



# Annual Report and Accounts 2019–20

**Front cover image:** Future Leaders Connect is a unique policy and leadership programme bringing together exceptional individuals from around the world to create lasting networks.

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# A message from our Chairman



**The British Council has the skills, connections and influence to play an important role at this critical time.**

**Stevie Spring CBE**  
Chairman

As I write, the news is dominated by issues which show no respect for borders. The pandemic and the climate emergency can only be solved if nations collaborate and build trust. This must include finding ways to give young people, who are most affected by these changes, real agency and voice in deciding how best to respond. At the same time, the UK is entering a new chapter in its international relations, building new alliances and deepening ties with old friends, standing up for rights and inclusion, while continuing to contribute generously to the development of open societies and economies.

The British Council has the skills, connections and influence to play an important role at this critical time. We are recognised as a trust brand by governments, institutions and people worldwide. At the heart of our approach is a commitment to mutual benefit for the UK and the countries in which we work. We create opportunities in all four countries of the UK – including economically and geographically disadvantaged areas – for people to develop international connections which enable them to thrive. Over the last three years, for example, we have worked with one in every five schools across the UK, including in areas of high socio-economic deprivation.

As we look forward to a post-Covid-19 world, the British Council will build on the successes described in this report. Our digital strategy is central to this response. We will maintain our global competitiveness and leadership in English language teaching, testing and assessment and

transform our levels of engagement through new digital, mobile and AI-enabled products, including in places where we have no physical presence. We will work with our UK partners to establish the UK offer for online education and training as the global standard for quality. And we will create virtual communities and classrooms which help millions of people to see the world through other people's eyes and counter the retreat into echo chambers that threatens the shared values which are essential to our prosperity and security.

We will improve our efficiency with a new operating model that changes from a global network of physical premises to lighter, more flexible locations closer to our customers, supported by digital networks and with a modern back office reliant on shared services. The one-year Spending Review settlement agreed with the Foreign, Commonwealth and Development Office (FCDO), together with the longer-term loan that we have agreed in principle, gives us the stability to plan for this transformation.

There are many people and partners to thank as we report on our progress last year. We owe a great deal to our departing Chief Executive, Sir Ciarán Devane, who has guided the British Council with dedication over the last six years. Our strategic relationship with the FCDO has never been stronger. And the dedication of our staff through these exceptionally difficult times has been outstanding. This report – and our optimism for the future – is a tribute to their commitment to our mission and values.

# Chief Executive's statement



**Our mission now is as relevant as it ever was. We continue to build influence and attraction for the UK by drawing on the world-leading strengths of the UK's cultural, scientific and educational sectors.**

**Sir Ciarán Devane**  
Chief Executive (until December 2020)

When I took up my post back in January 2015, I was mindful of the British Council's origins as a counterbalance to the extreme ideologies that were taking root in the 1930s. Our overall purpose, as enshrined in our charter, has remained constant over the years. Our steadfastness, coupled with adaptability in the way we respond to the challenges of the day, is the reason why we are trusted and viewed with affection by millions of people around the world.

Our mission now is as relevant as it ever was. We continue to build influence and attraction for the UK by drawing on the world-leading strengths of the UK's cultural, scientific and educational sectors. This report shows how we have engaged people across the world with the best of the UK over the last reporting year, which ended as the world was entering the depths of the Covid-19 pandemic. We reached 983 million people, a billion in round numbers, compared to 791 million the previous year. That is 24 per cent more people connecting to the UK through our mixed programmes.

Our total income over the year amounted to approximately £1.3 billion, of which £187 million came from grant-in-aid from the UK government. Our grant-in-aid is crucial as it enables us to deliver a balanced portfolio across English language, education and skills, and the arts in support of the objectives we have agreed with the FCDO. In 2019–20, for example, our grant enabled us to deliver the highly successful UK–Russia Year of Music, build new higher education partnerships with China and train over 130,000 teachers of English worldwide.

In the final months of the year we, along with everyone else, had to adapt to an entirely unprecedented situation when the pandemic struck. We pivoted quickly at that time, moving training and teaching online. We had online classes up and

running quickly – in six hours in the case of our teaching centre in Amman – and within just a few weeks were teaching English to 55,000 students online. We are pleased to have kept our people, our partners and our students as safe as possible, and we managed our cash to ensure we survived.

Our financial report shows how the pandemic affected our overall finances with net income reduced by £38 million against plan. As we continue to adapt to the impact of the pandemic, our focus has been on securing the future sustainability of the organisation. I would like to thank ministers and officials across the UK government for their support during this time and for their help in securing our long-term future.

While this report sets out many outstanding achievements, it points also to areas where we can improve. In the context of Black Lives Matter, we recognise the need to put equality, diversity and inclusion at the centre of our corporate priorities. We need to move more quickly and make sure that we address areas of concern, especially around representation of ethnic minority staff at senior levels in the organisation. I and my fellow Senior Leadership Team members are committed to putting right what has been wrong.

A regret for all of us is that our colleague Aras Amiri remains in unjust detention in Tehran. She remains in our thoughts and we continue to hope and pray for her release.

I am proud to have served as Chief Executive of the British Council, working with brilliant people to connect the best of the UK with inspiring people from all backgrounds and nations. I leave the organisation with many fond memories of the people I have worked with. I would like to thank all my colleagues and everyone who supports us for making this experience so rewarding.

# What we do

## The British Council builds connections, understanding and trust between people in the UK and other countries through arts and culture, education and the English language.

We work in two ways – directly with individuals to transform their lives, and with governments and partners to make a bigger difference for the longer term, creating benefit for millions of people all over the world.

We help young people to gain the skills, confidence and connections they are looking for to realise their potential and to participate in strong and inclusive communities. We support them to learn English, to get a high-quality education and to gain internationally recognised qualifications. Our work in arts and culture stimulates creative expression and exchange and nurtures creative enterprise.

We connect the best of the UK with the world and the best of the world with the UK. These connections lead to an understanding of each other's strengths and of the challenges and values that we share. This builds trust between people in the UK and other nations which endures even when official relations may be strained.

We work on the ground in more than 100 countries. In 2019–20 we connected with 76 million people directly and with 983 million people overall, including online and through our broadcasts and publications.

We are funded by a grant-in-aid from the UK government and with significant additional income from partnership agreements, contracts, teaching and exams.

Founded in 1934, we are a UK charity governed by Royal Charter and a UK public body.



In partnership with Owlspot Theatre and Graeae Theatre Company, we plan to stage Shakespeare's *The Tempest* by D/deaf and disabled artists from Japan, the UK, and Bangladesh as part of UK in Japan. The production will make use of six different signed and spoken languages. The production has been redesigned to include Covid-19 in the script and the respective countries will perform virtually.

# Building connections for the UK

In 2019–20 our top-level objective was to change lives by creating opportunities, building connections and engendering trust. Results from our 2019 organisational survey of programme participants<sup>1</sup> and senior international stakeholders<sup>2</sup> indicate the following:

## Creating opportunities

86 per cent reported gaining new knowledge and skills as a result of involvement with the British Council

## Building connections

53 per cent reported having stronger relationships and connections with the UK. Among senior stakeholders, two-thirds reported stronger links with the UK

## Engendering trust

67 per cent reported more favourability to the UK and 66 per cent reported having a greater understanding of the UK and its culture

Across our global network we engage with the educational and cultural assets of the UK. In 2019–20:

**450+**

UK centres raised standards in English language teaching with our support.

**24,000**

UK artists and arts organisations worked with us.<sup>3</sup>

**£124m**

was generated by us in exports for UK exam boards.

**£455m**

was disbursed by us directly to UK organisations.

**15,000**

tertiary education professionals across the UK worked with us.<sup>3</sup>

**71,000**

teachers and 3,000 head teachers across the UK took part in our training.<sup>3</sup>

In 2019–20 we built global connections across England, Northern Ireland, Scotland and Wales. From our offices in London, Manchester, Belfast, Cardiff and Edinburgh and through our global network of 178 offices in over 100 countries, we engaged with young people, artists, teachers and a range of cultural and educational organisations across the UK, providing opportunities for international connections. We supported the relevant international strategies of elected governments and administrations across the UK and helped to promote positive perceptions of the whole of the UK.

Since its launch in 2018, for example, we have engaged a total of 1,873 schools across the UK through our Connecting Classrooms through Global Learning programme. This included 1,444 schools in England, 97 schools in Northern Ireland, 107 schools in Scotland and 225 schools in Wales. The programme develops the core skills of young people and helps them contribute to society. It supports social mobility

through education, operating for example in ten out of the 12 local authorities designated as Opportunity Areas by the Department for Education in England. In Scotland, 27 per cent of participating schools are from Challenge Authorities (areas identified as priorities for the Scottish Government).

UK partners value our international presence and network and the market insight we offer. Working with us they develop partnerships and links with individuals and organisations around the world as well as access to new networks and business opportunities. The importance and value of these connections is reflected also in feedback from our stakeholders around the world. We are valued for the international networks we create, with around two-thirds of our senior international partners confirming that we helped them establish stronger links with UK organisations. This role has been widely recognised. ResPublica<sup>4</sup> found that the British Council represents the values of the UK internationally and through its work fosters trust, exchange and long-term relationships with the UK.

1. Based on the Global Perceptions Study, an online self-completion survey among a total sample of 3,883 British Council contacts in 11 countries. Fieldwork conducted by Ipsos Mori.
2. Based on the qualitative interviews from the Global Perceptions Study. Interviews were conducted with 54 senior British Council stakeholders in 11 countries. Fieldwork conducted by Ipsos Mori.
3. Total numbers are aggregated from the numbers of people who participated in individual programmes and as such do not represent unique numbers.
4. ResPublica (2017) *Britain's Global Future: Harnessing the soft power capital of UK institutions*.

# Engaging audiences worldwide

In 2019–20 we engaged directly with 76 million customers worldwide, of which 31 million had participated in grant-in-aid-funded programmes.<sup>5</sup> This is broken down by region as follows:

<b>Sub-Saharan Africa</b>	<b>5.6m</b>	<b>South Asia</b>	<b>13.2m</b>
<b>East Asia</b>	<b>13.7m</b>	<b>UK</b>	<b>16.8m</b>
<b>Americas</b>	<b>2.8m</b>	<b>Middle East and North Africa</b>	<b>6.6m</b>
<b>European Union</b>	<b>3.9m</b>	<b>Global<sup>6</sup></b>	<b>9.6m</b>
<b>Wider Europe</b>	<b>3.8m</b>		

## Our work in English language in 2019–20

**60+**  
national governments worked with us to support English language education.

**130,000+**  
teachers of English took part in our training.<sup>5</sup>

**10m+**  
teachers and educators – the world’s largest network of teachers – connected with us online.<sup>5</sup>

**96m**  
learners and teachers used our English digital channels.<sup>5</sup>

**4m**  
people took an exam with us – promoting English and UK qualifications.<sup>5</sup>

## Our work in arts and culture in 2019–20

**57,000**  
artists and arts organisations worked with us in 100 countries around the world.<sup>5</sup>

**2m+**  
views of the British Council Arts YouTube channel, an increase of 63.5%.

**3.9m+**  
views of Five Films for Freedom across a minimum of 130 countries.

**26**  
new commissions from disabled artists in the UK were supported across all art forms.

**£9.7m**  
in grants was distributed to 42 cultural heritage preservation projects through the Cultural Protection Fund.

## Our work in education and skills in 2019–20

**28,000**  
researchers worked with us worldwide.<sup>5</sup>

**£522m**  
cumulative benefit to the UK economy of the Study UK campaign by the end of 2019–20, since the programme started.

**35,921**  
new Active Citizens took part in our training, giving a cumulative network of 322,164 Active Citizens since the programme started.

**157,000**  
teachers and 19,000 head teachers trained with us worldwide.<sup>5</sup>

**165+**  
UK universities and higher education colleges worked with us.

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

6. Global audience numbers relate to activities that occur across multiple countries where audiences cannot be broken down at a country level.

# Some highlights

## English language highlights

**IELTS was reappointed as an official test provider for visas:** We are one of five organisations authorised to run tests for UK Visas and Immigration.

**We have refreshed and upgraded our teaching product portfolio:** Following successful roll-out of Secondary Plus across Europe, the product has been adopted across all our teaching operations, and we now have a global offer for young learners of Learning Time with Timmy, Primary Plus and Secondary Plus.

**We have developed our free testing offer:** EnglishScore is our free mobile-delivered English language test and is now

available globally and promoted through British Council digital channels. With registrations currently between 20,000 and 40,000 per week, we will reach more than one million new customers in 2020.

**We reached a new five-year agreement with Cambridge International from February 2020:** Through this partnership we help to deliver programmes to thousands of learners across the world. We securely administer Cambridge exams as well as providing professional development for teachers and support for schools that deliver Cambridge exams.

## Arts and culture highlights

**Deepening cultural relationships with Russia:** The UK–Russia Year of Music engaged 577 UK artists in 235 events in 34 cities across Russia in a year-long programme. It connected the UK with 48.3 million people in Russia through showcasing, professional development, digital partnerships and media projects and engagement with young people. It also strengthened existing partnerships and created new ones, for example with most of the major festivals in Moscow and St Petersburg.

**Expanding audiences in the arts through digital programming:** We showcased the British Council collection online through our award-winning Museum Without Walls. In 2019–20 we reached over 500,000 people online, and one of the exhibitions featured was awarded two Horizons Interactive Awards: Gold Award in Entertainment Industry and Best of Category in Mobile Responsiveness.

**Promoting economic and social inclusion through the arts:** We initiated a global pilot programme, Developing Inclusive and Creative Economies (DICE), to help reduce economic and social exclusion, notably for women, youth, and disabled people. In its first full year of operation, DICE worked directly with over 7,000 artists, community leaders, entrepreneurs, academics, investors and policymakers. The programme includes a £2 million DICE Fund which awarded grants to 28 creative hubs, universities and incubators in the UK and other countries to work on initiatives to address social challenges. An external evaluation has confirmed that DICE has achieved the first step to systemic change – by increasing the capacity, turnover and confidence of creative social enterprises. It has enabled international, regional and national networks and connections, including helping UK intermediaries to scale up their work and reach new geographical areas.

## Education and skills highlights

**Supporting UK schools and promoting internationalism:** Connecting Classrooms is a £37 million three-year programme, co-funded by the Foreign, Commonwealth and Development Office (FCDO)<sup>7</sup> and operating in 30 countries. The Department for International Development (DFID) gave the programme an A+ evaluation rating in 2019. Results show a positive impact on UK schools and pupils: 88 per cent of school leaders completely agree the programme is giving students the skills and confidence to contribute to society.

**Supporting student recruitment through Study UK:** The economic benefit to the UK attributable to the campaign has grown from £422 million to £522 million over the course of the year. There were over 4.8 million visitors to the Study UK website (surpassing our target of 4.6 million). Study UK is helping to drive up student recruitment from India where there has been a 93 per cent increase in student recruitment over the last 12 months.

**Building higher education partnerships with China:** We have helped to develop 40 partnerships and joint initiatives with the UK which have led to four transnational education programmes and an innovation academy. They have generated £720,000 of additional research funding and produced ten joint papers and seven joint research publications.

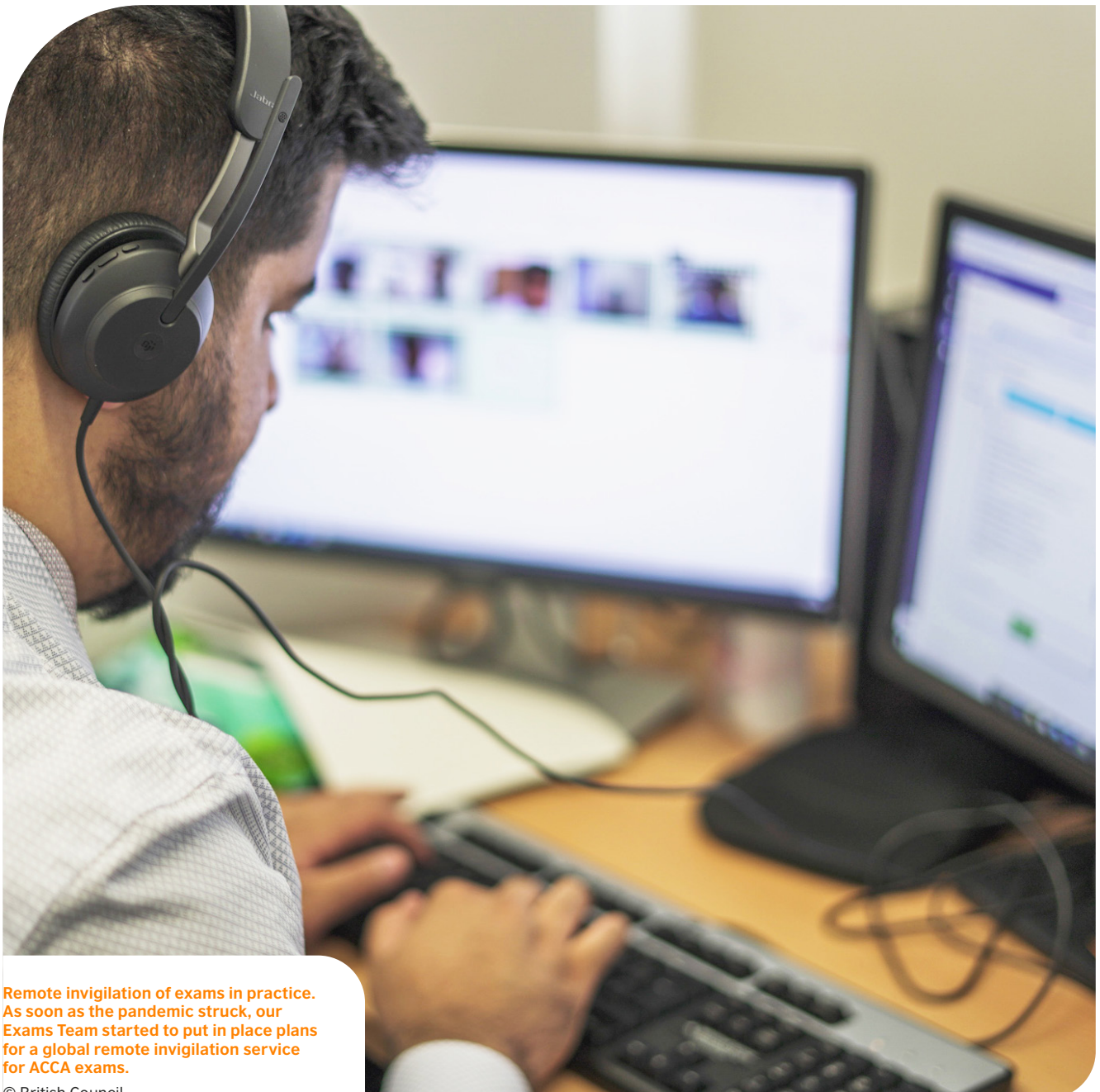
**Demonstrating British expertise internationally:** The British Council was nominated for a total of five awards by British Expertise International, winning the International Positive Social Impact award for its Ceibal en Ingles partnership project in Uruguay. The British Council demonstrated ‘innovation, excellence and lasting positive social impact’ by engaging with 80,000 primary school children across 550 schools since 2012 through video-conferencing technology to improve English language learning.

7. In September 2020 the Foreign and Commonwealth Office and the Department for International Development merged to create the Foreign, Commonwealth and Development Office. The FCDO is now the British Council’s sponsor department.

# Our response to Covid-19

**As a result of the Covid-19 crisis we temporarily closed face-to-face teaching operations in 43 of the 47 countries in which we operate, launching online teaching in 44 countries.**

We also had to temporarily close more than 200 of our 223 exams centres. As well as ensuring the safety of our staff and customers, we found innovative ways to continue to deliver our services and support our partners and stakeholders in the UK and worldwide. We have summarised on the next page our initial response to the crisis.



**Remote invigilation of exams in practice. As soon as the pandemic struck, our Exams Team started to put in place plans for a global remote invigilation service for ACCA exams.**

## English language response to Covid-19

- **Co-ordinating a global response in support of English language teachers and overseas governments:** We set up a UK sector digital task force through which we are collating needs across countries and have produced guidance documents for ministries of education and for teachers. Webinars and online training programmes have engaged hundreds of thousands of teachers globally.
- **Adapting country-specific English language reform programmes:** Working with the FCDO and UK partners, including EDT, VSO, the Open University and Edinburgh College, we are supporting teachers and learners remotely in Africa and South Asia with radio and television broadcast lessons for learners, online teacher communities of practice and sharing resources using mobile technology.
- **Developing new online teaching products:** As our teaching operations were forced to close, we moved our teaching online – myClass Online, Primary Plus Online and Secondary Plus Online have now been rolled out to over 85,000 existing teaching centre customers since the beginning of March.
- **Making free resources available for learners of English:** There was a total of 9.5 million visitors across our English digital estate in March, with 3.2 million unique users of LearnEnglish Kids (monthly average 1.1 million).
- **Developing new digital learning and assessment products:** This included MyTutor, our online personal tutor service, delivered in partnership with EnglishScore and IELTS Indicator, an online English language test for people who are unable to sit IELTS.

## Arts and culture response to Covid-19

- **New digital international connections:** In March we launched #CultureConnectsUs, a global campaign to highlight the value of culture for international connections and exchange. The campaign has already reached over 500,000 people globally.
- **Maintaining connections and sharing knowledge:** Through our digital platforms we offered training and peer exchange between UK creative sector professionals and their Sub-Saharan Africa counterparts to share knowledge on sector responses to Covid-19. This built on our work with creative hubs through the year including the Creative Hubs Summit in Harare in March 2020.
- **Supporting the UK sector:** We have been providing insights from our global network, including a virtual briefing session for all four UK arts councils.
- **Creating new online audiences for UK arts and culture:** As part of the UK in Japan Season, the National Gallery exhibition Masterpieces was developed as an online tour for audiences in Japan. We also contributed to the Docudays UA Human Rights Film Festival in Ukraine. Docudays moved its entire festival online, including the British Council-supported programme *Lost Film Found: Scotland in Focus*, a selection of six films chosen by the programmer of the Edinburgh International Film Festival. In Argentina, the City of Buenos Aires government's Cultura en Casa shared online content including *Minefield*, a British Council supported play. The play was seen by 175,000 people in the 48 hours it was available.

## Education and skills response to Covid-19

- **Providing insight and data to the HE sector:** We are helping the sector understand the impact of Covid-19 on international student recruitment. This includes a fortnightly survey of 10,000 prospective Chinese students. We are also holding a series of webinars to provide HEIs with regional insights. The one for the EU attracted 218 UK HEI representatives.
- **Support for UK exams bodies:** We are steering clients towards computer-based delivery options including remote proctoring solutions to ensure we can still deliver exams for our professional clients during lockdowns. We have been providing exam boards with the local intelligence they need to support their decision making.
- **Providing information and support to students:** We ensured that 1,800 language assistants (who are often on a year abroad as part of their degree) in 14 different countries received information and support.
- **Providing information and support to institutions:** We worked with Erasmus+ beneficiary organisations across the higher education, schools, VET, adult education and youth sectors to ensure that there were no instances of individuals being stranded. We have been in touch with all 160 universities with active mobility projects in the UK, liaised with stakeholders like Universities UK International (UUKi) and representative bodies, and boosted our customer service team to ensure we could answer enquiries.

# Our strategy to 2020



Tim Gordon, 2019 International Winner of FameLab International, the science communication competition owned by Cheltenham Science Festival and delivered globally by the British Council.

© Still Moving Media courtesy of Cheltenham Festivals






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

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

The core elements of our strategy included five strategic priorities with a geographic focus designed to increase our impact and five corporate priorities designed to support our operations and strengthen sustainability. The strategy is summarised on the next page.

In 2019–20 we consulted with partners and stakeholders on a new strategy for the next five years. The completion of this strategy has been put on hold as we deal with the consequences for the organisation of the Covid-19 pandemic and ensure a proper fit with the delayed Spending Review and the Integrated Review.

## We build connections, understanding and trust between people in the UK and other countries through arts and culture, education and the English language.<sup>8</sup>

<p><b>01</b> Strengthen impact and focus in our priority areas</p>	<p>We make a positive contribution to the UK and other countries we work with – changing lives and creating opportunities, building connections and engendering trust. This enhances the security, prosperity and influence of the UK and, in so doing, makes the world a better, safer place. We achieve this by:</p> <ul style="list-style-type: none"> <li>• Creating international opportunities and connections for young people and for cultural and educational institutions in the UK.</li> <li>• Building education and cultural partnerships with countries of the European Union and other developed countries.</li> <li>• Strengthening educational and cultural opportunities and connections with India, China and other emerging and high-growth developing countries.</li> <li>• Strengthening long-term connections and relationships with the next generation in Russia and neighbouring countries.</li> <li>• Contributing to stability and security in priority countries, including in the Middle East, Africa and South Asia, and responding to the Syrian refugee crisis.</li> </ul>		
<p><b>02</b> Improve the experience of customers, stakeholders and partners</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>		
<p><b>03</b> Ensure financial sustainability and maintain operations in the developed world</p>	 <p>Growing and diversifying income and surplus</p>	 <p>Improving our operational efficiency</p>	
<p><b>04</b> Invest in our 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 capability</p>

Underpinned by our values

Valuing people

Integrity

Mutuality

Creativity

Professionalism

8. This is a new purpose statement which was agreed during the course of the reporting year.

# Achievements against five strategic priorities

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

Following the UK's departure from the European Union, it is important for the UK's future prosperity and influence that it remains outward-looking and confident on the world stage. The British Council has an important role to play in drawing together and facilitating international opportunities for young people across the whole of the UK and promoting the learning of modern foreign languages.



Young people from a school in Hull benefiting from an exchange visit involving teachers from Freetown, Sierra Leone, under the Connecting Classrooms through Global Learning programme.

© British Council

## Education and skills

**Providing international opportunities for schools in the UK:** Through our wide-ranging schools programmes, including Erasmus+ and Connecting Classrooms through Global Learning, we have actively engaged 21 per cent of schools across the UK in the three years to March 2020, providing opportunities for international travel and connections, resources, and curriculum links for 1.4 million UK young people, as well as professional development opportunities for teachers and school leaders.

**Providing opportunities in China for young people from the UK:** Since 2013, more than 40,000 young people from the UK have participated in study, internship and teaching programmes across China through Generation UK. Evaluation shows that it creates new opportunities for a diverse range of young people from the UK with 42 per cent of participants identifying as being minority ethnic. Most participants increased their professional and social connections in China with improved employability skills.

**Providing opportunities for young people through Erasmus+:** Erasmus+, the flagship European Union programme for education, training, youth and sport, is playing a crucial role in supporting outward mobility and international connections. It offers opportunities for UK participants from every walk of life to study, work, volunteer, teach and train in Europe and beyond. In 2019, €205 million was awarded to UK universities, colleges, schools and youth organisations. This benefited approximately 39,000 young people from higher and vocational education, and a further 14,500 young people from schools and youth organisations. It helped them to acquire vital competences – such as communication and critical thinking – and develop cultural awareness and language skills. The British Council delivers the UK National Agency for Erasmus+ as lead partner in a consortium with Ecorys UK.

**Creating opportunities for UK exams bodies:** We are engaging with over 2,000 schools and 44,000 teachers and school principals worldwide through our online Partner Schools Global Network (PSGN) offering online teacher training and educational resources. We have attracted new schools in mainland China, Vietnam, Taiwan and Myanmar to work with us and deliver the English curriculum – opening new markets in East Asia for UK exams bodies such as Cambridge International, Pearson Edexcel and OxfordAQA. We have also seen an increase in professionals seeking internationally recognised qualifications, especially accountancy exams with ACCA, the Association of Chartered Certified Accountants.

## Modern foreign languages

**Support for the teaching and learning of languages in the UK:** Learning languages broadens horizons, creates cultural understanding and provides significant life and career opportunities. Our annual Language Trends research continues to track trends in modern foreign languages in England, Northern Ireland and Wales. Our research has contributed to policy change and has driven forward and supported the need to improve language learning across the UK. We have also delivered programmes that directly encourage language learning in partnership with the Department for Education, the FCDO, Institute of Education, Qatar Foundation and the German Embassy. Together these programmes involved over 250,000 young people and 11,000 teachers in actively learning and teaching languages.

**Promoting modern languages in Northern Ireland:** With a focus on languages of strategic importance for the UK, such as Mandarin and Arabic, we work in partnership with the Qatar Foundation International, and the Confucius Institute at Ulster University, on a number of pupil-focused language projects such as Schools Think China day with 230 primary school pupils from across Northern Ireland and hosting the annual UK-wide Mandarin Speaking Competition. We also work with local partners to expand our current Arabic offer to schools by hosting an Arabic teachers' training day attracting Arabic speakers from a range of teaching backgrounds, and holding a Schools Think Arabic day with 140 pupils from across Northern Ireland.

**Promoting multilingualism in schools in Wales:** In 2019 we launched *Multilingualism in Welsh primary schools*, which outlined some of the innovative methods teachers are using to successfully integrate international languages into primary schools in Wales. Head teachers surveyed in the report saw international languages provision as representing the international ethos and aspirations of their school and supporting children to become 'global citizens'. One of these innovative programmes was *Cerdd Iaith*, a powerful new online resource using music and drama to help primary school children to learn Welsh, English and Spanish.

**We have actively engaged 21 per cent of schools across the UK in the three years to March 2020.**

## Arts and culture

**Supporting international connections for artists and arts organisations from Wales:** We supported artists and arts organisations in Wales to strengthen existing and establish new relationships and networks with EU peers. Twenty-two projects were supported across 15 countries in Europe. Five-hundred and eight new contacts were made, leading to 118 signed contracts. We also launched a new fund in partnership with Wales Arts International and the British Council in India to link Welsh artists and festivals with those in India. The three-year fund supports the development of Indian–Welsh cross-cultural work which then tours to festivals in both countries, building capacity and international connections in both the practitioner and festival sectors.

**Creating new connections for the arts sector in Scotland:** Momentum is an annual programme delivered in partnership with Creative Scotland and Festivals Edinburgh. Over nine years it has brought more than 1,000 international delegates to the August Edinburgh Festivals and provided access to the Scottish arts sector, resulting in new connections and future collaborations. In 2019 Momentum welcomed 170 international delegates from 29 countries, and 94 per cent said they intended to follow up on connections and ideas developed during the programme. Momentum initiates multiple connections which feed into a range of British Council programmes, projects and seasons, and contributes to the work of Creative Scotland and Festivals Edinburgh, and creative thinking, careers and market opportunities for artists and cultural organisations.

**Helping to create city-to-city cultural connections:**

In October 2018, we co-commissioned research with Manchester City Council exploring how to optimise Manchester’s engagement with key Chinese cities. It created a roadmap for Manchester to build city-to-city connections with China and has led to the establishment of the Manchester Network for Creative and Cultural Collaboration with China. The core membership of 12 cultural and higher education institutions (HEIs) from the city, and around 40 organisations from across Greater Manchester, works closely with the Manchester–China Forum, linking the city’s cultural resources with its wider international economic and foreign direct investment interests. The network has developed plans for city-to-city exchanges and is currently working to develop a digital Connections Through Culture programme between Manchester and the priority Chinese cities identified in the research.

**The Comet is Coming performed in Moscow as part of the UK–Russia Year of Music programme.**

© Avdeev



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

Maintaining and strengthening relationships with EU member states through cultural relations is essential. Beyond Europe, in support of the UK government's Global Britain agenda, we are building on existing ties with the developed countries of North America, Asia, the Commonwealth and the Gulf.



A touring printmaking exhibition and programme of workshops, curated by Scotland's Highland Print Studio, formed part of the Gulf Culture and Sport programme. The tour was a great success, generating opportunities of future collaboration for Highland Print Studio.

© John McNaught, Highland Print Studio

## Education and skills

**Supporting education reform in Croatia:** Since March 2018, the British Council has been the lead consultant on the Croatian Ministry of Science and Education's schools reform programme, funded by the European Commission. From November 2018 to November 2019, the second phase of the project, we trained mentors and teacher trainers who are disseminating their teaching practices to students. In the evaluation of the project, the mentors reported that teachers had become more positive about new pedagogical approaches. All mentors agreed that their training with the British Council helped them develop their knowledge base and increased their confidence.

**Celebrating UK–European research collaboration at Going Global:** Going Global is the world's largest open conference for international tertiary education and provides a platform for the UK higher education and research sectors to build international connections. In May 2019, we held Going Global in Berlin, sending a powerful message that UK–European collaboration remains at the heart of the international education picture. Leaders in higher education, business and government participated in three days of discussion focused on knowledge diplomacy, the release of our latest *Shape of Global Higher Education* report and our research into the role of universities in European 'smart cities'. The event, hosted in partnership with DAAD (the German Academic Exchange Service), was attended by 950 experts representing 85 countries. We celebrated UK–European research collaborations at a showcase event at the UK embassy and profiled higher education policy opportunities to global sector stakeholders at our regional breakfast session. Nine in ten delegates surveyed said they had made new contacts for collaboration at the conference.

## English language

**Extending bilingual education with the Spanish government:** We entered the 24th year of partnership with the Spanish national government supporting a content-based, integrated English–Spanish curriculum in Spanish state schools. There are now 88 primary schools and 56 secondary schools in the programme, which runs in ten regions in Spain and involves 1,200 teachers and 40,000 pupils every year.

**Supporting in-service teacher training in Germany:** We worked closely with state teacher training institutes across Germany to support their in-service training for teacher educators and teachers of English. In addition to sharing UK expertise on English teaching with hundreds of teachers per year, we have co-developed tailored training programmes in the three federal states of Saxony-Anhalt, Berlin and Brandenburg, reaching over 1,200 schools. These programmes involve a variety of contributions such as teacher study visits to British Council-accredited language schools in the UK and online English language tutoring for teachers using teams of English language tutors based in the UK.

## Arts and culture

**Building cultural partnerships in Europe:** Creative Europe Desk UK is led by the British Council and the British Film Institute in partnership with Arts Council England, Creative Scotland and the Welsh government with support from the Department for Digital, Culture, Media and Sport (DCMS). Since 2014, 289 cross-border cultural projects have featured UK partners, reaching over seven million audience members in the UK, enabling transnational knowledge sharing and capacity building, and developing long-term cultural relationships across over 40 countries. In 2019, 32 UK organisations were awarded funding for co-operation projects with other European countries, and one in four projects overall had a UK partner.

**Building connections with the Gulf:** The Gulf Culture and Sport programme uses the best of UK culture and sports to develop deeper engagement with the Gulf States and supports young people to build new skills. Since its launch in 2016, over 500,000 people have taken part in the programme, but the impact has extended to millions more through a targeted social media and digital campaign, raising awareness of the benefits of culture, sport and healthy lifestyles for communities. Overall, 407 UK organisations have developed new partnerships and connections and 123 existing partnerships have been strengthened. The programme has created opportunities for all, including women and girls who have formed more than 50 per cent of total audiences. Highlights in 2019–20 included a visit by the Royal Philharmonic Orchestra to Kuwait for coaching workshops and performances and a Saudi delegation visit to England, Wales and Northern Ireland focusing on digital art. Commissioned by DCMS, the programme is funded by HMG's Integrated Activity Fund and managed by the British Council.

**Building UK–Japan cultural collaborations:** The UK in Japan 2019–20 Season enabled 92 new relationships between UK and Japanese cultural institutions, artists and arts professionals. UK in Japan 2019–20 is an ambitious bilateral programme that aims to share the vibrant and diverse arts and culture between these two countries. The programme focuses on the contribution that the arts and creative industries play in driving prosperity and in enhancing well-being and inclusion. The year was launched with a series of major UK arts showcases, including the inaugural BBC Proms JAPAN with BBC Scottish Symphony Orchestra, the Royal Opera's Japan Tour and the Courtauld Gallery's major exhibition, which attracted 430,000 visitors in Tokyo and Aichi.

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**407 UK organisations formed new partnerships through the Gulf Culture and Sport programme.**

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

Emerging markets across the world continue to grow and develop with ever increasing influence on the global stage. A central focus of our work across this diverse group of countries is to support the aspirations of young people by enhancing their skills and employability. The challenge is to maintain influence and reach in the huge Chinese and Indian markets, while also achieving greater impact in the mid-size emerging economies.



Our English and Digital for Girls' Education programme supports adolescent girls from marginalised communities in India, Bangladesh and Nepal to improve their career and life opportunities by building English, digital and core skills.

© British Council

## Education and skills

### Strengthening UK–India academic partnerships:

Now in its 15th year, the UK–India Education and Research Initiative (UKIERI) supported 9,303 Indian students and 5,711 UK students, and worked with 10,013 trainers, teachers and researchers in HEIs in the UK and India in 2019–20. Partnerships are providing direct employment to about 600 researchers on projects across both countries. In 2019–20 there were 62 publications in international peer-reviewed journals jointly authored by lead researchers of participating HEIs. UKIERI also hosted a high-level vice-chancellor delegation in September 2019 to Delhi and Hyderabad, and the 20 delegates engaged with top academics, government officials and thought leaders from India on future UK–India academic relations.

### Building higher education partnerships with East Asia:

In 2019–20, we worked with over 100 UK HEIs, providing international partnership opportunities in China, the Association of Southeast Asian Nations, Japan, Korea and Taiwan. Independent evaluation has demonstrated the value of this work to both the UK and international partners. We are creating new opportunities for UK and East Asia HEIs to internationalise and collaborate – 79 per cent of UK HEIs report that the relationships built through the programme would not have happened without British Council support. The partnerships prove both beneficial and sustainable – 80 per cent of UK HEIs report that the partnership has been beneficial and 94 per cent of all HEIs report that they have arrangements in place to continue collaboration after British Council funding and engagement. The partnerships have led to student mobility, with most institutions reporting student or faculty mobility programmes arising from the partnership.

## English language

### Transforming the teaching of English in South Africa:

Teaching for All is an ambitious curriculum and teacher development project, funded by the European Union, that provides teachers with the skills and knowledge to teach inclusively in diverse classrooms in diverse communities. The project has developed teacher training modules and materials for Bachelor of Education and Postgraduate Certificate in Education programmes with ten South African universities delivering the training. The project aims to reach 50 per cent of graduating teachers by 2021 (22,000 teachers graduate per year). The universities that have begun using the materials have unanimously reported how they are improving their pre-service programmes.

### Supporting teachers in Colombia with UK expertise:

In Colombia, we have worked with the Ministry of Education for 16 years supporting English teacher continuing professional development, reaching 12,000 teachers in the last four years and 1.8 million students.

This partnership has included consultancy on the national curriculum, with materials development by UK publishers; in-school support and mentoring in 400 schools for teachers and administrators; and the opportunity for 300 English teachers to attend training in the UK. In partnership with a UK publisher, we have created an app that helps teachers analyse students' performance. Launched by Colombia's president on television, the app has been downloaded so far by 50,000 users.

## Arts and culture

**Expanding artistic networks in East Asia:** Connections Through Culture (CTC) is an exchange programme that brings artists and arts organisations from the UK together with counterparts in East Asia. The programme, which began in China, has fostered 397 individual collaborations since its inception. In 2019 CTC expanded to include a further seven countries in East Asia. In 2019 CTC provided 66 partnership grants to artists and arts organisations from the UK and East Asia. An independent review in 2019 concluded that CTC has proven to be a vital enabler of UK–China cultural relations. It indicated that CTC has made possible relationships which have led to co-productions, collaborative projects and multiple instances of shared learning and professional development.

**Promoting UK–India creative collaborations:** India's Festivals for the Future programme launched in 2019 to promote exchange between the UK and India by supporting India's burgeoning festival sector. Since launching, #FestivalsForFuture has quickly become a vital network of festivals across India. In the first year, almost 60 festivals have benefited from training. In one strand of the programme, which quickly moved online due to challenges relating to Covid-19, training was provided to over 3,500 festival managers and creatives in 14 countries worldwide.

We also worked in partnership with several festivals on creative programming, including TataLitLive in Kolkata, SpokenFest in Mumbai and the Kerala International Theatre Festival, to foster creative exchange between the UK and India. A highlight was bringing the Jaipur Literature Festival to Belfast, where Mahatma Gandhi's granddaughter, Tara Gandhi Bhattacharjee, gave a keynote addressing non-violence during the 150th celebration of Gandhi's birth.

**Engaging young people in Mexico in developing the creative economy:** We are developing the Mexican creative economy by strengthening the capacities of young creators, creative leaders and policymakers. Last year, the Creative Collective Mex project engaged more than 1,000 cultural managers and operators, and 75 civil servants through residencies, workshops and exchanges. The programme has also developed partnerships between UK agencies (Nesta, RCA Innovation Policy Platform, University of Arts London) and the Mexican government, including all six local governments behind the UNESCO Creative Culture network in Mexico.

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**Connections Through Culture has fostered 397 collaborations since its inception.**

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

Political relations between the UK and Russia are at a low point and our challenge is to make the most of the opportunity that cultural relations offers to keep other channels open for the future, and to respond at scale. Meanwhile, as countries neighbouring Russia are seeking new global relationships, the UK is looking to support these aspirations and build significant new connections.



Serbian Prime Minister Ana Brnabić holding a micro:bit at an event in Belgrade in January 2020 where we distributed micro:bits to 400 school leaders.

## Education and skills

**Stimulating new creative industries partnerships for the UK in Central Asia:** Since 2018, the Creative Spark programme has funded 35 UK universities and five UK cultural organisations to develop partnerships in Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Ukraine and Uzbekistan. It is working directly with over 30,000 students and young entrepreneurs, helping them to gain new enterprise, business start-up and English skills, and engaging a further 400,000 people online. There was a 17 per cent increase in the number of international participants who were confident in their ability to do business in English as a result of their participation in the programme, and a 27 per cent increase for entrepreneurial skills. The partnerships are helping the UK institutions to identify new transnational education opportunities as well as supporting their student recruitment initiatives. The programme is also creating longer-term benefits for the UK through creative economy business connections. Independent research found that Creative Spark had positioned the UK as a partner of choice in higher education and enterprise for governments in the seven programme countries.

### **Deepening educational connections with Russia:**

A delegation of UK university leaders and scientists led by Ciarán Devane visited Russia for four days in November to deepen UK–Russia collaboration and partnership in research, science and higher education. Delegates discussed plans to expand joint research, increase student mobility between Russia and the UK, grow the transnational education market and create opportunities for early career researchers. A memorandum of understanding on collaboration was signed by the Russian Rectors' Union and Universities UK International.

### **Supporting education in Western Balkans with UK technology:**

21st Century Schools is a 36-month programme supporting up to one million students across 4,000 Western Balkans schools with coding, critical-thinking and problem-solving skills. The programme was launched at the Western Balkans Summit of 2018 in London when the UK government announced £10 million of funding to scale the programme to every school in the Western Balkans, giving one million children skills that are attractive to employers. So far, we have worked with 2,400 schools and 10,000 teachers, and set up 670 coding clubs for 12,729 children. Eleven thousand teachers have taken the online micro:bit course and, in partnership with ministries of education, we have made curricula changes in three countries, which means many more children will ultimately experience the programme. The prime minister of Montenegro has pledged to take this training to all teachers across the country and give all schools additional kit to support their innovation.

## English language

**Providing digital content for young people:** In 2017, we created The English Channel, an innovative online platform that supports the educational, cultural and employment aspirations of young people across the region. The English Channel gives users access to contemporary arts content from the UK and around the world, while helping them develop their entrepreneurial and English language skills. The site also offers more than 20 UK partners, including Nowness, Barbican, Nesta, Enterprise Nation and Innovate UK, a new platform to reach new markets and audiences. The English Channel has been accessed by more than 6.5 million users globally. Visitors to the site explore content from our partners such as The National Theatre and Time Out London and say that they are more likely to choose the UK as a holiday destination for a cultural experience.

## Arts and culture

**Inspiring young Georgians:** UK/Georgia 2019 was an autumn season of more than 60 events jointly presented by the British Embassy and the British Council in Georgia. Timed to mark the centenary of British–Georgian diplomatic relations, the season created even stronger contemporary bilateral ties. The season was designed to inspire young Georgians, and we initiated the country's first youth board to set its direction. The programme showcased the best of UK arts and included a disability arts forum at the Georgian Parliament. We reached 108,000 people in person and 1.5 million people digitally.

Eight new partnerships were built, and legacy collaborations include Tbilisi International Film Festival working with Bristol's Encounters Festival to adopt their DePict! competition, and Studio Wayne McGregor working with Tbilisi International Theatre Festival to develop inclusive dance practice.

**Stimulating debate through culture:** In August our exhibition Perceptions finished its year-long tour of the Western Balkans, where it has been ground-breaking in driving the role of museums and galleries as safe platforms for socio-political debate. Collaborating with five major national museums and galleries, curators from each institution worked together to select work from female artists in the British Council collection and hung it side by side with female artists from their own countries. More than 40,000 people visited the show, and two million people engaged via social media and over five million via print, radio and broadcast.

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**Research found that Creative Spark had positioned the UK as a partner of choice in higher education and enterprise.**

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

In these regions, political instability, faltering economies and fragile security situations mean an increasing need for programmes for young people based on opportunity, tolerance and trust. Much of our work focuses on providing opportunities and positive pathways for young people.



Participants from the Conserving Sudanese Cultural Heritage project which aims to conserve and digitise a range of written and photographic material held in archives in Sudan. This project is delivered by King's College London in partnership with University of Liverpool, Sudanese Association for Archiving Knowledge, National Record Office of Sudan and Africa City of Technology.

## Education and skills

**Contributing to the achievement of the Sustainable Development Goals (SDGs):** Strategic Partnerships for Higher Education Innovation and Reform (SPHEIR) is an innovative grant fund that supports the transformation of higher education in Sub-Saharan Africa, Asia and the Middle East. The British Council manages the SPHEIR fund on behalf of the FCDO, leading a consortium with PricewaterhouseCoopers (PwC) and UUKi. All SPHEIR's partnerships involve at least one UK-based organisation, drawing upon the UK's world-leading capability and expertise in higher education and innovation.

The partnerships are making a recognised contribution towards achievement of the United Nations' SDGs. *Times Higher Education* published rankings for the first time in 2019 to measure and rank universities' success in delivering the SDGs. The top ten featured two UK institutions, King's College London (8) and the University of Manchester (9), both of which participate in SPHEIR. The King's College London submission highlighted its work on three SPHEIR partnerships as evidence.

The portfolio of SPHEIR projects have trained a cumulative 1,620 HEI staff with capacity building provided on teaching, assessment, student support, and design and development of curricula. This includes a relatively high proportion of women – 43 per cent – with women making up only 29 per cent of academic staff in the Sub-Saharan Africa region. The cumulative number of students engaging with at least one SPHEIR-supported innovation across the portfolio stands at 21,403.

## English language

**Promoting the learning of English in francophone and lusophone Africa:** Co-financed by the FCDO and the British Council, English Connects is delivered in-country with nine UK English language teaching and educational technology providers. The project now operates in Senegal, Cote d'Ivoire, Mali, Angola, Cameroon, Djibouti, Gabon, Guinea, the Democratic Republic of the Congo and Niger. English Connects provides teaching and learning resources, improves the quality of English teaching in schools and, working with ministries of education, helps to bring about systemic change to improve English language provision. This year, 1.5 million young people have been supported using a variety of digital, broadcast and print English resources, 4,445 teachers have been trained and a further 548 English club leaders have received training and toolkits.

**Promoting the learning of English in Afghanistan:** In Afghanistan, we have developed a comprehensive approach, targeting learners of English directly as well as supporting teachers of English. In the last two years, our Facebook presence has increased from 10,000 to 1.8 million followers. We now engage with over 50 per cent of the entire social media market in the country. The main drivers of engagement have been the desire for UK content and our English Doctor live audience sessions. We have also established 15 English resource centres across 13 provinces and improved the

English proficiency and teaching quality of 1,500 English teachers in 250 high schools across five provinces, benefiting over 182,000 school children. Classroom observations showed improvements in pedagogy (an average of 92 per cent passed the end-of-course assessment), and increases in English language skills were shown by 87 per cent of the assessed teachers.

## Arts and culture

**Strengthening individual and societal identity through cultural heritage:** The Cultural Protection Fund (CPF), a partnership with DCMS, is set up to protect vital cultural heritage at risk in and around the wider Middle East and North Africa region. In 2019, we distributed £9.7 million in grants to 42 projects to deliver cultural heritage preservation work in 12 countries. Of the £9.7 million, £4.5 million was awarded to 22 UK-based organisations who are working across all 12 countries.

In 2019, we worked with historian and broadcaster Bettany Hughes to document two CPF initiatives: a project training Syrian refugees in traditional stonemasonry to rebuild Syria's built heritage, and a project preserving traditional Syrian music via two music schools for young, displaced Syrian refugees in Jordan and Lebanon. The films were broadcast on BBC News and BBC World News to an audience of over 100 million.

In 2019, DCMS announced an additional £8 million of funding for the CPF to continue to March 2021, demonstrating how the UK government values the impact of the fund to date. In 2020, the fund will expand to provide new opportunities for social and economic development through the protection of heritage at risk due to climate change and natural disasters, and will pave the way for an ambitious UK cultural heritage response.

**Supporting social and economic cohesion:** Create Syria is a collaboration between the British Council and Ettijahat-Independent Culture that seeks to strengthen the expertise of Syrian artists and cultural actors and enable them to play increasingly active roles in improving the lives of individuals and communities affected by local and global challenges.

In 2019, the project provided training and seed funding to seven arts initiatives working with Syrian communities in Lebanon. It also developed a practical toolkit for creative practitioners working in this space. To date, Create Syria has supported the development of 32 artists and 18 artistic initiatives. Collectively these projects have worked with more than 4,000 people in communities across Lebanon.

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**In Afghanistan we engage with over 50 per cent of the entire social media market in the country.**

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# Performance measures

## Evaluating impact

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

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

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

- our research programme
- organisational surveys on performance and customer satisfaction
- global figures on reach
- progress against major corporate priorities.

## Research

Our research programmes generate new insight and evidence to support the strategy of the British Council and inform policy engagement. We aim to bring knowledge and expertise from across our global network into conversation with UK and international researchers, policymakers and stakeholders. In this way we make a distinct and vital contribution to evidence, analysis and debate around cultural relations, soft power and the thematic areas where we work: education, arts and culture, and the English language.

Publications in the past year include *Sources of soft power*, a comparison of the attractiveness and trust of the UK and six other 'soft power superpowers'; *The Shape of Global Higher Education*, a report on international engagement in higher education across 20 countries in Europe and the Americas; *Developing creative economies*, new research exploring the value of the UK's support for creative industries in emerging economies; *The art of peace*, on the value of culture in post-conflict recovery; and the first in a series of essays for our Cultural Relations Collection. Our Next Generation series, exploring youth voice, choice and citizenship around the world, also continued to expand, with reports published on Myanmar, Ethiopia, Italy, Zimbabwe and Germany. Research currently under way includes our Global Perceptions survey, which is giving us real-time insight into how the UK is seen by young people across 36 countries internationally – and possibly some of the first indicators of the soft power significance of the Covid-19 pandemic.

Our research is tailored to support our work and that of our partners in the four nations of the UK, enabling exchange of insight with other countries on shared issues and discussion. For example, building on the success of the British Council's Peace and Beyond international conference in 2018, marking the 20th anniversary of the Belfast Agreement/Good Friday Agreement, we commissioned the publication of *Britain and Ireland: Lives Entwined* in 2019, running a series of policy dialogue events across the UK and Ireland exploring the new dynamics and entwined cultural relations across these islands.

Our report *Gauging international perceptions: Scotland and soft power*, conducted by Portland Communications, found that Scotland's greatest soft power resources include education, enterprise and digital – for which it ranks first in a selection of ten regions. The report identified a set of recommendations to amplify the country's soft power through focused campaigns targeting a set of priority countries, working with cities to grow their international networks and encouraging more countries to open consulates general in Scotland.

**Our research is tailored to support our work and that of our partners in the four nations of the UK.**

## High-level performance indicators

We run organisational surveys to review performance against our three corporate outcomes – creating opportunities, building connections and engendering trust – and to gauge how satisfied our customers and stakeholders are with our performance. Last year this included interviews with 54 high-level stakeholders<sup>9</sup> (such as heads of cultural institutes, senior government officials and ministers) and an online participant survey including programme participants, exam candidates and teaching centre students. A total of 3,883 participants<sup>10</sup> responded in 11 countries.

While we surveyed a different set of countries in 2019 compared to 2018, all the performance indicators against corporate purpose have either remained at the same level or increased slightly from the survey last year.

As a result of customer/participant involvement with the British Council:

- **Creating opportunities:** 86 per cent (86 per cent last year) of respondents reported gaining new knowledge and skills.
- **Building connections:** 53 per cent (49 per cent last year) of respondents reported having stronger relationships and connections with the UK.
- **Engendering trust:** 67 per cent (64 per cent last year) of respondents reported more favourability to the UK and 66 per cent (62 per cent last year) of respondents reported having a greater understanding of the UK and its culture.

High levels of satisfaction (87 per cent) and a Net Promoter Score<sup>11</sup> of +46 across all our services show that the British Council is fulfilling participants' needs.

The table below shows the data from the surveys broken down by the different areas of British Council activity. The Net Promoter Score is inevitably significantly higher for services that are provided for free through the grant-in-aid.

Indicator	Average across all areas	English and exams (all commercial)	Arts	Education, youth and skills
Satisfaction with the British Council	87%	83%	91%	91%
Net Promoter Score	46	36	61	52
New knowledge and skills	86%	78%	87%	93%
Stronger relationships and connections with the UK	53%	38%	60%	63%
Greater understanding of the UK as a result of participation	66%	55%	75%	75%
More favourable to the UK as a result of participation	67%	53%	68%	77%

We continue to improve the customer experience, including new digital product innovations that enable more flexible options and a more tailored experience. Alongside this, work is continuing to improve our registration processes and we have increased access to new payment options for customers, which are now live in 57 countries. Most of our major commercial markets are now using a customer relationship management system, and there are several examples of this leading to more efficient ways of handling customer enquiries. These include the introduction of a 'hub model' in Egypt to support in-country customer service teams.

Senior stakeholders are satisfied with their involvement with the British Council and speak highly of our collaborative approach, expertise, strong networks, 'world-class' reputation and brand, local understanding and operational scale. They identify our uniqueness as our tailored and innovative approaches, the scale and diversity of our offer, the strength of our networks, our long history and our trusted approach to working with local stakeholders. Two-thirds of senior stakeholders interviewed reported that the British Council had helped them establish stronger links with UK organisations.

9. Fieldwork conducted by Ipsos Mori between 2 May and 22 August 2019.

10. Fieldwork conducted by Ipsos Mori between 9 July and 24 September 2019.

11. The Net Promoter Score 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 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 and who participate in our education programmes, whether face-to-face or digital. The chart showing total reach includes web visitors and audiences and consumers of our print, radio and television broadcasts.

We engaged directly with 76 million people in 2019–20 (plan: 82 million) through face-to-face, social media and exhibitions, festivals and fairs – slightly below 2018–19.<sup>12</sup> Despite the impact of Covid-19, our number of face-to-face and social media interactions slightly increased on last year, but the number of people visiting our exhibitions, festivals and fairs

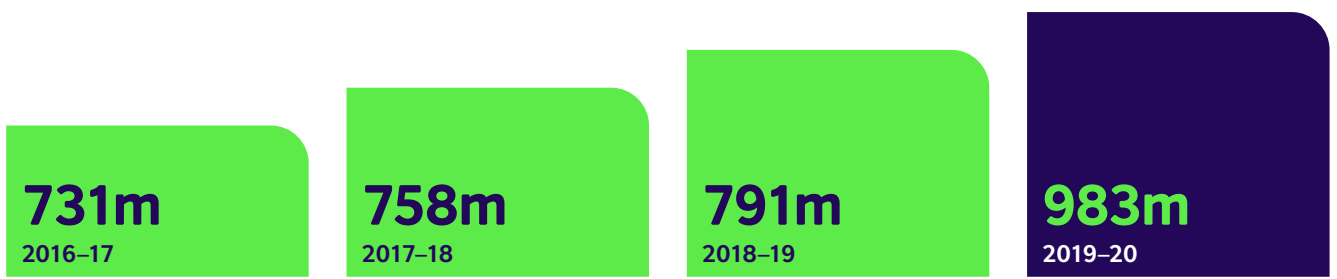
was nine million behind 2018–19. This included lower numbers attending exhibitions such as the Japan Season and fewer events running in the Americas compared to 2018–19, partly due to a reduction in non-official development assistance funding and as direct engagement activity stopped towards the end of 2019–20.

We reached 983 million people in total in 2019–20 (plan: 800 million) through all channels, including online, publications and broadcasts.<sup>12</sup> This was a significant increase in broadcast activity compared to 2018–19. This includes events celebrating 75 years of the British Council in Nigeria, which reached 50 million people, and radio programmes in China showcasing new British music, which reached 40 million people.

### Number of direct interactions from 2016–17 to 2019–20

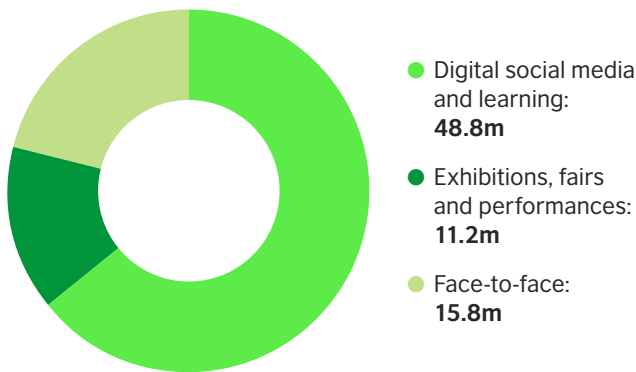


### Total reach from 2016–17 to 2019–20

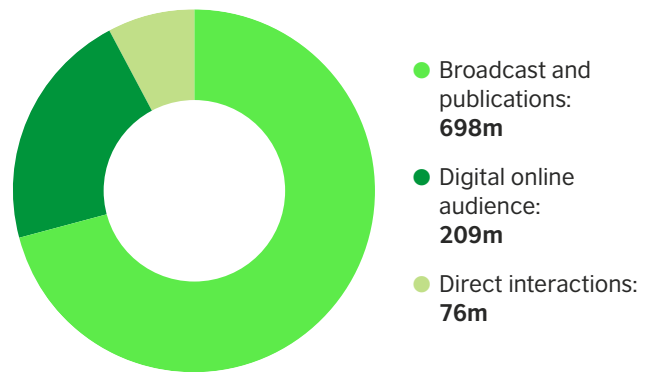


12. Total numbers are aggregated from the numbers of people who participated in individual programmes and as such do not represent unique numbers.

### Direct interactions in 2019–20



### Total reach in 2019–20



## Organisational effectiveness and efficiency

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



#### Priority 1

### Growing and diversifying income and surplus

**Performance indicator:** Commercial operating surplus declined by £34.6 million in 2019–20 compared to 2018–19, representing year-on-year decline of 28 per cent.

The impact of Covid-19 at the end of the financial year significantly affected our commercial performance. We were unable to conduct exams in China from January and by March most of our exams operations had been affected. In addition, 43 out of 44 teaching centres had to close. This resulted in major reductions in commercial growth across our income-generating products. However, a co-ordinated response ensured that we continued to operate where we could. This included the acceleration of our remote teaching using online platforms, which is now live in almost all countries where we have teaching centres.

In 2019–20 we enabled new payment services supporting IELTS face-to-face products. Total online income processed for all products was £303 million, almost 40 per cent of total earned income. Online payments can now be made in 109 countries, up from 83 in 2018–19.

Our continued response to the Covid-19 crisis focuses on accelerating improvements in systems and processes such as the availability of online payments, the roll-out of computer-delivered IELTS, and the successful delivery of new innovative products like IELTS Smart Learning and IELTS Indicator.



## Priority 2

# Improving our operational efficiency

**Performance indicator:** Between 2016–17 and 2019–20 our support costs as a proportion of income reduced from 17.9 per cent to 16 per cent.

**Performance indicator:** Our support costs in 2019–20 increased to £205 million – as compared to £194 million in 2018–19.

We are continuing to drive efficiencies across the organisation for a long-term, sustainable British Council.

Work continues to implement new systems and processes, including the successful launch of MyHR in all regions. The implementation of new collaboration technologies in all regions is nearly complete, but some elements are delayed due to Covid-19. These technologies have provided significant benefits for the organisation staying connected as most staff started to work from home at the end of the year. Other examples of efficiencies include the roll-out of new exams systems and a new facilities management model in the UK.

There is a need to implement a much more fundamental approach to deliver effectiveness and efficiencies. While managing our short-term financial position, we will also establish long-term targets for efficiencies as part of Strategy 25 and in response to UK government reviews. This will include developing radical actions for a new global operating model to manage overhead costs and to deliver a more effective digital model for future ways of working post-Covid-19.

## Environmental performance

**Performance indicator:** Globally our total carbon footprint reduced by 15 per cent from 26,565 tCO<sub>2</sub>e<sup>13</sup> in 2018–19 to 22,528 tCO<sub>2</sub>e in 2019–20.

**Performance indicator:** Our carbon footprint per FTE<sup>14</sup> showed a large reduction of 49 per cent from 4.32 tCO<sub>2</sub>e in 2018–19 to 2.21 tCO<sub>2</sub>e in 2019–20.

We continue to implement the environmental framework across our global network to manage and monitor environmental performance in line with the statutory/good practice requirements.

In the UK our total carbon footprint showed a reduction of 26 per cent from 4,555 tCO<sub>2</sub>e in 2018–19 to 3,359 tCO<sub>2</sub>e in 2019–20. For the rest of the world, the most progress was made in East Asia, where our total carbon footprint showed a reduction of 24 per cent from 7,568 tCO<sub>2</sub>e in 2018–19 to 5,741 tCO<sub>2</sub>e in 2019–20.

The reductions in carbon footprint are due in part to the progress made through the environmental framework, including the work of our Green Champions, a global group of colleagues volunteering their time to further environmental sustainability. Covid-19 has also resulted in far greater working from home, temporary building closures and vastly reduced travel. The extent of the Covid-19 contribution to these reductions is not known but is expected to continue into 2020–21.

13. TCO<sub>2</sub>e is tonnes of carbon dioxide equivalent.

14. FTE is full-time equivalent and refers to staff numbers.



Priority 3

## Increasing the capability and effectiveness of our people

**Performance indicator:** We measure staff engagement through a pulse survey. In 2019–20 there was a slight decline in engagement from the previous year, reducing from 60 per cent in 2018–19 to 58 per cent in 2019–20.

We are focusing on improved communications initiatives which provide regular opportunities for senior leaders to discuss organisational issues with staff. This is part of the development of a more open, targeted communications strategy with clear direction for staff. Several of these measures have been put in place, particularly since most staff started working from home. This includes running regular town halls with staff to provide updates and opportunities to connect with and ask questions of senior leaders. Early feedback on this approach has been welcomed.

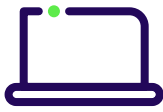
### Equality, diversity and inclusion

**Performance indicators:** We have set challenging targets for 2021 for women in senior posts, minority ethnic staff in senior roles and disabled staff in senior roles. Progress against those targets can be seen in the table below.

EDI category	2018–19 result	2019–20 result	2020–21 target
Women in senior posts	40.2%	43.6%	50%
Minority ethnic staff in senior roles	9.8%	7.9%	15%
Disabled staff in senior roles	2.4%	2%	7%

Although we are falling behind our stretch 2021 diversity targets, we have seen some improvement in the number of women in senior roles. We are embedding diversity within our recruitment and talent processes for senior roles, and recent organisational research has provided us with an analysis of barriers for ethnic minority groups. A new talent development process will enable the identification of future talent at the lower levels of management, including those from under-represented groups.

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



#### Priority 4

## Creating a digitally enabled organisation

**Performance indicator:** Total numbers went down slightly from 262 million in 2018–19 to 258 million in 2019–20. There was a reduction in our online audience from 216 million in 2018–19 to 209 million in 2019–20 and an increase in digital engagement through social media from 46 million in 2018–19 to 49 million in 2019–20. Pausing our exams and teaching operations at the end of the year did have an impact on our online audience.

In the final two months of 2019–20, Covid-19 led to a six per cent decline in global visitors to our sites – largely due to significantly fewer customers registering for face-to-face exams. However, users were much more engaged in our sites overall, with significantly more sessions accessed and longer time spent on pages largely from new visitors to British Council sites.

New technologies continue to be implemented with the roll-out of the new content management system across our sites. As we gain more understanding of customer behaviour following the impact of Covid-19, we are re-engineering the way we develop and deliver digital content to ensure we can respond more flexibly and effectively to market and stakeholder needs.



#### Priority 5

## Strengthening our insight, research and evidence capability

**Performance indicator:** In 2019–20 we extended the range of good-quality evaluations planned and delivered across the organisation. This included evaluations of major programmes and areas of activity, including Connecting Classrooms, Japan Seasons and the Next Generation Gulf programme.

We built capacity and professionalism. The new 'core concepts' course, based on the concept of impact and how to deliver it, was developed and delivered to approximately 200 staff across five regions.

We embedded quality evaluation to drive better programme design and delivery. A new procurement framework was established to enable a small central team to deploy technical expertise rapidly, extending technical and strategic support, and quality assurance.

We are currently finalising a new results framework to enable systematic monitoring of Strategy 25, with the pilot phase from October 2020, and full roll-out by April 2021.

# Governance statement

**This explains the British Council’s legal status, governance arrangements and how we managed risk during 2019–20.**

## Constitution and charitable purpose

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

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

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

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

## Group structure

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

## Connected charities

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

## Governance codes

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

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

The British Council currently applies all the principles and almost all the applicable supporting recommended practice. Some practice recommended by the Charity Governance Code is specific to membership organisations so is not relevant to the British Council.

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

## Relationship with the Foreign and Commonwealth Office (FCO) and other stakeholders in 2019–20

During 2019–20 the British Council received grant-in-aid from and was sponsored by the FCO, from which the British Council had operational independence. On 2 September 2020 the Foreign, Commonwealth and Development Office (FCDO) was formed, replacing the FCO and DFID. The FCDO is now the British Council’s sponsor department. The relationship between the British Council and its sponsor department is set out in the Management Statement and the Financial Memorandum, available on the British Council’s website.

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

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

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

## 2019 Tailored Review

During 2018–19 the FCO conducted a review of the British Council's functions, form, performance and governance. The findings were published on 12 March 2019.

In 2019–20 the British Council worked with the FCO to implement the review's recommendations. Actions taken in response to the review have included updates of Trustee induction plans and materials, agreement of a formal framework for regular FCO–British Council senior-level dialogue and engagement, and work with the FCO to update the Management Statement between the FCO and the British Council.

### 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 43.

Stevie Spring CBE was appointed as Chairman on 14 August 2019, taking over from Christopher Rodrigues CBE whose term ended on 22 May 2019.

Rachel Lomax served as Deputy Chair throughout the year and chaired the Board meetings in June and July 2019.

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.

During the year the Board considered and acted on the findings of an externally facilitated review of its effectiveness, and that of its committees, which had been conducted during 2018–19. Changes made in light of the review's findings included the formal closure of the Business Change Committee, the inclusion of more high-level strategic issues in the Board's work plan and consideration of succession planning by the Nominations Committee.

### Trustee recruitment and induction

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

Trustees are appointed in three ways.

- Under the terms of the Royal Charter the Foreign Secretary has the right to nominate one Trustee. During 2019–20 this post was filled by Deborah Bronnert CMG until 26 April 2019, by Lindsay Croisdale-Appleby CMG from 26 April 2019 to 12 February 2020, and by Thomas Drew CMG from 13 February 2020.
- 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. This is currently held by the Chair of the Wales Committee.
- All other Trustees, including the Chairman and Deputy Chair, are elected by the Board following an open recruitment process.

The Foreign Secretary approves appointments to the offices of Chairman 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 the Trustees' legal responsibilities, public sector requirements and the work of the British Council.

## The Board of Trustees and its committees

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

There were six formal Board meetings in 2019–20 and the Board was supported by five standing committees as listed below. The Business Change Committee, listed in last year's report, did not meet during 2019–20 and was formally closed during the year.

### Audit and Finance Committee

- Reviews financial plans, performance and controls and oversees internal and external audit arrangements.
- Comprised four Trustee members on 31 March 2020.
- Held four formal meetings in 2019–20.

### Commercial Committee

- Reviews the British Council's commercial English teaching, examinations and schools activities.
- Comprised four Trustee members and two external members on 31 March 2020.
- Held four formal meetings in 2019–20.

### Nominations Committee

- Reviews the Board's composition and leads the recruitment of Trustees and the Chief Executive.
- Comprised five Trustee members on 31 March 2020.
- Held two formal meetings in 2019–20.

### Remuneration Committee

- Leads on Senior Leadership Team's performance evaluation and remuneration.
- Comprised six Trustee members on 31 March 2020.
- Held three formal meetings in 2019–20.

### Risk Committee

- Reviews principal and emerging risks and how risks are managed.
- Comprised five Trustee members and no external members on 31 March 2020.
- Held three formal meetings in 2019–20.

### The Board's work during 2019–20

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

- the organisation's strategy to 2025, called Strategy 25, and specific strategies in the areas of examinations, research, and fundraising
- the implementation of actions in response to the FCO's Tailored Review of the British Council
- the London office move during 2020 and disposals of overseas properties
- entry into new joint ventures to support a more collaborative model of operation between the IELTS partners and to develop, launch and operate software to help people develop their English language skills
- a review of the organisation's strategic risks and risk appetite and in the final quarter of the year, the management of risks related to Covid-19.

During the year the Board approved updated terms of reference for audit and finance, commercial, risk and remuneration committees. Strategy 25 and the draft 2019–20 Corporate Plan were reviewed at the Board's March 2020 meeting. The Board decided that, in view of external reviews and the impact of Covid-19, publication should be delayed and the documents reviewed and, as necessary, updated prior to publication. At its March 2020 meeting, the Board decided to hold fortnightly calls to assess progress in managing the impact of Covid-19 on the organisation and to agree further interventions. It also decided to establish a temporary committee to monitor the organisation's cash position on a weekly basis.

The Trustees received financial updates during the year, including the management accounts.

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

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

### The Board's committees

The Board's decision making is supported by detailed scrutiny carried out by its committees. The minutes of standing committee meetings, excluding those of the remuneration committee, are shared with the full Board. The terms of reference of each of the standing committees as well as protocols for their operation are available on the Board of Trustees page of the British Council's website.

The membership of the standing committees as at 31 March 2020 is shown on page 43.

### Audit and Finance Committee

Chaired by Mark Beddy, 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 interest of the long-term financial viability of the British Council. It oversees external and internal audit arrangements and reviews and approves the annual internal audit plan and the internal audit charter.

Matters considered by the committee during 2019–20 included the management accounts, draft annual accounts, internal and external audit plans and findings, fraud investigations and updates to the committee's terms of reference.

Other matters reported to the committee included the financial risks and impact associated with the UK's exit from the EU, the progress of the status and tax workstream, the global tax strategy, priorities for the finance innovation programme and the reserves policy.

After the financial year-end but before the approval of the 2019–20 Annual Report and Accounts, the committee reviewed the draft governance statement, remuneration report, financial review and accounts.

### Commercial Committee

Chaired by Kevin Havelock during 2019–20, the Commercial Committee focuses on work in the areas of English teaching, examinations and schools. It examines the British Council's charitable activities undertaken on a commercial basis and assures their effective and transparent management in line with corporate objectives. Matters considered by the committee during 2019–20 included the performance of the British Council's commercial businesses, the strategy for examinations, implementation of the English teaching strategy, potential to open new British Council schools and our work with partners on new digital products.

### Risk Committee

Chaired by Rachel Lomax, the Risk Committee reviews the organisation's principal and emerging risks, excluding finance-related risks that 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. Matters considered by the committee during 2019–20 included changes to the statement of risk appetite, the results of the twice-yearly risk assessment process and risks relating to communicating the British Council's impact in the UK, the sustainability of the British Council's operations in the developed world, digital and cyber security, and Covid-19.

Further information about the organisation's principal risks is given on pages 38 to 41.

### Remuneration Committee

Chaired by Rachel Lomax, the Remuneration Committee sets the annual performance measures and policy for the Chief Executive's remuneration and benefits and agrees the Chief Executive's annual performance evaluation.

It also sets the policy for the remuneration of other members of the Senior Leadership Team and reviews and agrees their performance evaluation reports, ratings and eligibility for bonuses. The full Senior Leadership Team remuneration report is on pages 48 to 51.

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.

### Nominations Committee

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

As well as Trustee recruitment, during 2019–20 the committee addressed the appointment of the new Chairman and plans to appoint a new Chief Executive.

### 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 2019–20 are listed on pages 44 and 45 and further information about each committee is available on the British Council website.

### Delegation of authority and matters reserved to the Board

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

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

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

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

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

### The Senior Leadership Team

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

Those who served on the Senior Leadership Team during 2019–20 are listed in the remuneration report on page 49.

Sir Ciarán Devane was Chief Executive and Accounting Officer throughout 2019–20 and until 31 December 2020. Kate Ewart-Biggs OBE, who was appointed as Interim Chief Executive and Accounting Officer with effect from 1 January 2021, has taken assurance over the proper preparation of this annual report and accounts from a letter from Sir Ciarán Devane.

Appointments to the Senior Leadership Team are normally filled through open recruitment.

New members receive induction briefings which include our governance arrangements. A register of interests of members of the Senior Leadership Team is published on the British Council's website and is updated annually. On 31 March 2020 the Senior Leadership Team comprised three women and six men.

The Remuneration Committee reviews the performance of individual members of the Senior Leadership Team.

## 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 and the values that underpin everything we say and do, how we work with people, behave towards them and communicate. We publish the code of conduct on our website alongside our global policy statements. These set out, at a high level, our policy commitments on issues such as equality, child protection, adults at risk, fair competition, freedom of information, and 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.

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

## Audit

### External audit

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

At the date of signature of this statement the fee for the external audit of the British Council's charity and group accounts is expected to be £260,000 (2018–19: £215,000). In addition to this fee, total audit fees of £426,019 (2018–19: £420,807) were payable to the auditors of the group's component audits. Further disclosures regarding the auditors are given on page 75 and in note 5 to the accounts.

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

### Internal audit

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

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

In 2019–20 internal audit provided assurance on overseas operations as well as assurance over programmes, information technology and other principal risk areas.

Based on work undertaken in 2019–20 internal audit reported:

'A moderate level of assurance that the British Council has an adequate and effective system of governance, internal control and risk management for the year ended 31 March 2020.'

This is in line with previous years' assurance opinions.

### Personal data

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

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

In 2019–20 the corporate General Data Protection Regulation (GDPR) change programme became 'business as usual'. Activities during 2019–20 included an exercise to assess compliance with GDPR requirements across all British Council regions, the introduction of a new 'cookie compliance' regime across British Council websites including the ability for users to adjust which cookies they accept while interacting with us, and an extensive programme of work to ensure continued compliance in the event of the UK making an adverse exit from the European Union. Technical security and privacy reviews continue to be carried out against all new projects, systems and initiatives that involve personal information, as part of British Council project management standards.

During 2019–20 we reported four personal data incidents to the Information Commissioner’s Office and to the Charity Commission for England and Wales. Three related to data losses. These involved human error, the unauthorised removal of personal data and a loss of data during transport by a courier. The final incident reported was a threat, received by a third party, to release personal data. Actions taken in response to these incidents included further data protection training and awareness raising for relevant staff, a review of data handling procedures and a review of our security procedures.

## Risk management and control

### Approach to risk management

The Board of Trustees has overall accountability for ensuring that the British Council manages its risks effectively. The Trustees set the organisation’s strategic direction and determine its risk appetite.

They maintain oversight of the principal risks facing the British Council through periodic review, in order to satisfy themselves that the risks are being adequately mitigated and managed. This oversight is partly managed by the Risk Committee and the Audit and Finance Committee as appropriate to the subject area.

The Senior Leadership Team is responsible for guiding the management of the risks the British Council faces in line with the strategic direction and risk appetite set out by the Board of Trustees.

The Senior Leadership Team reviews the principal risks profile at least three times per year and the risk team co-ordinates a twice-yearly assessment process in which regions, strategic business units and UK professional functions report on their top risks.

This ‘top-down’ and ‘bottom-up’ approach enables the British Council to consider the potential impact of different types of risks on processes, activities, stakeholders, products and services at all levels of the organisation, and to ensure alignment in priorities. We have made further progress this year in embedding risk management into our strategic planning and performance review cycles and continue to strengthen second line of defence functions for material risk areas.

### Risk profile

The following principal risk areas were identified early in 2019–20 as having the greatest potential impact on the achievement of our strategic objectives. The risk profile is reviewed annually by the Senior Leadership Team.

The risk profile below was tracked throughout 2019–20. The Covid-19 pandemic, impacting on our operations from the fourth quarter of the financial year, has had, and continues to have, a significant effect on many of these risk exposures and related mitigations and action plans. A holistic review of the risk profile, in the context of the disruption caused by the pandemic and associated risks related to organisational recovery, is under way.

The order of the following risk areas does not indicate priority, severity or ranking. Next to each risk we highlight how we mitigate these risks and plans in place to further reduce the organisation’s risk exposure. The key mitigations reported have been extracted from the overall control framework which manages these risks. Each principal risk is assigned to a Senior Leadership Team member who is responsible for leading the monitoring and strategic activities in response to that risk.

Risk area	Mitigations
<p>Failure to keep up with changing needs and behaviours of our core audience and beneficiaries, particularly in relation to digital and technological trends, could reduce our relevance and impact.</p>	<ul style="list-style-type: none"> <li>• Ongoing investment in dedicated teams for digital innovation and research.</li> <li>• Improved digital-skills training and awareness, particularly among leadership roles.</li> <li>• Deployment of new customer-facing and back-office technologies.</li> <li>• Strong focus on digitally enabled products and services and aligning digital strategy with overall organisational strategy.</li> </ul>
<p>Our ability to ensure we effectively evaluate and demonstrate our impact to all stakeholders, and in particular with regards to the UK and devolved governments' priorities, is critical to the success of our mission.</p>	<ul style="list-style-type: none"> <li>• Development of new outcome-focused strategic framework (Strategy 25) together with rationalised core offers.</li> <li>• Ongoing investment in dedicated teams for research and evaluation.</li> <li>• Programme of stakeholder engagement for the UK government and parliament covering a range of issues and bringing value from our global reach and networks.</li> <li>• Enhanced strategic communications plan.</li> </ul>
<p>Disruption to critical commercial operations in key markets, including the imposition of constraints such as loss of licence to operate, could make our economic sustainability vulnerable to unexpected market changes.</p>	<ul style="list-style-type: none"> <li>• Continuing to grow and diversify our portfolio in a range of markets and locations.</li> <li>• Improving commercial decision making and development of smaller, simpler offers with clear thematic and geographical priorities.</li> <li>• Additional separate legal entities established to provide a stable platform for our operations.</li> </ul>
<p>The sustainability of our developed world programme is threatened by a potential reduction in flexible discretionary funding.</p>	<ul style="list-style-type: none"> <li>• Sustainability group established to manage impacts of global pandemic on long-term sustainability.</li> <li>• Investment planning to ensure we focus only on activities that drive our mission most strongly and represent value for money.</li> <li>• Acceleration of efficiency plans including leveraging shared services.</li> <li>• Ongoing review of delivery and funding operating model for our operations in the developed world.</li> </ul>
<p>Competition in the global, and increasingly digital, English and exams market could threaten our financial sustainability and erode our impact.</p>	<ul style="list-style-type: none"> <li>• Improving the customer experience with digitally enabled products and services.</li> <li>• Delivery of transformation programmes to support simple, standardised structures and processes.</li> <li>• Planning and strategic oversight for new product development.</li> <li>• 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.</li> </ul>

Risk area	Mitigations
<p>In 2019-20 there was a risk that the UK's exit from the European Union could impact on the British Council's partnerships and operating model. The UK exited the European Union on 31 January 2020 with a withdrawal agreement. However at 31 March 2020 there remained some uncertainty with regards to the future relationship between the UK and the European Union and potential impact on the British Council's operating model.</p>	<ul style="list-style-type: none"> <li>• Dedicated working group in place conducting detailed analysis to evaluate financial, people and operational impacts in various scenarios.</li> <li>• Ongoing support and communications to our EU colleagues and UK nationals posted in the EU.</li> </ul>
<p>Any failure to manage and maintain our most important corporate partnerships could lead to legal and financial challenges.</p>	<ul style="list-style-type: none"> <li>• Improving our customer and market research, analytics and insight to build stronger stakeholder relationships.</li> <li>• Continued development of responsible account managers for each corporate partnership.</li> <li>• Ongoing development of holistic partnerships strategy and framework.</li> </ul>
<p>Challenging geo-political environments and changes in international governments' foreign policies or outlook may result in weakening international governmental relationships.</p>	<ul style="list-style-type: none"> <li>• Uniting our research, evaluation and policy insight programmes.</li> <li>• Close alignment between British Council operations and British embassies/high commissions across the network.</li> <li>• Well-established and effective incident management processes.</li> <li>• Additional separate legal entities established to provide a stable platform for our operations.</li> <li>• Ongoing review of fragile-states operating model.</li> </ul>
<p>Failures in digital security could result in significant detriment to our reputation globally, as well as substantial fines and loss of personal or business-critical data.</p>	<ul style="list-style-type: none"> <li>• Significantly increased investment in digital security to strengthen governance, build capability and improve and enhance security technologies.</li> <li>• Ongoing deployment of enhanced web-security tools.</li> <li>• Ongoing investment in increased resource and expertise.</li> </ul>
<p>Our ability to make fast and effective decisions is dependent on appropriate governance and having access to appropriate data and management information.</p>	<ul style="list-style-type: none"> <li>• Improvements in the clarity of data and reporting to support decision making.</li> <li>• Board/Executive delegated authorities and Board sub-committees reviewed.</li> <li>• Ongoing review of FCO Management Statement.</li> </ul>

Risk area	Mitigations
<p>In a fast-moving external environment, our ability to deliver change successfully is essential.</p>	<ul style="list-style-type: none"> <li>• Ongoing review and management of change through a single investment board, strong portfolio office and robust programme governance to provide improved control and reporting of change.</li> </ul>
<p>Failure to attract, develop and retain suitable talent, to manage succession planning, and to foster an effective organisational culture could lead to insufficient skills and capabilities to meet organisational needs.</p>	<ul style="list-style-type: none"> <li>• Talent management and succession planning framework rolled out across senior management globally.</li> <li>• HR platform deployed globally to improve people data accuracy and streamline processes.</li> <li>• Review of structures at regional level to ensure we deploy the best talent in the right roles.</li> <li>• Ongoing investment in new management and leadership training programmes.</li> <li>• Global employee engagement survey and action planning.</li> </ul>
<p>A failure to take all reasonable measures to protect children in our care and adults at risk from abuse may result in significant harm to individuals and cause significant erosion of trust and ability to operate effectively.</p>	<ul style="list-style-type: none"> <li>• Overarching Safeguarding service established to bring together Child Protection and Adults at Risk safeguarding frameworks.</li> <li>• Policies and procedures in place to prevent and respond to incidents, with awareness raised through mandatory Child Protection training for all colleagues.</li> <li>• Ongoing global roll-out of enhanced pre-employment assessment screening processes.</li> <li>• Risk profiling tool and mandatory child safe action plans are in place for each country and reviewed each year.</li> <li>• A global network of regional safeguarding focal points has been established to ensure mandatory processes are in place.</li> <li>• Annual cycle of compliance reviews.</li> <li>• Global Safeguarding Strategy and revised compliance framework and standards in development.</li> </ul>
<p>Any failure to implement and comply with corporate policies could result in reputational damage or operational disruption in a range of areas, including counter-fraud, safety and security, exams integrity, financial governance, and resilience planning.</p>	<ul style="list-style-type: none"> <li>• Continued investment in second line of defence functions to define the necessary frameworks.</li> <li>• Regional counter-fraud resourcing model and ongoing investment in fraud awareness and training.</li> <li>• Strategic review of safety and security frameworks completed and transformation programme under way with investment in regional resourcing.</li> <li>• Review of exams monitoring processes and operational delivery requirements under way, and continued roll-out of computer-based exams globally.</li> <li>• Finance Innovation Programme identifying and implementing key improvements to processes, systems and governance.</li> <li>• Improved business continuity planning framework and standards established.</li> </ul>

### Covid-19 and risk management

The global Covid-19 pandemic has caused widespread disruption around the world. The exposure to much of our 2019–20 risk profile increased significantly as a result.

- Global disruption to our surplus-generating activities materially impacted cash flow, surpluses and reserves, with significant implications for our long-term financial sustainability.
- Investment funding has been significantly diminished, which could have a material and prolonged impact on business plans.
- Many impact-generating projects and programmes had to be paused. This inevitably reduced our reach compared to original forecasts and targets.
- As with any large-scale disruption event, the disruption to the teaching and examinations market caused by the pandemic may cause lasting structural impacts to the competitive environment, potentially impacting future commercial activities.
- Expanded online and digital activities, increased and opportunistic phishing attacks, and widespread remote working/online collaboration may increase cyber and information security risks.
- Increased online services, particularly in teaching, may create additional safeguarding risks that require careful management.
- A significant proportion of our worldwide workforce was displaced as a result of repatriations and closed borders. We will need to ensure effective redeployment to support our recovery.

Following the end of the 2019–20 financial year we undertook a wider assessment of the principal risks faced by the British Council in the context of the global impact of the pandemic and plans for recovery.

### Review of effectiveness

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

The Board of Trustees' and Accounting Officer's reviews of the effectiveness of the British Council's system of internal control are informed by the work of internal audit and

members of the Senior Leadership Team, who have responsibility for the development and maintenance of the control framework, and comments and recommendations made by the external auditors in their annual management letter and other reports.

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

- An ongoing assessment of governance across the organisation, including policies, procedures, systems and processes.
- Assurance work conducted by the British Council's financial policy and compliance, legal, counter-fraud, information governance, and risk management teams among others.
- A process of quarterly assessment of compliance with key financial controls by all countries and subsidiaries, providing assurance that the organisation's financial controls are monitored and reported on and plans are in place to address any control gaps identified.
- The work of internal audit, which provides an independent and objective opinion on the adequacy of processes around risk, control, governance and finance systems. The overall assurance status is rated as 'Moderate' as per the previous year.
- In 2019–20, one such internal audit of a subsidiary company, BC Management Services Pvt Limited (the British Council's Shared Services Centre in India), identified significant non-compliance with the delegated authorities and procurement rules. Some £187,000 of expenditure was found to have been incurred without proper authority and considered likely to meet HM Treasury's definition of 'novel or contentious' expenditure. In response to the findings, an in-depth investigation found a further £217,000 over the course of 2018–19 and 2019–20 that could also not be fully justified. The NAO reviewed this case during the annual audit and provided advice to a review by FCDO's internal audit team. Disciplinary action was taken swiftly and new management, control and governance arrangements have been implemented to ensure a clear alignment of the subsidiary's expenditure policies with those of the British Council as a whole and their adherence.
- The Audit and Finance Committee, which provides oversight and guidance on the work of finance and internal audit and considers reports from the Comptroller and Auditor General and other external auditors.

Based on the above, and drawing on assurance provided by Sir Ciarán Devane, who was the British Council's Chief Executive throughout 2019–20, the Board of Trustees and Interim Chief Executive consider the framework of internal controls and risk management in place during 2019–20 to have been effective.

**Stevie Spring CBE**

Chairman, British Council, on behalf of the Board of Trustees

23 February 2021

**Kate Ewart-Biggs OBE**

Interim Chief Executive and Accounting Officer, British Council

23 February 2021

# Reference and administrative details

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

Status: The British Council is registered as a charity under registration numbers 209131 (England and Wales), SC037733 (Scotland), 59749478807 (Australia), and 20100360 (Ireland). Its New Zealand branch is registered with the Charities Service of New Zealand under the name 'British Council

(New Zealand Branch)' and the registration number CC45235.

Patron: Her Majesty the Queen

Vice Patron: His Royal Highness the Prince of Wales

Principal address: Until 17 December 2020:  
10 Spring Gardens, London SW1A 2BN, United Kingdom.  
From 17 December 2020: 1 Redman Place, Stratford,  
London E20 1JQ, United Kingdom

## Membership of the Board of Trustees and its committees

	Start/end of term if not a Trustee for the full year	Membership of the Board's standing committees as at 31 March 2020					
		Board meeting attendance <sup>15</sup>	Audit and Finance	Commercial	Nominations	Remuneration	Risk
Stevie Spring CBE (Chairman)	Start: 14 August 2019	5/5			✓	✓	
Rachel Lomax (Deputy Chair)		7/7	✓		✓	✓	✓
Mark Beddy		7/7	✓	✓			
Professor Dame Janet Beer		6/7			✓	✓	
Deborah Bronnert CMG	End: 26 April 2019	0/0					
Lindsay Croisdale-Appleby CMG	Start: 26 April 2019 End: 12 February 2020	5/6				✓ <sup>16</sup>	
James Cronin		6/7	✓				✓
Sir Stephen Deuchar CBE	Start: 1 May 2019	7/7					✓
Yasmin Diamond CB		5/7		✓		✓	
Thomas Drew CMG	Start: 13 February 2020	1/1					
Deborah Forster MBE	Start: 28 October 2019	3/3					✓
Rohan Gunatillake	End: 18 August 2019	1/2					
Kevin Havelock		5/7		✓			
Robert Humphreys CBE	Start: 11 June 2019	5/6					
Kirsty Lang		5/7			✓	✓	
Clare Reddington	Start: 1 May 2019	7/7			✓		
Christopher Rodrigues CBE	End: 22 May 2019	1/1					
Fiona Salzen	Start: 1 July 2019	6/6	✓				✓
Thomas Thomson	End: 18 August 2019	2/2					
Sir David Verey CBE		6/7		✓			

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

16. Lindsay Croisdale-Appleby CMG remained a member of the Remuneration Committee after the end of his term as a Trustee.

Information available on the British Council’s website includes details of the members of the Board, the register of Trustees’ interests, Board minutes and the terms of reference of the Board’s committees.

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

Kevin Havelock’s trusteeship ended on 31 August 2020, Professor Dame Janet Beer’s trusteeship ended on 15 September 2020, Kirsty Lang’s trusteeship ended on 22 September 2020 and Sir David Verey CBE’s trusteeship ended on 1 December 2020.

Sushil Saluja was appointed as a Trustee with effect from 1 September 2020, Malcolm Press was appointed as a Trustee with effect from 16 September 2020 and Rageh Omaar was appointed as a Trustee with effect from 23 September 2020.

### External members of the Board’s committees during 2019–20

Rajiv Garodia and Peter Phippen served as external members of the Commercial Committee throughout the year. Fiona Salzen served as an external member of the Risk Committee and Audit and Finance Committee before becoming a Trustee member of those committees on 1 July 2019. Lindsay Croisdale-Appleby CMG continued as an external member of the Remuneration Committee after the end of his term as a Trustee.

The Nominations Committee does not include external members.

### Membership of the UK country committees

Committee	Members during 2019–20	Start/end of term if not a member for the whole year
Northern Ireland	Alan Shannon CB (Chair)	
	Gren Armstrong	
	Jamie Armstrong (ex officio)	
	Mike Brennan (ex officio)	Start: 6 August 2019
	John Edmund	
	John Greer	
	Fiona Hepper (ex officio)	Start: 9 April 2019
	Noel Lavery (ex officio)	End: 9 April 2019
	Andrew McCormick/ Anne Tohill (ex officio)	
	John McGrillen	
	Tracy Meharg (ex officio)	Start: 9 April 2019 End: 6 August 2019
	Professor Ian Montgomery (ex officio)	
	Maeve Walls (ex officio)	Start: 6 August 2019
	Michael Wardlow	
Scotland	Dame Seona Reid DBE (Chair)	Start: 1 April 2019
	Professor Anne Anderson OBE	
	Beth Bate	
	Professor Graham Caie CBE	
	Sarah Deas	
	Sandra Gunn	Start: 1 April 2019
	Janette Harkess	
	Marcus Herbert	End: 1 January 2020
	Steven Kidd	
	Dr Bill Maxwell	
	Angela Morgan	
	Dr Cindy Sughrue OBE	
	Claire Tynte-Irvine (ex officio)	

Wales	Rob Humphreys CBE (Chair)	Start: 11 June 2019
	Ashok Ahir	
	David Anderson OBE	
	Dr Elaine Canning	Start: 15 August 2019
	Michelle Carwardine-Palmer	End: 26 February 2020
	Ifona Deeley (ex officio)	
	Owen Evans	Start: 15 August 2019
	Eluned Hâf (ex officio)	
	Fay Jones	Start: 15 August 2019 End: 14 December 2019
	Mary Kent	Start: 15 August 2019
	Professor Laura McAllister CBE	End: 1 June 2019
	Huw Morris (ex officio)	
	Karl Napieralla OBE	
	Catherine Paskell	Start: 6 September 2019
	Lleucu Siencyn	
	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, United Kingdom

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

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

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

### UK legal advisers:

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

### Modern Slavery Act 2015:

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

**Fundraising:** In 2019–20 the British Council engaged with a small number of high-net-worth individuals but did not carry out fundraising among the wider public. It used a strategic development consultant to advise on its fundraising strategy. Neither the British Council nor any persons contracted to act on its behalf were bound by voluntary fundraising regulatory schemes or standards. We continued to ensure our procedures were compliant with GDPR and did not receive any complaints about British Council fundraising activities during the year.

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

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

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

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

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

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

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

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

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

Sir Ciarán Devane, who was the British Council's Accounting Officer throughout 2019–20, has provided assurance to Kate Ewart-Biggs OBE, the current Accounting Officer.

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

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

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

**Stevie Spring CBE**  
Chairman, British Council, on behalf of the  
Board of Trustees

23 February 2021

**Kate Ewart-Biggs OBE**  
Interim Chief Executive and Accounting Officer,  
British Council

23 February 2021

# Senior Leadership Team remuneration report

## Service contracts

The Chief Executive is initially appointed on a fixed-term contract of four years. Other members of the Senior Leadership Team are appointed on a permanent basis. The notice period for termination, for either side, is three months. Early termination, other than for misconduct, may result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Emoluments (salaries, including allowances subject to UK taxation) paid to members of the Senior Leadership Team and their pension entitlements are set out below.

## Senior Leadership Team remuneration

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

Salary 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.

In 2019–20, Senior Leadership Team members received an increase in salary in accordance with the rules on Senior Civil Service pay for that year. Members of the Senior Leadership Team can also be eligible for a non-consolidated performance-related payment, as part of their total remuneration, if they are successful in meeting a number of targets and objectives. Any bonuses issued to the Senior Leadership Team are solely related to performance. Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2019–20 relate to performance in 2018–19.

Senior Leadership Team members do not receive non-cash benefits.

The figures in this report have been subject to audit.

## Annual incentives for Chief Executive and Senior Leadership Team members

### Purpose and link to strategy

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

### Operation

- Annual incentive is delivered entirely in cash and does not form part of pensionable earnings.
- Individual personal objectives are set each year. These may be specific short-term goals or milestones towards medium- or long-term objectives, but are closely aligned to the overall strategy of the British Council.
- Measures and performance targets for the Senior Leadership Team are set by the Chief Executive and by the British Council Chair for the Chief Executive, at the start of the year.
- Payment is made after year-end following the Remuneration Committee of the Board of Trustees' assessment of performance relative to targets and objectives. Exception to this process would apply if there is a departure of employee mid-year, when decision on payment will be made outside of the normal cycle using the same parameters.
- Annual incentive payments are discretionary. The Remuneration Committee reserves the right to adjust payments up or down before they are made if it believes exceptional factors warrant doing so.

### Opportunity

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

The membership of the Remuneration Committee is included in the full membership list of the Board of Trustees on page 43.

Name and position	Salary 2019–20 (in bands of £5,000)	Salary 2018–19 (in bands of £5,000)	Bonus payments 2019–20 (in bands of £5,000)	Bonus payments 2018–19 (in bands of £5,000)	Value of pension benefits for single total figure of remuneration for 2019–20	Value of pension benefits for single total figure of remuneration for 2018–19	Total salary benefits 2019–20 (in bands of £5,000)	Total salary benefits 2018–19 (in bands of £5,000)
Devane, C, Chief Executive	200–205	195–200	10–15	5–10	76,000	75,000	290–295	275–280
Greer, A, <sup>17</sup> Chief Operating Officer Full year equivalent	15–20 145–150	145–150	10–15	5–10	N/A	N/A	25–30	155–160
Williams, A, <sup>18</sup> Chief Operating Officer	140–145	N/A	0–5	N/A	197,000	N/A	340–345	N/A
Robson, M, Director English and Exams	160–165	155–160	10–15	5–10	63,000	59,000	240–245	220–225
Arthurs, K, <sup>19</sup> Director (Interim) Arts Full year equivalent	85–90	75–80 85–90	0–5	N/A	42,000	92,000	130–135	165–170
Stephens, M, <sup>20</sup> Director Cultural Engagement Full year equivalent	110–115	35–40 110–115	0–5	N/A	155,000	47,000	270–275	80–85
Thomas, R, <sup>21</sup> Chief Financial Officer Full year equivalent	135–140	110–115 135–140	5–10	N/A	48,000	43,000	190–195	150–155
Horton, A, Director Digital, Partnerships and Innovations	120–125	115–120	5–10	0–5	47,000	46,000	175–180	165–170
Ward, C, <sup>22</sup> Global People Director Full year equivalent	140–145	70–75 135–140	0–5	N/A	N/A	N/A	145–150	70–75
Ewart-Biggs, K, Director Global Network	125–130	120–125	5–10	5–10	72,000	106,000	205–210	230–235
Sheffield, G, <sup>23</sup> Director Arts Full year equivalent	N/A	30–35 125–130	N/A	N/A	N/A	33,000	N/A	65–70
Beall, J, <sup>24</sup> Director Education and Society Full year equivalent	N/A	100–105 130–135	N/A	5–10	N/A	60,000	N/A	165–170
Elliott, G, <sup>25</sup> Director (Interim) Global Human Resources Full year equivalent	N/A	120–125 340–345	N/A	N/A	N/A	N/A	N/A	120–125
Arthur, N, <sup>26</sup> Chief Financial Officer Full year equivalent	N/A	50–55 175–180	N/A	10–15	N/A	N/A	N/A	60–65
Cross, H, <sup>27</sup> Director Strategy and Engagement Full year equivalent	N/A	75–80 115–120	N/A	N/A	N/A	30,000	N/A	105–110

17. Mr A Greer's service ended on 10 May 2019. He chose not to be covered by the Civil Service pension arrangements during the reporting year until the end of his service.

18. Mr A Williams was promoted to Chief Operating Officer on 1 April 2019.

19. Ms K Arthur's appointment is a temporary promotion from 21 May 2018 to 20 May 2020.

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

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

22. Ms C Ward joined the organisation on 25 September 2018. She chose not to be covered by the Civil Service pension arrangement during the reporting year.

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

24. Ms J Beall's service ended on 11 January 2019.

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

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

27. Ms H Cross' service ended on 22 November 2018.

## Pension benefit

Name and position	Accrued pension at pension age as at 31 March 2020 (in bands of £5,000)	Accrued lump sum at pension age as at 31 March 2020 (in bands of £5,000)	Real increase (decrease) in pension at pension age (in bands £2,500)	Real increase (decrease) in lump sum at pension age (in bands £2,500)	CETV at 31 March 2020 (to nearest £1,000)	CETV at 31 March 2019 (to nearest £1,000)	Real increase (decrease) in CETV funded by employer (to nearest £1,000)
Devane, C, Chief Executive	20–25	N/A	2.5–5	N/A	349	271	48
Williams, A, Chief Operating Officer	35–40	85–90	7.5–10	17.5–20	737	N/A	163
Robson, M, Director English and Exams	45–50	N/A	2.5–5	N/A	762	672	44
Arthurs, K, Director (Interim) Arts Full year equivalent	15–20	N/A	2.5–5	N/A	232	194	20
Stephens, M, Director Cultural Engagement Full year equivalent	45–50	40–45	7.5–10	5–7.5	849	690	122
Thomas, R, Chief Financial Officer Full year equivalent	5–10	N/A	2.5–5	N/A	79	36	32
Horton, A, Director Digital, Partnerships and Innovations	10–15	N/A	2.5–5	N/A	139	100	25
Ewart–Biggs, K, Director Global Network	40–45	80–85	2.5–5	2.5–5	714	630	48
Sheffield, G, Director Arts Full year equivalent	N/A	N/A	N/A	N/A	N/A	388	N/A
Beall, J, Director Education and Society Full year equivalent	N/A	N/A	N/A	N/A	N/A	421	N/A
Cross, H, Director Strategy and Engagement Full year equivalent	N/A	N/A	N/A	N/A	N/A	118	N/A

### Civil Service pensions

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. Existing members of the PCSPS who were within ten years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and 13 years and five months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on

their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

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.

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 the appointed provider – Legal & General. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of three per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

### Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the British Council in the financial year 2019–20 was £210,000–£215,000 (2018–19: £200,000–£205,000). This was 4.9 times (2018–19: 4.9) the median remuneration of the workforce, which was £43,012 (2018–19: £41,741).

In 2019–20, two employees (2018–19: one employee) received remuneration in excess of the highest-paid director. These individuals were temporary employees. Remuneration ranged from £20,000–£260,000 (2018–19: £18,000–£221,000).

Total remuneration includes salary and non-consolidated performance-related pay. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

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.

**Kate Ewart-Biggs OBE**  
Interim Chief Executive, British Council

23 February 2021

**Stevie Spring CBE**  
Chairman, British Council, on behalf of the Board of Trustees

23 February 2021

# Financial review

## 2019–20

### Financial highlights

	2020 £ million	2019 £ million	Change %
Total income	1,289	1,250	3
Net income	(8)	30	-
Total reserves	405	388	4
Free reserves <sup>a</sup>	87	98	(11)
Grants paid	231	200	16
ODA spend	156	145	8
	£	£	%
Income raised for every £1 received from grant-in-aid <sup>b</sup>	£6.84	£6.20	-

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

<sup>b</sup> As adjusted for non-ODA grant-in-aid received in advance from the FCO.

### Summary of results

The British Council achieved approximately a three per cent growth in total income of £1,289 million (2018–19: £1,250 million) principally due to a higher income from contract work and an increase in grant-in-aid income from the FCO received at the end of the financial year.

For every £1 of government grant-in-aid from the FCO, an additional £5.90 was generated from other sources compared to £5.80 last year. Adjusting for additional grant-in-aid income received from the FCO for non-ODA activities of £26 million (2018–19: £12 million), the British Council raised an additional £6.84 (2018–19: £6.20) for every £1 of government grant-in-aid.

Total pre-tax expenditure increased by seven per cent to £1,282 million (2018–19: £1,203 million) as a result of the anticipated growth in the British Council's operations across most of its charitable activities.

Included in income and expenditure above are net foreign exchange losses of £2 million (2018–19: £5 million losses) mainly arising from the strengthening of sterling against other major currencies over the course of the year. This comprises £10 million of exchange losses which are shown in expenditure, offset by £8 million of gains which are recorded in income. Net realised foreign exchange differences included in these amounts is a loss of £2 million (2018–19: £2 million).

Net income reduced by £38 million to a net expenditure of £8 million (2018–19: £30 million). The British Council faces increased competition in its delivery of IELTS exams, but the reduction was driven primarily by a decrease in trading performance from charitable activities, especially during the last quarter of the financial year as the British Council began to feel the impact of Covid-19 on its teaching and examination activities. The exams business in China started to close down in February 2020 and teaching and exams centres gradually ceased activity across the globe as the virus spread and countries went into lockdown.

The British Council responded to the closures by making cost savings where it could without damaging its ability to resume activities quickly, though inevitably many of the savings were only realised towards the end of the financial year and into the new financial year.

Total reserves increased by £17 million to £405 million (2018–19: £388 million) while the British Council's free reserves reduced by £4 million in 2019–20.

The increase in total reserves is driven by the additional funding from the FCO and an uplift in the value of the British Council's properties in Europe and a sample of its permanent arts collection.

**Income**

**Donations**

The main element of this is government grant-in-aid income of £187 million (2018–19: £184 million) which included £26 million (2018–19: £12 million) additional funding for non-ODA activity. The proportion of total income from grant-in-aid has dropped marginally by 0.2 per cent to 14.5 per cent (2018–19: 14.7 per cent). Excluding the impact of additional funding, the proportion of income from grant-in-aid decreased to 12.7 per cent (2018–19: 13.9 per cent).

**Income from charitable activities**

Income from charitable activities grew by three per cent to £1,090 million compared to £1,058 million in 2018–19. (For a breakdown of this income by charitable activities please see note 4 of the accounts.)

The British Council’s teaching and exams income dropped by 0.4 per cent to £724 million this year (2018–19: £727 million), due mainly to the impact of Covid-19 on teaching and exams operations globally.

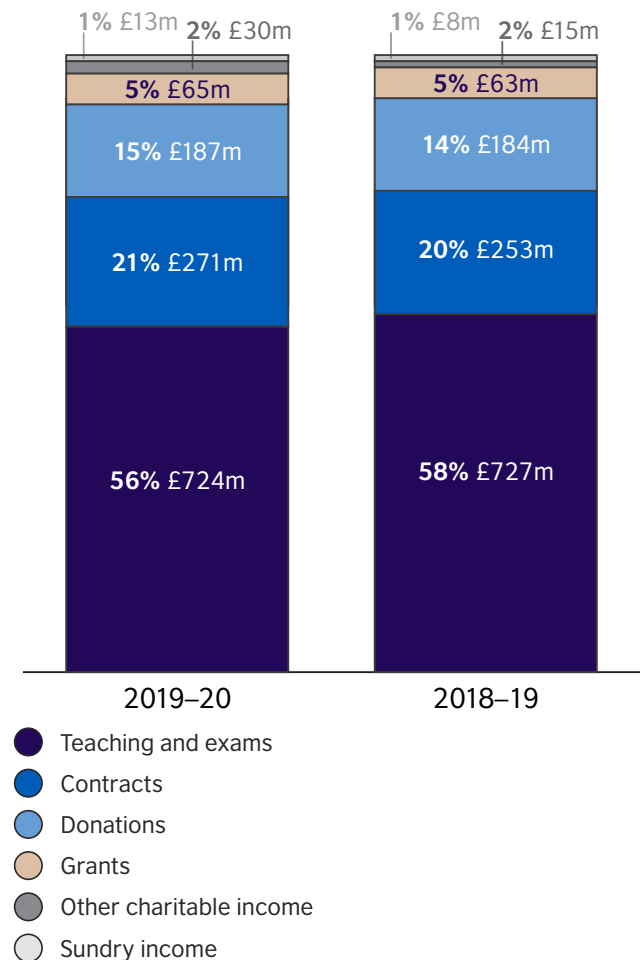
The British Council also receives contract and grant income mainly for the delivery of work programmes and grant disbursement activities in Education and Society. Contract income increased by seven per cent to £271 million (2018–19: £253 million). Grant income also increased by three per cent to £65 million (2018–19: £63 million). The major element of the British Council’s contract and grant income is Erasmus+, which contributed £172 million (2018–19: £145 million) of the aggregate contract and grant income in 2019–20. Excluding Erasmus+, other contract and grant income reduced by £7 million.

The British Council received other charitable income of £30 million (2018–19: £15 million). This is mainly due to a change in how these amounts are classified compared to previous years.

**Sundry income**

Income from other trading activities, predominantly sponsorship income, was £1 million (2018–19: £1 million). Income from investments remained stable at £3 million (2018–19: £3 million). Other income, predominantly foreign exchange gains, increased by £4 million to £8 million (2018–19: £4 million).

**Sources of income**



## Expenditure

### Expenditure on charitable activities

Expenditure on charitable activities increased by seven per cent to £1,282 million compared to £1,204 million in 2018–19. This partly reflects the growth in income-generating activities and continued investment in projects to support future growth, infrastructure and operational efficiency. (For a breakdown of this expenditure by charitable activities please see note 5 of the accounts.)

The British Council supports particular programmes and activities through the provision of grant funding to individuals and organisations to enable their participation in events, schemes or programmes set up to achieve its objectives. In 2019–20, £231 million of grants were payable to individuals and institutions, a 16 per cent increase from £200 million in 2018–19, mainly driven by extra Erasmus+ activity.

Direct costs increased by five per cent to £846 million (2018–19: £809 million) as a result of the anticipated growth in the British Council’s income-generating activities, predominantly contracts and grant. Total exchange losses of £10 million (2018–19: £9 million) are included within direct costs.

Support costs increased to £205 million (2018–19: £194 million). The 2019–20 figure for support costs includes £1.7 million (2018–19: £6 million) in respect of restructuring.

The British Council received £161 million grant-in-aid from the FCO for spend on development activities in ODA eligible countries. ODA countries are defined by the Organisation for Economic Co-operation and Development and include countries in Africa, the Middle East and South Asia. At the end of the year, £156 million had been committed to these activities.

In addition, the FCO granted the British Council £26 million towards development activities in non-ODA countries.

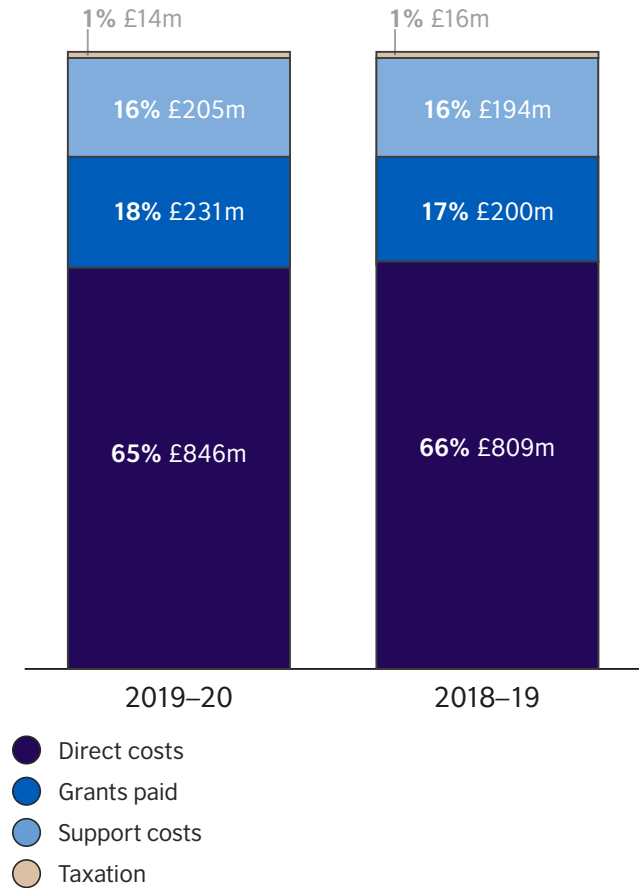
The British Council continued to invest in specific projects for growth, infrastructure and operational efficiency. Included within direct and support costs is revenue expenditure relating to such projects of £23 million (2018–19: £21 million). Capital expenditure also includes £12 million (2018–19: £13 million) relating to such projects. These projects involve investments in new technology and processes to support future growth. One of these projects is the British Council’s new offices, which are under construction in Stratford, East London.

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

### Taxation

The tax charge of £14 million (2018–19: £16 million) includes exceptional prior period costs of £1 million (2018–19: £3 million) as the British Council has resolved its historic tax status in certain overseas jurisdictions. Alongside this, the underlying annual tax expense for the period remains at a similar level to the previous year as the organisation continues to incur tax on surpluses from delivering educational services in territories where activities are subject to tax. In the exceptional circumstances post-year end, it is expected that overseas taxes will naturally reduce in the short term as surpluses in key markets are adversely impacted by Covid-19.

### Resources expended



## Revaluation of land and buildings

In accordance with its accounting policy, the British Council revalued approximately 20 per cent of its number of land and buildings as at 31 March 2020. This revaluation was carried out by its surveyors, CBRE, a commercial property consultancy firm. The valuation considered prevailing market conditions and restrictions on the British Council's right to use the property.

The revaluation exercise gave rise to a net gain of £19 million which has been recognised within the revaluation reserve. It should be noted, however, that the valuation exercise was undertaken just as Covid-19 was beginning to affect Europe, where the revalued properties are located, and there remains a great deal of uncertainty about the effect it will have had on the property market.

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.

## Fair competition

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

## Fraud prevention and detection

The British Council is committed to its policy of zero tolerance to fraud and to be transparent in its management of counter-fraud. During 2019–20, 136 instances (2018–19: 93 instances) of fraud were recorded with gross losses of £0.33 million (2018–19: £0.13 million).

Further information, including details on sanctions applied to cases, can be obtained in the *British Council Counter Fraud Cases Report 2019–20*, 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 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 2020 had a liability of £0.9 million arising from open contracts (31 March 2019: £0.3 million). Other foreign exchange needs are met by spot transactions as they are required. Further details on how the British Council manages its exposure to foreign currency risk are set out in note 23 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 23 of the accounts.

### c. Short-term investments

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

## Information on payment policy

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

During the financial year, 98 per cent (2018–19: 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 2019–20 was 59,377 (2018–19: 43,275).

Trade creditor days for the British Council's UK activity for the year ended 31 March 2020 were 17 days (2018–19: ten 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 £405 million total reserves (2018–19: £388 million), of which £78 million is restricted (2018–19: £69 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 £240 million, can only be released through the sale of those assets (2018–19: £221 million).

The British Council's free reserves of £87 million are represented by the balance in the General Account, the Risk Reserve and Investment Fund (2018–19: £98 million). The closing balances of the General Account, Risk Reserve and Investment Fund have been determined in accordance with the Reserve policy approved by the Trustees.

The Risk Reserve represents the minimum level of funds required to protect the British Council from the potential financial impact of known business risks. Covid-19 has presented the British Council's operation with an unprecedented level of risk across the globe and therefore all surplus free reserves have been allocated to the Risk Reserve this year, after leaving £4 million in the General Account to fulfill the British Council's obligation to the FCO. The balance at 31 March 2020 was £83 million (31 March 2019: £49 million).

The Investment Fund represents funds earmarked for specific planned investment projects within a three-year horizon. The balance at 31 March 2020 was nil (31 March 2019: £20 million), reflecting the repositioning of the British Council's finances during the pandemic.

The General Account as at 31 March 2020 was £4 million (2018–19: £25 million).

## Going concern and viability

Covid-19 has had a serious adverse impact on the British Council's activities and income. Since the advent of Covid-19, Trustees and management have been regularly monitoring cash flow and commercial performance, modelling different assumptions based on the estimated potential impact of Covid-19 restrictions and regulations in individual countries, along with our proposed mitigations. These forecasts include a range of estimated impacts primarily based on the length of time various levels of restrictions are in place and the severity of the consequent impact of those restrictions on our commercial activities. The Trustees have also instituted measures to reduce expenditure and preserve cash. Following discussions with the FCDO, as the British Council's sponsor department, the department provided the British Council with additional grant-in-aid of £26 million in 2019–20 and in June 2020 provided a revolving credit facility of £60 million to support the British Council's short-term cash flow in 2020–21.

The future course of the pandemic and its associated restrictions, and the impact of those on the British Council's commercial activities, remain inherently uncertain. Therefore, the Trustees have concluded that the outlook continues to

present significant challenges in terms of the British Council's future activities, revenue and income. The Trustees have continued to liaise closely with the FCDO and have been offered additional finance and financial assurances up until March 2022. In February 2021 the British Council entered an agreement with the FCDO to increase the revolving credit facility to £145 million with a repayment date of 31 December 2021. The FCDO has confirmed that it will restructure the loan before the repayment date in a way that is affordable to the British Council. The FCDO has also agreed in principle to provide an additional loan of £100 million to support the British Council's restructuring and investment plans to return to surpluses. All loans are being provided on commercial terms. As of the date of this report, the terms of the restructuring loan facility have not been formally agreed, and therefore the provision of the facility is not agreed in timing or amount. It is the FCDO's intention to convert the revolving credit facility into a term loan, the terms of which have not yet been confirmed. The FCDO has also committed to grant-in-aid funding of £179 million for 2021–22 (and with an expectation that funding will continue) to support the British Council's cultural relations work. In addition, the FCDO has provided the British Council with a letter of comfort that provides assurances that it will provide further loan funding to ensure the British Council has enough cash to pay its debts as they fall due up to 31 March 2022 (a period of more than 12 months from the date of authorising the Annual Report and Accounts). The FCDO has also agreed that should the British Council continue to make significant losses from its commercial operations, then it will provide further financial support over and above that agreed at the Spending Review, subject to consistency with subsidy control rules and obligations, and government approval.

The Trustees note that whilst the loan facilities offered by FCDO are not all yet certain, on the basis of the offer of FCDO to provide additional loan facilities and the financial assurances from FCDO in the comfort letter, the Trustees consider that it is reasonable to conclude that the British Council will continue as a going concern for the period covered by these financial assurances. Consequently, it is appropriate for the British Council to prepare its accounts on the going concern basis in line with the requirements of its financial reporting framework. The Trustees do, however, acknowledge that the impact of Covid-19 creates material uncertainties over the British Council's future commercial results and cash flow beyond the period of this support from the department, and thus its ability to continue as a going concern beyond March 2022.

Given this uncertainty, the British Council has not prepared a longer-term Viability Statement. It does, however, continue to assess its prospects over a three-year planning period. It has therefore developed medium and long-term business plans, which represent the British Council's best estimate of its future prospects. The business plans consider financial risk over a number of different income streams, reflecting the demand and supply related to its commercial and grant-funded activities, including grant funding from the FCDO.

The British Council has shared these medium- to long-term business plans with the FCDO and will continue to discuss operating models and funding options with them to allow it to secure its longer-term sustainability in a manner which continues to deliver its mutually agreed objectives.

# 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 2020, which comprise: the Consolidated Statement of Financial Activities, the Group and Parent Balance Sheets, the Consolidated Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Senior Leadership Team remuneration report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the group's and of the British Council's affairs as at 31 March 2020 and of its incoming resources and application of resources for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been properly prepared in accordance with the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), and the Charities Act 2009.

## Emphasis of matter – valuation of land and buildings

I draw attention to Note 10 *Tangible fixed assets* of the financial statements, which describes the material uncertainty in the valuation basis for land and buildings as a result of Covid-19. My opinion is not modified in respect of this matter.

## Material uncertainty relating to going concern

I also draw attention to Note 26 of the financial statements, which describes material uncertainties that may cast significant doubt over the British Council's ability to continue as a going concern in the future, in light of the significant impact of Covid-19 on the British Council's income. Although the British Council has current funding assurances in place, there is uncertainty over its ability to adopt the going concern basis beyond 31 March 2022. I have assessed the use of the going concern basis and am content that this remains appropriate for the 2019–20 financial statements. My responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report. My opinion is not modified in respect of this matter.

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

## Auditor's responsibilities for the audit of the financial statements

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the British Council's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion
- conclude on the appropriateness of the British Council'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 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 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 report. As set out in the emphasis of matter above, I have drawn attention to a material uncertainty relating to going concern.

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

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

## Other information

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

## Opinion on other matters

In my opinion:

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

## Matters on which I report by exception

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

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

## Use of our report

This report is made solely to the Trustees, in accordance with the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Act 2009 and my letter of engagement dated 16 February 2021. My audit work has been undertaken so that I might state to you those matters I am required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Trustees and those set out under these Acts, for my audit work, for this report or for the opinions I have formed.

### Gareth Davies

Comptroller and Auditor General

26 February 2021

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

# Accounts

## Consolidated Statement of Financial Activities for the year ended 31 March 2020

		Unrestricted	Restricted	2019–20 Total	Unrestricted	Restricted	2018–19 Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income and endowments from:</b>							
Donations and legacies	3	26,002	160,700	186,702	39,533	144,700	184,233
<b>Charitable activities</b>							
Developing a wider knowledge of the English language		744,231	19,012	763,243	743,621	16,008	759,629
Encouraging educational co-operation and promoting the advancement of education		30,088	224,961	255,049	28,758	199,458	228,216
Encouraging cultural scientific and technological co-operation		1,103	14,748	15,851	1,414	16,763	18,177
Building capacity for social change		13,387	41,475	54,862	18,625	33,291	51,916
<b>Total income received to promote cultural relationships and the understanding of different cultures</b>	<b>4</b>	<b>788,809</b>	<b>300,196</b>	<b>1,089,005</b>	<b>792,418</b>	<b>265,520</b>	<b>1,057,938</b>
Other trading activities		578	-	578	873	-	873
Investments		3,385	-	3,385	2,712	-	2,712
Profit on disposal of fixed assets		1,087	-	1,087	102	-	102
Foreign exchange gains		7,959	-	7,959	3,674	-	3,674
<b>Total income</b>		<b>827,820</b>	<b>460,896</b>	<b>1,288,716</b>	<b>839,312</b>	<b>410,220</b>	<b>1,249,532</b>
<b>Expenditure on:</b>							
Raising funds		45	-	45	204	-	204
<b>Charitable activities</b>							
Developing a wider knowledge of the English language		718,788	40,539	759,327	674,284	30,369	704,653
Encouraging educational co-operation and promoting the advancement of education		34,712	283,802	318,514	48,425	267,143	315,568
Encouraging cultural scientific and technological co-operation		34,711	65,926	100,637	41,842	64,045	105,887
Building capacity for social change		36,718	66,880	103,598	27,213	50,453	77,666
<b>Total resources expended to promote cultural relationships and the understanding of different cultures</b>	<b>5(a)</b>	<b>824,929</b>	<b>457,147</b>	<b>1,282,076</b>	<b>791,764</b>	<b>412,010</b>	<b>1,203,774</b>
Taxation	8	13,697	-	13,697	15,680	-	15,680
<b>Total expenditure</b>		<b>838,671</b>	<b>457,147</b>	<b>1,295,818</b>	<b>807,648</b>	<b>412,010</b>	<b>1,219,658</b>
(Loss)/Gain on equity investments	12(b)	(481)	-	(481)	425	-	425
<b>Net (expenditure)/income</b>		<b>(11,332)</b>	<b>3,749</b>	<b>(7,583)</b>	<b>32,089</b>	<b>(1,790)</b>	<b>30,299</b>

**Consolidated Statement of Financial Activities for the year ended 31 March 2020 (continued)**

		Unrestricted	Restricted	2019–20 Total	Unrestricted	Restricted	2018–19 Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
<b>Transfers between funds:</b>							
Transfer of unrestricted heritage asset reserve to restricted funds	17(a), 17(b)	(3,539)	3,539	-	1,456	(1,456)	-
<b>Other recognised gains/(losses):</b>							
Funds spent from restricted reserves	17(a)	(1,802)	1,802	-	(1,819)	1,819	-
Gains on revaluation of tangible fixed assets	17(a)	18,684	-	18,684	7,945	-	7,945
Gains on revaluation of intangible fixed assets	17(a)	782	-	782	38	-	38
Gains/(losses) on revaluation of heritage assets	17(a)	4,176	-	4,176	(2,553)	-	(2,553)
Foreign exchange differences arising on consolidation of foreign operations	17(a)	631	-	631	651	-	651
<b>Net movement in funds</b>		<b>7,600</b>	<b>9,090</b>	<b>16,690</b>	<b>37,807</b>	<b>(1,427)</b>	<b>36,380</b>
<b>Total funds brought forward</b>		<b>318,530</b>	<b>69,365</b>	<b>387,895</b>	<b>280,723</b>	<b>70,792</b>	<b>351,515</b>
<b>Total funds carried forward</b>		<b>326,130</b>	<b>78,455</b>	<b>404,585</b>	<b>318,530</b>	<b>69,365</b>	<b>387,895</b>

The British Council's non-consolidated total incoming resources for 2019–20 were £1,151.9 million (2018–19: £1,082.9 million); total resources expended were £1,151.4 million (2018–19: £1,060.4 million); and total net incoming resources were £0.5 million (2018–19: net outgoing resources of £22.5 million).

Restricted activity includes £160.3 million (2018–19: £132.5 million) of income and expenditure relating to projects carried out on behalf of the European Commission.

Unrestricted fees and gross income from services and other sources includes £11.8 million (2018–19: £12.4 million) received in relation to European Commission projects.

There were no other recognised gains and losses other than those passing through the Consolidated Statement of Financial Activities. All activities are continuing. The notes on pages 66 to 104 form part of these accounts.

**Consolidated and British Council Balance Sheet at 31 March 2020**

	Notes	Group		British Council	
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Intangible fixed assets	9	14,186	13,858	13,839	13,838
Tangible fixed assets	10	177,647	159,832	170,432	152,899
Heritage assets	11	122,104	117,852	122,104	117,852
Investments	12(a)	88	102	515	527
Investment in joint venture	12(b)	1,665	1,534	1,665	1,534
<b>Total non-current assets</b>		<b>315,690</b>	<b>293,178</b>	<b>308,555</b>	<b>286,650</b>
<b>Current assets</b>					
Loans to subsidiaries	12(e)	-	-	1,325	-
Loans to joint ventures	12(b)	412	-	-	-
Stock	-	733	657	700	626
Debtors	13	180,186	160,618	172,607	128,889
Short-term investments	14(b)	87,942	125,038	83,645	125,038
Cash at bank	14(a)	322,999	278,489	274,134	242,330
<b>Total current assets</b>		<b>592,272</b>	<b>564,802</b>	<b>532,411</b>	<b>496,883</b>
<b>Liabilities: amounts falling due within one year</b>					
Creditors	15(a)	(466,435)	(433,783)	(445,901)	(408,385)
Short-term provision for liabilities and charges	16(a)	(7,490)	(9,238)	(7,014)	(8,435)
<b>Net current assets</b>		<b>118,347</b>	<b>121,781</b>	<b>79,496</b>	<b>80,063</b>
<b>Total assets less current liabilities</b>		<b>434,037</b>	<b>414,959</b>	<b>388,051</b>	<b>366,713</b>
<b>Liabilities: amounts falling due after more than one year</b>					
Long-term provisions for liabilities and charges	16(b)	(29,452)	(27,064)	(26,182)	(24,963)
<b>Net assets</b>		<b>404,585</b>	<b>387,895</b>	<b>361,869</b>	<b>341,750</b>

**Consolidated and British Council Balance Sheet at 31 March 2020 (continued)**

	Notes	Group		British Council	
		2020	2019	2020	2019
		£'000	£'000	£'000	£'000
<b>Funds and reserves</b>					
<b>Unrestricted funds</b>					
General account	17(a)	3,500	25,003	3,500	25,003
Risk reserve	17(a)	83,094	48,900	47,941	9,709
Investment fund	17(a)	-	23,947	-	23,947
Capital account	17(a)	93,240	94,563	91,555	93,487
Revaluation account	17(a)	98,593	79,127	92,716	73,250
Heritage asset reserve – unrestricted	17(a)	47,702	46,989	47,702	46,989
<b>Total unrestricted funds</b>		<b>326,129</b>	<b>318,529</b>	<b>283,414</b>	<b>272,385</b>
<b>Restricted funds</b>					
Income reserve – restricted	17(b)	3,940	(1,802)	3,940	(1,802)
Expendable endowment reserve	17(b)	113	304	113	304
Heritage asset reserve – restricted	17(b)	74,402	70,863	74,402	70,863
<b>Total restricted funds</b>		<b>78,455</b>	<b>69,365</b>	<b>78,455</b>	<b>69,365</b>
<b>Total charity funds</b>		<b>404,584</b>	<b>387,894</b>	<b>361,869</b>	<b>341,750</b>
Minority interest	17(a)	1	1	-	-
<b>Total funds</b>		<b>404,585</b>	<b>387,895</b>	<b>361,869</b>	<b>341,750</b>

Approved by the Board of Trustees and signed on its behalf on 23 February 2021.

**Stevie Spring CBE**  
Chairman, British Council,  
on behalf of the Board of Trustees

**Kate Ewart-Biggs OBE**  
Interim Chief Executive and Accounting Officer,  
British Council

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

	Notes	2019–20		2018–19	
		£'000	£'000	£'000	£'000
Net (expenditure)/income for the reporting period (as per the Consolidated Statement of Financial Activities)			(7,583)		30,299
<b>Adjustments for:</b>					
Interest receivable		(3,385)		(2,712)	
Depreciation charges including impairments	10	11,026		10,852	
Amortisation charges including impairments	9	4,017		2,567	
(Gain)/Loss on the sale of tangible fixed assets		(907)		146	
Loss/(Gain) on the sale of non-current investments		12		(8)	
Loss/(Gain) on equity investment	12(b)	481		(425)	
Interest on loan to joint venture		(1)		-	
Taxation charge	8	13,697		15,680	
Increase in stocks		(76)		(70)	
Increase in debtors excluding foreign exchange translation		(24,488)		(13,154)	
Increase in creditors excluding overseas corporation tax creditors and foreign exchange translation		40,145		14,967	
Increase in provisions excluding foreign exchange translation		653		3,915	
<b>Total adjustments</b>			<b>41,174</b>		<b>31,758</b>
<b>Net cash flow from operating activities</b>			<b>33,591</b>		<b>62,057</b>

**Consolidated cash flow statement for the year ended 31 March 2020**

	Notes	2019–20		2018–19	
		£'000	£'000	£'000	£'000
<b>Cash flows from operating activities:</b>					
<b>Net cash flow from operating activities</b>		<b>33,591</b>		<b>62,057</b>	
Overseas corporation tax paid		(17,228)		(18,156)	
<b>Net cash provided by/(used in) operating activities</b>			<b>16,363</b>		<b>43,901</b>
<b>Cash flows from investing activities:</b>					
Interest receivable		3,385		2,712	
Purchase of intangible fixed assets	9	(3,559)		(3,095)	
Purchase of tangible fixed assets	10	(10,020)		(9,810)	
Proceeds from the sale of tangible fixed assets		1,820		133	
Purchase of heritage assets	11	(48)		(191)	
Purchase of non-current investments		(558)		-	
Proceeds from sale of non-current investments		25		13	
Net payments into short-term deposits	14(b)	37,096		(1,796)	
<b>Net cash provided by/(used in) investing activities</b>			<b>28,141</b>		<b>(12,034)</b>
<b>Cash flows from financing activities:</b>					
Loan to joint venture	12(b)	(411)		-	
<b>Net cash provided by/(used in) financing activities</b>			<b>(411)</b>		<b>-</b>
<b>Cash and cash equivalents in the year</b>			<b>44,093</b>		<b>31,867</b>
Change in cash and cash equivalents due to foreign exchange rate movements			417		367
<b>Cash and cash equivalents at start of year</b>	14(a)		<b>278,489</b>		<b>246,255</b>
<b>Cash and cash equivalents at end of year</b>	14(a)		<b>322,999</b>		<b>278,489</b>

These financial statements were authorised by the Chairman of the Trustees and the Interim 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) (second edition – October 2019) (the SORP); the Charities Act 2011; the Charities and Trustee Investment (Scotland) Act 2005; the Charities Act 2009; the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs; and the Government Financial Reporting Manual 2019–20 (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 associates and joint ventures. 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, joint ventures and special trusts are listed in note 12(c), (b) and note 17(b) respectively.

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

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

### (c) Going concern

The accounts for the year ended 31 March 2020 have been prepared on a going concern basis: both the Board of Trustees and management believe that this is an appropriate basis of preparation. Note 26 details how the British Council has reached this assessment.

### (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. Non-monetary items are translated using the exchange rate at the time of purchase or subsequent revaluation. The foreign exchange element of revaluations of fixed assets is accounted for as part of the revaluation amount.

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

### (e) Key accounting estimates and judgment

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

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

#### (i) Valuation of property

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

**(ii) Heritage assets**

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

**(iii) Provisions**

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

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

Funds are classified as either unrestricted or restricted.

**(i) Unrestricted funds**

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

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

**(ii) Restricted funds**

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

**(iii) Transfer between funds**

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

**(b) Income**

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

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

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

**(i) Income from donations**

Income from donations comprises:

- grants provided by government and charitable foundations
- donations of services, facilities and goods.

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

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

**(ii) Income from charitable activities**

Income from charitable activities comprises:

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

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

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

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

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

**(iii) Other trading activities**

Income from other trading activities includes sponsorship income.

**(iv) Donated services, facilities and goods**

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

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

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

The value of time given by volunteers is excluded from the accounts as their contribution to the charity cannot be reasonably quantified in financial terms. During 2019–20, 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 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.

Support costs include management, finance, human resources, IT, governance 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.

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.

### **(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 2019–20.

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

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

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

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

#### **(ii) Value added tax**

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

### **(f) Intangible fixed assets**

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

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

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

### **(g) Tangible fixed assets**

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

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

## (i) Depreciation

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

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

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

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

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

## (ii) Valuation basis

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

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

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

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

All upward revaluation adjustments are added to the Revaluation reserve and recognised as 'Gains/(losses) on the revaluation of fixed assets' within the Consolidated Statement of Financial Activities, 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 Consolidated Statement of Financial Activities. Other downwards revaluations are taken to the Revaluation reserve and shown in the 'Gains/(losses) on the revaluation of fixed assets' section of the Consolidated Statement of Financial Activities, to the extent of previous upwards revaluations, and thereafter are charged to the relevant expenditure heading in the Consolidated Statement of Financial Activities.

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

**(h) Heritage assets**

The British Council's heritage assets comprise its permanent collection of over 8,800 purchased and donated works of art. This includes paintings, sculptures, drawings, prints, photographs, moving images and new media.

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

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

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

Approximately 80 per cent of the total value of the whole collection represents works whose value tend to fluctuate over time. A sample of these works of art are valued each year, so that the whole collection is valued on a rolling basis. The valuations are either by a professional external valuer or by the Head of Collection and Collection Manager, who make the valuations by reference to market intelligence and data on sales of similar items.

The remainder of the collection is made up of works of art whose value remain stable over time. These are currently included in the balance sheet at valuations reached on 31 March 2016 to 31 March 2019. The Head of Collection and Collection Manager review these valuations over time to ensure the value is not materially different from their fair value.

The Head of Collection and Collection Manager are members of the British Council's staff.

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

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. 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 Consolidated Statement of Financial Activities to the extent of previous upwards revaluations, and thereafter are charged to the relevant expenditure heading in the Consolidated Statement of Financial Activities.

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

#### **(i) Non-current investments**

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

#### **(j) Current assets and liabilities**

##### **(i) Assets and liabilities**

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

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

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

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

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

##### **(ii) Financial instruments**

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

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

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

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

#### **(k) Leases**

Rentals payable under operating leases are charged to the Consolidated Statement of Financial Activities on a straight-line basis over the term of the lease. Rent-free periods and other lease incentives are accounted for as a reduction to the lease expense over the lease term on a straight-line basis.

#### **(l) Pension schemes and other post-employment benefits**

##### **(i) Civil Service pension arrangements**

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

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

##### **Early retirement in the Civil Service pension arrangements**

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

##### **(ii) Other pension schemes**

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

The present value of the British Council's liability for its obligations and the fair value of the scheme assets are calculated by independent actuaries. If there is a net liability, it is recognised in the Balance Sheet. If there is a net asset, this is not recognised in the Balance Sheet because the surplus is not recoverable through reduced contributions in the future or through refunds. Changes in the net asset or liability during the period that result from employee service or interest on the net liability are recognised in the appropriate heading in the Consolidated Statement of Financial Activities 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 Consolidated Statement of Financial Activities in the period in which the liability to make the payment is incurred.

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

##### **(iii) Terminal gratuities**

In many overseas offices the British Council operates terminal gratuity schemes for its locally engaged employees. The value of the final payment is based on final salary and length of employment. The terminal gratuity is paid as a lump sum to the employee when their employment ends. Full provision is made in the accounts for the British Council's liability on the basis of service accrued as at the Balance Sheet date. There are no plan assets and payments are made out of the cash held as at the time the terminal gratuity is paid.

**(m) Redundancy costs**

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).

**(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	2019–20 Total	Unrestricted	Restricted	2018–19 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Grant-in-aid – revenue	26,000	160,700	186,700	39,100	144,700	183,800
Donated services, goods and facilities	2	-	2	433	-	433
<b>Total donations</b>	<b>26,002</b>	<b>160,700</b>	<b>186,702</b>	<b>39,533</b>	<b>144,700</b>	<b>184,233</b>

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

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

**4 Income from charitable activities****Fees, sponsorship and other income received from activities in furtherance of the objects**

2019–20	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	2019–20 Total
	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted</b>					
Contract income	3,900	18,629	452	12,278	<b>35,259</b>
Teaching and exams	723,936	-	-	-	<b>723,936</b>
Other income	16,395	11,459	651	1,109	<b>29,614</b>
<b>Total unrestricted income</b>	<b>744,231</b>	<b>30,088</b>	<b>1,103</b>	<b>13,387</b>	<b>788,809</b>
<b>Restricted</b>					
Contract income	8,699	190,454	938	35,284	<b>235,375</b>
Grants for delivering specific charitable activities	10,313	34,507	13,810	6,191	<b>64,821</b>
<b>Total restricted income</b>	<b>19,012</b>	<b>224,961</b>	<b>14,748</b>	<b>41,475</b>	<b>300,196</b>
<b>Total</b>					
Contract income	12,599	209,083	1,390	47,562	<b>270,634</b>
Grants for delivering specific charitable activities	10,313	34,507	13,810	6,191	<b>64,821</b>
Teaching and exams	723,936	-	-	-	<b>723,936</b>
Other income	16,395	11,459	651	1,109	<b>29,614</b>
<b>Total income received to promote cultural relationships and the understanding of different cultures</b>	<b>763,243</b>	<b>255,049</b>	<b>15,851</b>	<b>54,862</b>	<b>1,089,005</b>

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

## 5 Expenditure on charitable activities

### (a) Total expenditure on charitable activities

2019–20	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	2019–20 Total
	£'000	£'000	£'000	£'000	£'000
Grants payable	1,256	195,540	17,232	16,763	230,791
Direct costs	633,620	98,312	55,863	58,434	846,229
Support costs	124,451	24,662	27,542	28,401	205,056
<b>Total resources expended to promote cultural relationships and the understanding of different cultures</b>	<b>759,327</b>	<b>318,514</b>	<b>100,637</b>	<b>103,598</b>	<b>1,282,076</b>

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

Included in the above resources expended are costs of £457,147,140 (2018–19: £412,010,000) relating to restricted expenditure.

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

Included in the above direct costs is donated services, goods and facilities of £1,865 (2018–19: £433,428). The related income is shown in note 3.

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

Included in the above support costs are foreign exchange losses of £4,428,854 (2018–19: £9,115,730).

#### (b) Audit and non-audit fees

Included in direct costs and support costs are fees of £260,000 payable to the National Audit Office for the audit of the Consolidated and British Council 2019–20 Annual Report and Accounts (2018–19 fee: £215,000). There were no fees payable to the National Audit Office in respect of non-audit work.

In addition, total audit fees of £426,019 (2018–19: £420,807) 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:

	2019–20	2018–19
	£'000	£'000
Assurance	100	61
Tax advisory	422	572
Other advisory or accountancy	436	105
<b>Total</b>	<b>958</b>	<b>738</b>

#### (c) Analysis of support costs

2019–20	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 2019–20
	£'000	£'000	£'000	£'000	£'000
Property and related costs	36,490	7,231	8,076	8,327	<b>60,124</b>
IT	27,816	5,512	6,156	6,348	<b>45,832</b>
General administration	18,338	3,634	4,058	4,185	<b>30,215</b>
Finance	12,694	2,515	2,809	2,897	<b>20,915</b>
Human resources	13,325	2,641	2,949	3,041	<b>21,956</b>
Governance	7,163	1,419	1,585	1,635	<b>11,802</b>
Other	8,625	1,710	1,909	1,968	<b>14,212</b>
<b>Total support costs</b>	<b>124,451</b>	<b>24,662</b>	<b>27,542</b>	<b>28,401</b>	<b>205,056</b>

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

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

Included in the above table are support costs in relation to grant-making activities of £36.6 million (2018–19: £31.1 million).

## 6 Grants payable

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

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

2019–20	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 2019–20
Types of institution	£'000	£'000	£'000	£'000	£'000
Universities	28	116,564	2,025	1,217	119,834
Other bodies	1,227	11,779	-	5,356	18,362
Charities, NGOs and social enterprises	-	13,096	2,354	8,976	24,426
Colleges	-	33,552	88	97	33,737
Schools	-	10,566	-	104	10,670
Arts bodies	-	1,517	11,378	701	13,596
Local government bodies	-	4,313	45	30	4,388
National and international government bodies	-	1,533	-	-	1,533
Environmental groups	-	1,052	266	169	1,487
<b>Total grants to institutions</b>	<b>1,255</b>	<b>193,972</b>	<b>16,156</b>	<b>16,650</b>	<b>228,033</b>
Grants to individuals	1	1,568	1,076	113	2,758
<b>Total grants payable to promote cultural relationships and the understanding of different cultures</b>	<b>1,256</b>	<b>195,540</b>	<b>17,232</b>	<b>16,763</b>	<b>230,791</b>

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

The following institutions received £750,000 or more of grants from the British Council during 2019–20. Together these grant awards account for a total of £92 million (2017–18: £70.1 million):

Aston University	United Nations Human Settlements
Birmingham City University	University College London
British Red Cross	University of Aberdeen
Cardiff Council	University of the Arts London
Cardiff University	University of Bath
City of Glasgow College	University of Birmingham
Civic Computing Ltd	University of Bradford
Coventry University	University of Bristol
Durham University	University of Cambridge
Egyptian Cultural And Education Bureau	University of Central Lancashire
Grampus Heritage And Training Ltd	University of Exeter
Heriot Watt University	University of Glasgow
Higher Education Commission	University of Gloucestershire
INASP	University of Hull
Keele University	University of Kent
King's College London	University of Leeds
Kingston University	University of Leicester
League Football Education	University of Liverpool
Leeds Beckett University	University of Manchester
Leicester College	University of Newcastle
Loughborough University	University of Nottingham
Manchester Metropolitan University	University of Oxford
Middlesex University	University of Portsmouth
New College Lanarkshire	University of Reading
North West Regional College	University of Sheffield
Nottingham Trent University	University of Southampton
Open University	University of Strathclyde
PASGR	University of Surrey
Queen's University Belfast	University of Sussex
Rise International Limited	University of Ulster
Sheffield Hallam University	University of Warwick
Swansea University	University of Wolverhampton
The University of Edinburgh	Volta Capital

## 7 Staff emoluments and related costs

### (a) Total staff costs:

	2019–20	2018–19
	£'000	£'000
Wages and salaries – permanent staff	323,560	314,045
Wages and salaries – non-permanent staff	93,641	90,580
Social security costs	13,192	11,621
Other pension costs	24,848	25,271
Early retirement costs	553	1,284
<b>Total staff costs</b>	<b>455,794</b>	<b>442,801</b>

Included in non-permanent wages and salaries was £77,183,924 (2018–19: £74,466,949) 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:

	2019–20	2018–19
	Average no. of staff	Average no. of staff
<b>United Kingdom</b>		
Management and administrative (senior managers – 276 (2018–19: 274))	1,172	1,154
<b>Overseas</b>		
Management and administrative (senior managers – 239 (2018–19: 200))	7,677	7,261
Teachers	2,674	2,548
<b>Total employees</b>	<b>11,523</b>	<b>10,963</b>

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:

	2019–20	2018–19	2019–20	2018–19	2019–20	2018–19
	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages by cost band	
<£10,000	-	6	-	2	-	8
£10,000–£25,000	4	8	6	4	10	12
£25,000–£50,000	5	6	1	4	6	10
£50,000–£100,000	-	1	6	9	6	10
£100,000–£150,000	-	-	-	3	-	3
<b>Total number of exit packages</b>	<b>9</b>	<b>21</b>	<b>13</b>	<b>22</b>	<b>22</b>	<b>43</b>
<b>Total resource cost (£)</b>	<b>239,570</b>	<b>484,793</b>	<b>604,914</b>	<b>1,229,582</b>	<b>844,484</b>	<b>1,714,375</b>

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

	2019–20	2018–19	2019–20	2018–19	2019–20	2018–19
	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages by cost band	
<£10,000	103	110	78	120	181	230
£10,000–£25,000	37	24	12	29	49	53
£25,000–£50,000	19	15	4	26	23	41
£50,000–£100,000	17	2	7	12	24	14
£100,000–£150,000	3	-	1	1	4	1
<b>Total number of exit packages</b>	<b>179</b>	<b>151</b>	<b>102</b>	<b>188</b>	<b>281</b>	<b>339</b>
<b>Total resource cost (£)</b>	<b>3,159,114</b>	<b>1,315,014</b>	<b>1,102,799</b>	<b>2,674,571</b>	<b>4,261,913</b>	<b>3,989,585</b>

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 were accounted for in full in the year that the departure was agreed. Where the British Council has agreed early retirements, the additional costs were met by the British Council and not by the CSCS. Ill-health retirement costs were met by the pension scheme and were not included in the table.

(d) The current Chief Executive's total actual emoluments plus pension was £276,791 (2018–19: £250,274) comprising salary of £202,226 (2018–19: £195,670), plus a bonus of £14,362 (2018–19: £6,774) and pension contributions of £60,203 (2018–19: £47,830). 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:

	2019–20	2018–19
	No. of staff	No. of staff
£60,000–£70,000	205	211
£70,001–£80,000	143	138
£80,001–£90,000	101	95
£90,001–£100,000	53	54
£100,001–£110,000	37	38
£110,001–£120,000	36	24
£120,001–£130,000	14	19
£130,001–£140,000	7	11
£140,001–£150,000	9	3
£150,001–£160,000	7	2
£160,001–£170,000	6	2
£170,001–£180,000	4	-
£180,001–£190,000	1	2
£190,001–£200,000	3	-
£200,001–£210,000	-	1
£210,001–£220,000	1	-
<b>Total number of employees</b>	<b>627</b>	<b>600</b>

(f) Off-payroll engagements

For all off-payroll engagements as at 31 March 2020, for more than £245 (2018–19: £245) per day and that last for longer than six months

	2019–20	2018–19
No. of engagements that have existed for:	No. of engagements	No. of engagements
Less than one year at time of reporting	22	7
Between one and two years at time of reporting	3	8
Between two and three years at time of reporting	3	1
Between three and four years at time of reporting	1	-
Four or more years at time of reporting	2	-
<b>Total no. of existing engagements as at 31 March 2020</b>	<b>31</b>	<b>16</b>

For any new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, of more than £245 (2018–19: £245) per day and that last for longer than six months

	2019–20	2018–19
	No. of engagements	No. of engagements
Number of new engagements or those that reached six months in duration between 1 April 2019 and 31 March 2020	42	29
<b>Of which</b>		
Number assessed as within the scope of IR35	33	28
Number assessed as outside the scope of IR35	9	1
<b>Total no. of new engagements, or those that reached six months in duration, during the year</b>	<b>42</b>	<b>29</b>

For any off-payroll engagements of board members and/or senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

	2019–20	2018–19
	No. of engagements	No. of engagements
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	1*	1**
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	41	58

\*An interim Director of Finance Operations was appointed in September 2019 while the role was otherwise being recruited.

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

(g) Travel expenses reimbursed to 13 members (2018–19: 16 members) of the Board of Trustees amounted to £44,580 (2018–19: £40,301).

No Trustees or any persons connected with them received any remuneration for their services during the year ended 31 March 2020 (2018–19: nil).

(h) The Principal Civil Service Pension Scheme (PCSPS) and the Civil Service and Other Pension Scheme (CSOPS) – known as alpha – are unfunded multi-employer defined benefit schemes, but the British Council is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued PCSPS as at 31 March 2012.

For 2019–20, employers' contributions of £15,654,075 were payable to the PCSPS (2018–19: £11,777,374) at one of four rates in the range 26.6 per cent to 30.3 per cent of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019–20 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 £144,434 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 £5,722, 0.5 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the Balance Sheet date were £12,681 (2018–19: £12,715). Contributions prepaid at that date were £nil (2018–19: £nil). Employer contributions of £152 were also payable to the National Employment Savings Scheme (NEST) for employees auto-enrolled in that scheme (2018–19: £100).

(i) Defined benefit scheme

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

The Scheme is closed to new entrants and active members of the Scheme ceased to accrue benefits in respect of pensionable service from 31 January 2013. A full actuarial valuation was carried out at 1 April 2014 and updated to 31 March 2020 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)**

	2020	2019
	£'000	£'000
Fair value of scheme assets	18,811	18,350
Present value of scheme liabilities	9,734	10,101
Surplus/(deficit) in scheme	9,077	8,249
Unrecognised surplus/(deficit)	9,077	8,249
<b>Asset/(liability) to be recognised</b>	-	-

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

	2020	2019
	£'000	£'000
Scheme liabilities at 1 April	10,101	10,993
Interest cost	235	263
Actuarial (gains)/losses	(45)	566
Benefits paid and death in service insurance premiums	(557)	(1,721)
<b>Scheme liabilities at 31 March</b>	<b>9,734</b>	<b>10,101</b>

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

	2020	2019
	£'000	£'000
Fair value of scheme assets at 1 April	18,350	19,070
Interest income	432	263
Administration fee paid from scheme assets	(103)	(109)
Actuarial gains/(losses)	689	847
Benefits paid and death in service insurance premiums	(557)	(1,721)
<b>Fair value of scheme assets at 31 March</b>	<b>18,811</b>	<b>18,350</b>

The actual return on the scheme assets over the year ending 31 March 2020 was £1,121,000 (2018–19: £1,110,000).

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

	2020	2019
	£'000	£'000
Interest cost	235	263
Interest income	(235)	(263)
<b>Total (income)/expense recognised in the Consolidated Statement of Financial Activities</b>	<b>-</b>	<b>-</b>

**Statement of total recognised gains and losses**

	2020	2019
	£'000	£'000
Actual return less expected return on pension scheme assets gain/(loss)	689	847
Experience gains and losses arising on the scheme liabilities gain/(loss)	45	(143)
Changes in the assumptions underlying the defined benefit obligation gain/(loss)	(631)	(423)
<b>Total actuarial gain/(loss) before restriction due to some of the surplus not being recognisable</b>	<b>103</b>	<b>281</b>
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable gain/(loss)	(103)	(281)
<b>Total amount recognised in the statement of total recognised gains and losses</b>	<b>-</b>	<b>-</b>

**Assets**

	2020	2019
	£'000	£'000
Equity	10,013	10,297
Bonds	4,434	4,447
Property	4,077	3,262
Cash	287	344
<b>Total assets</b>	<b>18,811</b>	<b>18,350</b>

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

**Assumptions**

	2020	2019
	% per annum	% per annum
Inflation	2.70%	3.10%
Salary increases	N/A	N/A
Rate of discount	2.30%	2.40%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.00%	2.30%
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**

	2020	2019
	No. of years	No. of years
Male retiring today at age 65	22.6	22.6
Female retiring today at age 65	24.8	24.9
Male retiring in 20 years at age 65	23.9	24.0
Female retiring in 20 years at age 65	26.2	26.3

**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**

	2020	2019
	£'000	£'000
Fair value of scheme assets	18,811	18,350
Present value of scheme liabilities	9,734	10,101
Surplus/(deficit) in scheme	9,077	8,249
Experience adjustment on scheme assets	689	847
Experience adjustment on scheme liabilities	45	(143)

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

**Trustees**

Link Corporate Trustees (UK) Limited and, from January 2020, following a change in ownership, Apex Group Ltd as independent Trustee to the Scheme were paid fees amounting to £44,780 excluding VAT (2018–19: £46,367 excluding VAT) during the year. Two other Trustees were paid £2,932 fees excluding VAT (2018–19: £2,533) during the year. Travel and incidental expenses totalling £56 were reimbursed to one Trustee during the year (2018–19: £51).

**(j) Terminal gratuities**

In many overseas offices the British Council operates terminal gratuity schemes for its locally engaged employees. Payments under these schemes are calculated according to local labour regulations and the terms and conditions of service agreed for each country and are based on the final salary and length of service. The terminal gratuity is paid as a lump sum to the employee when their employment ends as a result of resignation, retirement or early retirement, dismissal (except for any recovery in the case of proven fraud), death in service or redundancy.

These schemes meet the definition of defined benefit post-employment benefits. FRS 102 requires the defined benefit liability and the related expense to be calculated using the 'projected unit method', applying appropriate actuarial assumptions. In the case of these terminal gratuities, the key assumptions are length of service at the date that employment ends, the salary at that date and the discount rate to be applied to calculate the net present value at the Balance Sheet date. The British Council has calculated that there is no material difference between measuring the defined benefit liability using this method and using a simpler calculation based on salary and length of qualifying service, both as at the Balance Sheet date. Accordingly, the British Council's liability to make terminal gratuity payments is recognised on the basis of service accrued as at 31 March each year.

For the majority of schemes, there are no plan assets and payments are made out of the cash held at the time the terminal gratuity is paid. The total value of plan assets, and return on plan assets, is not material, and hence the fair value of any plan assets is not disclosed. The unfunded part of the obligation is recognised in full.

Movements in provision has been included in note 16.

**(k) Union officials****Total number of employees who were union officials**

	2019–20		2018–19	
	Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number	Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
Employees who were union officials	18	18	22*	22*

\*The full time equivalent employee number of employees who were union officials for 2018–19 has been amended from 3.2 to 22 to reflect the change in approach used in calculating the 2019–20 disclosure.

**The number of employees that spent the following on facility time**

	2019–20	2018–19
Percentage of the working hours on facility time	No. of staff	No. of staff
1–50%	17	21
51–99%	-	-
100%	1	1

**Percentage of the pay bill spent on facility time**

	2019–20	2018–19
	£'000	£'000
Total cost of facility time	156	142
Total pay bill	91,478	85,409
Percentage of the total pay bill spent on facility time	0.17%	0.17%

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

	2019–20	2018–19
	£'000	£'000
<b>Tax charge for the current year</b>		
Overseas tax	12,408	12,232
<b>Total current year tax</b>	<b>12,408</b>	<b>12,232</b>
<b>Tax under/(over) provided in previous years</b>		
Overseas tax	1,289	3,448
<b>Total prior year tax</b>	<b>1,289</b>	<b>3,448</b>
<b>Total tax charge</b>	<b>13,697</b>	<b>15,680</b>

No deferred tax has been recognised for the year (2018–19: nil).

**(b) Factors affecting the current tax charge**

	2019–20	2018–19
	£'000	£'000
<b>Net (expenditure)/income after taxation</b>	<b>(7,583)</b>	<b>30,299</b>
Total tax charge	13,697	15,680
<b>Net income before taxation</b>	<b>6,114</b>	<b>45,979</b>
Tax charge at standard UK Corporation Tax rate of 19% (2018–19: 19%)	1,162	8,736
Net expenditure/(income) not subject to tax (primarily due to charitable exemptions)	1,695	(2,887)
Expenses not deductible for tax purposes	4,115	1,459
Higher taxes on overseas taxable surpluses	1,993	2,497
Irrecoverable withholding tax on repatriated funds	848	712
Losses not relievable against current income	2,595	1,715
Tax under provided in previous years	1,289	3,448
<b>Current tax charge for year</b>	<b>13,697</b>	<b>15,680</b>

**(c) Factors that may affect future tax charges**

The group has unrecognised deferred tax assets totalling £1.1 million (2018–19: £0.5 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

	2020	2019
	£'000	£'000
<b>Modified cost or valuation</b>		
At 1 April	17,302	15,201
Exchange rate differences	14	-
Additions	4,077	8,959
Transfers of completed assets from assets under construction	(518)	(5,864)
Disposals	(3)	(1)
Impairment	(62)	(62)
Revaluations	(26)	(931)
<b>At 31 March</b>	<b>20,784</b>	<b>17,302</b>
<b>Amortisation</b>		
At 1 April	(3,444)	(1,908)
Exchange rate differences	(10)	-
Charge for the year	(3,982)	(2,534)
Disposals	3	-
Impairment	27	29
Revaluations/backlog amortisation	808	969
<b>At 31 March</b>	<b>(6,598)</b>	<b>(3,444)</b>
<b>Net book value</b>		
<b>At 31 March</b>	<b>14,186</b>	<b>13,858</b>
At 1 April	13,858	13,293

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

	2020	2019
	£'000	£'000
AUC cost at 1 April	618	3,387
Transfers of completed assets to additions	(518)	(5,864)
Additions to AUC	234	3,095
<b>Total AUC cost at 31 March</b>	<b>334</b>	<b>618</b>

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

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

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

## 10 Tangible fixed assets

2019–20	Freehold land and property	Leasehold land and property	Furniture and equipment	Information technology	Vehicles and plant	2019–20 Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Modified cost or valuation</b>						
At 1 April 2019	100,572	93,615	9,006	8,959	11,907	<b>224,059</b>
Exchange rate differences	2,049	(1,241)	517	(166)	23	<b>1,182</b>
Additions	9,741	4,672	1,156	1,671	1,467	<b>18,707</b>
Transfers of completed assets from AUC	(7,227)	-	(574)	(355)	(531)	<b>(8,687)</b>
Reclassifications	(4)	4	-	-	-	-
Disposals	(600)	(3,312)	(397)	(718)	(779)	<b>(5,806)</b>
Revaluations	16,067	232	-	-	-	<b>16,299</b>
<b>At 31 March 2020</b>	<b>120,598</b>	<b>93,970</b>	<b>9,708</b>	<b>9,391</b>	<b>12,087</b>	<b>245,754</b>
<b>Depreciation</b>						
At 1 April 2019	(6,787)	(35,666)	(6,830)	(6,109)	(8,835)	<b>(64,227)</b>
Exchange rate differences	(61)	(98)	16	50	(39)	<b>(132)</b>
Charge for the year	(2,942)	(4,831)	(1,107)	(1,046)	(1,100)	<b>(11,026)</b>
Disposals	99	3,160	323	637	674	<b>4,893</b>
Revaluations	2,331	54	-	-	-	<b>2,385</b>
<b>At 31 March 2020</b>	<b>(7,360)</b>	<b>(37,381)</b>	<b>(7,598)</b>	<b>(6,468)</b>	<b>(9,300)</b>	<b>(68,107)</b>
<b>Net book value</b>						
<b>At 31 March 2020</b>	<b>113,238</b>	<b>56,589</b>	<b>2,110</b>	<b>2,923</b>	<b>2,787</b>	<b>177,647</b>
At 1 April 2019	93,785	57,949	2,176	2,850	3,072	<b>159,832</b>

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

2019–20	Land and property	Furniture and equipment	Information technology	Vehicles and plant	2019–20 Total
	£'000	£'000	£'000	£'000	£'000
AUC cost at 1 April 2019	3,365	-	859	130	<b>4,354</b>
Exchange rate differences	14	131	(112)	5	<b>38</b>
Transfers of completed assets to additions	(7,227)	(574)	(355)	(531)	<b>(8,687)</b>
Additions to AUC	6,772	443	285	407	<b>7,907</b>
<b>Total AUC cost at 31 March 2020</b>	<b>2,924</b>	<b>-</b>	<b>677</b>	<b>11</b>	<b>3,612</b>

Included in tangible fixed assets are assets to the value of £39.2 million (2018–19: £36.6 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.

There were no impairments to fixed assets in the year to 31 March 2020 resulting from the revaluation exercise undertaken by CBRE, who, in accordance with the British Council's policy, value approximately one-fifth of the portfolio each year. However, it should be noted that at the valuation date the impact of Covid-19 on property valuations was unknown, and hence CBRE caveated their valuation report with a 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global.

The RICS Red Book defines material uncertainty as 'where the degree of uncertainty in a valuation falls outside any parameters that might normally be expected and accepted' (VPS 3.2.2 (o)). The inclusion of the 'material valuation uncertainty' clause is not to be interpreted that the valuations cannot be relied upon. It is there to highlight that the valuations should be viewed with a much greater degree of caution at this time as a result of Covid-19.

Because of the uncertain impact of Covid-19 on the market activity for property as at 31 March 2020, the British Council considers that it can attach less weight to previous market evidence to inform opinions of value. Consequently, and in line with the advice provided by the RICS to Registered Valuers, the British Council needed to consider the effect of the outbreak of Covid-19 on the value of its land and buildings as at 31 March 2020. To assure itself of the validity of the values reported in these accounts, the British Council undertook an additional review of its entire land and buildings portfolio, which involved assessing the impact of regional property indices for the quarters ending 31 March and 30 June 2020. Although the indices in most regions reduced in the quarter to June 2020, the results of this extrapolation supported the British Council's overall valuation of its land and buildings as at 31 March 2020.

Therefore, although the British Council considers that the valuations as at 31 March 2020 should be viewed with a degree of caution as a result of the uncertain impact of Covid-19 on the value of land and buildings, the British Council judges the value reported to be materially appropriate. Given the unknown future impact that Covid-19 might have on the real estate market, the British Council will be keeping the valuations under frequent review.

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 £11.3 million (2018–19: £11.7 million).

Within the freehold land and properties category, there is one building allocated a useful life of 60 years in 2009 that will expire in 2069. The current book value is £0.6 million (2018–19: £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 £0.03 million (2018–19: £0.1 million), which are occupied by subsidiaries.

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

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

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

## 11 Heritage assets

	2020	2019	2018	2017	2016
	£'000	£'000	£'000	£'000	£'000
<b>Modified cost or valuation</b>					
At 1 April – cost	3,465	3,275	3,050	2,828	2,445
At 1 April – valuation	114,387	116,939	117,006	117,052	126,942
<b>Total value at 1 April</b>	<b>117,852</b>	<b>120,214</b>	<b>120,056</b>	<b>119,880</b>	<b>129,387</b>
Additions – purchased	48	191	225	222	383
Additions – donated	28	-	19	5	-
Increase/(decrease) in valuation	4,176	(2,553)	(86)	(51)	(9,890)
<b>At 31 March</b>	<b>122,104</b>	<b>117,852</b>	<b>120,214</b>	<b>120,056</b>	<b>119,880</b>
Unrestricted	47,702	46,989	47,895	47,866	48,733
Restricted	74,402	70,863	72,319	72,190	71,147
<b>Total heritage assets</b>	<b>122,104</b>	<b>117,852</b>	<b>120,214</b>	<b>120,056</b>	<b>119,880</b>

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

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

The following was reviewed and valued internally by the Head of Collection and Collection Manager and is included at the valuations reached:

- a sample of sculptures and paintings in the year ended 31 March 2020.

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 in valuation figure is a net amount and includes disposals of £8,570 (2018–19: £nil).

## 12 Investments

### (a) Total investments

	Group		British Council	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Quoted investments	88	102	88	102
Investment in subsidiaries	-	-	427	425
<b>Total investments</b>	<b>88</b>	<b>102</b>	<b>515</b>	<b>527</b>

### (b) Investment in joint venture

The British Council is, directly or through a wholly owned subsidiary, a member of three joint ventures entities: IELTS Inc., BC EnglishScore Limited and IELTS UK Services Ltd. These are accounted for using the equity method of accounting.

	Group		British Council	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Opening balance	1,534	1,027	1,534	1,027
Investment during the year	536	-	5	-
Share of profit or loss	(481)	425	50	425
Exchange rate differences	76	82	76	82
<b>Total investment in joint ventures</b>	<b>1,665</b>	<b>1,534</b>	<b>1,665</b>	<b>1,534</b>

**(1) Investment in IELTS Inc.**

	Group		British Council	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Opening balance	1,534	1,027	1,534	1,027
Investment during the year	-	-	-	-
Share of profit or loss	55	425	55	425
Exchange rate differences	76	82	76	82
<b>Total investment in joint ventures</b>	<b>1,665</b>	<b>1,534</b>	<b>1,665</b>	<b>1,534</b>

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. The British Council has a long-term interest in the joint venture, over which it exercises joint control with two other equal members, Oxford and Cambridge International Assessment Services Limited and IDP Education Australia Limited.

**(2) Investment in BC EnglishScore Limited**

	Group		British Council	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Investment during the year	531	-	-	-
Share of profit or loss	(531)	-	-	-
<b>Total investment in joint ventures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

BC EnglishScore Limited is a private limited company incorporated in England and Wales. The company has been established to develop, launch and operate software to help people develop their English language skills. The British Council's wholly owned subsidiary BC Holdings (United Kingdom) Ltd holds 40 per cent of the shares in BC EnglishScore Limited. The other shareholder is BIC Finance Nominee Limited (Blenheim Chalcot).

**(3) Investment in IELTS UK Services Ltd**

	Group		British Council	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Investment during the year	5	-	5	-
Share of profit or loss	(5)	-	(5)	-
<b>Total investment in joint ventures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

IELTS UK Services Ltd is a private limited company incorporated in England and Wales. The company was established to support collaboration between the IELTS partners. The British Council shares ownership with the University of Cambridge Local Examinations Syndicate and IELTS Australia Pty Ltd and holds one third of the shares. The British Council has issued a loan to IELTS UK Services Ltd which had a balance of £411,859 at 31 March 2020 (2018–19: nil). IELTS UK Services Ltd is funded by a service charge levied equally on each partner.

**(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
British Council in France (Société par actions simplifiée unipersonnelle)	France	Carrying out charitable objectives of the British Council	Ordinary/100%	31 March
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 Inggri	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 (Myanmar) Ltd.	Myanmar	Carrying out charitable objectives of the British Council	Ordinary/100%	30 September
British Council Services Nepal Private Limited	Nepal	Carrying out charitable objectives of the British Council	Ordinary/100%	Mid July
British Council Programmes (Nigeria) Ltd/GTE	Nigeria	Carrying out charitable objectives of the British Council	-	31 March
British Council Trading Services (Nigeria) Limited	Nigeria	Carrying out charitable objectives of the British Council	Ordinary/100%	31 March
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 March
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

In the year to 31 March 2020, four new subsidiaries were formed: two in Nigeria, one in Nepal and one in Myanmar. There was no investment in British Council (Myanmar) Ltd as at 31 March 2020 and it had not started trading. In addition, an investment in a new subsidiary in the Philippines was deposited to a local bank account as part of the incorporation process. Incorporation was still in progress at 31 March 2020.

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	British Council (Vietnam) LLC 0107581903	Other subsidiaries
	£	£	£	£	£	£	£	£	£	£
Investment at 1 April 2018	1	3,360,000	961,855	1,739	417	-	306,569	1,848,049	53,000	2,649,330
Additions	-	-	-	-	-	-	-	-	-	442,107
<b>Investment at 31 March 2019</b>	<b>1</b>	<b>3,360,000</b>	<b>961,855</b>	<b>1,739</b>	<b>417</b>	<b>-</b>	<b>306,569</b>	<b>1,848,049</b>	<b>53,000</b>	<b>3,091,437</b>
Investment at 1 April 2019	1	3,360,000	961,855	1,739	417	-	306,569	1,848,049	53,000	3,091,437
Additions	-	-	-	-	-	-	-	-	-	332,178
<b>Investment at 31 March 2020</b>	<b>1</b>	<b>3,360,000</b>	<b>961,855</b>	<b>1,739</b>	<b>417</b>	<b>-</b>	<b>306,569</b>	<b>1,848,049</b>	<b>53,000</b>	<b>3,423,615</b>

Company name	BC Holdings (United Kingdom) Limited	BC Education Consulting (Beijing) Co. Ltd	BC Management Services Private Limited	BC English and Examinations Services India Private Limited	Fundacja British Council	British Council (Singapore) Limited	British Council (Taiwan) Ltd	BC Operations (Thailand) Limited	British Council (Vietnam) LLC	Other subsidiaries
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 March 2020</b>										
Assets	10,107	25,167	7,651	20,760	3,266	9,611	4,815	4,047	9,772	27,509
Liabilities	(14)	(5,957)	(4,906)	(10,762)	(2,573)	(1,431)	(3,651)	(2,731)	(8,090)	(26,878)
<b>Reserves</b>	<b>10,093</b>	<b>19,210</b>	<b>2,745</b>	<b>9,998</b>	<b>693</b>	<b>8,180</b>	<b>1,164</b>	<b>1,316</b>	<b>1,682</b>	<b>631</b>
<b>At 31 March 2019</b>										
Assets	10,191	45,012	6,680	18,362	3,052	17,687	4,331	4,394	8,261	16,043
Liabilities	(20)	(23,292)	(4,192)	(10,745)	(2,192)	(7,886)	(3,019)	(2,806)	(7,447)	(15,058)
<b>Reserves</b>	<b>10,171</b>	<b>21,720</b>	<b>2,488</b>	<b>7,617</b>	<b>860</b>	<b>9,801</b>	<b>1,312</b>	<b>1,588</b>	<b>814</b>	<b>985</b>
<b>2019–20</b>										
Income	16,105	82,200	12,796	36,555	9,033	21,724	7,673	5,618	15,126	50,809
Expenditure	(16,183)	(84,744)	(12,426)	(34,140)	(9,162)	(23,373)	(7,945)	(5,899)	(14,272)	(51,375)
<b>Net income/ (expenditure)</b>	<b>(78)</b>	<b>(2,544)</b>	<b>370</b>	<b>2,415</b>	<b>(129)</b>	<b>(1,649)</b>	<b>(272)</b>	<b>(281)</b>	<b>854</b>	<b>(566)</b>
Donation of profits to the British Council	-	-	-	-	-	-	-	-	-	306
<b>2018–19</b>										
Income	13,876	84,459	12,286	35,713	9,328	25,349	6,866	8,764	13,448	30,094
Expenditure	(14,475)	(82,794)	(11,482)	(32,410)	(9,282)	(24,414)	(6,237)	(9,150)	(11,961)	(30,390)
<b>Net income/ (expenditure)</b>	<b>(599)</b>	<b>1,665</b>	<b>804</b>	<b>3,303</b>	<b>46</b>	<b>935</b>	<b>629</b>	<b>(386)</b>	<b>1,487</b>	<b>(296)</b>
Donation of profits to the British Council	-	-	-	-	-	-	-	-	-	551

### (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	
	2019–20	2018–19	2019–20	2018–19
	£	£	£	£
British Council in France	-	-	1,324,963	-
BC Holdings (United Kingdom) Limited	-	-	1	1
<b>Total loans from the British Council to subsidiaries</b>	<b>-</b>	<b>-</b>	<b>1,324,964</b>	<b>1</b>

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

Subsidiary	Interest charged		Loan balance	
	2019-20	2018-19	2019-20	2018-19
	£	£	£	£
British Council Indonesia Foundation	21,032	21,418	610,080	879,103
British Council Trading Services (Nigeria) Limited	4,505	-	309,199	-
British Council (Vietnam) LLC	14,564	21,467	-	858,369
Smart Education, Culture and Language Services LLC	45	302	-	11,832
<b>Total loans between subsidiaries</b>	<b>40,146</b>	<b>43,187</b>	<b>919,279</b>	<b>1,749,304</b>

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

Of the loans outlined above, loans to subsidiaries held on the British Council Balance Sheet include only those loans to BC Holdings (United Kingdom) Limited and BC English Services Trans-National Limited with a total value of £1,324,964 (2018-19: £1).

### 13 Debtors (amounts falling due within one year)

#### Analysis by type

	Group		British Council	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade debtors	68,835	68,197	63,523	51,690
Balances resulting from activity under contracts and agreements	44,722	22,039	44,570	21,912
Other debtors	10,888	13,121	8,155	5,144
VAT debtor	3,155	4,610	896	1,229
Prepayments and accrued income	52,586	52,651	43,013	42,300
Amounts due from subsidiary undertakings	-	-	12,450	6,614
<b>Total debtors</b>	<b>180,186</b>	<b>160,618</b>	<b>172,607</b>	<b>128,889</b>

## 14 Cash at bank and short-term investments

### (a) Cash at bank

	Group		British Council	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents held in:				
Sterling	68,129	37,759	58,712	33,624
Euros	136,802	107,734	135,387	107,176
US dollars	9,349	8,818	6,990	6,695
Other currencies	108,719	124,178	73,045	94,835
<b>Total cash at bank</b>	<b>322,999</b>	<b>278,489</b>	<b>274,134</b>	<b>242,330</b>

The total cash at bank balance includes cash held overseas of £21.3 million (2018–19: £20.3 million) that is considered to be trapped due to foreign exchange controls. The British Council is actively seeking ways to manage and limit the effect of foreign exchange gains and losses on cash balances held in those currencies.

### (b) Short-term investments

	Group		British Council	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Short-term deposits maturing in under one year held in:				
Sterling	68,000	92,000	68,000	92,000
Euros	-	21,552	-	21,552
Other currencies	19,942	11,486	15,645	11,486
<b>Total short-term investments</b>	<b>87,942</b>	<b>125,038</b>	<b>83,645</b>	<b>125,038</b>

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	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Trade creditors	40,578	45,869	35,990	40,514
Balances resulting from activity under contracts and agreements	97,877	85,090	99,540	85,011
Other creditors	20,717	10,351	18,273	9,421
Taxation and social security	9,784	13,348	7,829	6,570
VAT creditor	6,042	714	5,757	1,009
Deferred income	130,271	137,307	111,240	120,498
Accruals – grants payable	94,984	68,769	94,984	68,769
Accruals – other	66,182	72,335	53,430	56,685
Amounts due to subsidiary undertakings	-	-	18,858	19,908
<b>Total creditors</b>	<b>466,435</b>	<b>433,783</b>	<b>445,901</b>	<b>408,385</b>

### (b) Analysis of deferred income

	Group		British Council	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
At 1 April	137,307	131,920	120,498	116,600
Unrealised loss on exchange rate	836	(25)	563	(69)
Income recognised during the year	(137,140)	(131,668)	(120,384)	(116,486)
Income deferred during the year	129,268	137,080	110,563	120,453
<b>At 31 March</b>	<b>130,271</b>	<b>137,307</b>	<b>111,240</b>	<b>120,498</b>

## 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 2019	1,382	-	3,976	32	3,848	9,238
Exchange rate differences	(4)	-	(24)	13	11	(4)
Net amounts utilised or reversed	(1,042)	-	(3,618)	-	(6,336)	(10,996)
Charged to expenditure	422	-	-	289	8,919	9,630
Movement between short term and long term	(378)	-	-	-	-	(378)
<b>At 31 March 2020</b>	<b>380</b>	<b>-</b>	<b>334</b>	<b>334</b>	<b>6,442</b>	<b>7,490</b>

### (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 2019	171	26,893	-	-	-	27,064
Exchange rate differences	1	(80)	-	-	-	(79)
Net amounts utilised or reversed	(398)	(4,527)	-	-	-	(4,925)
Charged to expenditure	-	7,014	-	-	-	7,014
Movement between short term and long term	378	-	-	-	-	378
<b>At 31 March 2020</b>	<b>152</b>	<b>29,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,452</b>

The provision for early retirement relates to costs to service the number of early retirement schemes offered by the PCSPS.

Terminal gratuities provision has been explained in note 7(j).

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	2019–20 Total unrestricted funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 April 2019</b>	<b>25,003</b>	<b>48,900</b>	<b>23,947</b>	<b>94,563</b>	<b>79,127</b>	<b>46,989</b>	<b>318,529</b>
Net expenditure	(11,332)	-	-	-	-	-	(11,332)
Revaluation of heritage assets	-	-	-	-	-	4,176	4,176
Revaluation account movement on land and buildings	-	-	-	-	18,684	-	18,684
Revaluation account movement on intangible fixed assets	-	-	-	-	782	-	782
Transfer of purchased and donated heritage assets	(76)	-	-	-	-	76	-
Foreign exchange differences arising on consolidation of foreign operations	(423)	-	-	1,054	-	-	631
Transfer to/from restricted heritage asset reserve	-	-	-	-	-	(3,539)	(3,539)
Transfer to/from restricted grant reserve	(1,802)	-	-	-	-	-	(1,802)
Transfer to/from capital account	2,377	-	-	(2,377)	-	-	-
Transfer to/from general account	(10,247)	10,247	-	-	-	-	-
Transfer to/from Investment fund	-	23,947	(23,947)	-	-	-	-
<b>At 31 March 2020</b>	<b>3,500</b>	<b>83,094</b>	<b>-</b>	<b>93,240</b>	<b>98,593</b>	<b>47,702</b>	<b>326,129</b>
Minority interest	-	-	-	-	-	-	1
Total capital employed	3,500	83,094	-	93,240	98,593	47,702	326,130

Cumulative foreign exchange losses of £5.3 million (2018–19: £4.9 million) and foreign exchange gains of £1.4 million (2018–19: £0.3 million) respectively are included in the Risk and Capital reserves above. Such amounts relate to the re-translation of the net assets of foreign entities and will fluctuate in accordance with the relative exchange rates ruling at future Balance Sheet dates.

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

#### Reserves policy

The British Council's free reserves are represented by the balance in the General Account and the two designated reserves funded from the General Account: the Risk Reserve and the Investment Fund.

The closing balance on the General Account, Risk Reserve and Investment Fund were shared with the board at the Board of Trustees meeting held on 9 December 2020. The Board delegated authority to the Chairman and the Chair of the Audit and Finance Committee to jointly approve the 2019–20 Annual Report and Accounts on behalf of the Board of Trustees.

**General Account** – at 31 March 2020, the balance on the General Account represents non-ODA funding received from the FCO in the financial year which the British Council has undertaken to spend within the financial year 2020–21.

**Risk Reserve** – this represents the minimum level of funds required to protect the British Council from the potential financial impact of known business risks. The Trustees set a target to grow the Risk Reserve to £50 million by 2020 (2012 policy: £34.6 million). In 2020–21, it is clear that the dominant risk to the British Council's business is the continuation of restrictions due to the Covid-19 pandemic. The British Council forecasts for 2020–21 indicate significant losses will be made and therefore surplus free reserves have been allocated to the Risk Reserve. The balance at 31 March 2020 was £83.1 million (2018–19: £23.9 million).

**Investment Fund** – this represents funds required for specific planned investments within a three-year horizon. The balance at 31 March 2020 was nil (2018–19: £23.9 million). 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	2019–20 Total restricted funds
	£'000	£'000	£'000	£'000
At 1 April 2019	(1,802)	304	70,863	69,365
Transfer from unrestricted funds; heritage assets	-	-	3,539	3,539
Funds spent from reserves	1,802	-	-	1,802
Net income/(expenditure)	3,940	(191)	-	3,749
At 31 March 2020	3,940	113	74,402	78,455

### Expendable endowment reserve

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

- Lefèvre Trust – to promote understanding between the UK and France, and the mutual learning of customs and language through an exchange programme for French and British boys and girls between the ages of 11 and 19.
- The Sir Shiu Kin Tang Educational Trust – to advance the education of postgraduate students from Hong Kong in the UK.
- Dame Nancy Parkinson Bequest – to assist Commonwealth students to purchase books, attend conferences or consult specialist advisers in Britain when this cost could not be met from public funds.
- Charles De Gaulle Bursary Scheme – to provide an opportunity for British and French students aged between 17 and 19 to undertake a specific study project relating to the language or culture of the other country. As at 31 March 2020 the British Council had fully utilised all the capital related to this trust.

### (c) Analysis of group net assets between funds

2019–20	Unrestricted funds	Restricted funds	2019–20 Total funds
	£'000	£'000	£'000
Fixed assets	239,535	74,402	313,937
Investments	1,669	84	1,753
Current assets	490,426	101,846	592,272
Current liabilities	(376,048)	(97,877)	(473,925)
Amounts falling due after more than one year	(29,452)	-	(29,452)
<b>Total net assets as at 31 March 2020</b>	<b>326,130</b>	<b>78,455</b>	<b>404,585</b>

2018–19	Unrestricted funds	Restricted funds	2018–19 Total funds
	£'000	£'000	£'000
Fixed assets	220,679	70,863	291,542
Investments	1,541	95	1,636
Current assets	481,305	83,497	564,802
Current liabilities	(357,931)	(85,090)	(443,021)
Amounts falling due after more than one year	(27,064)	-	(27,064)
<b>Total net assets as at 31 March 2019</b>	<b>318,530</b>	<b>69,365</b>	<b>387,895</b>

## 18 Commitments

### (a) Capital commitments

	2020	2019
	£'000	£'000
Contracted expenditure	9,155	2,840

Contracted expenditure includes £161,991 (2018–19: £194,877) relating to subsidiary capital commitments.

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

	2020	2019
	£'000	£'000
To be undertaken:		
In one year or less	5,503	4,521
Between one and five years	849	8
<b>Total future minimum payments for charitable projects (grants)</b>	<b>6,352</b>	<b>4,529</b>

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

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

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

Grants to be undertaken in the following year includes £2,237,290 (2018–19: £146,611) relating to subsidiary charitable commitments.

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

	2020			2019		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Payments to be made						
In one year or less	19,670	1,084	20,754	22,982	945	23,927
Between one and five years	25,790	921	26,711	27,620	710	28,330
In five years or more	64,811	5	64,816	40,740	-	40,740
<b>Total future minimum lease payments</b>	<b>110,271</b>	<b>2,010</b>	<b>112,281</b>	<b>91,342</b>	<b>1,655</b>	<b>92,997</b>

The total amount of lease payments recognised as an expense in the Consolidated Statement of Financial Activities is £30,809,138 (2018–19: £29,451,861).

In August 2019 the British Council signed the lease for its new London office for occupation in November 2020. The lease has a rent-free period to October 2022, after which £3.4 million is payable annually. The lease payments are recognised as an expense on a straight-line basis over the lease term, with the benefit of the rent-free period deducted from the expense on a straight-line basis over the lease term. The total future minimum lease payments are disclosed above.

## 19 Analysis of changes in net debt

	At 1 April 2019	Cash flows	Foreign exchange movements	At 31 March 2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents	278,489	44,093	417	322,999
<b>Total</b>	<b>278,489</b>	<b>44,093</b>	<b>417</b>	<b>322,999</b>

## 20 Losses and special payments

During the year ended 31 March 2020, there were 232 losses totalling £1,346,093 as defined in *Managing public money* (2018–19: 143 cases totalling £2,107,806). This includes fraudulent and non-fraudulent business losses. One of these cases exceeded the £300,000 threshold for individual disclosure. This was a write-off of a debt in the Middle East and North Africa of £348,326 that dates from 2014. The debt comprised management fees due in 2014–15 under a partnership agreement with a company to promote and administer exams. The British Council negotiated a payment plan then took legal action to recover the debt, but the court was unable to locate the debtor or identify any assets in its name. Following external legal advice that the likelihood of recovering the debt was low, it was written off.

In addition, there were losses totalling £406,364 (2018–19: £nil) arising due to Covid-19 during 2019–20. This only includes costs meeting the definition of a loss in *Managing public money*. It does not include revenue lost from cancelled activities or additional costs incurred from adapting to Covid-19.

The British Council also incurred realised foreign exchange losses of £2,347,244 (2018–19: £8,969,682).

There were five cases totalling £455,981 that fall within the category of special payments as defined in *Managing public money* (2018–19: two cases totalling £2,085). Where required, they were approved by HM Treasury on a value for money basis. One of these cases exceeded the £300,000 threshold for individual disclosure. A total of £306,000 *ex gratia* payments of £900 each were made to operational staff in China to alleviate hardship arising from loss of income due to cancelled business activity and encourage retention of their services.

## 21 Related party transactions

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

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

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

- DFID (now part of the FCDO)
- Department for Business, Energy and Industrial Strategy
- Department for Education.

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

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

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

Organisation	Trustee/board member	Relationship	Grants provided and funds disbursed under contracts/agreements	Debtor balance	Creditor balance
			2019–20 £'000	2020 £'000	2020 £'000
Strategy and Security Institute – University of Exeter	Sir Ciarán Devane	Honorary Associate Professor	2,733	107	-
University of Liverpool	Professor Janet Beer	Vice-Chancellor	946	-	143
Coventry University	Sir Ciarán Devane	Member of the Vice-Chancellor's Advisory Group	737	113	76
De Montfort University	Ms Sara Pierson	Trustee and Independent Governor	233	61	-
Universities UK (UUK), England and Northern Ireland	Professor Janet Beer	Member of Board	225	-	2
Social Enterprise Academy Africa	Mr Moses Anibaba	Non-Executive Director	35	-	33
LSO Productions Limited	Mr Mark Beddy	Director and Chairman	8	-	-
Lazard & Co., Limited	Sir David Verey	Senior Adviser (non-executive)	212	-	-

Organisation	Trustee/board member	Relationship	Grants provided and funds disbursed under contracts/agreements			Debtor balance	Creditor balance
			2018–19	2019	2019		
			£'000	£'000	£'000		
Foreign and Commonwealth Office	Ms Deborah Bronnert	Director General Global and Economic Issues	7,025	444	507		
Strategy and Security Institute – University of Exeter	Sir Ciarán Devane	Honorary Associate Professor	2,522	-	-		
Coventry University	Sir Ciarán Devane	Member of the Vice-Chancellor's Advisory Group	2,156	50	84		
University of Liverpool	Professor Janet Beer	Vice-Chancellor University of Liverpool	1,185	12	1		
University of St Andrews	Mr Adrian Greer	Chancellor's Assessor, Lay member, and Member of the planning and resources committee and Chairs the Health and Safety Group	585	126	-		
Universities UK (UUK), England and Northern Ireland	Professor Janet Beer	President	203	-	26		
University of Brighton	Ms Maddalaine Ansell	Governor	180	10	-		
LSO Productions Limited	Mr Mark Beddy	Director and Chairman	20	-	-		
The Place (Contemporary Dance Trust Limited)	Ms Catherine Ward	Governor	11	-	-		
Serco Group plc	Ms Rachel Lomax	Director	1	-	-		
Clore Social Leadership	Sir Ciarán Devane	Trustee and Chairman	1	-	-		
Wasafiri International Contemporary Writing	Ms Kate Arthurs	Trustee	1	-	-		

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

## 22 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 £1.2 million (2018–19: £0.6 million). The British Council believes that no significant losses will arise from these proceedings. The British Council has £1.1 million (2018–19: £0.5 million) relating to bank guarantees issued under various contracts, which may be called if the British Council does not meet its contractual obligations. No losses are expected to arise under these arrangements.

As the activities of the British Council overseas have developed over time and the regulatory environment has evolved, the organisation has faced uncertainties over its legal and tax status in particular countries. In recent years steps have been taken to resolve the status position in the key territories in which the British Council operates, but there are potential taxation and other liabilities in certain territories associated with status changes or uncertainties over the interpretation of tax laws and regulations as applied to past activities. Full disclosure has not been made in relation to these potential liabilities as none are 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 \$15.5 million with HSBC to cash foreign currency cheques that we receive or to issue bank bonds and guarantees on our behalf. There are no bonds or guarantees under this facility outstanding at 31 March 2020.

## 23 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

As the British Council closed the majority of its operations across the globe due to Covid-19, liquidity risk increased significantly. The British Council put in place measures to mitigate this risk. These measures include reforecasting its cash flow to ensure there is cash available for essential business activities and arranging a financial support package with the FCDO.

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 contract programme to cover up to 80 per cent of euro, US dollar, Indian rupee and Chinese yuan exposures, the objective being to assist in achieving budget certainty. The British Council's current US dollar and euro exposures are limited by significant natural hedges and as a result, the British Council held no open euro or US dollar forward foreign exchange contracts as at 31 March 2020 (2018–19: nil). At 31 March 2020, the fair value of the forward foreign exchange contracts held in Indian rupees and Chinese yuan was an unrealised loss of £0.9 million (2018–19: £0.3 million).

## 24 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:

	2019–20	2018–19
	£'000	£'000
Contract income	2,452	3,579
Contract expenditure	2,452	3,579

## 25 Post-Balance Sheet events

The Covid-19 pandemic declared by the World Health Organization on 11 March 2020 led to the closure of almost all of the teaching and exams network, and British Council operations for several months into the new financial year, depriving the British Council of material income streams, particularly from its business in China, which was the first territory to close down. As a consequence the British Council sought financial assistance from the FCO to ensure that it could continue to operate as a going concern and prepare the accounts on that basis.

### Loan from FCO

On 2 July 2020 a short-term unsecured loan agreement for £60 million was signed with the FCO. Interest was charged at 1.2 per cent over LIBOR. At the date of these accounts, £52 million of this facility had been drawn down. The loan was provided to allow the British Council to manage working capital while discussions around a longer-term financing arrangement took place.

In February 2021 the British Council entered an agreement with the FCDO to increase the revolving credit facility to £145 million with a repayment date of 31 December 2021. The FCDO has confirmed that it will restructure the loan before the repayment date in a way that is affordable to the British Council.

### Change in Chief Executive

Sir Ciarán Devane was Chief Executive throughout 2019–20 and until 31 December 2020. Kate Ewart-Biggs OBE was appointed as Interim Chief Executive with effect from 1 January 2021.

## 26 Going concern

Covid-19 has had a serious adverse impact on the British Council's activities and income. Since the advent of Covid-19, Trustees and management have been regularly monitoring cash flow and commercial performance, modelling different assumptions based on the estimated potential impact of Covid-19 restrictions and regulations in individual countries, along with our proposed mitigations. These forecasts include a range of estimated impacts primarily based on the length of time various levels of restrictions are in place and the severity of the consequent impact of those restrictions on our commercial activities. The Trustees have also instituted measures to reduce expenditure and preserve cash. Following discussions with the FCDO, as the British Council's sponsor department, the department provided the British Council with additional grant-in-aid of £26 million in 2019–20 and in June 2020 provided a revolving credit facility of £60 million to support the British Council's short-term cash flow in 2020–21.

The future course of the pandemic and its associated restrictions, and the impact of those on the British Council's commercial activities, remain inherently uncertain. Therefore, the Trustees have concluded that the outlook continues to present significant challenges in terms of the British Council's future activities, revenue and income. The Trustees have continued to liaise closely with the FCDO and have been offered additional finance and financial assurances up until March 2022. In February 2021 the British Council entered an agreement with the FCDO to increase the revolving credit facility to £145 million with a repayment date of 31 December 2021. The FCDO has confirmed that it will restructure the loan before the repayment date in a way that is affordable to the British Council. The FCDO has also agreed in principle to provide an additional loan of £100 million to support the British Council's restructuring and investment plans to return to surpluses. All loans are being provided on commercial terms. As of the date of this report, the terms of the restructuring loan facility have not been formally agreed, and therefore the provision of the facility is not agreed in timing or amount. It is the FCDO's intention to convert the revolving credit facility into a term loan, the terms of which have not yet been confirmed. The FCDO has also committed to grant-in-aid funding of £179 million for 2021–22 (and with an expectation that funding will continue) to support the British Council's cultural relations work. In addition, the FCDO has provided the British Council with a letter of comfort that provides assurances that it will provide further loan funding to ensure the British Council has enough cash to pay its debts as they fall due up to 31 March 2022 (a period of more than 12 months from the date of authorising the Annual Report and Accounts). The FCDO has also agreed that should the British Council continue to make significant losses from its commercial operations, then it will provide further financial support over and above that agreed at the Spending Review, subject to consistency with subsidy control rules and obligations, and government approval.

Given this uncertainty, the British Council has not prepared a longer-term Viability Statement. It does, however, continue to assess its prospects over a three-year planning period. It has therefore developed medium and long-term business plans, which represent the British Council's best estimate of its future prospects. The business plans consider financial risk over a number of different income streams, reflecting the demand and supply related to its commercial and grant-funded activities, including grant funding from the FCDO.

The British Council has shared these medium- to long-term business plans with the FCDO and will continue to discuss operating models and funding options with them to allow it to secure its longer-term sustainability in a manner which continues to deliver its mutually agreed objectives.

The Trustees note that whilst the loan facilities offered by FCDO are not all yet certain, on the basis of the offer of FCDO to provide additional loan facilities and the financial assurances from FCDO in the comfort letter, the Trustees consider that it is reasonable to conclude that the British Council will continue as a going concern for the period covered by these financial assurances. Consequently, it is appropriate for the British Council to prepare its accounts on the going concern basis in line with the requirements of its financial reporting framework. The Trustees do, however, acknowledge that the impact of Covid-19 creates material uncertainties over the British Council's future commercial results and cash flow beyond the period of this support from the department, and thus its ability to continue as a going concern beyond March 2022.



# Our global network

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

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](http://www.britishcouncil.org) or telephone +44 (0)161 957 7755.

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Details were correct as at 31 March 2020.