50,621 | 2,698 | 166,608 | 157,029 |
| Encouraging cultural, scientific and technological co-operation | 1,716 | - | 4 | 6,583 | 473 | 8,776 | 7,161 |
| Building capacity for social change | 40,870 | - | 6 | 8,882 | 111 | 49,869 | 73,071 |
| Total income received to promote cultural relationships and the understanding of different cultures | 156,187 | 1,742 | 650,068 | 83,848 | 4,384 | 896,229 | 805,355 |

A breakdown of grants received for delivering specific charitable activities is as follows. These are all classified as restricted funds.

| | 2016-17 | 2015-16 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Grants for delivering specific charitable activities | | |
| Department for Education | 568 | 569 |
| Welsh Government – Education and Skills | 509 | 529 |
| Department of Education, Northern Ireland | 251 | 260 |
| Scottish Government Schools Directorate | 201 | 285 |
| Commonwealth Secretariat | 129 | 102 |
| Grwp Llandrillo Menai | 84 | - |
| Total | 1,742 | 1,745 |

5 Other income

| | 2016-17 | 2015-16 |
|------------------------------------|---------------|--------------|
| | £'000 | £'000 |
| Profit on disposal of fixed assets | 437 | 119 |
| Foreign exchange gains | 17,147 | 8,480 |
| Total other income | 17,584 | 8,599 |

6 Expenditure on charitable activities

(a) Total expenditure on charitable activities

| | Grants payable | Staff costs | Other direct costs | Support costs | 2016-17 Total | 2015-16 Total* |
|---|----------------|----------------|--------------------|----------------|------------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost of activities in furtherance of the objects | | | | | | |
| Developing a wider knowledge of the English language | 201 | 302,877 | 283,376 | 48,405 | 634,859 | 531,981 |
| Encouraging educational co-operation and promoting the advancement of education | 105,433 | 52,729 | 70,510 | 24,360 | 253,032 | 219,341 |
| Encouraging cultural, scientific and technological co-operation | 4,693 | 27,618 | 25,053 | 13,981 | 71,345 | 72,974 |
| Building capacity for social change | 14,984 | 35,395 | 33,468 | 26,348 | 110,195 | 136,337 |
| Governance costs | - | 4,602 | - | 1,624 | 6,226 | 5,553 |
| Total resources expended to promote cultural relationships and the understanding of different cultures | 125,311 | 423,221 | 412,407 | 114,718 | 1,075,657 | 966,186 |

* Restated – see note 2(i)

Included in the above resources expended are costs of £263,400,000 (2015-16: £279,460,000) relating to restricted expenditure.

More detailed analysis of staff costs is provided in note 7.

(b) 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:

| Types 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 2016–17 | Total 2015–16 |
|---|--|---|---|-------------------------------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Universities | 90 | 41,995 | 220 | 752 | 43,057 | 54,846 |
| Other bodies | 52 | 31,198 | - | 5,442 | 36,692 | 50,365 |
| Charities, NGOs and social enterprises | 23 | 9,022 | 3 | 6,357 | 15,405 | 26,355 |
| Colleges | - | 10,094 | 1 | 275 | 10,370 | 6,191 |
| Schools | - | 5,874 | 7 | 546 | 6,427 | 4,268 |
| Arts bodies | 6 | 775 | 4,004 | 148 | 4,933 | 448 |
| Local government bodies | - | 2,651 | - | 8 | 2,659 | 1,178 |
| National and international government bodies | - | 1,076 | - | 974 | 2,050 | 67 |
| Environmental groups | - | 703 | 10 | 225 | 938 | 976 |
| Total grants to institutions | 171 | 103,388 | 4,245 | 14,727 | 122,531 | 144,694 |
| Grants to individuals | 30 | 2,045 | 448 | 257 | 2,780 | 1,693 |
| Total grants payable to promote cultural relationships and the understanding of different cultures | 201 | 105,433 | 4,693 | 14,984 | 125,311 | 146,387 |

The allocations of grants to types of institution for 2015–16 has been restated as it was incorrectly reported in the 2015–16 accounts.

The following institutions received £750,000 or more of grants from the British Council during 2016–17:

| | | |
|---|-----------------------------|-----------------------------|
| Aston University | Queen's University Belfast | University of Leeds |
| Cardiff Council | Staffordshire University | University of Manchester |
| University of Cardiff | The University of Edinburgh | University of Newcastle |
| Coventry University | University College London | University of Nottingham |
| University of Durham | University of Bath | University of Oxford |
| EISA Electoral Institute for Sustainability | University of Birmingham | University of Sheffield |
| EP Nuffic | University of Bristol | University of Southampton |
| University of Loughborough | University of Cambridge | University of Strathclyde |
| Manchester Metropolitan University | University of Exeter | University of Warwick |
| University of Middlesex | University of Glasgow | University of Wolverhampton |
| Nottingham Trent University | University of Hull | |

(c) Audit and non-audit fees

Included in governance costs are fees of £190,000 payable to the National Audit Office for the audit of the Charity's and Group's 2016–17 Annual Report and Accounts (2015–16 fee: £190,000, comprising £175,000 as stated in last year's accounts and an additional fee of £15,000). There were no fees payable to the National Audit Office in respect of non-audit work.

In addition, total audit fees of £296,000 (2015–16: £265,000) were payable to the auditors of the Group's component audits. These comprise the audits of the Group's subsidiary entities and the Charity's overseas branches where audit is required by local regulations.

Fees of £3,455,000 (2015–16: £958,000) were payable to the auditors of the Group's component audits for non-audit services which comprised fees for the following services:

| | 2016–17 | 2015–16 |
|---|--------------|------------|
| | £'000 | £'000 |
| Non audit-fees payable to auditors of the Group's component audits | | |
| Assurance | 14 | - |
| Tax advisory | 66 | 57 |
| Other advisory or accountancy | 3,375 | 901 |
| Total | 3,455 | 958 |

(d) Other direct and support costs

In addition to audit and non-audit fees, included in other direct costs and support costs are amounts in respect of:

| | 2016–17 | 2015–16* |
|--|---------|----------|
| | £'000 | £'000 |
| Payments for travel, subsistence, etc. | 24,603 | 21,616 |
| Property rental costs relating to operating leases | 25,290 | 23,594 |
| Depreciation and amortisation charged | 13,562 | 11,468 |
| Provisions charged to expenditure in year | 12,574 | 12,977 |
| Foreign exchange losses | 17,027 | 10,739 |

* Restated – see note 2(l)

7 Staff emoluments and related costs

(a) Total staff costs:

| | 2016–17 | 2015–16 |
|------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Wages and salaries – permanent | 307,379 | 274,188 |
| Wages and salaries – non permanent | 78,862 | 66,797 |
| Social security costs | 12,554 | 7,647 |
| Other pension costs | 22,339 | 17,821 |
| Early retirement costs | 2,087 | 928 |
| Total staff costs | 423,221 | 367,381 |

Included in non-permanent wages and salaries is £62,135,352 (2015–16: £48,334,272) relating to English language oral examiners, examination markers and invigilators who are paid on an hourly/daily rate. The remaining costs for non-permanent wages and salaries relate to contracted staff who are filling vacant roles.

(b) The average number of employees by headcount was analysed as follows:

| | 2016–17 | 2015–16 |
|--|----------------------|----------------------|
| | Average no. of staff | Average no. of staff |
| United Kingdom | | |
| Management and administrative (senior managers – 270 (2015–16: 227)) | 1,265 | 1,103 |
| Overseas | | |
| Management and administrative (senior managers – 192 (2015–16: 184)) | 6,817 | 5,889 |
| Teachers | 2,514 | 2,632 |
| Total employees | 10,596 | 9,624 |

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 | 2016–17 | 2015–16 | 2016–17 | 2015–16 | 2016–17 | 2015–16 |
|---|--------------------------------|---------------|--------------------------------|----------------|--|----------------|
| | No. of compulsory redundancies | | No. of other departures agreed | | Total number of exit packages by cost band | |
| <£10,000 | 4 | 5 | - | 1 | 4 | 6 |
| £10,000–£25,000 | 3 | 3 | 5 | 3 | 8 | 6 |
| £25,000–£50,000 | - | - | 5 | 7 | 5 | 7 |
| £50,000–£100,000 | - | - | 6 | 2 | 6 | 2 |
| £100,000–£150,000 | - | - | - | - | - | - |
| £150,000–£200,000 | - | - | - | - | - | - |
| Total number of exit packages | 7 | 8 | 16 | 13 | 23 | 21 |
| Total resource cost (£) | 69,748 | 87,312 | 645,847 | 463,577 | 715,595 | 550,889 |

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 | 2016–17 | 2015–16 | 2016–17 | 2015–16 | 2016–17 | 2015–16 |
|---|--------------------------------|------------------|--------------------------------|----------------|--|------------------|
| | No. of compulsory redundancies | | No. of other departures agreed | | Total number of exit packages by cost band | |
| <£10,000 | 51 | 74 | 17 | 14 | 68 | 89 |
| £10,000–£25,000 | 31 | 21 | 3 | 13 | 34 | 34 |
| £25,000–£50,000 | 16 | 14 | - | 3 | 16 | 18 |
| £50,000–£100,000 | 7 | 1 | 1 | 1 | 8 | 2 |
| £100,000–£150,000 | 2 | - | 1 | 1 | 3 | 1 |
| £150,000–£200,000 | - | 1 | - | - | - | 1 |
| Total number of exit packages | 107 | 111 | 22 | 32 | 129 | 145 |
| Total resource cost (£) | 1,926,131 | 1,343,115 | 310,536 | 597,575 | 2,236,667 | 1,940,690 |

(d) The current Chief Executive's total actual emoluments plus pension was £250,677 (2015–16: £231,860) comprising salary of £189,341 (2015–16: £186,233), which includes a bonus of £14,948 (2015–16: £0) and pension contributions of £46,388 (2015–16: £45,627). The Chief Executive is a member of the Principal Civil Service Pension Scheme.

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

| | 2016–17 | 2015–16 |
|----------------------------------|--------------|--------------|
| | No. of staff | No. of staff |
| £60,000–£70,000 | 201 | 79 |
| £70,001–£80,000 | 159 | 103 |
| £80,001–£90,000 | 82 | 52 |
| £90,001–£100,000 | 55 | 40 |
| £100,001–£110,000 | 39 | 22 |
| £110,001–£120,000 | 21 | 15 |
| £120,001–£130,000 | 9 | 9 |
| £130,001–£140,000 | 8 | 7 |
| £140,001–£150,000 | 4 | 4 |
| £150,001–£160,000 | 4 | 3 |
| £160,001–£170,000 | 1 | 3 |
| £170,001–£180,000 | 2 | 1 |
| £180,001–£190,000 | - | - |
| £190,001–£200,000 | - | - |
| £200,001–£210,000 | 2 | - |
| £210,001–£220,000 | - | - |
| £220,001–£230,000 | - | 1 |
| Total number of employees | 587 | 339 |

(f) Off-payroll engagements

Table 1: For all off-payroll engagements as at 31 March 2017, for more than £220 per day and that last for longer than six months

| | 2016–17 | 2015–16 |
|--|--------------------|--------------------|
| No. of engagements that have existed for: | No. of engagements | No. of engagements |
| Less than one year at time of reporting | 16 | 32 |
| Between one and two years at time of reporting | 10 | 17 |
| Between two and three years at time of reporting | 1 | 5 |
| Between three and four years at time of reporting | 3 | 3 |
| Four or more years at time of reporting | 2 | 2 |
| Total no. of existing engagements as at 31 March 2017 | 32 | 59 |

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.

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months

| | 2016–17 | 2015–16 |
|--|--------------------|--------------------|
| | No. of engagements | No. of engagements |
| No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations | 15 | 64 |
| No. for whom assurance has been requested | 15 | 64 |
| Of which... | | |
| No. for whom assurance has been received | 15 | 64 |
| No. for whom assurance has not been received | - | - |
| No. that have been terminated as a result of assurance not being received | - | - |
| Total no. of new engagements, or those that reached six months in duration, during the period | 15 | 64 |

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017

| | 2016–17 | 2015–16 |
|---|--------------------|--------------------|
| | No. of engagements | No. of engagements |
| No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year | 2 | 0 |
| No. of individuals that have been deemed 'board members, and/or, senior officials with significant financial responsibility', during the financial year. This figure includes both off-payroll and on-payroll engagements | 43 | 39 |

Third party agencies supplied the services of two professionals to meet an exceptional need for interim cover for two senior posts which became vacant in the period, that of Chief Financial Officer and Director Global Estates. Although not on the British Council's payroll in the period, the former was an employee of the relevant agency throughout. Both engagements started in October 2016 and were of less than six months duration at the Balance Sheet date.

(g) Travel expenses reimbursed to 14 (2015–16: 15) members of the Board of Trustees amounted to £42,940 (2015–16: £28,366).

No Trustees or any persons connected with them received any remuneration for their services during the year ended 31 March 2017 (2015–16: nil).

(h) 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 2016–17, employers' contributions of £12,395,235 were payable to the PCSPS (2015–16 £11,273,160) at one of four rates in the range 20.0 per cent to 24.5 per cent of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016–17 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 £286,668 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3.0 per cent to 12.5 per cent of pensionable earnings up to 30 September 2016 and from 8.0 per cent to 14.75 per cent of pensionable earning from 1 October 2016. Employers also match employee contributions up to 3.0 per cent of pensionable earnings. In addition, employer contributions of £7,833, 0.8 per cent of pensionable pay up to 30 September 2016 and 0.5 per cent of pensionable pay from 1 October 2016, 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 £15,272 (2015–16: £13,141). Contributions prepaid at that date were £nil (2015–16: £nil). Employer contributions of £575 were also payable to the National Employment Savings Scheme (NEST) for employees auto-enrolled in that scheme (2015–16: £1,371).

(i) 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.

(j) Defined benefit scheme

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

The Scheme is closed to new entrants and active members of the Scheme ceased to accrue benefits in respect of pensionable service from 31 January 2013. A full actuarial valuation was carried out at 1 April 2014 and updated to 31 March 2017 by a qualified actuary, independent of the Scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

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

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

| | 2017 | 2016 |
|---|--------|--------|
| | £'000 | £'000 |
| Fair value of scheme assets | 17,702 | 16,953 |
| Present value of scheme liabilities | 11,178 | 8,940 |
| Surplus/(deficit) in scheme | 6,524 | 8,013 |
| Unrecognised surplus/(deficit) | 6,524 | 8,013 |
| Asset/(liability) to be recognised | - | - |

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

| | 2017 | 2016 |
|---|---------------|--------------|
| | £'000 | £'000 |
| Scheme liabilities at start of period | 8,940 | 15,239 |
| Current service cost | - | - |
| Interest cost | 332 | 431 |
| Past service cost | - | - |
| Contributions by scheme participants | - | - |
| Actuarial (gains)/losses | 2,305 | (4,042) |
| Losses/(gains) on curtailments | - | - |
| Benefits paid and death in service insurance premiums | (399) | (2,688) |
| Scheme liabilities at end of period | 11,178 | 8,940 |

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

| | 2017 | 2016 |
|---|---------------|---------------|
| | £'000 | £'000 |
| Fair value of scheme assets at start of period | 16,953 | 18,808 |
| Expected return on scheme assets | 556 | 431 |
| Actuarial gains/(losses) | 592 | 402 |
| Benefits paid and death in service insurance premiums | (399) | (2,688) |
| Fair value of scheme assets at end of period | 17,702 | 16,953 |

The actual return on the Scheme assets over the period ending 31 March 2017 was £1,248,000 (2015–16: £942,000).

Total expense recognised in the Statement of Financial Activities

| | 2017 | 2016 |
|---|----------|----------|
| | £'000 | £'000 |
| Current service cost | - | - |
| Interest cost | 332 | 431 |
| Past service cost | - | - |
| Expected return on scheme assets | (332) | (431) |
| Previously unrecognised surplus deducted from the past service cost | - | - |
| Total (income)/expense recognised in the Statement of Financial Activities | - | - |

Statement of total recognised gains and losses

| | 2017 | 2016 |
|--|----------------|--------------|
| | £'000 | £'000 |
| Actual return less expected return on pension scheme assets Amount: gain/(loss) | 592 | 402 |
| Experience gains and losses arising on the scheme liabilities Amount: gain/(loss) | 72 | 145 |
| Changes in the assumptions underlying the defined benefit obligation Amount: gain/(loss) | (2,377) | 3,897 |
| Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) Amount: gain/(loss) | (1,713) | 4,444 |
| Effect of previously unrecognising surplus deducted from the past service cost Amount: gain/(loss) | - | - |
| Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable Amount: gain/(loss) | 1,713 | (4,444) |
| Total amount recognised in statement of total recognised gains and losses: Amount: gain/(loss) | - | - |

Assets

| | 2017 | 2016 |
|---------------------|---------------|---------------|
| | £'000 | £'000 |
| Equity | 10,612 | 8,769 |
| Bonds | 3,750 | 3,727 |
| Property | 3,077 | 3,069 |
| Cash | 263 | 1,388 |
| Total assets | 17,702 | 16,953 |

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

| | 2017 | 2016 |
|--|-------------|-------------|
| | % per annum | % per annum |
| Inflation | 2.80% | 2.30% |
| Salary increases | n/a | n/a |
| Rate of discount | 2.60% | 3.80% |
| Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less | 2.00% | 1.50% |
| Allowance for commutation of pension for cash at retirement | 25% | 25% |

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

| | 2017 | 2016 |
|---------------------------------------|--------------|--------------|
| | No. of years | No. of years |
| Male retiring today at age 65 | 22.9 | 22.8 |
| Female retiring today at age 65 | 25.3 | 25.2 |
| Male retiring in 20 years at age 65 | 24.2 | 24.1 |
| Female retiring in 20 years at age 65 | 26.7 | 26.6 |

Expected long term rates of return

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

Amounts for the current and previous year

| | 2017 | 2016 |
|---|--------|--------|
| | £'000 | £'000 |
| Fair value of scheme assets | 17,702 | 16,953 |
| Present value of scheme liabilities | 11,178 | 8,940 |
| Surplus/(deficit) in scheme | 6,524 | 8,013 |
| Experience adjustment on scheme assets | 592 | 402 |
| Experience adjustment on scheme liabilities | 72 | 145 |

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

Trustees

Capita ATL Pension Trustees Limited, independent Trustee to the Scheme, was paid fees amounting to £40,278 excluding VAT (2015–16: £56,361) excluding VAT during the year. Two other Trustees were paid £5,078 fees (2015–16: nil) during the year. Travel expenses totalling £141 were reimbursed to one Trustee during the year (2015–16: £146).

8 Taxation

(a) Charge/(credit) for the year

| | 2016-17 | 2015-16 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Tax charge for the current year | | |
| UK corporation tax | - | - |
| Overseas tax | 8,669 | 4,740 |
| Total current year tax | 8,669 | 4,740 |
| Tax under/(over) provided in previous years | | |
| UK corporation tax | - | (32) |
| Overseas tax | 894 | (91) |
| Total prior year tax | 894 | (123) |
| Total tax charge | 9,563 | 4,617 |

No deferred tax has been recognised for the year (2015-16: Nil).

(b) Factors affecting the current tax charge

| | 2016-17 | 2015-16 |
|---|----------------|----------------|
| | £'000 | £'000 |
| Net income/(expenditure) after tax | (9,017) | (6,449) |
| Total tax charge | 9,563 | 4,617 |
| Net income/(expenditure) before taxation | 546 | (1,832) |
| Tax charge/(credit) at standard UK corporation tax rate of 20% (2015-16: 20%) | 109 | (366) |
| Non-taxable activities * | 5,178 | 3,928 |
| Expenses not deductible for tax purposes | 434 | - |
| Higher/(lower) taxes on overseas taxable surpluses | 1,169 | 981 |
| Irrecoverable withholding tax on repatriated funds | 843 | 197 |
| Losses not relievable against current income | 936 | - |
| Tax under/(over) provided in previous years | 894 | (123) |
| Current tax charge for year | 9,563 | 4,617 |

* Impact of 20 per cent (2015-16: 20 per cent) of expenditure incurred in jurisdictions where no tax relief is available on charitable activities.

(c) Factors that may affect future tax charges

The group has unrecognised deferred tax assets totalling £0.1 million (2015-16: £0.3 million) represented by tax losses available to be offset against future taxable surpluses in various territories which may not be used elsewhere in the group and where recovery is uncertain.

9 Intangible fixed assets

| | 2017 | 2016 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Modified cost or valuation | | |
| At 1 April | 19,411 | 8,634 |
| Exchange rate differences | 7 | (2) |
| Additions | 874 | 5,271 |
| Transfers of completed assets from assets under construction | - | (2,612) |
| Reclassifications | - | 8,394 |
| Disposals | (6,410) | (27) |
| Revaluations | (777) | (247) |
| At 31 March | 13,105 | 19,411 |
| Amortisation | | |
| At 1 April | (9,162) | (1,123) |
| Exchange rate differences | (5) | 1 |
| Charge for the Year | (2,064) | (1,078) |
| Reclassifications | - | (7,761) |
| Disposals | 6,410 | 26 |
| Revaluations/backlog amortisation | 2,260 | 773 |
| At 31 March | (2,561) | (9,162) |
| Net book value | | |
| At 31 March | 10,544 | 10,249 |
| At 1 April | 10,249 | 7,511 |

Included in the above:

Assets under construction (AUC)

| | 2017 | 2016 |
|--|------------|----------|
| | £'000 | £'000 |
| AUC cost at 1 April | - | 2,612 |
| Transfers of completed assets to additions | - | (2,612) |
| Additions to AUC | 663 | - |
| Total AUC cost at 31 March | 663 | - |

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

Amortisation of intangible fixed assets is included within Expenditure on charitable activities in note 6(a).

10 Tangible fixed assets

| | Freehold land and property | Leasehold land and property | Furniture and equipment | Information technology | Vehicles and plant | Total |
|--|-------------------------------|--------------------------------|----------------------------|---------------------------|--------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Modified cost or valuation | | | | | | |
| At 1 April 2016 | 93,424 | 88,614 | 9,913 | 8,233 | 13,436 | 213,620 |
| Exchange rate differences | 3,589 | 8,044 | (27) | 416 | 49 | 12,071 |
| Additions | 12,113 | 3,552 | 1,689 | 1,939 | 1,510 | 20,803 |
| Transfers of completed assets from AUC | (8,149) | - | (1,094) | (1,044) | (414) | (10,701) |
| Reclassifications | (116) | 116 | - | - | - | - |
| Disposals | (258) | (2,915) | (746) | (1,184) | (415) | (5,518) |
| Revaluations | (1,121) | 4,863 | - | - | - | 3,742 |
| At 31 March 2017 | 99,482 | 102,274 | 9,735 | 8,360 | 14,166 | 234,017 |
| Depreciation | | | | | | |
| At 1 April 2016 | (5,280) | (30,188) | (6,349) | (4,712) | (8,761) | (55,290) |
| Exchange rate differences | (378) | (976) | (231) | (254) | (312) | (2,151) |
| Charge for the year | (2,123) | (5,787) | (1,244) | (947) | (1,397) | (11,498) |
| Reclassifications | 116 | (116) | - | - | - | - |
| Disposals | 258 | 2,178 | 732 | 1,184 | 412 | 4,764 |
| Revaluations | 3,069 | 1,944 | - | - | - | 5,013 |
| At 31 March 2017 | (4,338) | (32,945) | (7,092) | (4,729) | (10,058) | (59,162) |
| Net book value | | | | | | |
| At 31 March 2017 | 95,144 | 69,329 | 2,643 | 3,631 | 4,108 | 174,855 |
| At 1 April 2016 | 88,144 | 58,426 | 3,564 | 3,521 | 4,675 | 158,330 |

Included in the above:

Assets under construction (AUC)

| | Freehold and leasehold land and property | Furniture and equipment | Information technology | Vehicles and plant | Total |
|--|---|----------------------------|---------------------------|-----------------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| AUC cost at 1 April 2016 | 7,488 | 1,037 | 1,560 | 695 | 10,780 |
| Exchange rate differences | 694 | (84) | 217 | (241) | 586 |
| Transfers of completed assets to additions | (8,149) | (1,094) | (1,044) | (414) | (10,701) |
| Additions to AUC | 745 | 141 | 853 | 239 | 1,978 |
| Total AUC cost at 31 March 2017 | 778 | - | 1,586 | 279 | 2,643 |

Included in tangible fixed assets are assets to the value of £29.5 million (2015–16: £34.1 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.

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

There were no impairments to fixed assets in the year to 31 March 2017 resulting from this revaluation.

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

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

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 Council's rights to the property, which include:

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

There is one property where the British Council is entitled to use the whole property, but would only be entitled to a portion of the proceeds of sale if the building were sold. The existing use value represents use of the whole property and exceeds the proceeds which the British Council would be entitled to on disposal by £13.1 million.

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 Consolidated Statement of Financial Activities 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 £0.7 million. This is the only property where the useful life exceeds what is set out in the accounting policy.

The British Council currently has assets with a cost of £0.6 million and a net book value of £20,680 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.

The British Council rents out certain properties that are temporarily surplus to requirements. These are not classed as investment properties. The British Council also owns properties with a current net book value of £5.8 million, which are occupied by subsidiaries.

11 Heritage assets

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Modified cost or valuation | | | | | |
| At 1 April – cost | 2,828 | 2,445 | 2,073 | 1,387 | 1,267 |
| At 1 April – valuation | 117,052 | 126,942 | 105,559 | 98,771 | 83,244 |
| Total value at 1 April | 119,880 | 129,387 | 107,632 | 100,158 | 84,511 |
| Additions – purchased | 222 | 383 | 372 | 686 | 120 |
| Additions – donated | 5 | - | - | 18 | 450 |
| Increase/(decrease) in valuation | (51) | (9,890) | 21,383 | 6,770 | 15,077 |
| At 31 March | 120,056 | 119,880 | 129,387 | 107,632 | 100,158 |
| Unrestricted | 47,866 | 48,733 | 58,672 | 47,428 | 43,629 |
| Restricted | 72,190 | 71,147 | 70,715 | 60,204 | 56,529 |
| Total heritage assets | 120,056 | 119,880 | 129,387 | 107,632 | 100,158 |

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 collection's purpose.

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

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

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

The increase/(decrease) in valuation figure is a net amount and includes disposals of £6,580 (2015–16: £3,000).

12 Investments

(a) Total investments

| | Group | | British Council | |
|----------------------------|------------|------------|-----------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Quoted investments | 400 | 762 | 400 | 762 |
| Investment in subsidiaries | - | - | 32 | 32 |
| Total investments | 400 | 762 | 432 | 794 |

(b) Investment in joint venture

| | Group | | British Council | |
|--|--------------|------------|-----------------|------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Opening balance | 850 | - | 850 | - |
| Net income/(expenditure) | 24 | 850 | 24 | 850 |
| Exchange rate differences | 130 | - | 130 | - |
| Total investment in joint venture | 1,004 | 850 | 1,004 | 850 |

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 originally funded by loans from its founding members, including the British Council. These loans have since been repaid. The British Council's share of the IELTS Inc. audited income, expenditure, assets and liabilities for the year ending 31 December 2016 have been consolidated and disclosed in the accounts this year using the equity method of accounting.

IELTS Inc. has a 31 December year end. The auditor's report for the year end 31 December 2016 was unqualified.

(c) Subsidiary undertakings

| Registered name | Country of incorporation | Principal activity | Share class | Year end date |
|--|--------------------------|---|---------------|---------------|
| BC Trading International Ltd | England and Wales | Raising funds through trading activities | Ordinary/100% | 31 March |
| BC Holdings (United Kingdom) Limited | England and Wales | Holding company | Ordinary/100% | 31 March |
| British Council Association in Brazil (registered name: Associação Conselho Britânico) | Brazil | Carrying out charitable objectives of the British Council | - | 31 December |
| BC Education Consulting (Beijing) Co. Ltd (registered name: BC教育咨询(北京)有限公司) | China | Carrying out charitable objectives of the British Council | Ordinary/100% | 31 December |
| British Council English Training (Jiangsu) Co. Ltd (registered name: 英协英语培训(江苏)有限公司) | China | Carrying out charitable objectives of the British Council | Ordinary/100% | 31 December |
| Ying He Advertising (Beijing) Co. Ltd (registered name: 英合广告(北京)有限公司) | China | Raising funds through trading activities | Ordinary/100% | 31 December |
| BC English Services Trans-National Limited | Hong Kong | Established to carry out the charitable objectives of the British Council but not currently operational | Ordinary/100% | 31 March |
| BC English and Examinations Services India Private Limited | India | Raising funds through trading activities | Ordinary/100% | 31 March |
| BC Management Services Private Limited | India | Provision of support services to the British Council | Ordinary/100% | 31 March |
| Yayasan Dewan Inggris | Indonesia | Carrying out charitable objectives of the British Council | | 31 March |
| British Council (Kazakhstan) LLP | Kazakhstan | Carrying out charitable objectives of the British Council | | 31 December |
| British Council Associated Civil Association (registered name: British Council Asociados) | Mexico | Raising funds through trading activities | Ordinary/100% | 31 December |
| British Council Civil Association (registered name: British Council Asociación Civil) | Mexico | Carrying out charitable objectives of the British Council | Ordinary/100% | 31 December |
| British Council Foundation in Poland (registered name: Fundacja British Council) | Poland | Carrying out charitable objectives of the British Council | - | 31 March |
| Smart Education, Culture and Language Services Limited Liability Company (registered name: ООО "Умные культурно-образовательные и языковые услуги") | Russia | Carrying out charitable objectives of the British Council | Ordinary/100% | 31 December |
| British Council (Singapore) Limited | Singapore | Carrying out charitable objectives of the British Council | - | 31 March |
| British Council (Taiwan) Limited (registered name: 英協文教有限公司) | Taiwan | Carrying out charitable objectives of the British Council | Ordinary/100% | 31 December |
| BC Holdings (Thailand) Limited | Thailand | Holding company | Ordinary/100% | 31 March |
| BC Language Teaching (Thailand) Limited | Thailand | Carrying out charitable objectives of the British Council | Ordinary/74% | 31 March |
| BC Operations (Thailand) Limited | Thailand | Carrying out charitable objectives of the British Council | Ordinary/74% | 31 March |
| British Council Education Services Company (registered name: British Council Eğitim Hizmetleri Limited Şirketi) | Turkey | Carrying out charitable objectives of the British Council | Ordinary/100% | 31 March |
| Private Extra-Curricular Educational Institution 'British Council (Ukraine)' (registered name: Приватний позашкільний навчальний заклад «Британська Рада (Україна)») | Ukraine | Carrying out charitable objectives of the British Council | Ordinary/100% | 31 December |
| Limited Liability Company 'British Council (Ukraine)' (registered name: Товариство з обмеженою відповідальністю «Британська Рада (Україна)») | Ukraine | Carrying out charitable objectives of the British Council | Ordinary/100% | 31 December |
| Friends of British Council, USA | USA | Fundraising and carrying out charitable objectives of the British Council | - | 31 March |
| British Council (Viet Nam) LLC (registered name: Công ty TNHH British Council (Việt Nam)) | Vietnam | Not yet operational at Balance Sheet date | Ordinary/100% | 31 March |

(e) Loans to subsidiaries

The following table sets out the interest charged by the British Council on loans made to subsidiaries and the loan balances at the year end.

| Subsidiary | Interest charged | | Loan balance | |
|---|------------------|----------------|----------------|------------------|
| | 2016–17 | 2015–16 | 2017 | 2016 |
| | £ | £ | £ | £ |
| BC Holdings (United Kingdom) Limited | 69,948 | 222,492 | 601,944 | 8,160,488 |
| BC English Services Trans-National Limited | 7,369 | 7,881 | 360,449 | 353,079 |
| British Council Singapore Limited | - | 34,615 | - | - |
| Total loans from the British Council to subsidiaries | 77,317 | 264,988 | 962,393 | 8,513,567 |

The following table sets out the interest charged by BC Holdings (United Kingdom) Limited on loans made to subsidiaries and the loan balances at the year end.

| Subsidiary | Interest charged | | Loan balance | |
|--|------------------|---------------|------------------|------------------|
| | 2016–17 | 2015–16 | 2017 | 2016 |
| | £ | £ | £ | £ |
| BC Holdings (Thailand) Limited | 35,154 | 31,725 | 1,321,416 | 1,108,116 |
| British Council Indonesia Foundation | 43,603 | 29,621 | 838,700 | 2,102,180 |
| Fundacja British Council (Polish Foundation) | 6,585 | 9,707 | 276,585 | 419,973 |
| British Council (Vietnam) LLC | 2,366 | - | 202,366 | - |
| British Council (Ukraine) LLC | 6,013 | 6,801 | 193,500 | 256,382 |
| The Smart Education, Culture and Language Services LLC | 352 | 81 | 15,431 | 15,079 |
| British Council (Kazakhstan) LLP | 2,345 | 1,278 | - | 101,352 |
| Friends of the British Council USA | - | 3,588 | - | 165,259 |
| Total loans between subsidiaries | 96,418 | 82,801 | 2,847,998 | 4,168,341 |

Interest is charged on all of the above loans at arm's length rates.

The loan balance of £962,393 (2015–16: £8,513,567) on the British Council Balance Sheet is made up of the loans made directly by the Charity, which are to BC Holdings (United Kingdom) Limited and BC English Services Trans-National Limited.

13 Debtors (amounts falling due within one year)

| | Group | | British Council | |
|---|----------------|----------------|-----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 79,449 | 66,132 | 64,016 | 53,191 |
| Balances resulting from activity under contracts and agreements | 9,554 | 18,666 | 9,553 | 18,666 |
| Other debtors | 11,526 | 7,386 | 5,739 | 5,630 |
| Tax and social security | - | 2,136 | - | 17 |
| VAT debtor | 1,462 | 398 | 1,190 | 411 |
| Prepayments and accrued income | 34,151 | 29,936 | 28,895 | 27,719 |
| Amounts due from subsidiary undertakings | - | - | 6,539 | 4,480 |
| Total debtors | 136,142 | 124,654 | 115,932 | 110,114 |

14 Cash at bank and short-term investments

(a) Cash at bank

| | Group | | British Council | |
|---|----------------|----------------|-----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Cash and cash equivalents held in: | | | | |
| Sterling | 23,964 | 21,449 | 15,540 | 20,139 |
| Euros | 68,863 | 48,176 | 68,566 | 48,176 |
| US Dollars | 11,336 | 5,196 | 9,140 | 5,012 |
| Other currencies | 89,874 | 94,825 | 69,251 | 72,176 |
| Total cash at bank | 194,037 | 169,646 | 162,497 | 145,503 |

The total cash at bank balance includes cash held overseas of £19 million (2015–16: £14 million) that is considered to be trapped due to foreign exchange controls. The British Council is actively seeking ways to manage and limit the effect of foreign exchange gains and losses on cash balances held in those currencies.

(b) Short-term investments

| | Group | | British Council | |
|--|----------------|----------------|-----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Short-term deposits maturing in under one year held in: | | | | |
| Sterling | 34,000 | 43,000 | 34,000 | 43,000 |
| Euros | 23,932 | 23,810 | 23,932 | 23,810 |
| Other currencies | 45,577 | 36,565 | 44,212 | 36,565 |
| Total short-term investments | 103,509 | 103,375 | 102,144 | 103,375 |

The British Council holds non-restricted funds on short-term deposit accounts or money market deposits with a maturity of less than one year at market rates.

15 Creditors (amounts falling due within one year)

(a) Analysis by type

| | Group | | British Council | |
|---|----------------|----------------|-----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade creditors | 26,785 | 29,305 | 24,270 | 22,811 |
| Balances resulting from activity under contracts and agreements | 51,683 | 31,893 | 51,683 | 31,800 |
| Other creditors | 13,217 | 11,354 | 12,830 | 9,941 |
| Taxation and social security | 9,193 | 3,749 | 5,036 | 2,497 |
| VAT creditor | 1,688 | 492 | 682 | - |
| Deferred income | 138,118 | 123,376 | 124,006 | 112,253 |
| Accruals* | 109,170 | 114,791 | 95,691 | 102,903 |
| Amounts due to subsidiary undertakings | - | - | 9,662 | 9,673 |
| Total creditors | 349,854 | 314,960 | 323,860 | 291,878 |

* The methodology for estimating the amount of grant payable under certain Erasmus programmes has been updated to provide a more realistic estimation. Instead of recognising the full amount of grant available to the recipient, the average realisation rate for the programme is now applied to the value of the signed grant agreement to estimate the final amount that will be payable. This change in accounting estimate has reduced the value of expenditure in 2016-17 and accruals as at 31 March 2017 by £17.2 million to £42.2 million.

(b) Analysis of deferred income

| | Group | | British Council | |
|-----------------------------------|----------------|----------------|-----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £'000 | £'000 | £'000 | £'000 |
| At 1 April | 123,376 | 109,556 | 112,253 | 99,207 |
| Exchange rate differences | (637) | 1,649 | (387) | 1,390 |
| Income recognised during the year | (123,128) | (110,934) | (112,005) | (100,299) |
| Income deferred during the year | 138,507 | 123,105 | 124,145 | 111,955 |
| At 31 March | 138,118 | 123,376 | 124,006 | 112,253 |

16 Provisions for liabilities and charges

(a) Amounts falling due within one year

| | Early retirement | Terminal gratuities | Other staff | Legal | Other | Total |
|--------------------------------------|------------------|---------------------|--------------|------------|--------------|--------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2016 | 491 | - | 1,678 | - | 1,700 | 3,869 |
| Unrealised loss on exchange rate | - | - | (207) | (1) | (6) | (214) |
| Net amounts utilised or reversed | (854) | - | (1,270) | - | (1,168) | (3,292) |
| Charged to expenditure | 405 | - | 1,564 | 167 | 1,799 | 3,935 |
| Movement between short and long term | 401 | - | - | - | - | 401 |
| At 31 March 2017 | 443 | - | 1,765 | 166 | 2,325 | 4,699 |

(b) Amounts falling due after more than one year

| | Early retirement | Terminal gratuities | Other staff | Legal | Other | Total |
|--------------------------------------|------------------|---------------------|-------------|----------|----------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2016 | 653 | 20,293 | - | - | - | 20,946 |
| Unrealised loss on exchange rate | - | (469) | - | - | - | (469) |
| Net amounts utilised or reversed | (160) | (4,801) | - | - | - | (4,961) |
| Charged to expenditure | 385 | 8,254 | - | - | - | 8,639 |
| Movement between short and long term | (401) | - | - | - | - | (401) |
| At 31 March 2017 | 477 | 23,277 | - | - | - | 23,754 |

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 0.24 per cent as per PES 2016 (10).

Terminal gratuities are payments made to a member of local staff at the end of their contractual relationship with the British Council. The payments are calculated according to local labour regulations and the Terms and Conditions of service agreed for each country.

The British Council makes Terminal Gratuity payments to its staff in four different circumstances; resignation, retirement, redundancy and early retirement.

A provision is raised to meet this liability which accrues over time. The provision has not been discounted as it is a provision at a fixed point in time and timing of future payments 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.

Other provisions include amounts for contract activity losses and taxes. These are not disclosed separately in detail as to do so could impact the probability of the liability materialising.

17 Movements on funds and reserves

(a) Movement in unrestricted funds

| | Funds designated from the General account | | | | | | Total unrestricted funds |
|---|---|--------------|-----------------|-----------------|---------------------|------------------------|--------------------------|
| | 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 2016 | - | 34,600 | 26,323 | 93,494 | 75,085 | 48,733 | 278,235 |
| Net income/(expenditure) | (5,430) | - | - | - | - | - | (5,430) |
| Revaluation of heritage assets | - | - | - | - | - | (51) | (51) |
| Revaluation account movement on land and buildings | - | - | - | - | 8,755 | - | 8,755 |
| Revaluation account movement on general fixed assets | - | - | - | - | - | - | - |
| Revaluation account movement on intangible fixed assets | - | - | - | - | 1,483 | - | 1,483 |
| Transfer of purchased and donated heritage assets | (227) | - | - | - | - | 227 | - |
| Foreign exchange differences arising on consolidation of foreign operations | 2,963 | - | - | 9,920 | - | - | 12,883 |
| Transfer to/from restricted heritage asset reserve | - | - | - | - | - | (1,043) | (1,043) |
| Transfer to/from restricted grant reserve | (1,766) | - | - | - | - | - | (1,766) |
| Transfer to/from capital account | 3,338 | - | - | (3,338) | - | - | - |
| Transfer to/from Risk reserve | (5,201) | 5,201 | - | - | - | - | - |
| Transfer to/from Investment fund | 6,323 | - | (6,323) | - | - | - | - |
| Balance as at 31 March 2017 | - | 39,801 | 20,000 | 100,076 | 85,323 | 47,866 | 293,066 |
| Minority interest | - | - | - | - | - | - | 1 |
| Total capital employed | - | - | - | - | - | - | 293,067 |

Cumulative foreign exchange losses of £2.7 million and foreign exchange gains of £0.3 million respectively are included in the Risk and Capital reserves above. Such amounts relate to the re-translation of the net assets of foreign entities and will fluctuate in accordance with the relative exchange rates ruling at future Balance Sheet dates.

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

Reserves policy

The British Council's free reserves are represented by the balance in the General account, and the two designated reserves funded from the General account: the Risk reserve and the Investment fund.

The closing balances of the General account, Risk reserve and Investment fund have been determined in accordance with a revised Reserve policy, approved by the Trustees at their meeting on 11 July 2017.

Risk reserve – this represents the minimum level of funds required to protect the British Council from the potential financial impact of known business risks. Having assessed the current risks to the business, the Trustees have set a revised target to grow the Risk reserve to £50 million by 2020 (2012 policy: £34.6 million). The balance at 31 March 2017 was £39.8 million (2015–16: £34.6 million).

Investment fund – this represents funds required for specific planned investments within a 3-year horizon. The balance at 31 March 2017 was £20 million (2015–16: £26.3 million) and represents the forecast investment relating to the British Council’s UK head office relocation in 2020.

Other investment activity carried out during the current financial year will be met from trading surpluses generated during the year.

Other designated funds and reserves

- Capital account – funds applied towards the purchase of tangible and intangible fixed assets other than heritage assets, less accumulated depreciation.
- Revaluation account – arising from the revaluation and the indexation of historical asset values to arrive at a modified historical cost.
- Heritage asset reserve – funds applied towards the purchase of heritage assets, and the effect of revaluation of those assets. This excludes donated heritage assets which are shown within the restricted reserve.

(b) Movement in restricted funds

| | Income (restricted grants) reserve | Expendable endowment reserve | Heritage asset reserve | Total restricted funds |
|---|------------------------------------|------------------------------|------------------------|------------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Balance as at 1 April 2016 | (1,766) | 1,326 | 71,147 | 70,707 |
| Transfer from unrestricted funds; heritage assets | - | - | 1,043 | 1,043 |
| Funds spent from reserves | 1,766 | - | - | 1,766 |
| Net income/(expenditure) | (3,024) | (563) | - | (3,587) |
| Balance as at 31 March 2017 | (3,024) | 763 | 72,190 | 69,929 |

Expendable endowment reserve

The British Council has the power to spend the capital related to these trusts and restricted donations for the purpose of the trust or in line with the conditions attached to the donation.

- Lefèvre Trust – To promote understanding between the UK and France, and the mutual learning of customs and language through an exchange programme for French and British boys and girls between the ages of 11 and 19.
- The Sir Shiu Kin Tang Educational Trust – To advance the education of postgraduate students from Hong Kong in the UK.
- UK 9/11 Scholarship Fund – Provided scholarships to children and other dependants of those who were 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. The fund is closed to new applicants.
- 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.
- Sir Steven Runciman Prize Trust – Book prize awarded to a student of the University of Peshawar.

(c) Analysis of group net assets between funds

| | Unrestricted funds | Restricted funds | Total funds |
|--|--------------------|------------------|----------------|
| | £'000 | £'000 | £'000 |
| Fixed assets | 233,265 | 72,190 | 305,455 |
| Investments | 1,017 | 387 | 1,404 |
| Current assets | 382,386 | 52,058 | 434,444 |
| Current liabilities | (299,847) | (54,706) | (354,553) |
| Amounts falling due after more than one year | (23,754) | - | (23,754) |
| Total net assets as at 31 March 2017 | 293,067 | 69,929 | 362,996 |

18 Commitments

(a) Capital commitments

| | 2017 | 2016 |
|------------------------|-------|-------|
| | £'000 | £'000 |
| Contracted expenditure | 634 | 1,748 |

Contracted expenditure includes £244,696 (2015–16: £665,627) relating to subsidiary capital commitments.

(b) Specific charitable projects (grants)

| | 2017 | 2016 |
|---|--------------|--------------|
| | £'000 | £'000 |
| To be undertaken: | | |
| In one year or less | 2,066 | 1,909 |
| Between one and five years | 2,355 | 754 |
| In five years or more | - | - |
| Total future minimum payments for charitable projects (grants) | 4,421 | 2,663 |

These relate to grants that we have committed to giving in future years in a signed contract, that we have not yet paid or accrued for. For example, where a grant agreement states that the grant will be paid in instalments, but that payment of future instalments is:

- tied to a particular time period; or
- subject to the recipient finding match-funding; or
- subject to a performance review by the British Council that could result in payment being withheld.

The British Council has either already received the funds needed to pay these grants, or has legal agreements in place with third party organisations to fund them.

Grants to be undertaken in the following year includes £92,020 (2015–16: £1,597,319) relating to subsidiary charitable commitments.

(c) Future minimum lease payments under non-cancellable operating leases

| | 2017 | | | 2016 | | |
|--|--------------------|------------|---------------|--------------------|--------------|---------------|
| | Land and buildings | Other | Total | Land and buildings | Other | Total |
| Payments to be made | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| In one year or less | 25,540 | 470 | 26,010 | 21,553 | 870 | 22,423 |
| Between one and five years | 28,062 | 484 | 28,546 | 25,932 | 1,305 | 27,237 |
| In five years or more | 379 | - | 379 | 733 | - | 733 |
| Total future minimum lease payments | 53,981 | 954 | 54,935 | 48,218 | 2,175 | 50,393 |

19 Losses and special payments

During the year ended 31 March 2017, there were 165 cases of losses totalling £366,682 as defined in Managing Public Money (2015–16 117 cases totalling £897,792). This includes fraudulent and non-fraudulent business losses. Two of these losses, totalling £3,911, fall within the category of special payments as defined in Managing Public Money (2015–16 six cases totalling £98,059).

20 Related party transactions

The British Council is a non-departmental public body sponsored by the FCO.

The FCO is regarded as a related party. During the year the British Council had various material transactions with the FCO, most notably the receipt of grant-in-aid as disclosed in note 2(b) and note 3.

The British Council has had a number of material transactions with other government departments and other central government bodies. The most significant have been with:

- Department for International Development
- Department for Business, Energy and Industrial Strategy
- Department for Education

In addition, the British Council had a number of transactions with the British Council Benevolent Fund, which provides financial assistance to staff in need in the UK and overseas, via charitable donations from current and ex-employees. The British Council has no control over the fund, however, the Trustees of the British Council Benevolent Fund are appointed by the British Council Board of Trustees of the British Council.

The British Council had a number of transactions with other entities within the British Council Group. Details of Intragroup loans are also set out in note 12 (e). The total of intercompany balances between the British Council and its subsidiaries are set out in notes 13 and 15 (a).

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

| Organisation | Trustee/board member | Relationship | Grants provided and funds disbursed under contracts/agreements | Debtor balance at year end | Creditor balance at year end |
|---|---------------------------|---|--|----------------------------|------------------------------|
| | | | £'000 | £'000 | £'000 |
| Coventry University | Sir Ciarán Devane | Member of the Vice-Chancellor's Advisory Group | 1,531 | 20 | (30) |
| Queens University, Belfast | Alan Shannon CB | Trustee | 1,417 | 5 | - |
| University of Liverpool | Professor Janet Beer | Vice-Chancellor | 701 | 14 | (22) |
| Universities UK (UUK), England and Northern Ireland | Professor Janet Beer | Vice-President | 333 | 2 | - |
| University of St Andrews | Adrian Greer | Chancellor's Assessor and lay member of the University Court (Governing Body) | 340 | 15 | (6) |
| Goethe Institute | Professor Martin Roth | Trustee | 96 | - | (3) |
| Rambert Dance Company (Ballet Rambert Limited) | Graham Sheffield | Trustee | 17 | - | - |
| IE Business School, Spain | Baroness Usha Prashar CBE | Member of the International Advisory Board | - | 7 | - |
| Charity IT Leaders | Laura Dawson | Chair | 1 | - | (1) |
| Universities and Colleges Admissions Service (UCAS) | Professor Janet Beer | Board Member | 1 | - | - |

Some of the Trustees of the British Council may be related to companies with which British Council has entered into partnerships. There are no undisclosed transactions between British Council and these partners, however, there may be other indirect benefits or similar.

21 Contingent liabilities

The British Council is estimated to have contingent liabilities of £0.3 million (2015–16: £0.3 million) in relation to ongoing legal action and £0.4 million (2015–16: £0.3 million) relating to bank guarantees issued under various contracts, which may be called if the British Council does not meet its contractual obligations. No losses are expected to arise under these arrangements.

As the activities of the British Council overseas have developed over time and the regulatory environment has evolved, the organisation has faced uncertainties over its legal and tax status in particular countries. In recent years steps have been taken to resolve the status position in the key territories in which the British Council operates, but there are potential taxation and other liabilities in certain territories associated with status changes or uncertainties over the interpretation of tax laws and regulations as applied to past activities. Full disclosure has not been made in relation to these potential liabilities 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 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 2017.

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.

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 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 are valued 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 in accordance with section 11 of FRS102.

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.

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 2017.

During the 2016–17 year, the British Council also used forward foreign exchange contracts to manage its exposure to the Indian Rupee and Chinese Yuan by mitigating the effect of unfavourable exchange rate movements. At 31 March 2017, there are no fair value of the forward foreign exchange contracts held (2015–16: 0.1 million for Indian Rupees). All contracts had expired by the Balance Sheet date.

23 Contract activity as an agent

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

The resources from these contracts are analysed as follows:

| | 2016–17 | 2015–16 |
|----------------------|---------|---------|
| | £'000 | £'000 |
| Contract income | 3,395 | 433 |
| Contract expenditure | 3,395 | 433 |
| Current assets | 400 | 351 |
| Current liabilities | 400 | 351 |

24 Post Balance Sheet events

In accordance with the requirements of FRS102, events after the end of the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There were no post Balance Sheet events to report.

Our global network

We are on the ground in...

| | | | | | | |
|--|---|--|--|---|---|--|
| Afghanistan Kabul | Chile Santiago | India New Delhi Ahmedabad Bengaluru Chandigarh Chennai Hyderabad Kolkata Mumbai Pune | Latvia Riga | Nigeria Abuja Kano Lagos Port Harcourt | Saudi Arabia Riyadh Jeddah Al-Khobar | Trinidad and Tobago Port of Spain |
| Albania Tirana | China Beijing Chongqing Guangzhou Hong Kong Shanghai Wuhan | | Lebanon Beirut | | Senegal Dakar | Tunisia Tunis |
| Algeria Algiers | | Indonesia Jakarta | Libya Tripoli | Occupied Palestinian Territories East Jerusalem Gaza Hebron Nablus Ramallah | Serbia Belgrade | Turkey Ankara Istanbul |
| Argentina Buenos Aires | Colombia Bogotá Medellin | | Lithuania Vilnius | | Sierra Leone Freetown | Uganda Kampala |
| Armenia Yerevan | Croatia Zagreb | Iraq Baghdad Basra Erbil | Macedonia Skopje | Oman Muscat | Singapore | Ukraine Kyiv |
| Australia Sydney | Cuba Havana | Ireland Dublin | Malawi Lilongwe Blantyre | Pakistan Islamabad Faisalabad Karachi Lahore Multan | Slovakia Bratislava | United Arab Emirates Abu Dhabi Dubai Sharjah |
| Austria Vienna | Cyprus Nicosia | Israel Tel Aviv | Malaysia Kuala Lumpur Mutiar Damansar Penang | | Slovenia Ljubljana | United Kingdom Belfast Cardiff Edinburgh London Manchester |
| Azerbaijan Baku | Czech Republic Prague Brno | Italy Rome Milan Naples | Malta Valletta | Peru Lima | South Africa Johannesburg Cape Town | United States of America New York Washington DC |
| Bahrain Manama | Egypt Cairo Alexandria | Jamaica Kingston | Mauritius Rose Hill | Philippines Manila | South Sudan Juba | Uruguay Montevideo |
| Bangladesh Dhaka Chittagong Sylhet | Estonia Tallinn | Japan Tokyo | Mexico Mexico City | Poland Warsaw Kraków | Spain Madrid Barcelona Bilbao Palma de Mallorca Segovia Valencia | Uzbekistan Tashkent |
| Belgium Brussels | Ethiopia Addis Ababa | Jordan Amman | Montenegro Podgorica | Portugal Lisbon Coimbra Miraflores Paredes Porto | Sri Lanka Colombo Jaffna Kandy | Venezuela Caracas |
| Bosnia and Herzegovina Sarajevo | France Paris | Kazakhstan Almaty Astana | Morocco Rabat Casablanca | Mozambique Maputo | Sudan Khartoum | Vietnam Hanoi Ho Chi Minh City |
| Botswana Gaborone | Georgia Tbilisi | Kenya Nairobi | Namibia Windhoek | Nepal Kathmandu | Switzerland Bern | Yemen Sana'a |
| Brazil Rio de Janeiro São Paulo | Germany Berlin | Korea, Republic of Seoul | Netherlands Amsterdam | Nigeria Kigali | Taiwan Taipei | Zambia Lusaka |
| Bulgaria Sofia | Ghana Accra Kumasi | Kosovo Prishtina | New Zealand Auckland | Romania Bucharest Cluj Iasi | Tanzania Dar es Salaam | Zimbabwe Bulawayo Harare |
| Burma Mandalay Rangoon | Greece Athens Thessaloniki | Kuwait Kuwait City | | Russia Moscow | Thailand Bangkok Chiang Mai | |
| Canada Montréal Toronto | Hungary Budapest | | | Rwanda Kigali | | |

We also work with and in many other countries around the world, both through our staff on the ground and through digital and broadcast media channels.

Contact details for our offices can be found on our country websites. For more information, please look on our corporate website, www.britishcouncil.org or telephone +44 (0)161 957 7755.

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Details were correct as at 31 March 2017.