

ANNUAL REPORT AND ACCOUNTS 2017–18





Front cover: Students at our teaching centre in Madrid take part in a drama activity as part of their English lesson.
Image © Mat Wright

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INTRODUCTION FROM THE CHAIR

Our international connections are built over time and need constant and consistent attention.

Christopher Rodrigues CBE,
Chair



The last 12 months have been proof positive that the world is undergoing significant stresses to the liberal democratic process which has governed much of the West since 1945. Growing income inequality and the perception that globalisation serves the needs of the wealthy better than the needs of wider society has led to a questioning of the West's values and its economic system accompanied by a resurgence of nationalism. Closer to home, the government is seeking to reinforce Britain's global connections as we head towards Brexit.

These are febrile times in which the British Council's reason for being – the use of cultural and educational programmes to create positive connections between people – becomes more important than ever. This is true across all the 100+ countries in which we operate – not just in the developing world. As one stakeholder said to me, 'right now, if the British Council didn't exist we would need to invent it'.

My exposure to the British Council at work, in the year since my last Chairman's statement, is a snapshot of our reach and impact:

- In China, where we delivered over a million tests last year, I witnessed the power of close collaboration between the British Council's Director and our Ambassador in furthering the UK's connections with this critically important 21st century powerhouse. We also explored the potential of linking our teaching and testing skills with leading Chinese developers of artificial intelligence-powered teaching tools.
- In Japan and Thailand I saw the positive effect our 'teach the teacher' programmes have on the capacity of teachers, who are not native English speakers, to create better classroom experiences.
- In Algeria, we collaborated with our Embassy and our Trade Envoy to explore opportunities

for the UK to respond to an evident demand for English language skills from schools to academic researchers.

- In London, the Trustees saw how our founder membership of the Microbit Foundation has brought programming skills (and, hopefully, longer-term career opportunities) to young students across multiple countries in the Western Balkans.
- In Washington we engaged with the State Department to gain their support for cultural collaboration. They plan to send delegates to the upcoming Edinburgh Cultural Summit and actively support our programmes to bring the next generation of cultural leaders together from both sides of the Atlantic.

The Trustees are immensely grateful for the passion and commitment of British Council teams around the world – sometimes in particularly challenging conditions. They make our mission a reality.

The last year has reinforced my view that the role of the British Council is to play the long game. Our international connections are built over time and need constant and consistent attention. Our ability to connect is enhanced by our charitable status, independent from government, and we benefit equally from close collaboration with the UK and devolved governments on many of our core programmes where we share common objectives.

As we move forward the challenge is clear. We strive to ensure the British Council's work will be of unique value to the UK and the nations with whom we engage in the third decade of the 21st century.

That means harnessing the power of the digital world to extend our reach and engagement while never losing the impact of face-to-face connections.

INTRODUCTION FROM THE CHIEF EXECUTIVE

We continue to drive consistency and efficiencies with lighter and more agile global operations.

Sir Ciarán Devane,
Chief Executive



Our work builds trust, friendly knowledge and understanding of the UK which in turn enhances prosperity, security and the long-term influence of the UK in the world. Partnerships such as the UK–Jiangsu 20-20 World Class University Initiative continue our history of delivering cultural relations in strategic countries through higher education. Over 3.5 million students have taken a UK examination with us, enhancing their education and career prospects whilst connecting them with the UK. Exam boards in the UK also benefit with access to overseas markets and export earnings of £111 million. Our Take a Child to School project in Pakistan ensured 225,000 children who were outside the education system have now enrolled in schools; and it was recognised for its excellent work with local partners by the BOND International Development Awards.

These are just a few of the myriad projects we have undertaken which contribute to the societies and countries we work with and deliver benefits to the UK.

This last year has seen a number of significant anniversaries. We celebrated 70 years in India and Pakistan. It was also 70 years since the founding of the Edinburgh Festival. We marked the British Council's involvement in that historic landmark with a special programme of international cultural collaborations called the Spirit of '47. These anniversaries remind me of the valuable heritage of this organisation that I have the privilege to lead.

The longevity of our global network, including our ability to operate in difficult places at difficult times, has generated a huge amount of goodwill and trust towards the UK over the years. It was therefore with enormous sadness that we were obliged to suspend our operations in Moscow in March 2018.

When political or diplomatic relations become difficult, cultural relations and educational opportunities are vital to maintain ongoing dialogue between people and institutions. We remain committed to the development of long-term people-to-people links with Russia, as we are in over 100 countries.

We continue to drive consistency and efficiencies with lighter and more agile global operations. Our global support costs (which include corporate overheads and support costs in our network) fell by three per cent. My Executive Board will continue to focus on new efficiency and effectiveness gains in the next period, including through the increased use of shared services, new technologies and improved use of our estate.

The financial performance of the British Council was strong this year. Total income grew nine per cent and net income was £5.6 million, a significant improvement against the net loss of £9.0 million last year. We achieved very good results from examinations, partly offset by heavy foreign exchange adjustments. We reinvested £20 million of surplus earned through our commercial operations to help showcase UK arts and sustain our operations in the developed world. We welcome the additional £33 million of funding agreed with the UK government in March which, alongside future surplus, will support this work over the next two years and put us on a sustainable footing until the end of the Spending Review period.

Effective cultural relations programmes are dependent on fundamental principles of mutual benefit and learning, long-term commitment and relevance to our customers and stakeholders. This can only be achieved through the professionalism and dedication of our partners and staff. Once again, for what you have done for and with us, thank you.

The British Council makes a positive contribution to the UK and the countries we work with – changing lives by creating opportunities, building connections and engendering trust

ABOUT THE BRITISH COUNCIL

Our work enhances the security, prosperity and influence of the UK and, in so doing, helps make the world a better, safer place. We work with over 100 countries across the world in the fields of arts and culture, English language, education and civil society. In 2017–18 we engaged with 75 million people directly and reached 758 million people overall including online, 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.

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 14.3 per cent of our income is core grant-in-aid from the UK government.

Students from Paragon Academy in Nepal which is linked to schools in Scotland and North West England through Connecting Classrooms. Delivered in partnership with the Department for International Development (DFID), Connecting Classrooms is the British Council's flagship global schools programme. Image © Sakar Pant



We reached **758 million**
people in total in 2017–18

THE YEAR AT A GLANCE

We worked directly with
75 million people including:

30,000

UK and international artists

400,000

students through our
English teaching centres

29,000

researchers in the UK and
around the world, providing
opportunities for collaboration

17.2 million

people engaging in our
arts work

3.6 million

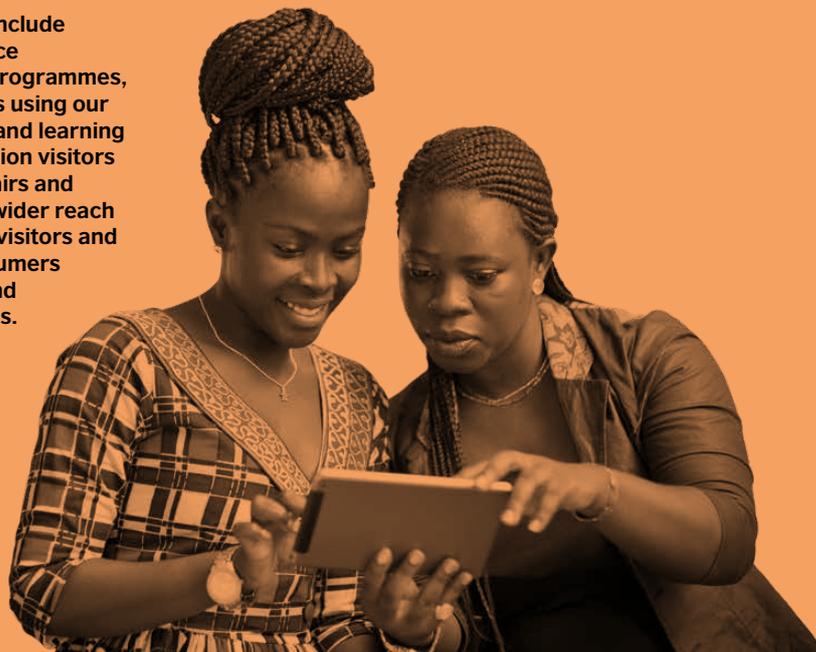
exams candidates
worldwide

8.7 million

people engaging in our higher
education and science work

Direct interactions include
14 million face-to-face
participants in our programmes,
42 million customers using our
digital social media and learning
products and 19 million visitors
to our exhibitions, fairs and
performances. The wider reach
figure includes web visitors and
audiences and consumers
of our print, radio and
television broadcasts.

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



Our customers gained new skills



87 per cent

of our customers reported gaining new skills

Based on a sample of 289,000 responses across all areas of our work.

Our work was high quality



84 per cent

of our customers agree our programmes are of high quality

Based on a sample of 284,000 responses across all areas of our work.

Our work benefited the UK economy



We remitted £111 million in fees to UK awarding bodies for IELTS and other exams taken in 124 countries.

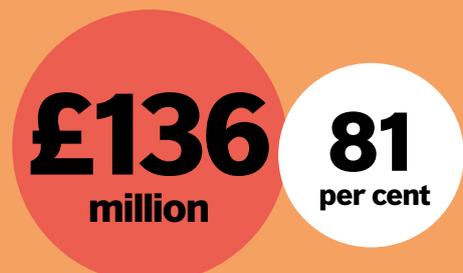
We grew as an organisation and operated more efficiently



Total income increased by nine per cent to £1,172 million, 14.3 per cent of which was grant-in-aid.



Our work under the GREAT Britain campaign attracting international students to the UK resulted in a benefit to the UK economy of £84 million and we reached 1.75 million people through our Study UK website.



The British Council achieved its target of £136 million programme spend on official development assistance (ODA). This represents 81 per cent of total grant, up from 77 per cent in 2016–17.

A selection of events from 2017–18 showing the range of our work

CALENDAR OF EVENTS

May



The British Council ELTons international awards recognise and celebrate innovation in English language teaching. The ELTons 2017 reached 1.1 million English language teaching professionals across 57 countries via digital channels.

June



The English for Education College Trainers (EfECT) project placed 48 trainers, including teacher educators from Sagaing Education College, in 24 education colleges across Burma (Myanmar). The project helps strengthen teaching practice and English language competency, training 2,100 teacher educators over two years.

August



The British Council's Edinburgh Showcase included new artists such as Selina Thompson from Leeds, who explored themes of colonialism and slavery.

September



Following successful international productions, the UK premier of the *Hijabi Monologues* opened at the Bush Theatre, London. This international theatre project provides a safe space for Muslim women to share their experiences.

October



Students from across Northern Ireland took part in the mock Council of the European Union at Parliament Buildings, Stormont. Students discussed the future EU–UK relationship.

December



John Swinney, Deputy First Minister and Cabinet Secretary for Education and Skills, Scottish Government, spoke at a Research and Innovation Seminar delivered by the British Council in Delhi.



Mayor of London Sadiq Khan played cricket with former international cricketer Mushtaq Ahmed and Pakistan national cricket team captain Sarfraz Ahmed along with participants of the British Council's DOSTI programme, a Sports for Peace initiative.

January



Girls from across Senegal took part in the final Premier Skills legacy event. Premier Skills is a partnership with the Premier League.

February



Active Citizen Ana Maria Jessie took part in UNPD Manos a la Paz programme in Colombia, working in the municipality of Almaguer on a social action project to empower indigenous Yanakononas women.



Four female musicians from Kenya, Uganda and the UK took part in a ten-day residency and performed to an audience of 10,000 at Kenya's Safaricom International Jazz Festival.

March



Five Films for Freedom, the world's widest-reaching LGBTQ+ digital campaign returned for a fourth edition. This year the five films received the highest number of views since the campaign began, with 6.3 million views from 152 countries.

Our strategy has been developed in consultation with UK and devolved government departments, with UK sector partners and with stakeholders overseas

OUR STRATEGY TO 2020



Members of Future Leaders Connect, the British Council's global network of emerging policy leaders, met Kofi Annan and other world leaders in October 2017. Future Leaders Connect provides the skills, knowledge and international networks to allow young leaders to influence positive changes in their countries while also developing links and connections with the UK. Image © Matthew Monfredi

Our strategy is framed to deliver our charitable purpose and support the following UK and international policy objectives.

Influence and attraction: we 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 the countries we work with.

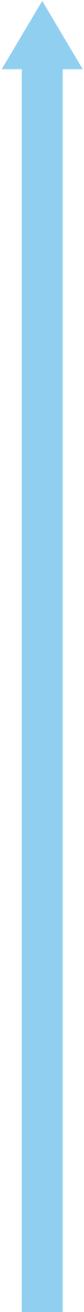
Prosperity and development: we contribute to UK and global prosperity by building trust, connections and skills, which create favourable conditions for growth and development.

Security and stability: we make a lasting difference to the security of the UK and to stability worldwide by building long-term, peaceful and respectful relationships between the people of the UK and people worldwide and by creating opportunities, strengthening young people's resilience and improving governance in fragile and conflict-affected states.

During 2017–18 we developed a summary of our strategy which we have set out opposite.

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

Vision for 2020: To make 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.

<p>1. Strengthen impact and focus in our priority areas</p>	<ul style="list-style-type: none"> Supporting the UK’s influence and prosperity in the world through stronger relationships with India, China and other high-growth developing and developed economies. Building education and cultural partnerships with countries of the European Union. Strengthening long-term connections and relationships with the next generation in Russia and neighbouring countries. Supporting stability and security in priority countries in the Middle East, Africa and South Asia. Responding to the refugee crisis in Syria, Iraq and neighbouring countries. Creating international opportunities and connections for young people in the UK. 			<p>Stronger impact</p> 	
<p>2. Improve the experience of our customers, stakeholders and partners</p>	<ul style="list-style-type: none"> Improving our customer and market research, analytics and insight to better understand our audiences’ views and preferences so that we can develop services, products and communications that are relevant to them. Using this insight we will build stronger, more effective relationships with our customers and stakeholders so that they understand our work and value, and seek to engage with us in longer-term mutually beneficial relationships. 				
<p>3. Ensure financial sustainability and help fund developed country operations</p>	<p>Growing and diversifying income and surplus</p> 	<p>Improving our operational efficiency</p> 			
<p>4. Transform the British Council by investing in people, systems and culture</p>	<p>Increasing the capability and effectiveness of our people</p> 	<p>Creating a digitally enabled organisation</p> 	<p>Strengthening our insight, research and evidence base</p> 		
<p>Underpinned by our principles</p>	<p>Sustainable</p>	<p>Impact led</p>	<p>Agile</p>	<p>Professional and specialist</p>	<p>Faster change</p>

Across the world and in the UK the British Council is delivering high-quality cultural relations, making a positive contribution to the people, institutions and governments of the countries where we work

PERFORMANCE: IMPACT AND ACTIVITIES

Over the past year our work building people-to-people cultural relations has been acknowledged at the highest levels of government and by our stakeholders. Our global reach and networks in over 100 countries, which represent 90 per cent of the world's population, remain central to the value we bring for the UK. In a recent study, our partners in the UK indicated that they especially value our market intelligence and insight, our convening power and ability to broker relationships and connect individuals and organisations.¹ This view is echoed by our overseas partners. In research conducted in nine countries,² our partners emphasised that working with the British Council provides them with access to UK expertise as well as institutional and individual contacts in the educational and cultural sectors. This global network is complemented by our presence in all four countries of the UK, which enables us to work closely with the UK and devolved governments, as well as with a range of UK partners and ensures we provide international opportunities for people across the UK.

Across our network we are prioritising resources in countries which are particularly important for the UK where we are developing a comprehensive offer to maximise our impact. Examples include China, India, Egypt, Nigeria, Ukraine, Germany and Brazil. We continue to develop hubs to concentrate resources for more efficient regional and global working. This enables us to respond to new opportunities as we did this year in China, opening our first English teaching centre in Nanjing.

We fund our operations through a mixed economy model:

- Core grant-in-aid from the Foreign and Commonwealth Office (FCO) (allocated through the UK government Spending Review).
- Funding for work delivered under contract to international and national bodies, for example for the European Commission, DFID, overseas governments and other funders.
- Partnership income, including income-in-kind and co-creation.
- Fees from customers paying for services direct (the largest part of this is teaching and exam services).

Grant-in-aid remains critical to delivering our mission around the world. The proportion of our grant that counts towards ODA continues to grow, enabling us to strengthen our work in Africa, support new skills development programmes in the creative and social economy and achieve positive social change through our work in the arts. We welcome the government's recent decision to provide additional funding to support our non-ODA work. The funding will be used over the next two years alongside our reinvested commercial surpluses and partner resources to sustain our work in the developed world and to showcase UK arts.

1. Research and analysis conducted in 2018 by The Research Base.

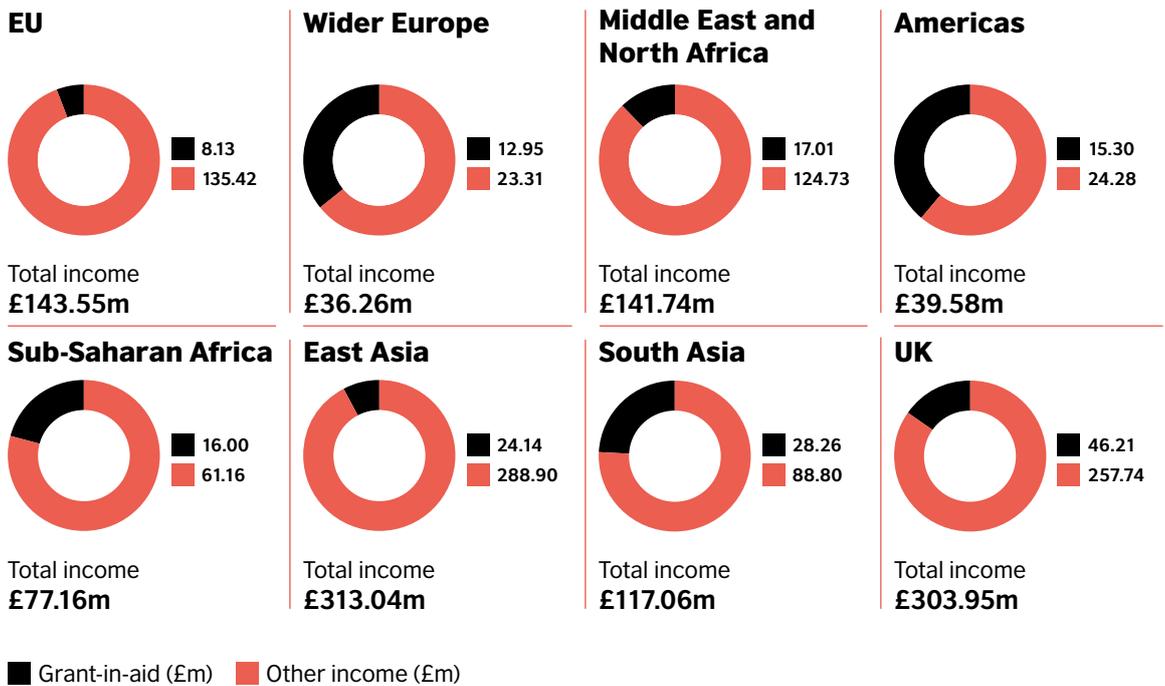
2. Based on qualitative interviews from the Global Perceptions Study; 47 telephone interviews with British Council senior partners in nine countries (China, Colombia, India, Nigeria, Pakistan, Romania, Saudi Arabia, Spain and Ukraine). Fieldwork conducted between 15 March and 8 May 2018 by Ipsos MORI.

This Annual Report sets out how we have addressed the UK and international policy objectives and the six geographic priorities set out in the strategy. 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 between grant and other income across our regions in order to provide a context for this narrative.

The British Council, particularly with its network around the world and its access to critical decision makers in its international work and its experience, provides us access... in places where we simply don’t have the physical presence and the relationships.

UK national education partner



Supporting UK and international
policy objectives

GLOBAL SUMMARY



Combining our expertise in early years teaching with Aardman's popular character Timmy, Learning Time with Timmy includes face-to-face courses, three educational apps, and a new online series available on YouTube and television. It also includes a free online course called English in Early Childhood on FutureLearn. Image © Mat Wright

Influence and attraction

External reports



Soft power³ focuses on the power of attraction of a country – its culture, values and policies – to realise its international objectives. Recent studies, notably ResPublica's *Britain's Global Future* report,⁴ have emphasised the power of example and the role of trusted UK institutions.

The British Council's important contribution to the UK's soft power is highlighted in the *Portland Soft Power 30* report (2017)⁵ where we are referred to as 'an exemplar in cultural and educational engagement'. ResPublica found that the British Council is vital to the UK's soft power because it represents the values of the UK internationally and through its work fosters trust, exchange and long-term relationships with the UK.

British Council research



Recent research conducted by the British Council⁶ shows a strong correlation between engagement with British Council activity and trust in the people of the UK. Seventy-five per cent of respondents who had been involved in a British Council programme said they trusted the people of the UK, compared with 49 per cent who had never been involved in a UK cultural relations activity.

Cultural relations activity through the British Council is also associated with an increase in perceptions that the UK supports global values that are important in the 21st century (64 per cent of respondents who had been involved in cultural relations activity through the British Council compared to 31 per cent who had not).⁷

In other research conducted with participants of British Council programmes⁸ 64 per cent reported that they were more favourable towards the UK as a result of their participation in British Council programmes.

Programme evidence



Our research demonstrates that the strongest predictor of trust in the UK is a person's ability to speak English. It facilitates international trade, diplomacy, opens doors to international study and enhances career opportunities.⁹ Learning English through the British Council also leads to a greater understanding of UK culture. In 2017–18 we taught 400,000 students in our teaching centres, had 79 million visitors to our global websites for learners and teachers of English and on our social media channels we engaged with a further 9.6 million learners and teachers of English. We deliver the International English Language Testing System, IELTS, which provides UK employers and higher education institutions with a secure, reliable test to successfully recruit employees and students. In 2017–18 we delivered a record 3.2 million tests and over 10,000 organisations now recognise the test worldwide.

Our work in the education sector promotes UK influence by sharing expertise, knowledge and building connections. Since 2004 Going Global has brought together leaders in international education to debate the future of further and higher education. Longitudinal evaluation¹⁰ has demonstrated impact at an individual, institutional and sector-wide level. The evaluation shows that it has reinforced and enhanced the reputation of UK higher education and provided UK and international organisations with opportunities to develop connections, learn from new thinking and access new markets, creating a positive pre-disposition to the UK.

Evaluations of our seasons and festivals programme show how our arts work supports the UK's influence and attraction. Participants develop a much greater understanding and appreciation of the UK and partners develop new connections, networks or contacts. In 2017–18 we managed cultural seasons in India, UAE, Indonesia and Korea. We also celebrated the 70th anniversary of the founding of the Edinburgh Festival.

3. Joseph S Nye Jr (2004) *Soft Power: The Means To Success In World Politics*.

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

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

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

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

8. Based on all non-UK respondents (3,685) of the Global Perceptions Study, an online self-completion survey among a total sample of 4,456 British Council contacts in ten countries (China, Colombia, India, Nigeria, Pakistan, Romania, Saudi Arabia, Spain, UK, and Ukraine). Fieldwork conducted between 15 March and 8 May 2018 by Ipsos MORI.

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

10. Research conducted by Inclusive Design and Evaluation Associates (IDEAs) in 2018. Interviews conducted with 75 stakeholders in seven countries including the UK.

Prosperity and development

External reports



The UK *Culture White Paper* (2016) shows that culture continues to expand the UK's influence, promotes trade and investment and attracts visitors to the UK. This respect and influence gives the UK status in global networks and international organisations. In turn, those networks give us the opportunity to promote our cultural and creative talent.

Research has found that for every one per cent increase in the number of countries covered by a state's cultural relations institutions, there is an almost 0.66 per cent increase in foreign direct investment for that country and a 0.73 per cent increase in international students.¹¹

British Council research



A report commissioned by the British Council estimated that our work building trust, opportunities and connections between the UK and countries overseas resulted in gross added value for the UK economy of £1.8 billion.¹²

Based on a sample of 289,000 responses, 87 per cent of the participants of our programmes reported gaining new knowledge or skills as a result of their involvement with the British Council.

Programme evidence



Recent research into the impact of learning English through the British Council¹³ showed that 87 per cent of respondents agreed that studying English at one of our teaching centres had a positive impact on their lives. Our work in English creates life-changing opportunities by opening doors to international study and enhancing career opportunities.

UK qualifications change people's lives for the better by increasing their opportunity to study or work abroad or in their own countries. British Council managed exams also generated £111 million income for UK exam bodies in 2017.

The Newton Fund is a partnership with the Department for Business, Energy and Industrial Strategy (BEIS). The programme enriches the quality and strength of UK and overseas science and research through international co-operation. In the shortlist for Newton Prize 2017, over 40 per cent of the projects included the British Council as a partner, including the winning projects from Thailand, Vietnam and Malaysia. The prize recognises excellent research and innovation in support of economic development and social welfare.

We have supported the promotional efforts of over 500 UK academic institutions in over 50 countries. Our work attracting international students to the UK under the GREAT Britain campaign generated a return on investment of £84.1 million in 2017–18¹⁴ and included a digital campaign that has reached 1.75 million people on the Study UK global site. We also promoted the UK as a destination to study English on behalf of members of Accreditation UK in 25 countries.

The Creative Europe Desk UK helps build international connections for the UK arts and creative sector in all four nations of the UK. It is a partnership with the British Film Institute, Arts Council England, Creative Scotland, the Welsh Government and Department for Digital, Culture, Media and Sport (DCMS) as well as the European Commission. Since 2014 €74 million has been distributed to 332 UK organisations and 145 British films have been distributed in other European countries. UK partners have made links with 743 European partners and revenue generated from UK films is just under €400 million.

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

12. Amion Consulting, *Economic Value of the British Council to the UK*, 2015.

13. Research conducted by Professor Borg in 2018 with alumni of British Council teaching centres in four countries. Questionnaires completed by 557 alumni and interviews conducted with 62 alumni.

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

Security and stability

External reports



The value of cultural relations in addressing the root causes of violent extremism was highlighted in the report by the All Parliamentary Group for the British Council published in November 2017: *Building Young People's Resilience to Violent Extremism in the Middle East and North Africa*.

The World Bank's *Pathways to Peace* report shows that enhancing the meaningful participation of women and youth in decision-making, as well as long-term policies to address the economic, social, and political aspirations of women and young people, are fundamental to sustaining peace at all levels in a fast-changing world.¹⁵

British Council research



The relevance of cultural relations work to help address security and stability is becoming increasingly apparent as the British Council's programmes in this area become more established. A discussion paper¹⁶ from the British Council shows how language, culture and education can help young people build their resilience to violent extremist narratives and engage positively with public institutions, thereby laying a strong foundation for longer-term structural change.

Programme evidence



Our Language for Resilience programmes respond to refugee crises in different parts of the world including in Lebanon, Jordan, Egypt, Turkey, Greece, Syria, Iraq and Ethiopia. As demonstrated in the recent exhibition, the programmes have created opportunities for refugees to rebuild their lives through language learning, providing safe spaces for them, while still supporting home languages. Our work gives a voice to those who have been displaced, builds social cohesion and provides individuals with skills to access work, services and education. Through the HOPES project (EU-funded, €12 million 2016–19), for example, we have been working with a range of partners to address the shortage of higher education opportunities for displaced Syrians as well as young people in the host communities affected by the high influx of refugees. Through this project we have delivered English access programmes for students through partner universities and provided training for university teaching staff.

Our work in justice and the rule of law contributes to security and stability objectives. In Nigeria we have supported the courts, the police, anti-corruption agencies and civil society, to help develop the capacity, accountability and responsiveness of the sector in delivering Justice for All. The programme was highly commended at the British Expertise Awards in 2017 and secured an A* rating from DFID in its final year.

In Burma (Myanmar), the MyJustice programme (EU, €20million 2015–19) has improved access to both the formal and informal justice systems especially for vulnerable groups through strengthening the capacity of justice service providers, justice sector professionals and selected rule of law institutions to better fulfil their mandates.

With the DCMS we manage the Cultural Protection Fund. Through partnerships with the UK sector, the fund builds capacity and provides assistance in conservation which is helping keep cultural heritage sites and objects safe. Thirty-four projects have been supported in 2017.

15. World Bank (2017) *Pathways for Peace: Inclusive approaches to Preventing Violent Conflict*.

16. British Council (2018) *Building Resilience to Violent Extremism*.

GEOGRAPHICAL FOCUS 01

Supporting the UK's influence and prosperity in the world through stronger relationships with India, China and other high-growth developing and developed economies



Inspired by India event March 2018 with musicians from Mix the City. Image © British Council

India, China and emerging markets across the world continue to grow and develop with ever increasing influence on the global stage.

There are substantial mutual benefits from close co-operation with these countries. Our work supports long-term growth and development globally, increases the attractiveness of the UK, thereby enhancing the UK's influence, and complements the government's ambition for a truly global Britain. The examples provided here are illustrative of our activity and achievements in 2017–18 in this area.

The year-long programme saw an unprecedented level of cultural exchange showcasing artistic, cultural and literary traditions in both countries and was a fitting celebration of the deep cultural ties that bind India and the UK.

UK–India joint statement



Anoushka Shankar promoting *Shiraz: A Romance of India*. Image © British Council

Strengthening educational and cultural ties with India

UK/India Year of Culture 2017 was a national celebration of India's relationship with the UK with over 200 events in over 35 towns and cities in every region of the country.

With the support of partners including Arts Council England, Arts Council Wales, Creative Scotland, the Government of India and the Indian High Commission in London, we supported over 400 collaborations between organisations in the two countries, a unique opportunity for the creative sector in the UK to deepen its engagement with India. In Wales we set up India Wales, a joint initiative with Arts Council Wales and Wales Arts International to support artistic collaboration and exchange and celebrate the culture of Wales in all its diversity across language, creative expression and engagement.

Highlights included a national sell out tour of the British Film Institute's remastered 1928 classic *Shiraz: a Romance of India* featuring a live score from Anoushka Shankar and ensemble. Company Wayne McGregor performed *FAR* to 3,200 people and delivered 22 workshops and masterclasses to 800 dance enthusiasts and professionals in four cities. Mix the City, our online platform for people to discover the sights and sounds of a different region and create their own musical mix, achieved a hashtag reach of 25 million.

The programme had a big impact on perceptions of the UK. Independent analysis showed that 82 per cent

of audiences in four of the eight cities where we offered interactive cultural content felt more positive towards the UK as a result of their participation.

The UK-India Education and Research Initiative (UKIERI) has been running since 2006 and has now entered its third phase. With a strong focus on developing research partnerships, UKIERI plays an important role in enhancing the quality of education, research and skill development across India and the UK.

In 2017 the programme connected 300 UK and Indian institutions and trained 140 master trainers and 100 leaders and aspiring managers. A high level delegation to the UK contributed to the setting up of the National Skill Certification Board. The programme goes from strength to strength and in 2018 we plan to achieve even greater scale and visibility. UKIERI is funded in the UK by BEIS, the FCO, the British Council, the Scottish Government, the Welsh Government and the Northern Ireland Department for Economy. In India it is supported by several government departments as well as the University Grants Commission and the All India Council for Technical Education.

Since its inception it has supported more than 25,000 academic exchanges, 1,000 research partnerships and has resulted in the publication of 2,000 research papers.

Opening up opportunities in China through strategic partnerships

In 2017–18, the British Council opened new opportunities for the UK's culture and education sectors to engage with China.

In 2017 we launched **China Now**, a membership-based website to help arts organisations and artists develop creative economy partnerships in China and Hong Kong. With a network of over 900 subscribers, we lend our expertise and understanding of market requirements to help broker connections between UK professionals and their Chinese counterparts. We work closely with DCMS, the Department for International Trade, the devolved administrations and the Arts Councils of England, Wales, Scotland and Northern Ireland.

With over 300 million **English language** learners in China, **English teaching** represents a significant opportunity to increase influence for UK education. Over 80 million English language learners and teachers used our online learning resources on websites, apps, massive open online courses (MOOCs), and print and broadcast media. We expanded our contribution to China's education reform agenda by working directly with 13 education bureaus to support the professional development of more than 9,000 teachers and teacher trainers in key geographies and with a network of 20 universities. In a significant milestone for our global network we opened our first English language teaching centre in China in Nanjing in September 2017.

We have enhanced the UK's position as a strategic education partner for China by nurturing new **higher education partnerships**. Innovative partnership models, such as the UK–China University Consortium on Engineering Education and Research and the UK–Jiangsu 20-20 World Class University Initiative are paving the way for individual UK

institutions to match China's ambitions, advancing collaborations in academic talent development, student mobility, and joint research. Initial results from these initiatives include substantial joint investment in professional training for university leaders as well as new exchange programmes for lecturers, researchers and doctoral students.

By initiating the establishment of the UK–China Joint Institute Alliance for Transnational Education, we reinforced the UK's leading position in China developing high-quality transnational education. We supported 11 UK higher education institutions to establish new transnational education initiatives in 2017–18, helping the UK to maintain its position as China's preferred partner with a 22 per cent market share of transnational education programmes with China.

The British Council is indispensable. Over the years of our work in China we have had partnerships where there have been challenges, and without the British Council's fantastic support we would not have been able to resolve those. The British Council is the first port of call for anything we are trying to do in China.

Professor Richard Luther
Dean of Internationalisation, Keele University



Witnessed by the Secretary of State for Health, Jeremy Hunt, and by former Madame Vice Premier Liu Yandong, the UK–Jiangsu 20-20 World Class University Initiative was agreed at a formal signing in London. Image © British Council

The year of Creative Futures was of substantive importance in the UK–Korea relationship. It really showed that the UK was focused on a long-term relationship with Korea. And as culture is so important to Korean business the whole sponsorship part of the year was important to the business relationship too.

Charles Hay

HM Ambassador to the Republic of Korea 2015–18



Education programme with London Symphony Orchestra as part of UK/Korea 2017. Image © British Council

Showcasing the best of UK arts and culture in Korea

The UK/Korea Creative Futures 2017 season engaged 1.2 million people directly with participation by 820 UK and Korean artists and arts professionals and 134 UK and Korean arts organisations.

The season had a strong focus on diversity. It featured a mini-festival of arts and disability to coincide with the 2018 PyeongChang Winter Paralympics and we worked with the British Film Institute on a LGBT film festival in Seoul. Digital innovation was highlighted through a project called Connected City. A project involving Busan and Sheffield won an award in the PLAY category for the inaugural GREAT Innovation in Action Awards. Artists from the whole of the UK contributed to the programme including Akram

Khan company, Marc Brew and a creative education project from Scotland, the artist Willie Doherty from Northern Ireland and Music Theatre Wales and National Theatre Wales. Supported by the British Council, Arts Council England and Arts Council Korea created a £1.4 million joint fund to develop artistic talent and collaboration between English and Korean artists, which awarded grants to 21 new arts projects.

External evaluation of the season demonstrated that it has given UK artists and arts professionals more confidence to work internationally. It is estimated that 57 new connections have been formed between UK and Korean organisations and artists.

Helping individuals to fulfil their potential and grow their businesses in Nigeria

Our Enterprise programme in Nigeria helps to bridge the unemployment gap by giving young people the right tools and systems to grow and scale their businesses. In 2014 we partnered with Virgin Atlantic and Zenith Bank on an online competition that invited young entrepreneurs in Nigeria to submit their business ideas to a panel of Nigerian and UK experts.

Winners received a mentoring session, a grant and a scholarship to attend a foundation course at the Branson Centre for Entrepreneurship in South Africa.

The project has had a real and long-term impact. Nasir Yammama won the competition. He is the founder of Verdant, an agri-tech social enterprise that supports small rural farmers to use their mobile phones for sustainable farming and improved production. In less than a year, he experienced an exponential growth in users from 50 farmers in Katsina, his home state, to 25,000. He now partners with organisations including Oxfam as well as state governments in Nigeria and is gaining worldwide recognition. He was recently cited as one of Africa's young entrepreneurs doing great things on the Forbes 30 under 30 list and in June 2017 he received a prestigious Queen's Young Leaders Award in England. Nasir was part of a group of British and Nigerian entrepreneurs who trained a cohort of 13 young businesspeople in skills to improve digital marketing to grow their businesses.

I grew up in a community of farmers, their experiences were mine at an early age. I have lived their reality and vowed to improve the work of farmers in Africa.

Nasir Yammama

Encouraging people-to-people links in Saudi Arabia through sport and culture

In partnership with the UK's DCMS we launched a **sports and culture programme** across Saudi Arabia.

On the cultural side, a group of six women from Saudi Arabia curated a major exhibition of contemporary art called *We Are Not Alone* using works from the British Council Collection. It featured leading UK artists, such as Anish Kapoor, Ryan Gander, Yinka Shonibare MBE, Rachel Whiteread and Cornelia Parker and was the first time these artworks have been shown in Saudi Arabia. The exhibition was the culmination of our latest training programme for curators and arts managers and saw the curators learn about curatorial practice, arts management and audience development.

Working with Youth Sport Trust International we delivered a youth sports leadership programme in three cities in partnership with the Ministry of Education. Nearly 300 young people took part in the programme and we trained 60 female teachers and 58 male teachers in youth sports leadership. This is the first time in Saudi Arabia that girls in state schools have had the opportunity to participate in sports.

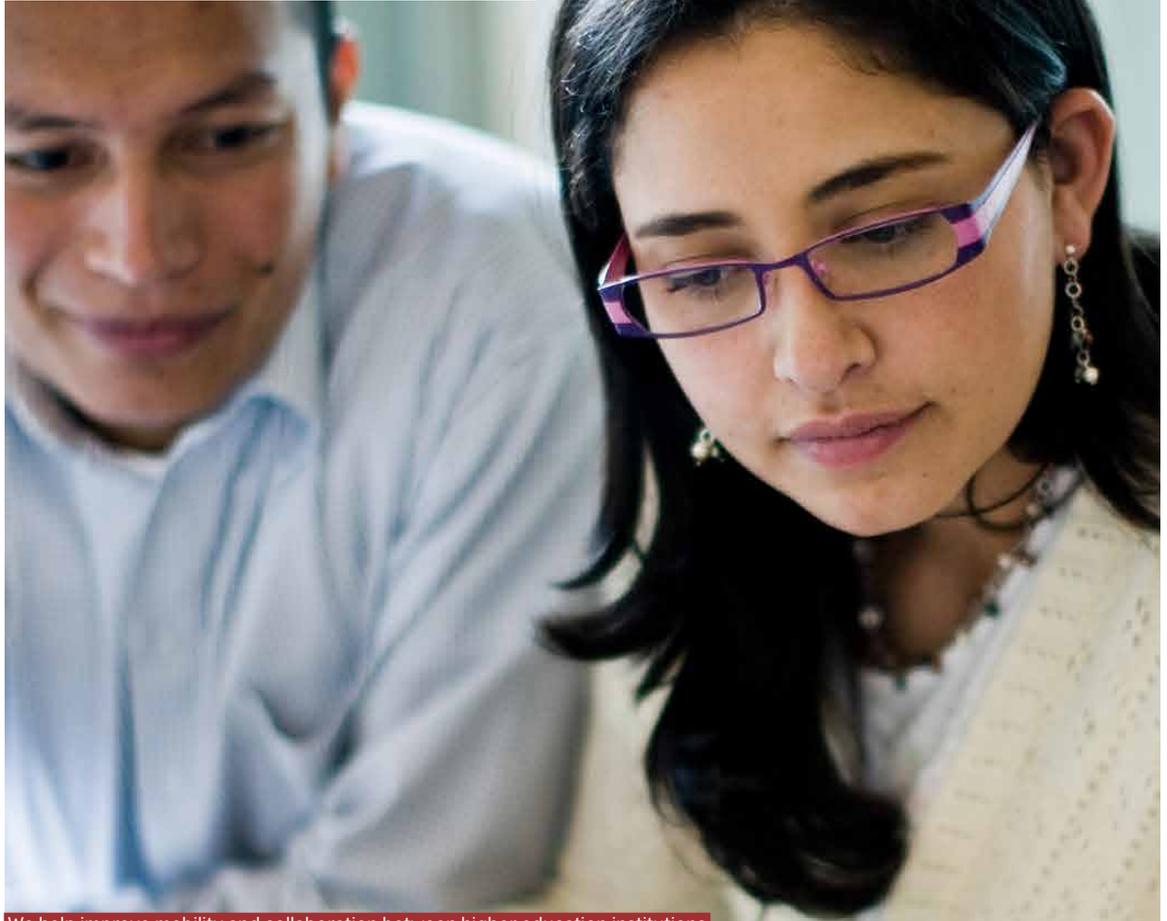


Tracey Crouch MP, Parliamentary Under Secretary of State for Sport, Tourism and Heritage, speaks to local schoolgirls at an event in October 2017 celebrating the upcoming Youth Sport Leaders programme. Image © British Council

We hope to boost mobility between the two countries and increase academic and research co-operation between institutions, facilitating and encouraging the creation of academic partnerships.

Francisco Cardona

former Acting Minister of Education, Colombia



We help improve mobility and collaboration between higher education institutions in Latin America and the UK. Image © Mat Wright

Facilitating mobility and collaboration in higher education between the UK and Latin America

On behalf of the UK government we led negotiations with the governments of Argentina, Chile, Colombia, Mexico and Peru to establish frameworks for the mutual recognition of university degrees which will increase mobility and collaboration between higher education institutions from all these countries and the UK. This was done in collaboration with UK NARIC, the Quality Assurance Association and the UK devolved administrations. The lack of a framework for degree recognition has prevented these students from progressing academically or practising their profession when they return home.

Universities have also lacked the framework to create mobility schemes or transnational education with UK institutions. Latin American students will now be able to certify their degrees faster when they return to their countries, thereby encouraging increased mobility to the UK. Universities will increase collaborations, including routes to transnational education. At least 70,000 past students and over 3,000 higher education institutions will benefit from clearer and simpler processes for recognition of qualifications.

GEOGRAPHICAL FOCUS 02

Building education and cultural partnerships with countries of the European Union



At the European Researchers Night in Sofia, our Bulgaria team put on a programme spanning 11 towns and cities. The programme was part of the EU-funded project FRESH (Find Research Everywhere and Share), established and led by the British Council and involving 13 institutions and more than 20 associate partners. Image © Ivailo Milanov

Educational and cultural partnerships are at the heart of the UK's relationship with our European neighbours.

As the UK negotiates its departure from the EU, it is vital that good relationships are preserved and opportunities protected for future generations to benefit from educational and cultural exchange. The British Council maintains educational and cultural connections between the UK and the EU, with major programmes such as Erasmus+ and Creative Europe, funded through EU frameworks.

We are also at the forefront of shaping the UK's new cultural relationship with Europe. The examples here illustrate the influence our work has on governments and institutions in the UK and Europe, as well as on students, artists and young people.

Without the British Council, I am convinced that English studies in Spain today would not have the prestigious position which they enjoy in Europe and around the world.

Professor Fernando Galván Reula OBE
Former Rector, University of Alcalá



Stop Bullying Musicathon at British Council School, Madrid.
Image © David Suárez/British Council

Strengthening education connections with Spain

Educational ties between Spain and the UK are strong. More than 33,000 students study English in our centres around the country; in 2017–18 we delivered more than 64,000 UK examinations; and over 11,000 Spanish students are studying at universities in the UK.

The British Council is recognised as fundamental in the development of national education policy. A joint programme between the British Council and the Ministry of Education pioneered bilingual education in state schools. This programme was based on the curriculum of the British Council School, founded in 1940, which today prepares almost 2,000 pupils for a unique bilingual, bi-curriculum baccalaureate qualification.

Bilingual programmes have been replicated in autonomous regions across the country and 86.3 per cent of students are currently studying English as a foreign language. This has created significant business for UK publishers and examination bodies.

In collaboration with Madrid's Ministry of Education, in 2017 we led a review of the impact of bilingual and non-bilingual education. Bilingual school students performed better across all skills. These findings will further shape the development of bilingual education in Spain.

Shaping future educational and cultural relations with the EU

We delivered a series of face-to-face and digital events, bringing together institutional and policy leaders in education, culture, arts and science from 30 countries across Europe. The participants were asked to:

- share professional perspectives on the sector gains of European collaboration
- jointly agree ways of maintaining the best possible relationships
- make practical proposals that might assist the formal EU–UK discussions.

Over 450 educational, cultural and scientific organisations and representatives endorsed the **Our Shared European Future** recommendations which were made to EU and UK leaders in July 2017. These recommendations provide information for Brexit negotiators about the implications for the education, culture and science sectors across Europe, including the importance of continued participation in multilateral programmes such as Erasmus+ and Creative Europe.



The culmination of the Baltics Study tour was a viewing of the Kabosh Theatre Company's celebrated performance *Green and Blue*. Image © Kabosh Theatre Company

Building bridges between communities in the Baltics and with the UK

The **People to People (P2P)** cultural engagement programme for the Russian-speaking people of Estonia, Latvia and Lithuania helps to overcome barriers that can arise between those who speak Russian as a first language and those who speak Estonian, Latvian or Lithuanian. With the support of the UK FCO and the governments of the Baltic countries, we draw on UK expertise to deliver a range of educational and cultural projects in partnership with organisations in Estonia, Latvia and Lithuania. These projects are helping individuals to develop skills, encouraging them to see beyond language barriers and gain an appreciation of shared values.

In Latvia, for example, using social action projects, we have supported young people from different backgrounds to develop their emotional intelligence, media literacy and creativity. Evaluations have reported positive changes in their attitudes towards other communities.

Arts and third sector professionals from the Baltic countries visited London, Manchester and Belfast to find out how the arts promotes civic participation and acts as a space for building social cohesion between diverse communities. The visit to Belfast explored the city's history, heritage and recent development, from the political murals of the Troubles to peace lines that continue to divide communities, charting more recent examples of civic success in creating a shared future through arts and cultural development.

As well as providing an opportunity to share experiences and learn from each other, the visit also stimulated new connections. The Baltics Arts and Social Cohesion creative programme, for example, is contributing to the planning and curation of the Peace and Beyond Arts Fringe in Belfast in 2018.

The P2P programme has engaged over 143,500 people, including teachers, students and members of the community. It is funded by the Conflict, Security and Stabilisation Fund (CSSF).

Before the programme it seemed hard for me to integrate into the Latvian speaking community, as Latvian is not my native language. It seemed that Latvians will communicate more with other Latvians. But it turned out everyone, regardless of their nationality, was open, lenient and understanding.

Russian speaking participant
of Youth for Human Potential Project



The British Paraorchestra, one of six commissions for Unlimited 2018 – a festival celebrating the artistic vision and originality of disabled artists. British Council partners with Unlimited to embed work by disabled artists within the cultural sector, reach new audiences and shift perceptions of disabled people. Image © Paul Blakemore

Developing institutional partnerships and bilateral agreements in the arts

Our arts and disability programme creates a positive environment for British disabled artists in Europe and demonstrates the UK's progressiveness in this area. We introduce British disabled artists to the most influential European individuals and organisations and we share organisational and policy approaches. This supports the increased access of disabled people to the arts, both as artists and audiences.

Our approach involves UK visits and networking events that result in sustained bilateral agreements with European partners, as well as showcasing the work of disabled artists to European audiences. We have strengthened our partnerships with UK arts bodies including Tate, Arts Council England and Creative Scotland, and with UK disability arts organisations such as Unlimited, Candoco Dance Company and the StopGap Dance Company.

This has paved the way for new international opportunities for UK artists and organisations. In 2017 we signed a memorandum of understanding with the Polish Institute for Music and Dance and the Polish Theatre Institute. This established a three-year programme for UK artists to engage with the emerging Polish disability arts sector, and a major conference in Poland on excellence and innovation in disabled arts. In 2018, we led a London study visit for 18 senior arts funders and cultural policymakers from across Europe with representation from national arts council directors, national culture ministries, city councils and European Capital of Culture designate cities. Participants experienced best practice and approaches to cultural inclusion. One result was an invitation from Portugal's arts council DGArtes to the British Council to start a two-year programme focusing on disabled access to arts.

GEOGRAPHICAL FOCUS 03

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



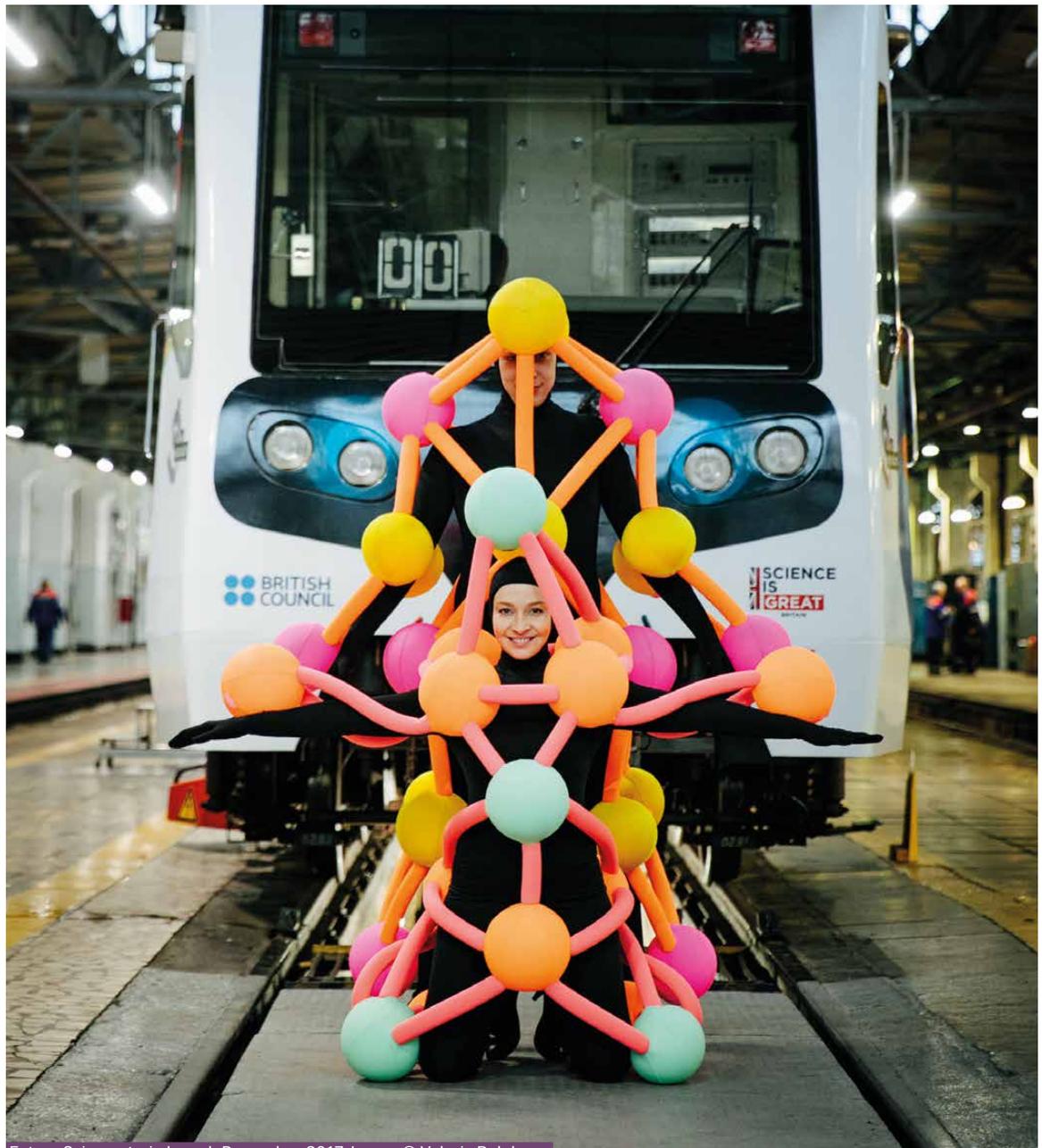
The British Council and Nesta, the innovation foundation, organised *Creative Enterprise Russia: Driving the economy through creative hubs*, a four-day workshop at the Chekhov#API creative residence outside Moscow, attended by young creative entrepreneurs from Kazakhstan, Macedonia, Russia and Turkey. Image © Pavel Poboruev/British Council

This is a region which is subject to conflicts and disputes, with a high youth population, many of who are seeking the skills and resilience they need to gain employment and play a positive role within society.

In this context, it is important to support the development of stable, open and more prosperous societies by connecting with young people, the next generation of leaders and communities that do not traditionally engage with the UK. Young people at risk of poverty or exclusion are particularly isolated, distrustful of institutions and susceptible to misinformation. Drawing on the UK's history of community involvement and democratic

accountability, as well as the UK's global reputation for freedom of expression and world-class, accessible and inclusive creative and cultural outputs, we continue to support young people, helping them to develop relevant skills and engage in conversations which allow for the mutual exchange of ideas.

The examples we have provided highlight the mutual benefits of our work in this region.



Future Science train launch December 2017. Image © Valeriy Belobeev

Building connections between people in Russia and the UK through science and education

The **UK–Russia Year of Science and Education**, which was sponsored by BP, supported young people in particular to create an appreciation of UK science. Our Schools Science Week delivered UK science content to students and teachers in 28,000 schools across Russia through our partnership with the Russian Ministry of Education and Science. We also developed connections between young academics in the UK and Russia. Through the FCO-funded Future Science programme we brought together early career researchers from the UK and Russia, and delivered training to scientists and university administrators to develop their communications skills for international

multicultural activity. As part of the wider promotional campaign, a British Council Future Science train on the Circle Line of the Moscow Metro featured groundbreaking work by both UK and Russian scientists.

We reached 18 million people in Russia in 2017–18, 9.5 million of them through our work in science and education including two million face-to-face.

In March 2018, the British Council was ordered to suspend its operations in Russia. We are working with the Embassy to ensure that cultural relations between the UK and Russia continue.



Image from the first City Nomads exhibition in London. Image © Kairat Temirgali

Promoting the UK's creative economy in Kazakhstan

In summer 2017 Kazakhstan hosted the world Expo in Astana on the theme of future energy. The British Council delivered **Future Creative**, the UK's cultural programme for Expo which focused on the dynamism of the UK's creative economy. It featured a number of innovative projects designed to engage citizens in the life of modern, smart cities. These included:

- The City Nomads exhibition which brought together new design talent with experienced artisans, supported by Central Saint Martins' staff and Kingston University students.
- The Playable City experience developed originally with Bristol-based partners, Watershed and re-adapted for the city of Astana's futuristic built landscape.
- A theatre and music showcase that delivered an engaging blend of music, film and digital storytelling featuring Invisible Flock from Leeds and the London Contemporary Orchestra.

Future Creative reached over one million people through events, online activities and media. Survey results indicate it enhanced the profile of the UK's creative industries with 70 per cent of respondents agreeing that participation in Future Creative strengthened their perception of the UK as an innovative country, while 84 per cent said that the programme helped them gain new knowledge and experience.



University students in Kiev, Ukraine. Image © Mat Wright

Developing the skills of young Ukrainians

Young people in Ukraine face multiple challenges, including an outdated education system, a media space full of competing and often externally-manipulated narratives, and the direct and indirect consequences of the conflict in the east. We are helping young Ukrainians to develop the skills they need for future employment, to engage with and influence their societies for positive change, and to navigate and make up their own minds about the world around them.

We are supporting the 17 universities displaced by conflict from the Donbas and Crimea and now relocated across Ukraine, working to enable their 40,000 students to complete their studies. The results of our work include improved leadership and change management capabilities in university staff, upskilled English teachers, and student leaders able and confident to organise and represent themselves.

Under the government's flagship decentralisation reform, local authorities across Ukraine enjoy increasing responsibility and resources for promoting social cohesion and growth. We joined up with ten cities under our Active Citizens programme to run competitions and co-fund social action projects. As a result, 140 projects were implemented by groups of young people, who gained valuable skills in community engagement, project management and leadership.

In 2017 we co-funded summer camps in Kyiv for 600 teenagers from the conflict zone, giving them the opportunity to learn English from international volunteers and mix with peers from the rest of the country. A greater knowledge of English opens doors to wider sources of information than is available from local television and (Russian language) internet back home. With FCO funding, we subsequently established after-school English clubs in 20 Donbas schools, recognising the role of schools in providing islands of stability for children and their families living in war-disrupted communities.

Miracles happen when people unite – this is the essence of the Active Citizens programme.

Alina Pozanska, Facilitator
Foundation of Regional Initiatives

GEOGRAPHICAL FOCUS 04

Supporting stability and security in priority countries in the Middle East, Africa and South Asia



The DOSTI project works with schools, local sports clubs, civil society partners and other stakeholders to engage young people in activities that promote intergroup understanding and interaction. Image © Mat Wright

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.

Our work helps individuals, their communities and countries by providing positive pathways for young people, improving their resilience, skills, employability and life chances. It also strengthens institutions, good governance and civil society; supports economic and social development; encourages new ways of seeing and experiencing the world through

debate and dialogue; and provides safe public spaces for exploring alternative perspectives and promoting social cohesion. We employ a variety of different approaches, working closely with a range of partners, to address major social challenges.

Delivering positive social change in Pakistan

ILMPOSSIBLE: Take a Child to School is a joint initiative between the British Council and Educate a Child (Qatar) to address the issue of out-of-school children in Pakistan. It is already making a difference and proving to be a catalyst for change. In just three years, a total of 225,000 children previously not in school have been enrolled and engaged in schools. Forty percent of these are girls.

By drawing on our extensive network of local partners, who we have been working with since 2008 under the global Active Citizens programme, we set up the project in 65 districts. Our partners brought community access, credibility and connections. Through this network of partners across Pakistan, the programme has trained over 15,000 young volunteers to run door-to-door awareness campaigns and work with parents to facilitate the enrolment and retention of vulnerable out-of-school children. Over 300 committees with a membership of 3,000 diverse community members were set up to collaborate with schools, the local education department and communities to address barriers to school enrolment and retention through advocacy and self-help initiatives.

Take a Child to School's effectiveness in addressing the challenge of out-of-school children through successful partnerships recently won the programme the prestigious 'Collaboration Award 2018', awarded by the Bond International Development Network. By 2019, the programme aims to enrol an additional 200,000 children in primary schools.

As an ILMbassador, I feel it is my sacred responsibility to work towards the betterment of my community through education. ILMPOSSIBLE: Take A Child to School has broadened our thinking regarding the role we can play towards the betterment of our society and ensuring a betterment of our education system.

Sanallah
volunteer, Pakistan

Building connections between young people, civil society and government

The EU-funded **Strengthening Resilience** programme operated in a number of countries across the Middle East and North Africa between 2015 and 2017. The project enabled more constructive partnerships between citizens, civil society and government and contributed to the resilience of young people in communities susceptible to violent extremism recruitment.

Training for young people helped them to identify local issues and build networks and skills to address them. Working with civil society organisations (CSOs), the programme brought young people together with local government and other authorities to work towards positive change in their communities. The programme also supported national governments to work with CSOs to reach vulnerable young people and inform them about alternative pathways offering more positive futures. Following a successful first phase, the EU is funding a much larger second phase which will expand this model to new countries.

Strengthening resilience through language learning

The British Council's **Language for Resilience** programmes help support refugees in a number of countries, including Ethiopia which is one of the largest host countries for refugees in Africa. In 2016 a Language for Resilience programme started in the Benishangul Gumuz region of western Ethiopia, working in the primary schools of four camps as well as host community schools. December 2017 saw the start of the second phase of the project there. Teaming up with the United Nations High Commissioner for Refugees and the Ethiopian government's body for refugee affairs, the Administration for Refugee and Returnee Affairs (ARRA), we identified that about two thirds of the teachers are refugees themselves, often lacking both basic teaching skills and English language skills, and that there are limited educational resources within the camps. To address this we launched a pilot programme including the British Council's English for Teaching course designed to improve teachers' English proficiency and pedagogical skills. We also ran training to enable teachers to deliver the course to their peers. The project has supported 326 teachers, of whom 40 have been trained as teacher educators. There has been an overall 12 per cent increase in English test scores.

The key to our success has been our presence in the camps which has helped us to understand and respond to the many challenges involved. Equally important has been our ability to work with different partners in Ethiopia and co-ordinate our interventions with those of other organisations. Since 2017 the British Council has been a member of the Refugee Education Working Group, which is convened on a monthly basis by the UNHCR and ARRA. This brings together all organisations working in the field, including national and international non-governmental organisations.

Language is an equalizer. When a child can speak and write in the host country language they develop the confidence and self-assurance to communicate with their peers, building a solid educational foundation that serves them for the rest of their lives.

Amin Awad

UNHCR Middle East and North Africa Bureau



Teachers take part in a singing activity as part of a teacher educator training course in Ethiopia, February 2018.

Image © British Council

GEOGRAPHICAL FOCUS 05

Responding to the refugee crisis in Syria, Iraq and neighbouring countries



Example of conservation work taking place at an Ottoman palace in Damascus. Image © World Monument Fund

Whether as a driver of radicalisation, a catalyst for mass displacement, or the fuel for regional instability, the impact of the Syrian conflict and refugee crisis is profound.

The British Council plays an active part in the UK's full spectrum response to the crisis. Reaching over 154,000 Syrians since 2013, and many thousands more from neighbouring countries, we aim to make a meaningful contribution long term to the vision of a peaceful and inclusive Syria, and of stable host countries where all residents can co-exist peacefully. We help individuals, communities, civil society and

service providers to access the skills, opportunities and pathways needed to manage sources of conflict peacefully. By building resilience in this way we support the foundations for lasting peace and prosperity in the Levant as well as reducing the drivers of extremism and onward migration. In the process we make a lasting difference to the UK's security and influence.



Trainee taking part in practical stonemasonry training in Mafraq. Image © Mohammed Magayda

Protecting cultural heritage and supporting development in the Middle East and North Africa

Through the **Syrian Stonemasonry** project, which began in April 2017, World Monuments Fund Britain is providing a group of Syrian and Jordanian trainees with traditional stonemasonry skills that can be used to repair conflict-affected heritage buildings.

The project addresses a pre-existing expertise deficit in the region and puts the skills in place to repair heritage when peace comes to Syria. An initial 35 trainees were recruited onto the course, 24 of whom were Syrian refugees. The course is being run by a female Jordanian stonemason, a female Jordanian project manager and an experienced British stonemason who worked in Syria before the war.

Alongside the practical training, World Monuments Fund is also undertaking youth engagement activities and is working with its local partner in Jordan to deliver workshops in schools.

This project is about making a real difference to people's lives and to heritage. Here we are giving refugees a new skill, allowing them to contribute towards the conservation of their country's extraordinary heritage. But it gives them more than that: it gives them a purpose, pride and, most of all, hope...

Project member
Jordan



Capturing Yazidi intangible heritage in Iraq. Image © University of Liverpool

Preserving Yazidi heritage

There is considerable risk that the cultural identity, memories and practices which are central to Yazidi culture will disappear. In this project, the University of Liverpool together with Khak TV and the Directorate of Antiquities of Sulaymaniyah, is working with a group of young Yazidis, training them in documentation techniques in order to record and preserve their cultural heritage.

In the last year, eight young Yazidis, including three women, have undergone documentary film and heritage documentation training from film, media and heritage professionals in Iraq. Filming has taken place within Yazidi communities, including interviews with the Yazidi religious hierarchy and priests, notably at their primary temple Lalish. Filming has also taken place at more than 30 shrines including at least five of the destroyed shrines. The training and filmmaking has been reported on Kurdish television.

Improving the skills and career prospects of young people in Iraq

Working with UNESCO, we are delivering an ambitious project designed to address the challenge of youth unemployment facing the country. The project aims to develop a technical vocational and training (TVET) system in Iraq and in the process enhance the capabilities of leaders, teachers and trainers across the country.

The project has included a detailed training needs analysis and delivered a leadership and in-service teacher training programme. It has developed 18 highly skilled national leadership and teacher trainers and has cascaded training so far to 750 teachers out of the 1,300 involved. The deep and long-lasting relationships we have developed through our presence in Iraq helped to secure the commitment and engagement of a range of partners, which in turn ensured the project was a success.

Building the capacity of young Syrian social leaders

We are the lead partner of **Aswat Faeela**, a multi-country Syrian youth development project, funded by the European Commission. It is designed to build the capacity of young Syrian social leaders so they can benefit Syrian communities in the short term and in preparation for the longer-term transition to a peaceful and inclusive Syria. The project has built a network of 21 self-sustained Syrian youth community groups in Syria, Lebanon, Jordan, Turkey, Denmark, France, Germany, the Netherlands and the UK. These groups consist of more than 450 young Syrians with the ability and practical experience to gather evidence of what works to strengthen communities living with conflict, map the relevant stakeholders, engage locally with influencers and advocate on behalf of their communities in national and international platforms. They have described themselves as being 'empowered', 'peace enablers', 'the only alternative to violence' and 'the remedy for shared community concerns'. Their newly acquired values, skills and knowledge will allow them to shape the future of a peaceful and inclusive Syria.

I intend to share the experience and technical knowledge I gained from Aswat Faeela through health care networks to improve the public health sector...

Manal
participant, Syria

GEOGRAPHICAL FOCUS 06

Creating international opportunities and connections for young people in the UK



Pupils at a school in Glasgow learn from their partner school in Valencia, Spain. Image © Mat Wright

As the UK prepares to leave the EU, the UK government's vision is for the UK to develop a stronger international role and profile, expanding partnerships and ties with countries around the world.

The governments of the devolved administrations also have clear objectives around internationalisation, looking to maintain and enhance international connections. In this context, it becomes even more important that young people across the UK have access to international opportunities and develop an international outlook. This will help to underpin the future prosperity of the UK as well as benefiting those countries with which we co-operate. The British Council works closely with a range of partners in the UK, including the UK and devolved governments and city authorities, to support educational and cultural co-operation between the UK and other countries and also specifically to provide international opportunities for young people in the UK. We work across a range of sectors, at all levels of the education system, in formal and non-formal education, at an institutional and individual level. We provide opportunities for school children, students, teachers, as well as young emerging artists, producers, entrepreneurs and journalists. The examples here illustrate the range of our work in support of this priority.

Supporting young people to study, work, volunteer, teach and train abroad, and supporting their schools, youth and sports organisations to build transnational partnerships, helps us to create a new generation of globally mobile, culturally agile people who can succeed in an increasingly global marketplace.

Sam Gyimah

Minister of State for Universities, Science, Research and Innovation

Enabling school children in the UK and around the world to develop new skills

Connecting Classrooms is on track to exceed its targets of working with 800 policymakers, and training 12,000 school leaders and 45,000 teachers in the UK and around the world by the end of this phase of the programme in June 2018. Through them we will have helped more than ten million young people develop the knowledge, skills and values they need to thrive in our interconnected world. Evaluation midway through the programme has shown that our learners are more curious and inquisitive in the classroom, our teachers are more likely to reflect on whether their students are learning and our leaders are more likely to support change and creative teaching approaches.

The programme is having an impact within the UK. In Scotland, for example, the training course for teachers received Professional Recognition accreditation from the General Teaching Council for Scotland (GTCS). Professional recognition was awarded to 29 Scottish Connecting Classrooms participants in December 2017 and a further 49 teachers are currently working towards recognition.

Connecting Classrooms secured further endorsement from the Scottish College for Educational Leadership (SCEL) in 2017 and the course is now included in its Framework for Educational Leadership. The endorsement panel praised the coherent approach of the programme and its strong links to GTCS Professional Standards as well as national and international drivers.

By working in partnership with schools in different countries, students learn new perspectives and have a greater understanding of the world around them. St Joseph's Catholic Primary School is in London, UK. Its 240 pupils come from a range of backgrounds and speak over 30 languages. Marka Prep Girls' School Number 2 is in Hitteen Camp, Jordan. Its 1,100 pupils come from refugee families from Iraq, Palestine and Syria. The two schools worked together on a project developing critical thinking skills through sharing perspectives on world hunger. Both schools exchanged parental questions about hunger and the students researched the answers. Children exchanged learning with their international partners on a weekly basis. They shared questions and photographs, made scrap books, and presented their ideas through music, drama, and art. They also communicated online and via a facetime conference. The partnership helped pupils grow in confidence, communicate effectively and share learning internationally.

One of the best curriculum initiatives I have ever been part of.

Assistant Headteacher
St Joseph's Catholic Primary School

Building international connections for emerging UK artists

The **Edinburgh Showcase**, which occurs every two years at the time of the Edinburgh Festival, is the single biggest opportunity for UK theatre companies to introduce their work to international promoters. The UK companies are selected by a curatorial panel and given the opportunity to present to a delegation of visiting international programmers.

Just under 200 international delegates attended the Showcase in 2017 from 41 countries and a total of 90 artists were part of the Showcase. The programme comprised new work that represents the very best of contemporary theatre and dance, reflecting the breadth and diversity of British performing arts. Since the British Council's first Showcase in 1997 the event has given 350 theatre and dance companies the opportunity to tour overseas, building new relationships and opening up new markets for the UK's performing arts.

Providing opportunities for young people in the UK through mobility programmes

Erasmus+ UK National Agency is a partnership between the British Council and Ecorys UK. In 2017 it awarded more than €143 million of funding to 915¹⁷ UK projects, enabling young people, students and staff to study, volunteer or train in Europe, helping organisations to partner and share best practice across Europe. The programme continues to reach greater numbers of young UK people, with 2017 the most successful year for Erasmus+ to date. It is estimated that 51,000 UK people took part in Erasmus+ activities in 2017. Mobility programmes have been shown to boost employability prospects, especially for those from disadvantaged backgrounds.

A recent exhibition to celebrate 30 years of Erasmus+ showcased the impact of the programme in the UK and showed that young people who have studied or trained abroad are half as likely to face long-term unemployment. Sixty-four per cent of employers consider international experience to be important in the recruitment process.

17. 658 projects in England, 44 projects in Northern Ireland, 169 projects in Scotland and 44 projects in Wales.

This competition gives young people from around the UK a great opportunity to develop and improve their language skills – helping them to become more employable, global citizens. We are delighted to support the competition and help build the future skills of a generation.

Alison Coates

Global Head of Future Skills, HSBC



The British Council Northern Ireland's China Day celebrated cultural exchange with China and promoted the Mandarin Speaking Competition. Image © Pacemaker Press

Providing opportunities for young people to engage with China

Our programme of opportunities for young people in the UK to engage with China continues to expand.

Now in its 15th year, the **HSBC/British Council National Mandarin Speaking Competition** encourages greater interest in Chinese language and culture. Held at the British Museum in February 2018, the grand final of the national competition saw more than 130 pupils from across the country vying to be recognised as the country's best non-native Mandarin speakers. The heats involved nearly 300 pupils from 100 schools.

By enabling young people to gain study and work experience in China, **Generation UK** is supporting future generations to develop a global mindset and to acquire the skills and confidence to engage with China. In 2017 alone, approximately 10,000 young people from the UK gained experience in China, a 70 per cent increase on numbers prior to the launch of the campaign.

It was through Generation UK that I was able to come to Shanghai for the internship. Being able to see both of those worlds, the UK and China, connect into one was an eye-opener. Without Generation UK, I wouldn't have had the idea for my business.

Entrepreneur Lavinda Richards

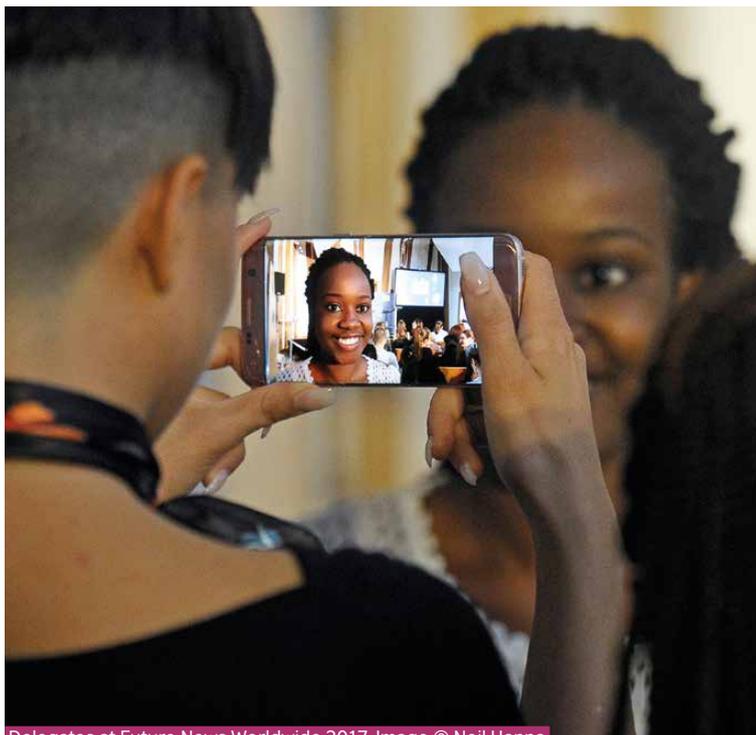
former Generation UK intern

Generation UK has partnerships with six UK universities, providing the UK higher education sector with a sustainable and replicable model to boost student mobility to China. The campaign receives funding from all four government administrations in the UK and has secured a commitment from the Department for Education to double funding support for 2018–19. This support is targeted at helping students from low-income backgrounds to undertake internships in China.

Since 2013, more than 40,000 young people from the UK have participated in study, internship and teaching programmes across China. By 2020, the campaign aims to reach a cumulative total of 80,000.



British Prime Minister, Rt Hon. Theresa May MP, meets participants of Generation UK China in Wuhan. Image © Nishat Ali



Delegates at Future News Worldwide 2017. Image © Neil Hanna

Connecting young British and international journalists

Future News Worldwide assists young people to develop journalism skills. It establishes the UK as a global leader in the nurturing of young journalists and media figures, and helps build strong and lasting connections for the next generation of media leaders across the globe.

Future News Worldwide 2017 took place on 6–7 July 2017 at the Scottish Parliament in Edinburgh. One hundred of the brightest young journalists from 42 countries, including the UK, heard from some of the most experienced and respected international editors, broadcasters and reporters. A year-round global alumni network has been established to support attendees in engaging with one another, implementing their learning and continuing their professional development.

The programme is delivered through a partnership between the British Council and the Future News Worldwide Advisory Committee, comprising the British Council, BBC, CNN, Facebook, Google News Lab, Reuters, Newsquest Scotland, STV, The Economist, The Scottish Parliament, Tinopolis and UK Schools of Journalism.

Developing international experience through music

As part of our programme around the Hull City of Culture, and supported by Arts Council England, schoolchildren across the north of England were able to experience the joy of singing and improve their learning through music. We brought together vocal artists from 13 countries to deliver activity in schools and communities across the north of England, starting and ending in Hull. International Master Trainers took up residencies together with UK vocal leaders. The aim of the 2017 World Voice Residency Project was to provide English children and teachers with an international experience and the opportunity to learn about different cultures through direct contact.

The project involved 6,378 children and young people, 87 primary and secondary schools, four special needs schools, and 297 teachers. An external evaluation of the project indicated that it had achieved its objectives and had a positive impact on the children and young people who participated in the Residency, with 86 per cent indicating they had learned something new.

The opportunity for children from quite a deprived area with little ethnic diversity, to work directly with an expert from Nepal for four days was just fabulous! Not only did they learn songs, always with a clear moral, but also stories and dance, and so they were really steeped in the Nepalese culture.

Partner
Stockport, UK

Improving our performance and consistency

OUR PERFORMANCE: MEASUREMENTS AND RESULTS IN 2017–18

To measure our impact and the results of our work we have placed a new results and evidence framework at the centre of our planning and reporting. We combine data on our customers with high-quality analysis and independent evaluation of the impact of our major activities and programmes.

In the preceding sections we outlined the benefits of our work for UK and overseas stakeholders. We summarise below:

- Key quantitative data we collect on our programmes.
- A summary of progress against major strategic organisational priorities.

Understanding opportunities, connections and trust

In 2017–18 we managed a number of perception studies to help understand how our work helps transform lives through new opportunities and how through our work we build stronger connections and trust between the UK and overseas. The UK Partnership Review comprised 56 in-depth interviews with partners that we work with from across the UK, covering all the sectors in which we work.¹⁸ The Global Perception Study targeted the beneficiaries of our work in ten countries, including the UK, and resulted in the completion of 4,456 online questionnaires.¹⁹ In addition, in-depth interviews were conducted with 47 senior stakeholders (such as ministers, vice-chancellors and rectors) across nine priority countries, excluding UK.

Top line results are presented below alongside other data we collect on our customers, partners and stakeholders.

The Global Perception Study online survey sample reflects the spread of our work across different areas. The data indicates that our work is having an appreciable impact on perceptions of the UK: overall, just under two thirds of overseas respondents report they are more favourable towards the UK as a result of their engagement with the British Council.

Understanding the results beneath the headlines is important, as well as the different ways in which our work impacts on our customers. For example, the reported connections we generate for the UK are higher in the arts and education and society programmes, which are longer-term, with around 60 per cent of those surveyed reporting stronger UK relationships, than among people who have taken an exam with us in our centres overseas (of whom 39 per cent in the sample reported stronger connections). The data also indicates that participants in our programmes in the UK build stronger international relationships off the back of our programmes. Of those surveyed in this group, 74 per cent report having established stronger connections with other countries.

18. Research and analysis conducted in 2018 by The Research Base.

19. Based on the Global Perceptions Study, an online self-completion survey among a total sample of 4,456 British Council contacts in ten countries (China, Colombia, India, Nigeria, Pakistan, Romania, Saudi Arabia, Spain, UK, and Ukraine). Fieldwork conducted between 15 March and 8 May 2018 by Ipsos MORI.

Corporate outcomes – our performance

Create opportunities – lives are transformed through English, education, skills, qualifications, arts and culture

Number of people we worked with directly across the world to provide new opportunities

65m
2016–17

75m
2017–18

Percentage of people we work with who report gaining new knowledge or skills

85%
2016–17

87%
2017–18*

Build connections – stronger cultural relationships between the UK and countries worldwide

Percentage of people we work with who have stronger relationships and connections either with the UK or other countries as a result of our work

74%
2017–18**

49%
2017–18***

UK participants have stronger connections with other countries

Participants worldwide have stronger connections with the UK

Engender trust – increased trust and understanding between people in the UK and people worldwide

Percentage of programme participants who are more favourable towards the UK as a result of our work

64%
2017–18***

Percentage of the people we have interacted with who have a greater understanding of the UK and its culture as a result of our work

62%
2017–18***

* Based on a sample of 289,000 responses across all areas of our work.

** Based on UK respondents (771) of the Global Perceptions Study.

*** Based on all non-UK respondents (3,685) of the Global Perceptions Study.

Performance: impact and activities

It is clear from the UK Partnership Review that the British Council is performing well in terms of creating stronger cultural relationships between people in the UK and worldwide.²⁰ The report indicates that 43 out of the 56 partners interviewed reported positive developments in this area. Furthermore, the report states that many partners felt that their partnerships with the British Council had been the source of new business opportunities or contracts for them, or felt that such opportunities would arise in the future.

The qualitative interviews conducted with overseas partners as part of the Global Perception Study²¹ also confirmed the success of the British Council in establishing stronger partnerships and links between people in the UK and overseas. Overall, 39 out of the 47 interviewees agreed that as a result of their involvement with the British Council they had established stronger partnerships and links with UK institutions, with only three interviewees disagreeing. They also confirmed that the British Council’s work helps to improve perceptions of the UK in their countries.

Our global reach

Our past performance and targets up to 2020–21 for people we work with directly are summarised in the chart below. This includes people who take exams and learn English with us, who attend exhibitions we manage, who participate in our education programmes, whether face-to-face or digital. The chart showing total reach includes web visitors and audiences and consumers of our print, radio and television broadcasts.

The rise in direct interactions is largely the result of increased participation on our digital social media and learning platforms, such as our MOOCs and digital English courses, with numbers increasing from 36.2 million in 2016–17 to 42.2 million in 2017–18. It is also explained by an increase in visitors to our exhibitions, fairs and performances from 16.6 million in 2016–17 to 19.3 million in 2017–18. We are now signalling a lower direct engagement by 2020 compared to previous plans, reaching 85 million people by 2020–21 instead of 100 million previously indicated. This is because we have had to adjust down plans to bid for cross-Whitehall funding. In 2017–18 we engaged with 75 million people directly and so are on track to meeting the revised target.

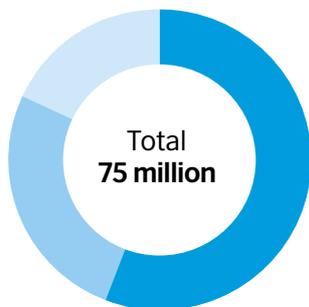
Number of direct interactions 2014–15 to 2017–18 and targets through to 2020–21



Total reach 2014–15 to 2017–18 and targets through to 2020–21

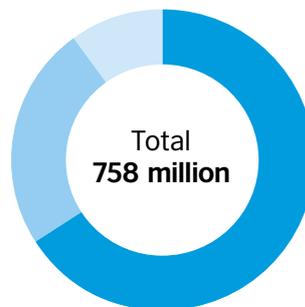


Direct interactions in 2017–18



- 42.2 million digital social media and learning
- 19.3 million exhibitions, fairs and performances
- 13.5 million face-to-face

Total reach in 2017–18



- 503 million publications and broadcast
- 180 million digital online audience
- 75 million direct interactions

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

20. Research and analysis conducted in 2018 by The Research Base.

21. Based on qualitative interviews from the Global Perceptions Study, conducted between 15 March and 8 May 2018 by Ipsos MORI.

In 2017–18 we started to measure the scale of our work at a ‘result area’ level as shown in the table below which includes selected data for each result area.

Arts

People’s lives are enriched by arts and culture and cultural heritage is valued.



We partnered with **24,000 artists** and **4,000 arts organisations** outside the UK in **87 countries**.

English

Good English teaching helps people to study and work and to develop careers, confidence and networks.

We supported **400,000 teaching centre students** in **53 countries** to learn English within our teaching centres.



Higher education and science

People in tertiary education and research institutes get access, partnerships, training and collaboration which contribute to more prosperous, sustainable and equitable societies.



We supported **56,000 collaborations** between tertiary education and research organisations in the UK and around the world.

Skills and enterprise

People have the skills to be employable and to build inclusive and creative economies which support stable and prosperous societies.

We supported **15,000 creative and social entrepreneurs** in **35 countries** to build more inclusive and creative economies.



Young people

Young people (aged 4–30) have the skills, resilience and networks to find pathways to better lives.



We supported **158,000 teachers** and **21,000 head teachers** in **51 countries** with training that will help students improve learning outcomes. This included 75,000 teachers and 239 head teachers in the UK.

Women and girls

Women and girls participate in, and benefit from, decision-making and social change.

All our work seeks to promote and support gender equity. The women and girls participation rate globally was **53 per cent** (sample of approximately three million programme participants).



Civil society and justice

Citizens interact with states in ways which encourage collaboration and create societies that work better for people.



We supported **34,000 people** in **58 countries** to be greater advocates for positive change within their communities and with local and national agencies.

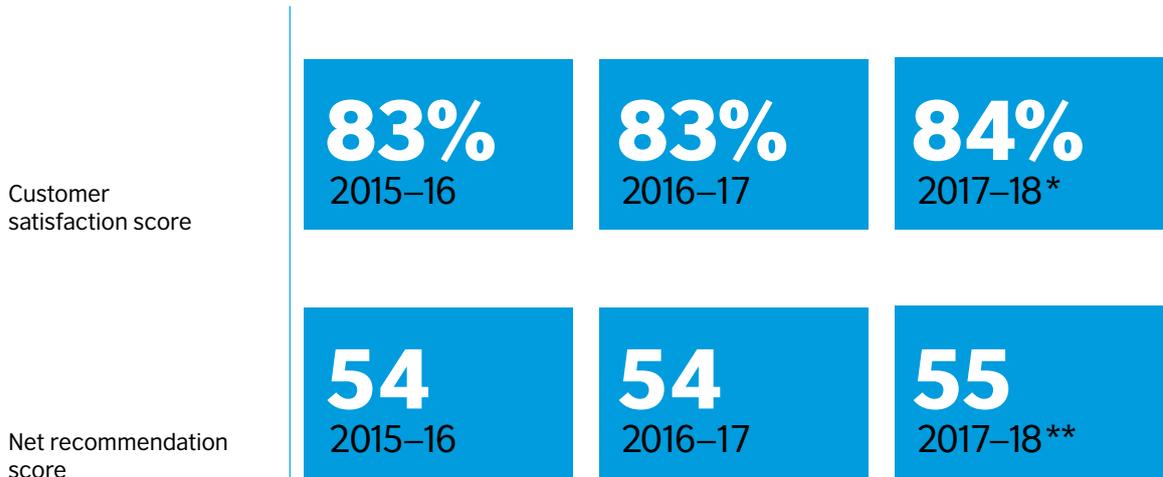
Testing and assessment

Students and professionals get internationally recognised UK qualifications for study, life and work.

We worked with **140 awarding bodies**, offering exams in 124 countries and computer-based testing in over **60 countries**.



Customer satisfaction results 2015–16 to 2017–18



*Based on a sample of 284,000 responses across all areas of our work.
 **Based on a sample of 131,000 responses across all areas of our work.

Satisfaction with the British Council

We measure how the beneficiaries of our programmes view the quality of our work in two 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.

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

Our **net recommendation** scores reflect the extent to which our customers would recommend our work to others. Overall our results continue to benchmark well against industry averages. A score of 50 or more using this methodology is considered to be good.

In addition to the beneficiaries of our programmes, we started in 2017–18 to measure how our partners and stakeholders rate our performance. Of the 56 partners who participated in the UK Partnership Review, 45 were either fairly satisfied or very satisfied with their relationship with the British Council with only three fairly or very dissatisfied.²² Partners were broadly positive about communications with the British Council and greatly valued the British Council’s brand and reputation internationally.

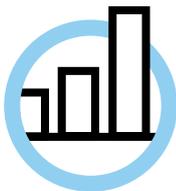
Through qualitative interviews with senior partners in the Global Perception Study,²³ there was a very strong endorsement of our relationships with our partners overseas. Forty-two out of the 43 interviewees who were asked about their satisfaction indicated that they were fairly satisfied or very satisfied with their involvement with the British Council, and none reported any dissatisfaction. The British Council is seen by its partners as having a deep understanding of local cultures and needs, and being able to draw on the UK’s cultural and educational strengths for the benefit of partner countries.

22. Research and analysis conducted in 2018 by The Research Base.
 23. Based on qualitative interviews from the Global Perceptions Study. Fieldwork conducted between 15 March and 8 May 2018 by Ipsos MORI.

Organisational effectiveness and efficiency

During 2017–18 we identified five strategic change priorities designed to ensure the financial sustainability of the organisation and transform the

organisation by investing in people, systems and culture. By focusing on these priorities we will be able to achieve greater impact for our customers. The priorities are summarised below, together with an update on progress.

Priority	Progress over last year	Looking forward
<p>Growing and diversifying income and surplus</p> 	<p>We have invested in our exams and English businesses to meet the evolving needs of our customers:</p> <ul style="list-style-type: none"> • An online payment option for exams candidates is enabled in 86 countries. • New customer relationships management system introduced to improve our service to customers. • Standardised automated system introduced to manage our global exams business. • Rollout of our new Teaching Centre Management System in all 50 countries where we teach English. <p>The surplus from commercial activities (before central support costs) grew by £22.8 million compared to 2016–17.</p>	<p>We will continue to invest in our English and exams businesses including the development of new products and services – especially through the application of digital technologies. We will also invest in establishing new bilingual schools.</p>
<p>Improving our operational efficiency</p> 	<p>We reduced the number of staff based in the UK from 1,268 at the end of March 2017 to 1,148 by the end of March 2018, a reduction of nine per cent.</p> <p>We have put in place new operating models, standards, controls and processes to ensure the sustainability of our work.</p> <p>We have continued to develop regional hubs to improve the efficiency of our overseas network.</p> <p>An update on support costs as a percentage of total pre-tax expenditure can be found in the Financial review.</p>	<p>By 2020–21 we are projecting our corporate overheads to reduce by four per cent to £76 million against the 2017–18 baseline. This is after accounting for inflation which is expected to run at 2.0–3.0 per cent over the period.</p> <p>In 2018 we will continue to deliver overhead efficiencies across the whole of the organisation. We will look for efficiencies and effectiveness gains including through the increased use of shared services, continued development of global operating models and a new global estates strategy.</p>

Priority	Progress over last year	Looking forward
<p data-bbox="233 271 472 394">Increasing the capability and effectiveness of our people</p> 	<p data-bbox="491 271 987 394">We developed a capability framework, focused on increasing our commercial acumen and created a new programme to improve the skills of our line managers across the organisation.</p> <p data-bbox="491 405 995 495">We established a global resourcing network with resourcing leads in regional hubs to ensure that we can attract the best local talent.</p> <p data-bbox="491 506 995 629">We conducted detailed research on the employee experience which is being used to improve and enhance the employee journey through their interactions with the organisation.</p> <p data-bbox="491 640 987 752">We launched the rollout of a global HR information system to enable line managers and employees to have better access to critical information.</p> <p data-bbox="491 763 995 925">Across the organisational change programmes we have consulted and worked with staff and their representatives to ensure that change has been successfully delivered in alignment with our organisational values.</p>	<p data-bbox="1007 271 1396 416">The focus in 2018–19 will be on improving capability in our professional services through leadership development and developing a talent strategy.</p>
<p data-bbox="233 925 472 1014">Creating a digitally enabled organisation</p> 	<p data-bbox="491 925 987 1014">Our digital audience and engagement numbers went up from 198 million in 2016–17 to 222 million in 2017–18.</p> <p data-bbox="491 1025 987 1149">We piloted the rollout of Office 365 in Egypt and India, providing new ways of working and improving our ability to collaborate internally and externally.</p>	<p data-bbox="1007 925 1396 1014">In 2018–19 we anticipate a digital audience and engagement figure of 232 million people.</p> <p data-bbox="1007 1025 1396 1171">We will use the lessons learned from the Office 365 rollout to inform implementation across the remainder of the organisation in the year ahead.</p> <p data-bbox="1007 1182 1396 1373">We are in the process of developing a digital maturity score so that we can track progress. Overall our objective is to move from analogue to digitally enabled by 2020.</p>
<p data-bbox="233 1373 472 1485">Strengthening our insight, research and evidence base</p> 	<p data-bbox="491 1373 987 1574">We have conducted research into major areas of our work and commissioned programme evaluations and deep dives as well as conducting surveys and interviews with programme participants and partners. This has helped generate insights and evidence of impact.</p>	<p data-bbox="1007 1373 1396 1462">We will continue to strengthen our insight, research and evidence base.</p> <p data-bbox="1007 1473 1396 1574">There will be further development of a global professional evaluation team.</p> <p data-bbox="1007 1585 1396 1709">We are conducting a brand tracker survey to assess levels of brand awareness, understanding and sentiment.</p>

Environmental performance

We use an environmental management system to improve our environmental performance in the UK. In 2017–18 our six UK premises all succeeded, for a sixth 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 provides information on each region’s environmental plan to mitigate and reduce our environmental impact through, for example, tracking total carbon footprint. Our total carbon footprint reduced in 46 out of the 76 countries that were able to supply data for 2017–18 compared to 2016–17. Overall, across these 76 countries, our total carbon footprint showed a reduction of 7.5 per cent from 30,539.61t in 2016–17 to 28,247.90t in 2017–18.

Equality, diversity and inclusion

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

We have joined the Disability Confident scheme, becoming a ‘disability confident employer’ and use this accreditation on our recruitment material. We use a guaranteed interview scheme and seek to make adjustments to support the participation of disabled people, both as employees and as

participants in our programmes and activities. We have an internal Disability Working Group and an external Disability Advisory Panel, specialists who share their expertise with us to help promote and strengthen inclusion in this area.

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 the equality monitoring of our workforce, equality screening and assessing the impact of new policies and carrying out analysis of pay and reporting publicly on our gender and ethnicity pay gap. These tools, though emanating from the UK, are in use or planned to be used globally.

We use an externally validated, biennial diversity assessment framework to assess global progress against specific EDI indicators. This tool measures for example EDI leadership and in 2017–18 there was an increase of eight per cent from 74 to 82 per cent of senior leaders meeting the leadership indicator.

We also monitor specific characteristics of UK-contracted staff against targets outlined below. We continue to make good progress with women in senior roles, reaching our 2018 target of 40 per cent. However, we remain some way off reaching our ambition for both ethnic minority and disabled staff in senior roles (at 5.6 and 4.1 per cent respectively) and more work is needed to address this. We have developed a new race equality inclusion guide this year and our pool of global accredited diversity facilitators have delivered sessions to promote this and other key areas such as religion and belief equality, disability inclusion and unconscious bias to colleagues across the organisation.

Actual results up to 2017–18 against 2018–19 equality targets for UK-contracted senior level staff

Women



Minority ethnic



Disabled



This explains the British Council's legal status, governance arrangements and how we managed risk during 2017–18

GOVERNANCE STATEMENT

Constitution and charitable purpose

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

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

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

The Royal Charter is available on the British Council's website.

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

Group structure

The British Council heads a 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

The British Council is the sole corporate trustee of two charitable trusts, each separately registered with the Charity Commission: the Sir Shiu Kin

Tang Educational Trust and the Lefèvre Trust. Our involvement with these trusts is consistent with, and contributes to, the achievement of the British Council's cultural relations goals.

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 Northern Ireland, Scotland and Wales.

The British Council's Corporate Plan 2018–20 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. As at the date of signature of this document the Corporate Plan 2018–20 has not yet been published.

Governance codes

During the year we have reviewed our governance arrangements against the principles and recommended practice for larger charities in the Charity Governance Code published in 2017. Compliance with the Charity Governance Code is not a legal or regulatory requirement. The Code is deliberately aspirational and it is acknowledged that some elements will be a stretch for many charities to achieve. The British Council currently applies all the principles and almost all the applicable supporting

recommended practice. Some recommended practice is specific to membership organisations so is not relevant to the British Council.

Where we have identified gaps we are making adjustments, such as adding a specific reference to our code of conduct in Trustees' letters of appointment.

The 'Corporate governance in central government departments: code of good practice 2017', published by HM Treasury and the Cabinet Office, is intended for the boards of government departments. The composition and role of a government department's board, which includes ministers, senior civil servants and non-executives, differs from that of a board of a charity, such as the British Council, comprised solely of unremunerated trustees. However, the British Council complies with the principles in paragraphs 1.2, 1.6, 2.1, 2.4, 2.5, 2.9, 2.10, 3.1, 4.1, 5.2, 5.6, 5.9, and 5.13 of the central government code, except that, rather than having annual board evaluations, it has an externally facilitated board evaluation every two 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 objects, for the benefit of the public, for which it has been set up. Trustees who have served during the year are listed on page 58.

Christopher Rodrigues CBE, has served as Chair and Rt Hon. Baroness Prashar of Runnymede CBE has served as Deputy Chair throughout the year.

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.

In June 2017 the Board of Trustees considered the findings of an externally facilitated review of the Board's effectiveness. It reported that most Trustees felt that the Board understood and practised collective responsibility well. However, a majority of Trustees thought that, in the light of the challenges facing the British Council, the Board would have to exert more pressure in holding the executive to account.

The review 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 programme of work to increase the integrity of our financial data and systems, implemented during 2017–18, has enhanced confidence in the financial reports provided to the Board. Separately, an initiative to provide improved non-financial performance data, the Results and

Evidence Framework, has also been delivered. Other changes to address issues raised in the review include updating guidance and templates for board papers to ensure any matters for approval are clearly set out on cover sheets, establishing further committees and circulating committee minutes to all Trustees after each meeting to keep them informed (with the exception of the minutes of the remuneration committee due to their confidential content).

The Board draws further assurance over the quality of the information provided to it from the review of papers by the relevant member of the Executive Board and the Chief Executive prior to submission to the Board.

The Board's work during 2017–18

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

- the British Council's strategy and work in the arts and in English, examinations and schools
- establishing a new not-for-profit foundation in Thailand
- government engagement and our UK strategy
- child protection and safeguarding
- preparations for General Data Protection Regulations (GDPR)
- the British Council's gender pay gap report.

At the March 2018 Board meeting the Trustees delegated authority to the Chairs of the Board's committees to review and approve the final version of the Corporate Plan, subject to there being no material changes. As at the date of signature of this document the Corporate Plan 2018–20 has not yet been published.

The Trustees received financial updates during the year, including the management accounts. The British Council's 2017–18 Annual Report and Accounts will be submitted for approval at the Board's July 2018 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 Northern Ireland, Scotland or Wales country committees (explained further below), co-opted on a rotating basis for a two-year period. Alan

Governance and management

Shannon, the Chair of the Northern Ireland Committee, held this post until 31 May 2017. William Roe CBE, the Chair of the Scotland Committee, took up the post with effect from 1 June 2017.

- 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 terms of reference of each committee and protocols for the operation of the committees are available on the Board of Trustees page of the British Council’s website. The members of the committees are listed on page 58.

The Board of Trustees and its committees

The Board of Trustees approves the British Council’s strategy and has independent control over, and legal responsibility for, the British Council’s management and administration. The board comprises ten to 15 Trustees including one nominated by the Foreign

Secretary and one co-opted. The Trustees are not remunerated. There were seven Board meetings in 2017–18. The Board is supported by seven committees as shown below.

Audit and Finance Committee

- Reviews financial plans, performance and controls.
- Comprised four Trustee members and two external members as at 31 March 2018.
- Held four meetings in 2017–18.

Nominations Committee

- Reviews the Board’s composition and leads the recruitment of Trustees and the Chief Executive.
- Comprised four Trustee members as at 31 March 2018.
- Held two meetings in 2017–18.

Business Change Committee

- Reviews the major change programmes designed to improve sustainability and effectiveness.
- Comprised five Trustee members as at 31 March 2018.
- Established and held one meeting in 2017–18.

Remuneration Committee

- Leads on Executive Board performance evaluation and remuneration.
- Comprised four Trustee members as at 31 March 2018.
- Held six meetings in 2017–18.

Commercial Committee

- Reviews the British Council’s commercial English teaching, examinations and schools activities.
- Comprised three Trustee members as at 31 March 2018.
- Established and held one meeting in 2017–18.

Risk Committee

- Reviews top and emerging risks and how they are managed.
- Comprised three Trustee members as at 31 March 2018.
- Held three meetings in 2017–18 as well as a briefing on safeguarding.

Contracts Committee

- Reviews major client-funded contracts in education, society and arts as well as related strategic plans.
- Comprised four Trustee members and one external member as at 31 March 2018.
- Held three meetings in 2017–18.

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 financial control is satisfactory to deliver regulatory compliance, financial probity and value for money. The committee reviews and challenges the British Council's financial plans and performance in the context of the long-term financial viability of the British Council. It also reviews and approves the annual internal audit plan.

Matters reported to and considered by the committee during 2017–18, as well as audit plans and findings, included progress in implementing changes to strengthen the finance function and increase financial transparency, the British Council's tax strategy, a statement of policy on payment card data handling and storage, a new process gathering returns from senior managers regarding their compliance with the code of conduct and the findings from that process. The committee also received updates on fraud investigations.

After year-end but before the approval of the 2017–18 Annual Report and Accounts, the committee reviewed the draft governance statement, financial review and accounts.

Business Change Committee

The Board established this committee during 2017–18 to review major change programmes designed to improve the British Council's sustainability and effectiveness.

The committee will review the remit, benefits plans and milestones of the organisation's most significant change and investment programmes and monitor progress on the delivery of those programmes.

The Chair of the British Council chairs the Business Change Committee.

Commercial Committee

In January 2018 the Board of Trustees established the Commercial Committee, chaired by Kevin Havelock, to support the leadership of the British Council's charitable activities undertaken on a commercial basis and assure their effective and transparent management in line with corporate objectives.

The committee's focus is on work in the areas of English teaching, examinations and schools.

Contracts Committee

The Contracts Committee's focus is on major, client-funded contracts in education, society and arts.

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 advises on strategy in those areas and reviews proposed high value income-generating contracts before they are submitted to the Board for approval.

The Chair of the British Council chairs the Contracts Committee.

Risk Committee

Chaired by Tom Thomson OBE, the Risk Committee reviews the organisation's top and emerging risks, with the exception of those related to financial plans, performance, 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 the annual performance measures and policy for the Chief Executive's remuneration and benefits and agrees his annual performance evaluation. It also sets the policy for the remuneration of other members of the Executive Board and reviews and agrees their performance evaluation reports, ratings and eligibility for bonuses. The full Executive Board remuneration report is on pages 62 to 65.

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 actively monitors and aims to increase the diversity of the Board of Trustees and leads the recruitment of the Trustees and Chief Executive.

Trustee recruitment ongoing at the end of 2017–18 sought in particular applications from those with expertise in the areas of finance and the arts.

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 Northern Ireland, Scotland and Wales.

Members of the country committees who served during 2017–18 are listed on page 59 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 vision, values and code of conduct
- its overall strategic direction, as expressed in the Corporate Plan
- the statement of risk appetite and certain key policies, including the reserves policy
- the annual budget
- the formation or disbandment of advisory committees
- the opening or closure of overseas directorates
- any proposal for the British Council to become a corporate trustee of another charity.

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

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

Executive Board

During 2017–18 the British Council's Executive Board comprised the Chief Executive and nine Executive Directors. The members who served during 2017–18 are listed in the remuneration report on page 64.

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 2018 the Executive Board comprised seven men and three women.

External audit

The British Council's accounts are audited by the Comptroller and Auditor General by agreement with HM Treasury and are, as part of the Annual Report and Accounts, placed in the libraries of the Houses of Parliament.

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 £205,000 (2016–17: £190,000). In addition to this fee,

total audit fees of £361,000 (2016–17: £296,000) were payable to the auditors of the group's component audits. Further disclosures regarding the auditors are given on page 60 and in note 5 to the accounts.

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

Internal audit

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

The Audit and Finance Committee reviews and approves internal audit's annual work plan and receives reports on delivery against that plan and 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 2017–18 internal audit provided assurance on overseas operations as well as assurance over programmes, IT and other principal risk areas.

Based on work undertaken in 2017–18 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 2018'.

The assurance results show areas where controls could further mature. 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.

Values, policies and procedures for raising concerns

To fulfil the British Council's cultural relations mission effectively we must ensure our behaviour reflects our values and stands up to scrutiny wherever we work.

Our code of conduct explains the principles that everyone who works for the British Council must follow. It sets out the five values that underpin everything we say and do, how we work with people, behave towards them and communicate. It defines the British Council's values as:

- **Valuing people:** The world is a diverse place, which is why our work starts by giving everyone the chance to participate. This means treating people with courtesy and respect. By listening and responding in a helpful way, we are able to unlock potential and help people be the best they can.
- **Integrity:** Keeping our promises, and being consistent in what we say and do, builds trust. We are always honest and take responsibility for our actions.

- **Mutuality:** Effective relationships are at the heart of our work. It's a two-way exchange: we learn from all those we interact with and they learn from us, all with a view to advancing the creation of global citizens.
- **Creativity:** We encourage people to develop new ideas in an environment of trust. We are resourceful and innovative in our approach and actively seek and present the best in creativity.
- **Professionalism:** As leaders, we understand our responsibility to deliver excellence every time. Setting the highest standards for ourselves and expecting the same of others means that we stay true to our values.

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

During 2017–18 we developed a new global policy statement on adults at risk. We also published the tax strategy which applies to the British Council and its two UK registered subsidiary companies.

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

During 2017–18 the Chief Executive wrote to all staff encouraging them to raise their concerns and reiterating the importance of adherence to our values and the code of conduct. Executive Board members and Regional Directors were asked to encourage staff to raise concerns, discuss the code of conduct with their teams, and explain that staff will face disciplinary action if they do not comply with the code of conduct.

During the year we collated returns from senior managers providing assurance over their compliance with the code of conduct during 2016–17 and reporting any breaches. The findings were reported to the Executive Board and the Audit and Finance Committee. We are conducting the same process to gather assurance in relation to the 2017–18 performance year before the approval of the 2017–18 Annual Report and Accounts.

Safeguarding

In December 2017 the Charity Commission issued an alert to the charity sector advising trustees to review their charity's safeguarding governance and management arrangements and to report safeguarding issues, incidents, complaints or allegations. Since then we have been reviewing and strengthening our existing policies, procedures and reporting arrangements. The Executive Board has approved a safeguarding strategy which draws together our policies and procedures in areas including child protection, adults at risk, equality, well-being and bullying and harassment. The Risk Committee was briefed on the progress and challenges in February 2018 and there was further discussion of the steps being taken at an extended meeting of the Board of Trustees in March 2018.

Personal data

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

All staff must comply with the information governance and confidentiality requirements of our code of conduct and complete mandatory information management training. This training must be recertified annually. During 2017–18 our information governance and risk management team has led on raising awareness of, and preparations for, the implementation of the General Data Protection Regulation (GDPR) in May 2018.

During 2017–18 we reported three personal data breaches under the Charity Commission's serious incident reporting requirements. Two of these cases were also reported to the Information Commissioner's Office (ICO). They concerned the theft of personal data, in Italy, relating to examinations candidates. The first case involved a theft from a courier and the second a theft from a test centre supervisor. The cases are not connected and the data is not thought to have been deliberately targeted. Data relating to 183 people was affected. We have reviewed personal data handling procedures for examinations data while 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 out by the Board of Trustees. The Executive Board reviews 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 continue to establish strong second line of defence functions for material risk areas and embed risk management into core processes and strategic planning. Structured data collection and analysis is a key part of the integration of assurance activities.

Risk profile

The following principal risk areas were identified during 2017–18 as having the greatest potential impact on the achievement of our strategic objectives. The risk areas are reviewed annually. Each area has been assigned a senior manager to lead monitoring and strategic response activities. 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
Income generation concentrated in certain countries	<ul style="list-style-type: none"> Continuing to grow and diversify our surplus to keep reinvesting funds back into a broad portfolio of cultural relations activity across a range of locations. Additional separate legal entities established to provide a stable platform for our operations. Improving commercial decision-making and development of smaller, simpler offers with clear thematic and geographical priorities.
Sustainability of our developed world programme as access to flexible funding declines	<ul style="list-style-type: none"> Investment planning to ensure we focus only on activities that drive our mission most strongly and represent value for money. Acceleration of efficiency plans including leveraging shared services.
Maintaining a strong relationship with the UK government and the devolved administrations	<ul style="list-style-type: none"> Continuing delivery of the five-year parliamentary strategy. Programme of stakeholder engagement for the UK government and parliament covering a range of issues and bringing value from our global reach and networks.
Competition in the global, and increasingly digital, English and exams market could threaten our financial sustainability and erode our impact	<ul style="list-style-type: none"> Improving the customer experience with digitally enabled products and services. Delivery of transformation programmes to support standardised and simple structures and processes. Improving our customer and market research, analytics and insight to better understand our audiences’ views and preferences to enable impact-led planning and product development.
Change management	<ul style="list-style-type: none"> Putting in place a single investment board, strong portfolio office and robust programme governance to provide improved control and reporting of change.
Availability and analysis of data and information to support decision-making	<ul style="list-style-type: none"> Change programme to improve financial transparency. Greater consolidation and standardisation in shared services such as HR, finance and analytics.
Staff skills, recruitment of talent and reward	<ul style="list-style-type: none"> Initiation of a project to improve people data accuracy to provide the necessary information to undertake improved strategic workforce planning. Regional development initiatives to improve talent and performance management. Review of structures at regional level to ensure we deploy the best talent in the right roles.

Risk area	Mitigations
Protecting the children in our care from abuse	<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 with a strengthened approach globally to pre-appointment screening. • Risk profiling tool and 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.
Failure to implement and comply with corporate policies and priorities resulting in damage including cyber security, child protection, General Data Protection Regulation, legal, physical security and fraud-related risks	<ul style="list-style-type: none"> • Continued investment in second line of defence functions to define the necessary frameworks, create a culture that supports proactive risk management, build capability and monitor implementation and effectiveness.

Review of effectiveness

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 policy and compliance, legal, counter fraud, information governance, and risk management teams among others.
- Quarterly and year-end self-certification by all country and UK directors of minimum financial control application, providing assurance that the organisation's financial risks have been understood, reported and managed.

- The work of internal audit, which provides an independent and objective opinion on the adequacy of processes around risk, control, governance and finance systems. As noted in the internal audit opinion, 'the assurance results show areas where controls could further mature. 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 2017–18 to have been effective.

Christopher Rodrigues CBE
Chair, British Council

3 July 2018

Sir Ciarán Devane
Chief Executive, British Council

3 July 2018

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 as a charity under registration numbers 209131 (England and Wales) SC037733 (Scotland), and 20100360 (Republic of Ireland).

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	Board meeting attendance ²⁵	Audit and Finance	Business Change	Commercial	Contracts	Nominations	Remuneration	Risk
Trustees during 2017–18 ²⁴									
Christopher Rodrigues CBE (Chair)		7/7	✓		✓	✓	✓	✓	
Rt Hon. Baroness Prashar of Runnymede CBE (Deputy Chair)		7/7	✓				✓	✓	
Professor Dame Janet Beer DBE		6/7							
Deborah Bronnert CMG		5/7							
Gareth Bullock		3/7			✓	✓			✓
James Cronin		5/7	✓						✓
Yasmin Diamond CB	Start: 11 July 2017	5/6		✓				✓	
Rohan Gunatillake		4/7					✓		
Kevin Havelock	Start: 1 September 2017	4/5		✓	✓		✓		
Oliver Laird		4/7	✓						
Kirsty Lang		7/7						✓	
Rosamund Marshall		4/7		✓	✓	✓			
William Roe CBE	Start: 11 June 2017	7/7				✓			
Tom Thomson OBE		7/7	✓						✓
Sir David Verey CBE		6/7	✓						

Two of the Board's committees included, at 31 March 2018, members who are not Trustees:

- Audit and Finance Committee: Cameron Cartmell and Fiona Salzen
- Contracts Committee: John Downie

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.

24. Two Trustees resigned before the first 2017–18 board meeting: Martin Roth on 16 May 2017 and Alan Shannon on 31 May 2017.

25. If Trustees are unable to attend meetings they are invited to provide their comments to the Chair in advance.

Membership of the UK country committees

Committee	Members during 2017–18	Start/end of term if not a member for the whole year
Northern Ireland	Alan Shannon CB (Chair)	
	Dr Norman Apsley OBE/Dr Joanne Stuart OBE	
	Gren Armstrong	Start: 8 August 2017
	Gavin Boyd	
	Donal Durkan	Start: 5 December 2017
	John Edmund	
	Colette Fitzgerald	
	Isabel Jennings	
	John McGrillen	
	Judge Geoffrey Miller QC	
	Professor Ian Montgomery	
	Professor Duncan Morrow	
	Leo O'Reilly (ex-officio)	
	Tommy O'Reilly (ex-officio)	
	Colm Shannon (ex-officio)	End: 5 December 2017
Noel Thompson	End: 30 June 2017	
Scotland	William Roe CBE (Chair)	
	Professor Anne H Anderson OBE	
	Beth Bate	Start: 1 March 2018
	Professor Graham Caie CBE	
	Professor Sir Ian Diamond	
	Janette Harkess	Start: 1 March 2018
	Marcus Herbert	Start: 1 March 2018
	Steven Kidd	Start: 1 March 2018
	Ruth MacFarlane	End: 1 March 2018
	Dr Bill Maxwell	Start: 1 March 2018
	Angela Morgan	Start: 1 March 2018
	Hala Ousta	
	Dr Cindy Sughrue OBE	
	Claire Tynte-Irvine (ex officio)	Start: 25 January 2018
	Karen Watt (ex officio)	End: 25 January 2018
Professor Petra Wend		
Wales	Professor Richard B Davies (Chair)	
	Ashok Ahir	
	David Anderson OBE	
	Michelle Carwardine-Palmer	
	Philip Cooper	End: 15 February 2018
	Ifona Deeley (ex-officio)	Start: 10 May 2017
	Judith Evans	
	Eluned Hâf (ex-officio)	
	David Hughes (ex-officio)	Start: 5 July 2017
	Professor Laura McAllister	
	Huw Morris (ex-officio)	Start: 10 May 2017
	Karl Napieralla OBE	
	Lleucu Siencyn	
	Professor Carol Tully	
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 auditor²⁶: PricewaterhouseCoopers LLP,
1 Embankment Place, London WC2N 6RH

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

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 2017–18 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.

During the year we updated our procedures and
privacy statements ahead of the introduction of GDPR.
We did not receive any complaints about British
Council fundraising activities during the year.

26. 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 2017–18, and of the assets and liabilities held at the end of the year.

In preparing the 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
 - 2017–18 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

3 July 2018

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.

The Accounting Officer is required to confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable. He is also required to confirm that, as far as he is aware, there is no relevant audit information of which the entity's auditors are unaware, and that he has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

Sir Ciarán Devane
Chief Executive, British Council

3 July 2018

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 2017–18, Executive Board members received an increase to salary in accordance with the British Council pay award 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 2017–18 relate to performance in 2016–17.

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 resignation or 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, with the exception of those employed on an interim basis or who have chosen to opt out, are members of the Principal Civil Service Pension Scheme.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the 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 4.6 per cent and 8.05 per cent for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly

as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is 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 eight per cent and 14.75 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of three per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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 2017–18 (in bands of £5,000)	Salary 2016–17 (in bands of £5,000)	Bonus payments 2017–18 (in bands of £5,000)	Bonus payments 2016–17 (in bands of £5,000)	Value of pension benefits for single total figure of remuneration for 2017–18
Devane, C, Chief Executive	190–195	185–190	10–15	10–15	73,845
Greer, A, Chief Operating Officer	145–150	140–145	5–10	5–10	2,560
Robson, M, Director English and Exams	150–155	150–155	5–10	5–10	58,446
Sheffield, G, Director Arts	125–130	125–130	5–10	5–10	51,160
Beall, J, Director Education and Society	125–130	125–130	5–10	5–10	52,553
Murley, H, ²⁷ Director Global Human Resources Full year equivalent	75–80 125–130	125–130	0–5	5–10	29,462
Griffin, E, ²⁸ Director (Interim) Global Human Resources Full year equivalent	45–50 80–85	N/A	N/A	N/A	16,918
Elliott, G, ²⁹ Director (Interim) Global Human Resources Full year equivalent	30–35 325–330	N/A	N/A	N/A	N/A
Arthur, N, ³⁰ Chief Financial Officer Full year equivalent	175–180	160–165 350–355	5–10	N/A	N/A
Cross, H, Director Strategy and Engagement	115–120	115–120	0–5	N/A	45,659
Horton, A, Director Digital, Partnerships and Innovations	115–120	115–120	0–5	N/A	45,659
Ewart-Biggs, K, Director Global Network	105–110	100–105	5–10	0–5	49,679
Highest paid	325–330	350–355			
Median	32,760	38,497			
Remuneration ratio	10.0:1	9.1:1			

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 full time equivalent remuneration of the highest-paid director in the British Council in the financial year 2017–18 was £325,000–£330,000 (2016–17: £350,000–£355,000). This was ten times the median remuneration of the workforce, which was £32,760 (2016–17: £38,497). There has not been a significant movement in the remuneration ratio, as the figures for both the highest paid director and the median remuneration are relatively similar to the prior year.

The current year ratio would be 6.2:1 (2016–17: 5.3:1) if it was calculated on the next highest paid director. 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 58.

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.

27. Ms H Murley left under voluntary exit terms on 31 October 2017. She received a compensation payment of £33,241.91.

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

29. Mr G Elliott's services were supplied through an agency on an interim basis from 20 February 2018. He was on a six month fixed term contract.

30. Mr N Arthur's services were supplied through an agency on an interim basis from 4 October 2016 to 16 April 2017. He became an employee from 17 April 2017.

Value of pension benefits for single total figure of remuneration for 2016–17	Accrued pension at pension age as at 31 March 2018 (in bands of £5,000)	Accrued lump sum at pension age as at 31 March 2018 (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 2018 (to nearest £1,000)	CETV at 31 March 2017 (to nearest £1,000)	Real increase (decrease) in CETV funded by employer (to nearest £1,000)	Total salary benefits 2017–18 (in bands of £5,000)	Total salary benefits 2016–17 (in bands of £5,000)
76,431	10–15	N/A	2.5–5	N/A	187	126	41	275–280	280–285
30,653	65–70	205–210	0–2.5	0–2.5	1,569	1,553	2	155–160	180–185
57,854	35–50	N/A	2.5–5	N/A	557	491	36	215–220	215–220
48,902	20–25	N/A	2.5–5	N/A	348	300	42	185–190	185–190
48,837	20–25	N/A	2.5–5	N/A	346	297	44	190–195	180–185
55,008	15–20	N/A	0–2.5	N/A	221	198	17	105–110	185–190
N/A	5–10	N/A	0–2.5	N/A	75	N/A	9	65–70	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	30–35	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	180–185	160–165
45,207	5–10	N/A	2.5–5	N/A	84	44	29	165–170	160–165
45,207	5–10	N/A	2.5–5	N/A	59	29	20	165–170	160–165
47,302	25–30	65–70	2.5–5	0–2.5	485	428	26	160–165	140–145

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

Opportunity

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

Sir Ciarán Devane

Chief Executive, British Council

3 July 2018

FINANCIAL REVIEW 2017–18

Summary of results

The British Council achieved almost 9.0 per cent growth in total income to £1,172.3 million (2016–17: £1,076.9 million) principally due to strong performance from its English teaching and examinations activities together with higher income from contract work. For every £1 of government grant-in-aid from the FCO, an additional £5.98 was generated from other sources compared to £5.80 last year. Total income this year was in line with the projections in our last 2017–20 Corporate Plan, after adjusting for Empowerment Fund revenues that were not received.

Total pre-tax expenditure increased by 7.5 per cent to £1,156.7 million (2016–17: £1,075.7 million) as a result of the growth in the British Council’s operations across the majority of its charitable activities.

Included in income and expenditure above are net foreign exchange losses of £23.7 million (2016–17: gain £0.1 million) mainly arising from the strengthening of sterling against Asian currencies over the course of the year, and the consequent reduction in the sterling value of currency-denominated assets.

Net income for the year was £5.6 million, an improvement of £14.6 million compared to the previous year loss of £9.0 million. This was driven primarily by improved trading performance from charitable activities, despite the adverse effect of foreign exchange in the year.

Total reserves fell by £11.5 million to £351.5 million, largely as a result of foreign exchange losses on consolidation of £2.9 million (2016–17: gain of £12.9 million) and downward adjustments to the values of tangible fixed assets of £15.0 million (2016–17: gain of £8.8 million).

Income

Grant-in-aid income

Government grant-in-aid income from the FCO was £168.0 million (2016–17: £158.3 million). The proportion of total income from grant-in-aid has fallen by 0.4 per cent to 14.3 per cent (2016–17: 14.7 per cent).

Income from charitable activities

Income from charitable activities grew by 11.0 per cent to £994.6 million compared to £896.2 million in 2016–17, notably through the British Council’s work in English teaching and examinations, and through growth in contract income.

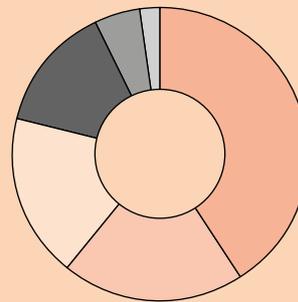
The British Council’s teaching and exams income grew by 7.7 per cent to £699.9 million this year (2016–17: £650.1 million), due mainly to the growth of exams activities in Asia.

The British Council also receives contract and grant income mainly for the delivery of work programmes and grant disbursement activities in education and society. Contract and grant income (excluding grant-in-aid) increased by 18.3 per cent to £286.1 million (2016–17: £241.7 million). Erasmus+ contributed income of £125 million in 2017–18, an increase of £30 million on 2016–17. Excluding Erasmus+, other contract and grant income increased by £14.3 million.

Other sources of income

Income from other trading activities, predominantly sponsorship income, was £0.9 million (2016–17: £1.5 million). Income from investments fell to £2.8 million (2016–17: £3.3 million). Other income was £5.7 million (2016–17: £17.6 million) with exchange gains significantly lower at £5.7 million (2016–17: gain £17.1 million).

Sources of income



	41%	£486.9 million – Exams
	20%	£229.7 million – Contracts
	18%	£212.9 million – Teaching
	14%	£168.3 million – Donations
	5%	£56.4 million – Grants
	2%	£18.1 million – Other

Expenditure

Expenditure on charitable activities

Expenditure on charitable activities increased by 7.5 per cent to £1,156.7 million compared to £1,075.7 million in 2016–17. This partly reflects the growth in income generating activities and continued investment in projects to support future growth, infrastructure and operational efficiency.

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 2017–18, £168.4 million of grants were payable to individuals and institutions, a 34.4 per cent increase from £125.3 million in 2016–17, mainly driven by extra Erasmus+ activity.

Direct costs increased by 5.3 per cent to £797.1 million (2016–17: £757.1 million) as a result of the growth in the British Council's income generating activities, predominantly examinations and contracts.

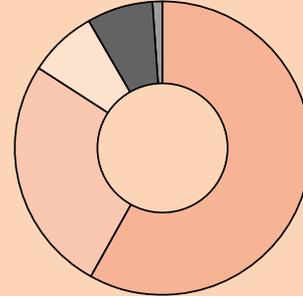
Support costs declined to £191.1 million (2016–17: £193.3 million). The 2017–18 figure for support costs includes a £3.7 million one-off charge in respect of restructuring costs. Excluding this item, underlying support costs fell by £5.9 million or 3.1 per cent as the British Council achieved efficiencies in the delivery of its activities.

Total exchange losses of £29.4 million (2016–17: loss £17.0 million) are included within direct costs.

As part of the UK's commitment to ODA, the British Council achieved its target of spending £136.0 million of its 2017–18 FCO grant-in-aid on development activity in ODA eligible countries, including those across Africa, the Middle East and South Asia. ODA countries are defined by the Organisation for Economic Co-operation and Development.

The British Council continued to invest in specific projects for growth, infrastructure and operational efficiency. Included within direct and support costs is revenue expenditure relating to such projects of £20.2 million (2016–17: £22.6 million). Capital expenditure also includes £10.1 million (2016–17: £9.0 million) relating to such projects. These projects involve investments in new technology and processes to support future growth. The British Council also continues to focus investment spend on its estate so as to maximise the productivity of staff through their working environment.

Resources expended



- 58.6%** **£683.3 million** – Developing a wider knowledge of the English language
- 25.7%** **£300.4 million** – Encouraging educational co-operation
- 7.6%** **£88.9 million** – Building capacity for social change
- 7.2%** **£84.0 million** – Encouraging cultural, scientific and technological co-operation
- 0.9%** **£10.1 million** – Taxation

Foreign exchange gains and losses

During the year the British Council incurred a net foreign exchange charge in the Statement of Financial Activities of £23.7 million (2016–17: gain £0.1 million). Furthermore there was an additional foreign exchange loss on consolidation of £2.8 million (2016–17: gain £12.9 million) that is charged directly to reserves.

Foreign exchange gains and losses principally arise from the retranslation of assets and liabilities denominated in foreign currencies.

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 2018 by number. This revaluation was carried out by its surveyors, CBRE, a commercial property consultancy firm. The valuation took into account prevailing market conditions and restrictions on the British Council's right to use the property.

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

The revaluation exercise gave rise to a net charge of £15.0 million which has been recognised within the revaluation reserve.

Fair competition

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

Counter fraud

The British Council is committed to its policy of zero tolerance to fraud and to be transparent in its management of counter fraud. During 2017–18, 144 instances of fraud were recorded with losses of £0.46 million. Further information including details on sanctions applied to cases can be obtained in the British Council's Annual Review of Counter Fraud Report which can be accessed on the British Council's website: <https://www.britishcouncil.org/organisation/transparency/financial-data>

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

Treasury

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

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

a. Currency management

The treasury team monitors cash flow forecasts in order to determine future surpluses and requirements in foreign currencies. The treasury team enters into forward foreign exchange contracts for periods not exceeding 12 months where these cash flows are considered highly likely. The British Council does not hedge account for these contracts and at 31 March 2018 had a liability of £0.3 million arising from open contracts (31 March 2017: £nil). Other foreign exchange needs are met by spot transactions as they are required. Further details on how the British Council manages its exposure to foreign currency risk are set out in note 22 of the accounts.

b. Cash management

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

c. Short-term investments

Surplus cash is invested in short-term or money market deposits in the UK. The British Council's policy allows it to place such deposits with banks with a credit rating of A- or higher for periods of up to 12 months. The maximum aggregate deposit within one bank may not exceed £25.0 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 2017–18, 99 per cent (2016–17: 99 per cent) of valid invoices relating to UK activity were paid within this target period. This figure includes payments of grants and stipends. The total number of UK payment transactions processed in 2017–18 was 54,969 (2016–17: 75,857).

Trade creditor days for the British Council's UK activity for the year ended 31 March 2018 were 18 days (2016–17: 11 days) based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by the trade creditors.

Reserves

The British Council Group has £351.5 million total reserves (2016–17: £363.0 million), of which £70.8 million is restricted (2016–17: £69.9 million). Restricted funds are those that are held for specific purposes and relate primarily to the British Council's arts collection and amounts held in trusts.

Unrestricted reserves comprise the capital, revaluation and unrestricted heritage asset reserves, together with the General Account, Risk Reserve and Investment Fund. The capital account, revaluation account and unrestricted heritage asset reserve, which amount to £215.0 million, can only be released through the sale of those assets (2016–17: £233.3 million).

The British Council's free reserves are represented by the balance in the General Account, the Risk Reserve and Investment Fund. The closing balances of the General Account, Risk Reserve and Investment Fund have been determined in accordance with the Reserve policy, approved by the Trustees at their meeting on 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 uncertain in nature and it is highly unlikely that they will all crystallise in the next 12 months. In 2017 the Trustees decided to aim to grow the Risk reserve to £50.0 million by 2020 (2012 policy: £34.6 million). The balance at 31 March 2018 was £38.7 million (31 March 2017: £39.8 million).

The Investment Fund represents funds earmarked for specific planned investment projects within a three year horizon. The balance at 31 March 2018 was £20.0 million (31 March 2017: £20.0 million) and represents, inter alia, the forecast investment relating to the British Council's UK head office relocation in 2020.

Going concern

The Trustees of the British Council have reviewed its financial position, taking into account the budget for 2018–19, longer-term projections made by its management, current levels of reserves and cash (including short-term investments), and concluded that the British Council has sufficient access to resources to remain in operation for at least the next 12 months from the date of this report.

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

Viability statement

In reviewing the viability of the organisation, the Trustees have taken into account the British Council's Spending Review settlement letter from the FCO from August 2016, as amended by the FCO in March 2018. These arrangements confirm the commitment from HM Government to provide grant funding to the British Council through to 31 March 2020.

In addition, the Trustees have considered the continued profitability and growth of its non-government funded operations (mainly the examinations businesses).

Finally, the Trustees have also reviewed the liquidity of the organisation: The British Council has cash balances of £246.3 million (2016–17: £194.0 million) and short-term investments of £123.2 million (2016–17: £103.5 million). Given its cash flow forecast for the next 12 months, and taking into account its contractual commitments, the review indicates that the British Council's liquidity risk is currently low.

Based on the results of the review, the Trustees have a reasonable expectation that the British Council will be able to continue in operation and meet its liabilities as they fall due until the end of the current Spending Review settlement period.

THE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE TRUSTEES OF THE BRITISH COUNCIL

Opinion on financial statements

I have audited the financial statements of the British Council for the year ended 31 March 2018 which comprise: the Consolidated Statement of Financial Activities, the Consolidated and British Council Balance Sheets, the Consolidated Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice as adopted by the European Union. I have also audited the information in the Executive Board Remuneration Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the British Council's affairs as at 31 March 2018 and of its net income and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Account (Scotland) Regulations 2006 (as amended) and Secretary of State for Foreign and Commonwealth Affairs directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016.

I am independent of the audited body and group in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Trustees and Accounting Officer

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005.

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the British Council's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the British Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

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

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

Other information

The Trustees and Accounting Officer are responsible for the other information. The other information comprises information included in the Annual Report, other than the financial statements and my auditor's

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

Opinion on other matters

In my opinion:

- the Annual Report has been properly prepared in accordance with Secretary of State for Foreign and Commonwealth Affairs directions made under the applicable regulations;
- in the light of the knowledge and understanding of the group and the British Council and its environment obtained in the course of the audit, I have not identified any material misstatements in the Annual Report; and
- the information given in the Annual Report which we provide a positive consistency opinion on for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters 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 Annual Report 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 the relevant guidance.

Sir Amyas C E Morse

9 July 2018

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 2018

		Unrestricted	Restricted	2017-18 Total	Unrestricted	Restricted	2016-17 Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from:							
Donations and legacies	3	32,277	136,000	168,277	39,300	119,000	158,300
Charitable activities							
Developing a wider knowledge of the English language		709,489	13,070	722,559	669,373	1,603	670,976
Encouraging educational co-operation and promoting the advancement of education		26,011	186,110	212,121	53,962	112,646	166,608
Encouraging cultural scientific and technological co-operation		2,209	11,089	13,298	7,906	870	8,776
Building capacity for social change		15,932	30,672	46,604	24,175	25,694	49,869
Total income received to promote cultural relationships and the understanding of different cultures	4	753,641	240,941	994,582	755,416	140,813	896,229
Other trading activities		907	-	907	1,478	-	1,478
Investments		2,844	-	2,844	3,302	-	3,302
Profit on disposal of fixed assets		38	-	38	437	-	437
Foreign exchange gains		5,692	-	5,692	17,147	-	17,147
Total income		795,399	376,941	1,172,340	817,080	259,813	1,076,893
Expenditure on:							
Raising funds		21	-	21	714	-	714
Charitable activities							
Developing a wider knowledge of the English language		654,517	28,827	683,344	613,195	25,521	638,716
Encouraging educational co-operation and promoting the advancement of education		44,668	255,749	300,417	86,737	167,432	254,169
Encouraging cultural scientific and technological co-operation		40,707	43,295	84,002	49,866	21,960	71,826
Building capacity for social change		37,540	51,360	88,900	62,459	48,487	110,946
Total resources expended to promote cultural relationships and the understanding of different cultures	5(a)	777,432	379,231	1,156,663	812,257	263,400	1,075,657
Taxation	8	10,163	-	10,163	9,563	-	9,563
Total expenditure		787,616	379,231	1,166,847	822,534	263,400	1,085,934
Gain on equity investment	12(b)	138	-	138	24	-	24
Net income/(expenditure)		7,921	(2,290)	5,631	(5,430)	(3,587)	(9,017)

Consolidated Statement of Financial Activities for the year ended 31 March 2018 (continued)

		Unrestricted	Restricted	2017–18 Total	Unrestricted	Restricted	2016–17 Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Net income/(expenditure)		7,921	(2,290)	5,631	(5,430)	(3,587)	(9,017)
Transfers between funds:							
Transfer of unrestricted heritage asset reserve to restricted funds	17(a), 17(b)	(129)	129	-	(1,043)	1,043	-
Other recognised gains/(losses):							
Funds spent from restricted reserves	17(a)	(3,024)	3,024	-	(1,766)	1,766	-
(Losses)/gains on revaluation of tangible fixed assets	17(a)	(14,973)	-	(14,973)	8,755	-	8,755
(Losses)/gains on revaluation of intangible fixed assets	17(a)	794	-	794	1,483	-	1,483
(Losses)/gains on revaluation of heritage assets	17(a)	(86)	-	(86)	(51)	-	(51)
Foreign exchange differences arising on consolidation of foreign operations	17(a)	(2,847)	-	(2,847)	12,883	-	12,883
Net movement in funds		(12,344)	863	(11,481)	14,831	(778)	14,053
Total funds brought forward		293,067	69,929	362,996	278,236	70,707	348,943
Total funds carried forward		280,723	70,792	351,515	293,067	69,929	362,996

The British Council's non-consolidated total incoming resources for 2017–18 were £1,054.5 million (2016–17: £966.6 million); total resources expended were £1,058.5 million (2016–17: £990.7 million); and total net outgoing resources were £4.0 million (2016–17: net outgoing resources of £24.1 million).

Restricted activity includes £112.2 million (2016–17: £87.6 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 £8.4 million (2016–17: £7.7 million) received in relation to European Commission projects.

There were no other recognised gains and losses other than those passing through the Consolidated Statement of Financial Activities. All activities are continuing. The notes on pages 78 to 115 form part of these accounts.

Consolidated and British Council Balance Sheet at 31 March 2018

	Notes	Group		British Council	
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible fixed assets	9	13,293	10,544	13,282	10,540
Tangible fixed assets	10	153,813	174,855	147,780	168,245
Heritage assets	11	120,214	120,056	120,214	120,056
Investments	12(a)	110	400	142	432
Investment in joint venture	12(b)	1,027	1,004	1,027	1,004
Total non-current assets		288,457	306,859	282,445	300,277
Current assets					
Loans to subsidiaries	12(e)	-	-	368	962
Stock	-	587	756	573	709
Debtors	13	146,306	136,142	115,971	115,932
Short-term investments	14(b)	123,242	103,509	123,242	102,144
Cash at bank	14(a)	246,255	194,037	216,361	162,497
Total current assets		516,390	434,444	456,515	382,244
Liabilities: amounts falling due within one year					
Creditors	15(a)	(420,855)	(349,854)	(394,588)	(323,860)
Short-term provision for liabilities and charges	16(a)	(8,522)	(4,699)	(7,329)	(3,587)
Net current assets		87,013	79,891	54,598	54,797
Total assets less current liabilities		375,470	386,750	337,043	355,074
Liabilities: amounts falling due after more than one year					
Long-term provisions for liabilities and charges	16(b)	(23,955)	(23,754)	(22,866)	(22,722)
Net assets		351,515	362,996	314,177	332,352

Consolidated and British Council Balance Sheet at 31 March 2018 (continued)

	Notes	Group		British Council	
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Funds and reserves					
Unrestricted funds					
General account	17(a)	7,000	-	7,000	-
Risk reserve	17(a)	38,721	39,801	7,428	15,772
Investment fund	17(a)	20,000	20,000	20,000	20,000
Capital account	17(a)	95,962	100,076	95,804	99,340
Revaluation account	17(a)	71,144	85,323	65,258	79,445
Heritage asset reserve – unrestricted	17(a)	47,895	47,866	47,895	47,866
Total unrestricted funds		280,722	293,066	243,385	262,423
Restricted funds					
Income reserve – restricted	17(b)	(1,819)	(3,024)	(1,819)	(3,024)
Expendable endowment reserve	17(b)	292	763	292	763
Heritage asset reserve – restricted	17(b)	72,319	72,190	72,319	72,190
Total restricted funds		70,792	69,929	70,792	69,929
Total charity funds		351,514	362,995	314,177	332,352
Minority interest	17(a)	1	1	-	-
Total funds		351,515	362,996	314,177	332,352

Approved by the Board of Trustees and signed on its behalf on 3 July 2018.

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	2017-18		2016-17	
		£'000	£'000	£'000	£'000
Net (expenditure)/income for the reporting period (as per the Consolidated Statement of Financial Activities)			5,631		(9,017)
Adjustments for:					
Interest receivable		(2,844)		(3,302)	
Depreciation charges including impairments	10	11,899		11,498	
Amortisation charges including impairments	9	2,334		2,064	
(Gain)/loss on the sale of tangible fixed assets		658		299	
(Gain)/loss on the sale of non-current investments		(16)		(37)	
(Gain)/loss on equity investment	12(b)	(138)		(24)	
Taxation charge	8	10,163		9,563	
(Increase)/decrease in stocks		169		216	
(Increase)/decrease in debtors excluding foreign exchange translation		(9,966)		(6,043)	
Increase/(decrease) in creditors excluding overseas corporation tax creditors and foreign exchange translation		68,434		22,647	
Increase/(decrease) in provisions excluding foreign exchange translation		4,079		3,266	
Total adjustments			84,772		40,147
Net cash flow from operating activities			90,403		31,310

Consolidated Cash flow statement for the year ended 31 March 2018

	Notes	2017–18		2016–17	
		£'000	£'000	£'000	£'000
Cash flows from operating activities:					
Net cash flow from operating activities		90,403		31,130	
Overseas corporation tax paid		(8,285)		(2,234)	
Net cash provided by (used in) operating activities			82,118		28,896
Cash flows from investing activities:					
Interest receivable		2,844		3,302	
Purchase of intangible fixed assets	9	(4,289)		(874)	
Purchase of tangible fixed assets	10	(5,933)		(10,102)	
Proceeds from the sale of tangible fixed assets		20		455	
Purchase of heritage assets	11	(225)		(222)	
Purchase of non-current investments		(17)		(18)	
Proceeds from sale of non-current investments		320		417	
Net (payments into)/withdrawals from short-term deposits	14(b)	(19,733)		(134)	
Net cash provided by (used in) investing activities			(27,013)		(7,176)
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			55,105		21,720
Change in cash and cash equivalents due to foreign exchange rate movements			(2,887)		2,671
Cash and cash equivalents at start of year	14(a)		194,037		169,646
Cash and cash equivalents at end of year	14(a)		246,255		194,037

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

1 Basis of preparation and consolidation

(a) Basis of preparation

The accounts have been prepared in accordance with: FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102); Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) (the SORP); the Charities Act 2011; the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs; and the Government Financial Reporting Manual 2017 to 2018 (the FReM), where this exceeds but does not conflict with the SORP.

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

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

(b) Consolidation

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

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

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

(c) Going concern

The accounts for the year ended 31 March 2018 have been prepared on a going concern basis: both the Board of Trustees and Executive Board believe that this is an appropriate basis of preparation (see page 69).

(d) Foreign exchange

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

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

(e) Key accounting estimates and judgment

In applying the British Council's accounting policies, the trustees are required to make judgment, estimates and assumptions about the future. These judgment, 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 judgment, estimations and assumptions are considered to have the most significant effect on the amounts recognised in the accounts.

(i) Valuation of property

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

ii) Heritage assets

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

- The paintings in the year ended 31 March 2016
- The drawings in the year ended 31 March 2017
- The non-unique works on paper – a two year programme of valuation is underway and approximately half were valued in the year ended 31 March 2018.

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 each year, so that the whole Collection is valued on a rolling basis.

(iii) Provisions

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

2 Accounting policies

(a) Fund accounting

Funds are classified as either unrestricted or restricted. 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 note 17 to the accounts.

(ii) Restricted funds

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

(iii) Transfer between funds

The British Council makes transfers from its unrestricted funds to restricted funds when a shortfall arises in the restricted funds. Transfers from restricted funds to unrestricted funds only happen when the British Council has previously made good a shortfall and that the applicable circumstances have reversed.

(b) Income

Income is recognised when the British Council becomes entitled to it, its receipt is probable and the amount can be measured reliably. Income is not recorded where the British Council acts as agent, where the British Council is acting either as a collection agent on behalf of a third party or where it does not have discretion as to how the funds are used.

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

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

(i) Income from donations

Income from donations includes grants provided by government and charitable foundations which are of a general nature and are not conditional on delivering certain services or goods. These items are recognised in the period in which they are received.

(ii) Income from charitable activities

Income from charitable activities comprises:

- Income from grants for the supply of specific goods and services to beneficiaries.
- Contractual income earned through the provision of specific goods and services.
- Donations of services, facilities and goods.

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

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

(iii) Other trading activities

Income from other trading activities includes sponsorship income.

(iv) Donated services, facilities and goods

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

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

Donated facilities and services are recognised in income with an equivalent amount recognised as an expense under the appropriate heading in the Consolidated Statement of Financial Activities. 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 2017–18, the British Council used volunteers to provide logistical and administration support, for example at some British Council events in the UK and overseas.

(c) Recognition of expenditure

All expenditure is accounted for on an accruals basis.

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

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

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

(d) Classification of expenditure

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

(i) Expenditure on raising funds

Expenditure on raising funds excludes the costs of negotiating contracts or grants that require the British Council to provide specific charitable 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, resources expended on managing and administering the Charity and the support infrastructure in the UK and overseas which enables these activities to take place.

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

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

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

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

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

(e) Taxation

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

(i) Income tax

The British Council as a registered charity is exempt from UK Corporation Tax on its income and gains falling within Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objects. Accordingly, no UK Corporation Tax has been incurred by the Charity during 2017–18.

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

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

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

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

(ii) Value added tax

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

(f) Intangible fixed assets

Intangible assets comprise purchased computer software licences and any costs directly attributable to bringing the licences into use, such as configuration or implementation costs. The cost of developing a bespoke system 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 annually to reflect their current value in existing use (i.e. market value) where such valuations can be reasonably obtained. Market value is based on quotes from suppliers for the cost of buying the same or equivalent asset as at that date.

Intangible assets are amortised at rates calculated to write off the assets on a straight-line basis over the period of the related licence, or the period over which the British Council anticipates using the asset, if shorter. 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 Consolidated Statement of Financial Activities (CSOFA), unless they reverse a charge for impairment that has previously been recognised as a cost.

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

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

(h) Heritage assets

The British Council's heritage assets comprise its permanent collection of over 8,500 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 heritage assets are revalued and recorded at market value at the Balance Sheet date.

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

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

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

(i) Non current investments

Non current investments include investments in subsidiaries and joint ventures, and quoted investments. 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(b).

(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.

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

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. Hedge accounting is not used.

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 Consolidated Statement of Financial Activities in accordance with section 11 of FRS102. The fair value of a forward foreign exchange contract at the balance sheet date is the difference between the original contract amount of currency bought (or sold) at the original contract maturity date and the value of a new contract taken out at the balance sheet date to buy (or sell) the same currency amount at the new forward rate to the original contract maturity date, discounted back to the balance sheet date.

(k) Leases

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

(l) 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 heading in the Consolidated Statement of Financial Activities (CSOFA) in that period. Changes as a result of actuarial gains or losses are recognised in 'Other recognised gains or losses'.

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

(m) Redundancy costs and terminal gratuities

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

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

(n) Contingent liabilities

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

3 Donations and legacies

	Unrestricted	Restricted	2017–18 Total	Unrestricted	Restricted	2016–17 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Grant-in-aid – revenue	32,000	136,000	168,000	39,300	119,000	158,300
Donated services, goods and facilities	277	-	277	-	-	-
Total donations	32,277	136,000	168,277	39,300	119,000	158,300

The grant-in-aid was received from the Foreign and Commonwealth Office.

The British Council began recognising income and expenditure from donated services, goods and facilities during the year. The related expenditure is shown in note 5.

4 Income from charitable activities

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

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

	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	2016–17 Total
	£'000	£'000	£'000	£'000	£'000
Unrestricted					
Contract income*	14,122	14,960	1,149	15,768	45,999
Grants for delivering specific charitable activities*	4,224	36,171	6,280	8,290	54,965
Teaching and exams	649,925	133	4	6	650,068
Other income	1,102	2,698	473	111	4,384
Total unrestricted income	669,373	53,962	7,906	24,175	755,416
Restricted					
Contract income	1,603	110,904	870	25,694	139,071
Grants for delivering specific charitable activities	-	1,742	-	-	1,742
Teaching and exams	-	-	-	-	-
Other income	-	-	-	-	-
Total restricted income	1,603	112,646	870	25,694	140,813
Total					
Contract income*	15,725	125,864	2,019	41,462	185,070
Grants for delivering specific charitable activities*	4,224	37,913	6,280	8,290	56,707
Teaching and exams	649,925	133	4	6	650,068
Other income	1,102	2,698	473	111	4,384
Total income received to promote cultural relationships and the understanding of different cultures	670,976	166,608	8,776	49,869	896,229

* The presentation of income from charitable activities above for 2017–18 and 2016–17 has been changed from prior year to improve the understanding and consistency of the information.

5 Expenditure on charitable activities

(a) Total expenditure on charitable activities

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

	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	2016–17 Total
	£'000	£'000	£'000	£'000	£'000
Grants payable	201	105,433	4,693	14,984	125,311
Direct costs	532,580	114,131	47,768	62,594	757,073
Support costs	105,935	34,605	19,365	33,368	193,273
Total resources expended to promote cultural relationships and the understanding of different cultures	638,716	254,169	71,826	110,946	1,075,657

The presentation of expenditure on charitable activities for 2017–18 and 2016–17 has been changed from prior years to improve the understanding and consistency of the information.

Included in the above resources expended are costs of £379,231,000 (2016–17: £263,400,000) relating to restricted expenditure.

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

The British Council began recognising income and expenditure from donated services, goods and facilities during the year. The expenditure for donated services, goods and facilities has been included within direct costs. For 2017–18, the total recognised was £276,971 (2016–17: Nil). The related income is shown in note 3.

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

Included in the above support costs are foreign exchange losses of £29,403,060 (2016–17: £17,027,052).

(b) Audit and non-audit fees

Included in direct costs and support costs are fees of £205,000 payable to the National Audit Office for the audit of the Consolidated and British Council 2017–18 Annual Report and Accounts (2016–17 fee: £190,000). There were no fees payable to the National Audit Office in respect of non-audit work.

In addition, total audit fees of £361,000 (2016–17: £296,000) were payable to the auditors of the Group's component audits. These comprise the audits of the Group's subsidiaries and the British Council's overseas branches where an audit is required by local regulations.

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

	2017–18	2016–17
	£'000	£'000
Assurance	2	14
Tax advisory	53	66
Other advisory or accountancy	73	3,375
Total	128	3,455

(c) Analysis of support costs

	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	Total 2017–18	Total 2016–17
	£'000	£'000	£'000	£'000	£'000	£'000
Property and related costs	26,228	11,938	5,537	4,359	48,062	51,331
IT	23,459	10,677	4,953	3,899	42,988	40,522
General administration	14,682	6,682	3,100	2,440	26,904	27,312
Finance	10,215	4,650	2,157	1,698	18,720	18,387
Human resources	12,431	5,658	2,624	2,066	22,779	18,781
Governance	10,727	4,882	2,265	1,783	19,657	17,233
Other	6,556	2,984	1,383	1,091	12,014	19,707
Total support costs	104,298	47,471	22,019	17,336	191,124	193,273

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

6 Grants payable

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

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

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

Types of institution	Developing a wider knowledge of the English language £'000	Encouraging educational co-operation and promoting the advancement of education £'000	Encouraging cultural, scientific and technological co-operation £'000	Building capacity for social change £'000	Total 2016–17 £'000
Universities	90	41,995	220	752	43,057
Charities, NGOs and social enterprises	52	31,198	-	5,442	36,692
Other bodies	23	9,022	3	6,357	15,405
Schools	-	10,094	1	275	10,370
Colleges	-	5,874	7	546	6,427
Arts bodies	6	775	4,004	148	4,933
National and international government bodies	-	2,651	-	8	2,659
Local government bodies	-	1,076	-	974	2,050
Environmental groups	-	703	10	225	938
Total grants to institutions	171	103,388	4,245	14,727	122,531
Grants to individuals	30	2,045	448	257	2,780
Total grants payable to promote cultural relationships and the understanding of different cultures	201	105,433	4,693	14,984	125,311

The following institutions received £750,000 or more of grants from the British Council during 2017–18:

Aston University	University of Cambridge
Cardiff Council	University of Exeter
Cardiff University	University of Glasgow
Colfuturo	University of Gloucestershire
College Wales	University of Hull
Coventry University	University of Kent
Durham University	University of Leeds
King's College London	University of Leicester
Manchester Metropolitan University	University of Liverpool
New College Lanarkshire	University of Manchester
Nottingham Trent University	University of Newcastle
Queen's University Belfast	University of Oxford
Sussex Coast College Hastings	University of Nottingham
The University of Edinburgh	University of Portsmouth
Ulster University	University of Sheffield
University College London	University of Southampton
University of Bath	University of Strathclyde
University of Birmingham	University of Warwick
University of Bristol	

7 Staff emoluments and related costs

(a) Total staff costs:

	2017-18	2016-17
	£'000	£'000
Wages and salaries – permanent staff	316,884	307,379
Wages and salaries – non permanent staff	83,265	78,862
Social security costs	10,429	12,554
Other pension costs	20,291	22,339
Early retirement costs	7,645	2,087
Total staff costs	438,514	423,221

Included in non-permanent wages and salaries was £66,927,367 (2016-17: £62,135,352) 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:

	2017-18	2016-17
	Average no. of staff	Average no. of staff
United Kingdom		
Management and administrative (senior managers – 276 (2016-17: 270))	1,208	1,265
Overseas		
Management and administrative (senior managers – 182 (2016-17: 192))	6,933	6,817
Teachers	2,536	2,514
Total employees	10,677	10,596

Casual staff are excluded from the above figures.

(c) Redundancy and other departure costs

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

	2017-18	2016-17*	2017-18	2016-17*	2017-18	2016-17*
	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages by cost band	
<£10,000	3	4	21	-	24	4
£10,000-£25,000	8	2	37	4	45	6
£25,000-£50,000	4	1	40	4	44	5
£50,000-£100,000	-	-	18	7	18	7
£100,000-£150,000	-	-	2	1	2	1
Total number of exit packages	15	7	118	16	133	23
Total resource cost (£)	294,011	81,660	3,692,994	789,752	3,987,005	871,412

* These figures may differ from those disclosed in the 2016-17 accounts as they include top-up payments that have been made following the quashing at Judicial Review of the 2016 amendments to the Civil Service Compensation Scheme.

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

	2017–18	2016–17	2017–18	2016–17	2017–18	2016–17
	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages by cost band	
<£10,000	83	51	38	17	121	68
£10,000–£25,000	57	31	39	3	96	34
£25,000–£50,000	10	16	28	-	38	16
£50,000–£100,000	4	7	17	1	21	8
£100,000–£200,000	2	2	1	1	3	3
Total number of exit packages	156	107	123	22	279	129
Total resource cost (£)	2,299,993	1,926,131	3,238,045	310,536	5,538,038	2,236,667

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

(d) The current Chief Executive's total actual emoluments plus pension was £250,595 (2016–17: £250,677) comprising salary of £192,556 (2016–17: £189,341), which includes a bonus of £10,863 (2016–17: £14,948) and pension contributions of £47,176 (2016–17: £46,388). The Chief Executive is a member of the Principal Civil Service Pension Scheme.

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

	2017–18	2016–17
	No. of staff	No. of staff
£60,000–£70,000	171	201
£70,001–£80,000	131	159
£80,001–£90,000	79	82
£90,001–£100,000	44	55
£100,001–£110,000	34	39
£110,001–£120,000	15	21
£120,001–£130,000	10	9
£130,001–£140,000	14	8
£140,001–£150,000	3	4
£150,001–£160,000	5	4
£160,001–£170,000	2	1
£170,001–£180,000	1	2
£180,001–£190,000	-	-
£190,001–£200,000	-	-
£200,001–£210,000	1	2
£210,001–£220,000	-	-
£220,001–£230,000	1	-
Total number of employees	511	587

(f) Off-payroll engagements

For all off-payroll engagements as at 31 March 2018, for more than £245 (2016–17: £220) per day and that last for longer than six months

	2017–18	2016–17
No. of engagements that have existed for:	No. of engagements	No. of engagements
Less than one year at time of reporting	7	16
Between one and two years at time of reporting	1	10
Between two and three years at time of reporting	-	1
Between three and four years at time of reporting	-	3
Four or more years at time of reporting	-	2
Total no. of existing engagements as at 31 March	8	32

For any new off-payroll engagements or those that reached six months in duration, between 1 April 2017 and 31 March 2018, of more than £245 (2016–17: £220) per day and that last for longer than six months

	2017–18	2016–17
	No. of engagements	No. of engagements
No. of new engagements, or those that reached six months in duration between 1 April 2017 and 31 March 2018	16	15
Of which		
No. assessed as caught by IR35	13	-
No. assessed as not caught by IR35	3	-
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	-	15
No. of engagements reassessed for consistency/assurance purposes during the year	-	-
No. of engagements that saw a change to IR35 status following the consistency review	-	-
Total no. of new engagements, or those that reached six months in duration, during the year	16	15

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018

	2017–18	2016–17
	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	3*	2
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	50	43

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

(g) Travel expenses reimbursed to 14 members (2016–17: 14 members) of the Board of Trustees amounted to £61,550 (2016–17: £42,940).

No Trustees or any persons connected with them received any remuneration for their services during the year ended 31 March 2018 (2016–17: 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 2017–18, employers' contributions of £12,488,632 were payable to the PCSPS (2016–17: £12,395,235) 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 2017–18 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 £176,971 were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8.0 per cent to 14.75 per cent of pensionable earning. Employers also match employee contributions up to 3.0 per cent of pensionable earnings. In addition, employer contributions of £7,025, 0.5 per cent of pensionable were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the Balance Sheet date were £15,623 (2016–17: £15,272). Contributions prepaid at that date were £nil (2016–17: £nil). Employer contributions of £89 were also payable to the National Employment Savings Scheme (NEST) for employees auto-enrolled in that scheme (2016–17: £575).

(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 2018 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)

	2018	2017
	£'000	£'000
Fair value of scheme assets	19,070	17,702
Present value of scheme liabilities	10,993	11,178
Surplus/(deficit) in scheme	8,077	6,524
Unrecognised surplus/(deficit)	8,077	6,524
Asset/(liability) to be recognised	-	-

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

	2018	2017
	£'000	£'000
Scheme liabilities at 1 April	11,178	8,940
Service cost	-	-
Interest cost	288	332
Contributions by scheme participants	-	-
Actuarial (gains)/losses	(276)	2,305
Losses/(gains) on curtailments	-	-
Benefits paid and death in service insurance premiums	(197)	(399)
Scheme liabilities at 31 March	10,993	11,178

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

	2018	2017
	£'000	£'000
Fair value of scheme assets at 1 April	17,702	16,953
Interest income	288	635
Administration fee paid from scheme assets	(152)	(79)
Actuarial gains/(losses)	1,429	592
Benefits paid and death in service insurance premiums	(197)	(399)
Fair value of scheme assets at 31 March	19,070	17,702

The actual return on the scheme assets over the year ending 31 March 2018 was £1,717,000 (2016–17: £1,227,000).

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

	2018	2017
	£'000	£'000
Service cost	-	-
Interest cost	288	332
Interest income	(288)	(332)
Total (income)/expense recognised in the Consolidated Statement of Financial Activities	-	-

Statement of total recognised gains and losses

	2018	2017
	£'000	£'000
Actual return less expected return on pension scheme assets gain/(loss)	1,429	592
Experience gains and losses arising on the scheme liabilities gain/(loss)	139	72
Changes in the assumptions underlying the defined benefit obligation gain/(loss)	137	(2,377)
Total actuarial gain/(loss) before restriction due to some of the surplus not being recognisable	1,705	(1,713)
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable gain/(loss)	(1,705)	1,713
Total amount recognised in the statement of total recognised gains and losses	-	-

Assets

	2018	2017
	£'000	£'000
Equity	12,008	10,612
Bonds	4,028	3,750
Property	2,850	3,077
Cash	184	263
Total assets	19,070	17,702

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

	2018	2017
	% per annum	% per annum
Inflation	2.90%	2.80%
Salary increases	n/a	n/a
Rate of discount	2.60%	2.60%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	2.10%	2.00%
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

	2018	2017
	No. of years	No. of years
Male retiring today at age 65	22.8	22.9
Female retiring today at age 65	25.2	25.3
Male retiring in 20 years at age 65	24.1	24.2
Female retiring in 20 years at age 65	26.6	26.7

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

	2018	2017
	£'000	£'000
Fair value of scheme assets	19,070	17,702
Present value of scheme liabilities	10,993	11,178
Surplus/(deficit) in scheme	8,077	6,524
Experience adjustment on scheme assets	1,429	592
Experience adjustment on scheme liabilities	139	72

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 and following the acquisition of Capita Asset Services by Link Group, Link Corporate Trustees (UK) Limited, independent Trustee to the Scheme, was paid fees amounting to £49,488.52 excluding VAT (2016–17: £40,278 excluding VAT) during the year. Two other Trustees were paid £3,480.73 fees (2016–17: £5,078) during the year. Travel and sundry expenses totalling £134.20 were reimbursed to one Trustee during the year (2016–17: £141).

(k) Union officials

Total number of employees who were union officials

	2017–18
	Full time equivalent
Employees who were union officials	1.5

The number of employees that spent the following on facility time

	2017–18
Percentage of the working hours on facility time	No. of staff
0%	-
1–50%	1
51%–99%	-
100%	1

Percentage of the pay bill spent on facility time

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

Paid trade union activities

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

8 Taxation**(a) Charge/(credit) for the year**

	2017–18	2016–17
	£'000	£'000
Tax charge for the current year		
UK corporation tax	-	-
Overseas tax	10,017	8,669
Total current year tax	10,017	8,669
Tax under/(over) provided in previous years		
UK corporation tax	-	-
Overseas tax	146	894
Total prior year tax	146	894
Total tax charge	10,163	9,563

No deferred tax has been recognised for the year (2016–17: Nil).

(b) Factors affecting the current tax charge

	2017–18	2016–17
	£'000	£'000
Net income/(expenditure) after tax	5,631	(9,017)
Total tax charge	10,163	9,563
Net income/(expenditure) before taxation	15,794	546
Tax charge/(credit) at standard UK corporation tax rate of 19% (2015–16: 20%)	3,001	109
Net expenditure not subject to tax (primarily due to charitable exemptions)	2,240	5,178
Expenses not deductible for tax purposes	703	434
Higher/(lower) taxes on overseas taxable surpluses	2,039	1,169
Irrecoverable withholding tax on repatriated funds	555	843
Losses not relievable against current income	1,479	936
Tax under/(over) provided in previous years	146	894
Current tax charge for year	10,163	9,563

(c) Factors that may affect future tax charges

The group has unrecognised deferred tax assets totalling £0.7 million (2016–17: £0.1 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

	2018	2017
	£'000	£'000
Modified cost or valuation		
At 1 April	13,105	19,411
Exchange rate differences	(6)	7
Additions	4,311	874
Transfers of completed assets from assets under construction	(22)	-
Reclassifications	3	-
Disposals	(1,953)	(6,410)
Impairment	(74)	-
Revaluations	(163)	(777)
At 31 March	15,201	13,105
Amortisation		
At 1 April	(2,561)	(9,162)
Exchange rate differences	6	(5)
Charge for the Year	(2,260)	(2,064)
Reclassifications	(3)	-
Disposals	1,953	6,410
Revaluations/backlog amortisation	957	2,260
At 31 March	(1,908)	(2,561)
Net book value		
At 31 March	13,293	10,544
At 1 April	10,544	10,249

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

	2018	2017
	£'000	£'000
AUC cost at 1 April	663	-
Transfers of completed assets to additions	(22)	-
Additions to AUC	2,746	663
Total AUC cost at 31 March	3,387	663

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

Amortisation of intangible fixed assets has been included within the expenditure on charitable activities in note 5(a).

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

10 Tangible fixed assets

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

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

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

Included in tangible fixed assets are assets to the value of £30.5 million (2016–17: £29.5 million) which have been fully depreciated. These assets are still in use and provide value to the business.

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

The annual revaluation exercise undertaken by the external valuer, CBRE has resulted in the impairment of two assets amounting to £0.2 million.

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

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

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

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

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

There is one property where the British Council is entitled to use the whole property, but would only be entitled to a portion of the proceeds of sale if the building were sold. The existing use value represents use of the whole property and exceeds the amount the British Council would be entitled to on sale by £11.5 million.

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

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

	Freehold land and property	Leasehold land and property	Furniture and equipment	Information technology	Vehicles and plant	2016–17 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 2017	(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 are the following amounts for assets under construction (AUC)

	Land and property	Furniture and equipment	Information technology	Vehicles and plant	2016–17 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

11 Heritage assets

	2018	2017	2016	2015	2014
	£'000	£'000	£'000	£'000	£'000
Modified cost or valuation					
At 1 April – cost	3,050	2,828	2,445	2,073	1,387
At 1 April – valuation	117,006	117,052	126,942	105,559	98,771
Total value at 1 April	120,056	119,880	129,387	107,632	100,158
Additions – purchased	225	222	383	372	686
Additions – donated	19	5	-	-	18
Increase/(decrease) in valuation	(86)	(51)	(9,890)	21,383	6,770
At 31 March	120,214	120,056	119,880	129,387	107,632
Unrestricted	47,895	47,866	48,733	58,672	47,428
Restricted	72,319	72,190	71,147	70,715	60,204
Total heritage assets	120,214	120,056	119,880	129,387	107,632

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

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

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

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

The increase/(decrease) in valuation figure is a net amount and includes disposals of £Nil (2016–17: £6,580)

12 Investments

(a) Total investments

	Group		British Council	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Quoted investments	110	400	110	400
Investment in subsidiaries	-	-	32	32
Total investments	110	400	142	432

(b) Investment in joint venture

	Group		British Council	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Opening balance	1,004	850	1,004	850
Net income/(expenditure)	138	24	138	24
Exchange rate differences	(115)	130	(115)	130
Total investment in joint venture	1,027	1,004	1,027	1,004

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

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

IELTS Inc. was originally funded by loans from its founding members, including the British Council. These loans have been repaid. The British Council's share of the IELTS Inc. audited income, expenditure, assets and liabilities for the year ending 31 December 2017 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 2017 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	Teaching	Ordinary/100%	31 December
Ying He Advertising (Beijing) Co. Ltd (registered name: 英合广告(北京)有限公司)	China	Raising funds through trading activities	Ordinary/100%	31 December
BC English Services Trans-National Limited	Hong Kong	Established to carry out the charitable objectives of the British Council but not currently operational	Ordinary/100%	31 March
BC English and Examinations Services India Private Limited	India	Raising funds through trading activities	Ordinary/100%	31 March
BC Management Services Private Limited	India	Provision of support services to the British Council	Ordinary/100%	31 March
Yayasan Dewan Inggris	Indonesia	Carrying out charitable objectives of the British Council	-	31 March
British Council (Kazakhstan) LLP	Kazakhstan	Carrying out charitable objectives of the British Council	-	31 December
British Council Associated Civil Association (registered name: British Council Asociados)	Mexico	Raising funds through trading activities	Ordinary/100%	31 December
British Council Civil Association (registered name: British Council Asociación Civil)	Mexico	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
British Council Foundation in Poland (registered name: Fundacja British Council)	Poland	Carrying out charitable objectives of the British Council	-	31 March
Smart Education, Culture and Language Services Limited Liability Company (registered name: ООО "Умные культурно-образовательные и языковые услуги")	Russia	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
British Council (Singapore) Limited	Singapore	Carrying out charitable objectives of the British Council	-	31 March
British Council (Taiwan) Limited (registered name: 英協文教有限公司)	Taiwan	Teaching and exams	Ordinary/100%	31 December
BC Holdings (Thailand) Limited	Thailand	Holding company	Ordinary/100%	31 March
BC Language Teaching (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	Ordinary/74%	31 March
BC Operations (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	Ordinary/74%	31 March
British Council Education Services Company (registered name: British Council Eğitim Hizmetleri Limited Şirketi)	Turkey	Carrying out charitable objectives of the British Council	Ordinary/100%	31 March
Private Extra-Curricular Educational Institution 'British Council (Ukraine)' (registered name: Приватний позашкільний навчальний заклад «Британська Рада (Україна)»)	Ukraine	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
Limited Liability Company 'British Council (Ukraine)' (registered name: Товариство з обмеженою відповідальністю «Британська Рада (Україна)»)	Ukraine	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
Friends of British Council	USA	Fundraising and carrying out charitable objectives of the British Council	-	31 March
British Council (Viet Nam) LLC (registered name: Công ty TNHH British Council (Việt Nam))	Vietnam	Teaching and exams	Ordinary/100%	31 March

No new investments were made during the year. British Council English Training (Jiangsu) Co. Ltd. received additional investment during 2017–18.

Friends of British Council is consolidated as a subsidiary because the Group has the power to exercise dominant influence over the undertaking by virtue of provisions contained in the undertaking's by-laws.

BC Holdings (Thailand) Limited's share capital comprises 48.8 per cent of ordinary shares owned by BC Holdings (United Kingdom) Limited, and 51.2 per cent preference shares owned by third parties. It is consolidated as a subsidiary undertaking because the Group has the power to exercise dominant influence by virtue of provisions contained in the undertaking's articles.

BC Operations (Thailand) Limited's share capital comprises ordinary shares, 49 per cent of which is owned by BC Holdings (United Kingdom) Limited and 51 per cent of which is owned by BC Holdings (Thailand) Limited. The Group therefore has an effective interest of 73.9 per cent in BC Operations (Thailand) Limited's share capital.

BC Language Teaching (Thailand) Limited's share capital comprises ordinary shares, 100 per cent owned by BC Operations (Thailand) Limited. The Group therefore has an effective interest in 73.9 per cent of BC Language Teaching (Thailand) Limited's share capital.

(d) Financial results of subsidiaries

Company name/ registration no.	BC Holdings (United Kingdom) Limited 07108783	BC Education Consulting (Beijing) Co. Ltd 911101050953537000	BC Management Services Private Limited U74140UP2010FTC100142	BC English and Examinations Services India Private Limited U80301HR2006PTC057821	Fundacja British Council 0000449621	British Council (Singapore) Limited 201202363R	British Council (Taiwan) Limited 24942311	BC Operations (Thailand) Limited 105554089185	BC Language Teaching (Thailand) Limited 0105554091180	Other subsidiaries
	£	£	£	£	£	£	£	£	£	£
Investment at 1 April 2016	1	3,360,000	961,855	1,739	417	-	101,666	1,848,049	1,026,694	722,636
Additions	-	-	-	-	-	-	204,903	-	-	453,000
Investment at 31 March 2017	1	3,360,000	961,855	1,739	417	-	306,569	1,848,049	1,026,694	1,175,636
Additions	-	-	-	-	-	-	-	-	-	500,000
Investment at 31 March 2018	1	3,360,000	961,855	1,739	417	-	306,569	1,848,049	1,026,694	1,675,636

Company name	BC Holdings (United Kingdom) Limited	BC Education Consulting (Beijing) Co. Ltd	BC Management Services Private Limited	BC English and Examinations Services India Private Limited	Fundacja British Council	British Council (Singapore) Limited	British Council (Taiwan) Ltd	BC Operations (Thailand) Limited	BC Language Teaching (Thailand) Limited	Other subsidiaries
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2018										
Assets	10,788	40,006	7,166	10,019	3,298	16,887	2,999	6,327	3,589	13,477
Liabilities	(16)	(20,032)	(5,516)	(5,734)	(2,468)	(8,388)	(1,980)	(4,479)	(3,596)	(13,006)
Reserves	10,772	19,974	1,650	4,285	830	8,499	1,019	1,848	(7)	471
At 31 March 2017										
Assets	9,855	34,100	6,274	6,469	2,597	17,144	2,577	4,468	3,667	13,053
Liabilities	(846)	(16,149)	(4,301)	(4,656)	(2,494)	(9,470)	(1,993)	(3,703)	(3,693)	(12,925)
Reserves	9,009	17,951	1,973	1,813	103	7,674	584	765	(26)	128
2017-18										
Income	11,045	76,430	9,654	28,059	9,373	24,806	5,562	9,801	6,095	25,164
Expenditure	(9,283)	(73,985)	(9,722)	(25,524)	(8,654)	(23,635)	(5,065)	(8,715)	(6,090)	(25,348)
Net income/(expenditure)	1,762	2,445	(68)	2,535	719	1,171	497	1,086	5	(184)
Donation of profits to the British Council	1	-	-	-	-	-	-	-	-	582
2016-17										
Income	10,163	68,543	6,756	22,399	7,389	24,288	3,576	7,108	6,162	24,142
Expenditure	(3,214)	(67,366)	(6,751)	(20,424)	(7,471)	(22,857)	(3,403)	(7,136)	(6,347)	(20,638)
Net income/(expenditure)	6,949	1,177	5	1,975	(82)	1,431	173	(28)	(185)	3,504
Donation of profits to the British Council	229	-	-	-	-	-	-	-	-	857

(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	
	2017-18	2016-17	2017-18	2016-17
	£	£	£	£
BC Holdings (United Kingdom) Limited	7,641	69,948	-	601,944
BC English Services Trans-National Limited	7,412	7,369	367,861	360,449
Total loans from the British Council to subsidiaries	15,053	77,317	367,861	962,393

The following table sets out the interest charged by a subsidiary to a subsidiary and the loan balances at the year end.

Subsidiary	Interest charged		Loan balance	
	2017–18	2016–17	2017–18	2016–17
	£	£	£	£
BC Holdings (Thailand) Limited	-	35,154	1,047,945	1,321,416
British Council Indonesia Foundation	18,986	43,603	857,685	838,700
British Council (Vietnam) LLC	14,355	2,366	814,379	202,366
Fundacja British Council	3,626	6,585	138,626	276,585
Smart Education, Culture and Language Services LLC	303	352	11,530	15,431
British Council (Ukraine) LLC	5,334	6,013	-	193,500
British Council (Kazakhstan) LLP	-	2,345	-	-
Total loans between subsidiaries	42,604	96,418	2,870,165	2,847,998

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

Of the loans outlined above, loans to subsidiaries held on the British Council Balance Sheet include only those loans to BC Holdings (United Kingdom) Limited and BC English Services Trans-National Limited with a total value of £367,861 (2016–17: £962,393).

13 Debtors (amounts falling due within one year)

Analysis by type

	Group		British Council	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade debtors	90,022	79,449	68,946	64,016
Balances resulting from activity under contracts and agreements	6,779	9,554	6,550	9,553
Other debtors	11,479	11,526	4,131	5,739
VAT debtor	2,761	1,462	895	1,190
Prepayments and accrued income	35,265	34,151	28,279	28,895
Amounts due from subsidiary undertakings	-	-	7,170	6,539
Total debtors	146,306	136,142	115,971	115,932

14 Cash at bank and short-term investments

(a) Cash at bank

	Group		British Council	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Cash and cash equivalents held in:				
Sterling	37,502	23,964	30,560	15,540
Euros	102,728	68,863	102,575	68,566
US Dollars	7,666	11,336	5,114	9,140
Other currencies	98,359	89,874	78,112	69,251
Total cash at bank	246,255	194,037	216,361	162,497

The total cash at bank balance includes cash held overseas of £16.8 million (2016–17: £19 million) that is considered to be trapped due to foreign exchange controls.

(b) Short-term investments

	Group		British Council	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Short-term deposits maturing in under one year held in:				
Sterling	73,000	34,000	73,000	34,000
Euros	21,930	23,932	21,930	23,932
Other currencies	28,312	45,577	28,312	44,212
Total short-term investments	123,242	103,509	123,242	102,144

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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade creditors	61,324	26,785	54,898	24,270
Balances resulting from activity under contracts and agreements	63,005	51,683	62,843	51,683
Other creditors	18,813	13,217	18,202	12,830
Taxation and social security	15,077	9,193	9,702	5,036
VAT creditor	2,159	1,688	1,262	682
Deferred income	131,920	138,118	116,600	124,006
Accruals – grants payable*	66,745	48,186	66,745	48,186
Accruals – other*	61,812	60,984	46,603	47,505
Amounts due to subsidiary undertakings	-	-	17,733	9,662
Total creditors	420,855	349,854	394,588	323,860

* The presentation of accruals for 2017–18 and 2016–17 has been changed from prior years to separately disclose grant payable accruals from other accruals.

(b) Analysis of deferred income

	Group		British Council	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
At 1 April	138,118	123,376	124,006	112,253
Unrealised loss on exchange rate	(46)	(637)	(33)	(387)
Income recognised during the year	(137,486)	(123,128)	(123,384)	(112,005)
Income deferred during the year	131,334	138,507	116,011	124,145
At 31 March	131,920	138,118	116,600	124,006

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 2017	443	-	1,765	166	2,325	4,699
Exchange rate differences	(7)	-	(239)	(5)	(54)	(305)
Net amounts utilised or reversed	(736)	-	(1,364)	(135)	(1,940)	(4,175)
Charged to expenditure	411	-	4,644	416	2,580	8,051
Movement between short term and long term	252	-	-	-	-	252
At 31 March 2018	363	-	4,806	442	2,911	8,522

(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 2017	477	23,277	-	-	-	23,754
Exchange rate differences	1	(920)	-	-	-	(919)
Net amounts utilised or reversed	(136)	(7,490)	-	-	-	(7,626)
Charged to expenditure	81	8,917	-	-	-	8,998
Movement between short term and long term	(252)	-	-	-	-	(252)
At 31 March 2018	171	23,784	-	-	-	23,955

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 0.10 per cent as per PES 2017 (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						
	General account	Risk reserve	Investment fund	Capital account	Revaluation account	Heritage asset reserve	2017-18 Total unrestricted funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	-	39,801	20,000	100,076	85,323	47,866	293,066
Net income/(expenditure)	7,921	-	-	-	-	-	7,921
Revaluation of heritage assets	-	-	-	-	-	(86)	(86)
Revaluation account movement on land and buildings	-	-	-	-	(14,973)	-	(14,973)
Revaluation account movement on general fixed assets	-	-	-	-	-	-	-
Revaluation account movement on intangible fixed assets	-	-	-	-	794	-	794
Transfer of purchased and donated heritage assets	(244)	-	-	-	-	244	-
Foreign exchange differences arising on consolidation of foreign operations	(3,422)	-	-	575	-	-	(2,847)
Transfer to/from restricted heritage asset reserve	-	-	-	-	-	(129)	(129)
Transfer to/from restricted grant reserve	(3,024)	-	-	-	-	-	(3,024)
Transfer to/from capital account	4,689	-	-	(4,689)	-	-	-
Transfer to/from Risk reserve	1,080	(1,080)	-	-	-	-	-
Transfer to/from Investment fund	-	-	-	-	-	-	-
At 31 March 2018	7,000	38,721	20,000	95,962	71,144	47,895	280,722
Minority interest	-	-	-	-	-	-	1
Total capital employed	7,000	38,721	20,000	95,962	71,144	47,895	280,723

Cumulative foreign exchange losses of £6.1 million and foreign exchange gains of £0.9 million respectively are included in the Risk and Capital reserves above. Such amounts relate to the re-translation of the net assets of foreign entities and will fluctuate in accordance with the relative exchange rates ruling at future Balance Sheet dates.

The minority interest shown above relates to external shareholders in British Council's subsidiaries in Thailand (see note 12(c)).

Reserves policy

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

The closing balance of the General account, Risk reserve and Investment fund, have been determined in accordance with a revised Reserves 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 2018 was £38.7 million (2016-17: £39.8 million).

Investment fund – this represents funds required for specific planned investments within a three-year horizon. The balance at 31 March 2018 was £20 million (2016-17: £20 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 relating to historic cost.
- Revaluation account – arising from the revaluation and the indexation of historical asset values to arrive at a modified historical cost.
- Heritage asset reserve – funds applied towards the purchase of Heritage assets, and the effect of the revaluation of those assets. This excludes Heritage assets classified as ‘restricted’, which are shown within restricted Heritage asset reserve.

(b) Movement in restricted funds

	Income (restricted grants) reserve	Expendable endowment reserve	Heritage asset reserve	2017–18 Total restricted funds
	£'000	£'000	£'000	£'000
At 1 April 2017	(3,024)	763	72,190	69,929
Transfer from unrestricted funds; heritage assets	-	-	129	129
Funds spent from reserves	3,024	-	-	3,024
Net income/(expenditure)	(1,819)	(471)	-	(2,290)
At 31 March 2018	(1,819)	292	72,319	70,792

Expendable endowment reserve

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

- Lefèvre Trust – To promote understanding between the UK and France, and the mutual learning of customs and language through an exchange programme for French and British boys and girls between the ages of 11 and 19.
- The Sir Shiu Kin Tang Educational Trust – To advance the education of postgraduate students from Hong Kong in the UK.
- Dame Nancy Parkinson Bequest – To assist Commonwealth students to purchase books, attend conferences or consult specialist advisers in Britain when this cost could not be met from public funds.
- Charles De Gaulle Bursary Scheme – To provide an opportunity for British and French students aged 17–19 to undertake a specific study project relating to the language or culture of the other country.

(c) Analysis of group net assets between funds

	Unrestricted funds	Restricted funds	2017–18 Total funds
	£'000	£'000	£'000
Fixed assets	215,001	72,319	287,320
Investments	1,037	100	1,137
Current assets	453,193	63,197	516,390
Current liabilities	(364,553)	(64,824)	(429,377)
Amounts falling due after more than one year	(23,955)	-	(23,955)
Total net assets as at 31 March 2018	280,723	70,792	351,515

18 Commitments

(a) Capital commitments

	2018	2017
	£'000	£'000
Contracted expenditure	1,189	634

Contracted expenditure includes £36,600 (2016–17: £244,696) relating to subsidiary capital commitments.

(b) Specific charitable projects (grants)

	2018	2017
To be undertaken:	£'000	£'000
In one year or less	5,153	2,066
Between one and five years	4,669	2,355
In five years or more	-	-
Total future minimum payments for charitable projects (grants)	9,822	4,421

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 £30,000 (2016–17: £92,020) relating to subsidiary charitable commitments.

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

	2018			2017		
	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	23,885	1,196	25,081	25,540	470	26,010
Between one and five years	27,621	778	28,399	28,062	484	28,546
In five years or more	52,249	-	52,249	379	-	379
Total future minimum lease payments	103,755	1,974	105,729	53,981	954	54,935

19 Losses and special payments

During the year ended 31 March 2018, there were 144 losses totalling £461,890 as defined in Managing Public Money (2016–17: 165 cases totalling £366,682). This includes fraudulent and non-fraudulent business losses. There were also two cases totalling £47,251 that fall within the category of special payments as defined in Managing Public Money (2016–17: two cases totalling £3,911). They were approved by HM Treasury on a value for money basis. The British Council also incurred realised foreign exchange losses of £4,130,360 (2016–17: £3,232,928).

20 Related party transactions

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

The Foreign and Commonwealth Office is regarded as a related party. During the year, the British Council had various material transactions with the Foreign and Commonwealth Office, 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 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	Creditor balance
			2017–18	2018	2018
			£'000	£'000	£'000
Foreign and Commonwealth Office	Ms Deborah Bronnert	Director General Global Britain	7,199	1,440	(238)
Coventry University	Sir Ciarán Devane	Member of the Vice-Chancellor's Advisory Group	1,592	18	(61)
University of Liverpool	Professor Janet Beer	Vice Chancellor University of Liverpool	831	16	(186)
Universities UK (UUK), England and Northern Ireland	Professor Janet Beer	President	282	19	-
University of St Andrews	Mr Adrian Greer	Chancellor's Assessor, Lay member, and Member of the planning and resources committee. Convenor of the Health and Safety Group	5	-	(22)
Baltic Centre for Arts, Gateshead	Ms Kirsty Lang	Chair NED at the Baltic Centre for Arts, Gateshead	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 and its subsidiaries are currently involved in a number of legal proceedings in respect of employment and contract disputes, copyright and other legal claims. These claims include disputes with former employees with a maximum value of £0.6 million (2016–17: £0.3 million). The British Council believes that no significant losses will arise from these proceedings. The British Council has £0.5 million (2016–17: £0.4 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, local and regulatory environments have evolved, the organisation has faced uncertainties over its legal and tax status in particular countries. In recent years steps have been taken to resolve the status position in the key territories in which the British Council operates, but there are potential taxation and other liabilities in certain territories associated with status changes or uncertainties over the interpretation of tax laws and regulations as applied to past activities. Full disclosure has not been made in relation to these potential liabilities as none is individually material and there is a high degree of uncertainty as to the amounts at risk and the timing of any potential settlements. The British Council also believes that disclosure would seriously prejudice the probability of any liability at settlement.

The British Council has a composite facility with respect to foreign bills/cheques for negotiation and/or engagements for a combined amount of US\$15.5 million with HSBC to cash foreign currency cheques that it receives or to issue bank bonds and guarantees on its behalf. There are no bonds or guarantees under this facility outstanding at 31 March 2018.

22 Financial instruments

The Governance statement sets out the British Council's approach to managing its main financial risks.

Credit risk

Counterparty credit limits, which take published credit ratings and other factors into account, are set to cover the investment exposure to individual financial institutions. Exposures and limits applicable to each financial institution are reviewed on a regular basis. The British Council has not suffered any loss in relation to cash held by its banks. Similar counterparty credit limits apply to banks with respect to forward foreign exchange contracts.

Liquidity risk

Any liquidity risk is minimal, as overseas current account balances are generally maintained at three weeks' working capital requirement to ensure sufficient cash for operational activities. Surplus cash is repatriated to the UK where local foreign exchange controls permit, and invested in the UK. Otherwise, surplus funds are invested overseas.

All investments are in accordance with the British Council's investment policy. Non-restricted cash is held on short-term deposit accounts or money market deposits with a maturity of not more than 12 months at market rates. The British Council is therefore securing interest returns on cash holdings largely held in the UK on a short-term basis. Surplus funds which cannot be repatriated to the UK (due to local foreign exchange controls) are currently invested for periods of up to six months.

Currency risk

The British Council operates in over 100 countries and carries out transactions in sterling, US dollars, Euros and a variety of local currencies.

The British Council manages its exposure to foreign currency risk on cash balances by limiting operational funding balances in local currency bank accounts where possible to no more than working capital requirements.

Where countries have deregulated foreign exchange controls any excess funds over and above working capital requirements are repatriated to the UK and then invested and/or held in convertible hard currency accounts.

The British Council operates a foreign exchange forward hedging programme to cover up to 80 per cent of euro 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 2018 (2016–17: Nil).

During the 2017–18 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 2018, the fair value of the forward foreign exchange contracts held was an unrealised loss of £0.3 million (2016–17: Nil).

23 Contract activity as an agent

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

The resources from these contracts are analysed as follows:

	2017–18	2016–17
	£'000	£'000
Contract income	1,960	3,395
Contract expenditure	1,960	3,395
Current assets	-	400
Current liabilities	-	400

24 Post Balance Sheet events

In accordance with the requirements of FRS 102, events after the end of the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There were no post Balance Sheet events to report.

OUR GLOBAL NETWORK

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

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 2018.