
ANNUAL REPORT 2013–14

GREAT

BRITAIN





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CHAIR'S FOREWORD

I am proud of our 80-year history and of what our cultural and education work brings the UK and the world.

One of my highlights of this anniversary year was to welcome HRH The Prince of Wales at a celebration which looked back on some great moments in the British Council's history. But what excited me most was the enthusiasm with which our many partners, parliamentarians and stakeholders talked to our royal visitor about where we are today and how we are building our future with them.

This year I have visited British Council operations, talked to government ministers, our ambassadors, our staff and the people they work with in Ethiopia, Sudan, South Africa, Russia, Oman, Abu Dhabi, Korea, China, India, Pakistan, United States, Hong Kong, Singapore, Burma, Israel and the Occupied Palestinian Territories. Everywhere, I have been impressed by what we do but also by the potential for making even more of an impact for the UK, particularly through our new digital channels and through our many partnerships.

The year has seen the publication of two major reports on soft power, one from the British Academy and the other by Lord Howell's House of Lords Select Committee. Both underlined the vital role of UK culture, English and education opportunities and the importance of British institutions in our standing and contribution to the world. Both reports also underlined the special role of the British Council in the breadth and depth of its global impact but also in the respect with which it is held – and by extension respect for the UK throughout the world.

This year has also seen challenge, scrutiny and some frank and open questioning of the scale, role and model of the British Council. I welcome this and see it as a 'coming of age' for the British Council. It is because what we do matters, and because we do it at scale and well, that we are being challenged.

Part of the reason for these challenges are some natural tensions and paradoxes. One such is between 'alignment' with government and the historic 'arm's length' principle. All the independent reports on soft power underline the importance of alignment. Soft power is most effective when institutions reflect the broad values and messages of UK foreign policy. And yet these reports also emphasise the importance of 'arm's length' from governments. The more government is seen to direct it, the more soft power is generally diminished.

This tension has also become more apparent recently in the context of an important and growing drive for UK educational and cultural exports. The government has introduced new priorities, new funding and resources and new posts and institutions to promote exports through the UK's diplomatic network and other UK agencies abroad. This focus is both important and welcome, but one result is the British Council has more to do to delineate and make clear its contribution to the UK's export push – and make sure we do not duplicate or get in the way of others.

Sustained growth in the British Council's earned income, which has been encouraged by government in the context of the pressure on public finances and declining levels of grant-in-aid, has continued. The British Council has had to grow in order to stand still and stay open in the range of countries the UK has made commitment to. We are wanted in more countries than we currently are, but simply cannot afford to be everywhere in a difficult economic climate.

What is sometimes overlooked, however, is that paid-for services which cover their own costs, like English language teaching and examinations, are themselves immensely powerful instruments of soft power and UK influence. Learning English with the British Council or taking a safe, fair, UK-backed qualification with us embodies, for those who do so, the very best of the UK's values and education and builds trust in the UK and the appetite to study, visit and ultimately trade and work with the UK.

And the teachers, managers, teaching resources and modest surpluses we make from paid-for services in more stable environments help to staff and sustain our presence in more challenging contexts – North Africa, South Sudan, Afghanistan, Burma, Iraq and more – where first rate English teaching and UK examinations are a 'bubble of oxygen', as a Syrian learner explained to a visiting UK parliamentarian. This expertise is also in demand from overseas ministries of education who want to improve English language teaching in their public education systems.

However, our growth, combined with the growing interest of others in educational exports has increased questions from private suppliers, particularly of education. Other UK educational and cultural institutions are also ramping up their provision of paid-for services and seeking international opportunities to compensate for their own declining levels of public funding. The balance and weight of the British Council's own paid-for services, set against the partnerships and support it provides to other UK providers, is something we are working on in response to the government's Triennial Review of the British Council published in July 2014 (<https://www.gov.uk/government/publications/triennial-review-of-the-british-council-22-july>). Indeed we are already well underway with deeper alignment with more government departments and agencies through our Corporate Plan and in developing new processes for dealing with any conflicts or complaints. We are preparing our response in discussion with the Foreign and Commonwealth Office and other stakeholders for submission to the Foreign Secretary, and are co-operating with the further analysis of operating models which the review recommended.

As Chair I believe the British Council has made great progress in focusing on English, the arts and education and society programmes. But to many the British Council can still seem a large and sometimes complex organisation – at home we can look bigger than we are abroad.



In October 2013 Sir Vernon Ellis discussed higher education developments in Burma with Nobel Peace Prize laureate Aung San Suu Kyi at an event held at the British Council in London, in partnership with the University of Oxford.

Whenever I travel though, I find it looks a lot simpler on the ground. In big economies of vital importance to the UK, such as China and India, we are at the forefront of what is valued from the UK. In difficult and challenging environments like Pakistan and Egypt we are a huge bringer of very real opportunity to large numbers of young people, teachers and learners, whose view of the UK is changed by what we bring them. And in war-torn and conflict-affected countries and territories, from Afghanistan to Ukraine, we bring people English, qualifications, a safe space to express themselves, and with that the hope, opportunity and confidence to believe in and bring about a better future.

All of these things are connected and interrelated – the history, the mission, the partnerships, the paid-for services and the weight of positive impact on the perceptions and lives of millions of people worldwide each year. But our job is to explain that better, make sure we don't get in the way of others and always do it in a way which creates the most long-term benefit and value for the UK. That is what my Board and our people believe in and what we look forward

to building on with our new Chief Executive, Ciarán Devane, when he joins us in January 2015. It is what makes me proud of our 80-year old history and excited by all we can bring to the future for the UK and the world.

A handwritten signature in black ink, appearing to read 'V. J. Ellis', written in a cursive style.

Sir Vernon Ellis
Chair British Council

CHIEF EXECUTIVE'S INTRODUCTION

I welcome the growing recognition of the value of the UK's soft power and of the role the British Council plays in building it.

We set out in 2011 our ambitious strategy to grow the impact of the British Council for the UK. 2013–14 has been a year of focus on achieving these goals, as well as building on the successes of 2012 and the growing appreciation of the importance of the UK's soft power and the influence of our great cultural and educational assets.

Growth is not an end in itself, of course, but a means to grow our impact for the UK through the UK's language, creativity and education, and we have seen this impact reflected in the many examples set out in this report. This year's launch of the Global Innovation Initiative, a multi-national higher education research programme involving researchers from the UK, US, Brazil, China, India and Indonesia, is helping keep the UK at the forefront of scientific research. The *Homelands* exhibition, the largest touring show of British art to be seen in South Asia for over two decades, is increasing awareness of the UK's position as a global leader in the arts and creative industries. And projects with ministries of education and institutions worldwide, such as in Afghanistan where we trained 1,450 state school English teachers, are helping more people access the life-changing opportunities that learning English can provide.

I am pleased that this year the quality of our work has remained high, with quality measures improving and continuing to compare well with the best external benchmarks even as our scale, contract and paid-for services steadily grow.

This year saw us work with nearly 11 million people face-to-face. Driven by examples like Jeremy Deller's *English Magic* and the Lucien Freud exhibition in São Paolo, which were collectively seen by 750,000 people, we also exceeded our targets for visitors to our exhibitions, fairs and festivals. We also saw a dramatic increase in the numbers of people using our digital services, self-access learning resources, and joining our professional and learner communities on social media. This reflects our continued search for new ways to deliver our services. For example, in Uruguay, through a partnership with Plan Ceibal, we are delivering 2,000 remote English lessons each week to 50,000 students in state primary schools using remote teachers in Montevideo, Argentina and the Philippines – an innovation with global significance.

We have also become better value for money for the UK. We recognise that the British Council must play its part in both helping to reduce public spending and in achieving the ambitious targets for the UK's international development effort. Against a backdrop of declining government grant, in 2013–14 we increased both our total income, exceeding our income target for the year by £31 million, and our

earned income as a percentage of turnover, which increased from 78 per cent to 81 per cent.

Our continued commitment to grow the impact that we make has come within the wider context of the increasing recognition of the importance of what we do. The UK has great strengths and great international institutions. The last few years have seen a renewed interest in, and recognition of, the value and importance of UK soft power and cultural relations in creating the context for prosperity and security – as well as supporting international development and our creative economy.

I am delighted to see the broader debate on the importance of cultural relations as a contributor to the UK's role and influence in the world. I believe this is a vital debate for the UK's future. In July I gave evidence before the House of Lords Select Committee on Soft Power and the UK's Influence. The committee published its report in March and I warmly welcomed its recognition of the value of the UK's soft power assets, including the British Council. We have also contributed to the debate this year through publications such as *Influence and Attraction*, as have others, such as the British Academy with their report *The Art of Attraction*.

This all helps create an environment where more and more people understand the value that the UK's international connections bring. A good example of this is GREAT. Following the success of London 2012, the UK government's GREAT campaign has developed and grown as a true shared endeavour which the British Council supports. From international student recruitment, self-access learning of English and promoting UK universities and UK arts and cultural icons, the GREAT campaign is helping us help more people than ever to experience UK education and culture. The British Council is delighted to be a core supporter of the GREAT campaign.

Close working with the Foreign and Commonwealth Office is also part of the British Council's DNA. The British Council plays a role in the UK's international priorities, contributing to major UK government initiatives in key countries for the UK's prosperity, such as working with UK Trade and Investment (UKTI), the Department for Business, Innovation and Skills (BIS) and the Department for Culture, Media and Sport (DCMS) in the Gulf, and supporting the rule of stability and the rule of law in fragile and rapidly changing states. The same is true for the devolved administrations and our contribution to sharing the diversity of our culture and supporting prosperity here at home with schools, skills and language programmes to support young people's employability and international opportunity.



Sir Martin Davidson on a visit to Sri Lanka in 2013. During this visit a new British Council office in Jaffna and a new library in Colombo were opened.

We are also focused on growing the international opportunities for young people in the UK and we continued to deliver programmes which make a difference to thousands of young people in the UK. I firmly believe that the UK needs to stay connected to, part of, and influential in, the wider world. We have the history, cultural assets and modern-day dynamism to make a major contribution to how well the world works and in turn grow our own prosperity and security – but we can only continue to do this if we have young people who are willing and able to learn languages, travel, learn and work overseas.

This year the British Council, in partnership with Ecorys UK, was awarded the contract to manage the EU's new education, training, youth and sport programme, Erasmus+, in the UK on behalf of BIS. The programme, which began in January 2014, will enable higher education students to study or work abroad as part of their degree and staff to teach or train in 33 European countries over the next seven years.

Another highlight of the year was the launch of Generation UK. A new three-year programme with support from BIS, Generation UK creates opportunities for young people, educational institutions and businesses from the UK to engage with China, for example supporting UK students to participate in academic study or work experience programmes in China.

To support this focus on opportunities for UK young people and to boost the numbers of UK young people taking advantage of overseas opportunities, we launched the Study, Work, Create online environment, bringing together the full spectrum of our offer, from studying overseas to internships and volunteering overseas.

All of this works to the same aim. In what seems to be an increasingly fragile world the ability to work effectively with people from different cultures will remain crucial, both for the UK's people and for the long-term prosperity of our country. And for our part, we will continue to work to ensure that the UK's relationships and presence overseas are as robust and resilient as possible and that our young people are as well-prepared as they can be for the future – whatever that might be.

Sir Martin Davidson KCMG
Chief Executive British Council

ABOUT THE BRITISH COUNCIL

Ask Questions

Be Open

Communicate
your best

Express
yourself!



About the British Council

The British Council creates international opportunities for the people of the UK and other countries and builds trust between them worldwide. We call this cultural relations.

We do this by sharing the UK's great cultural assets – the English language, educational opportunities, our world-class arts and creative industries and our openness and pluralism as a society.

We connect people from the UK with people from around the world, creating lasting ties and trust between them.

We build awareness and understanding of the UK which encourages people to visit, study and do business in the UK, contributing to long-term prosperity and security. The British Council operates in over 100 countries. We bring benefit to people in the countries where we work by offering them international cultural and educational opportunities and helping to support growth and stability.

Founded in 1934 and incorporated by Royal Charter in 1940, the British Council is a registered charity in England, Wales and Scotland. We are also a public corporation and a non-departmental public body (NDPB) sponsored by the Foreign and Commonwealth Office.

For 80 years, we have been sharing the best of what the UK has to offer with an on-the-ground knowledge of other countries and cultures. It is this combination which gives us our unique strength as an organisation.

How we work

We are an entrepreneurial public service organisation, earning our own income as well as receiving grant funding from government. UK government grant-in-aid is less than 20 per cent of our total turnover.

We earn income by charging people and governments who are able to pay for our services and expertise, winning contracts to deliver programmes for UK and overseas governments, and developing partnerships with private sector organisations.

Our income earning activities always serve our core purpose of building trust between the people of the UK and other countries. They also generate some surpluses which we use to fund and invest in more cultural relations work.

We have a strong network across the world, working in over 100 countries. Our presence in, and understanding of, so many countries means we can respond effectively and flexibly to meet the UK's long-term international objectives for greater prosperity and security.

We open up international opportunities for the UK's cultural and educational organisations and providers, and for UK practitioners in English language, education, arts and civil society by connecting them with our extensive network of contacts and partners overseas and matching them to specific opportunities where we can.

We work internationally with those who are in education or starting their careers. We also work with influential people within communities, typically mid-career professionals, educators, artists, scientists, community and business leaders, and policy makers.

Through our work we raise awareness of what the UK has to offer in increasingly important markets. We have a presence in key markets including India, China, Brazil, the Gulf States, Indonesia, Mexico and Turkey.

We help maintain long-standing relationships with the UK's traditional trading partners and historic friends such as the United States and the countries of the Commonwealth and Europe.

Our programmes support security and stabilisation in countries such as Afghanistan, Iraq, Libya, and Pakistan. We provide international opportunities for people living in isolated countries and those emerging from isolation, building their trust in the UK and helping them connect with the outside world.

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

PERFORMANCE OVERVIEW



Summary

How did we perform in 2013–14?

We worked with more people overall

We worked with **10.9 million** people face-to-face compared with 10.8 million last year.

11.6 million people visited our exhibitions, fairs and festivals this year – lower than 2012 (which was an extraordinary year with some major events), but much higher than the target of eight million.

Digital participation increased significantly from 90 million last year to **116 million**. Within that, people joining online learning and professional communities via British Council social networks almost doubled from 8.4 million to **16.1 million**.

465 million people listened to, read or watched, our broadcast and publication material, compared with **440 million** in 2012–13.

The quality of our work was high

Our customer satisfaction score increased from 82 to **83**, meaning that the significant majority of our customers fall within the range where they agree or strongly agree that our programmes are of high quality.

The net recommendation score of customers who would recommend the British Council increased from 52 to **54**, an improvement on last year, although below our target. This score can be as low as -100 and as high as +100 and our score of 54 compares well with external benchmarks.

Our work was high impact

96 per cent of people in the annual Ipsos MORI survey of almost 4,000 influential participants in our programmes across 50 countries said that working with us had an impact on their professional lives (2012–13: 92 per cent).

88 per cent said that it had also meant changes to the organisation they work for (2012–13: 80 per cent).

85 per cent (2012–13: 79 per cent) said that their links with the UK were strengthened as a result of taking part and **90 per cent** (2012–13: 87 per cent) said that their awareness of the UK's contribution to their sector was improved.

We were good value for money

For every £1 of Foreign and Commonwealth Office (FCO) grant-in-aid we generated **£4.32** of income from other sources (2012–13: £3.56).

We increased our turnover by nearly **£83 million** to £864 million compared with last year. Additionally we exceeded our income target by **£31 million**.

Earned income as a percentage of turnover rose from 78 per cent to **81 per cent**.

The costs of our worldwide 'platform' went from 16 per cent of total spend in 2012–13 to **14 per cent** this year.

Progress towards our main goals

This year, to align with the latest government spending review, we extended our Corporate Plan by one year to 2016. The 2014–16 Corporate Plan is a refresh of the 2011–15 publication. It therefore takes stock and recognises our progress towards the targets we set out in 2011. It also restates and refreshes our priorities and organisational ambitions.

Our priorities to 2016 are:

- Investment – to embody and represent the best of the UK globally.
- Productivity – to create maximum impact from our work for the benefit of the UK and the countries in which we work.
- Scale – to help the UK rise to the global demand and need for UK-backed English teaching, arts, culture, qualifications, learning opportunities, knowledge and ideas.

This Annual Report sets out the performance and financial results we achieved during 2013–14.

Our main goals

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



Our progress

Both UK and international influencers report strong impact on international connections between the UK and overseas markets through working with us. Over 80 per cent of overseas contacts report improved links with the UK, and in the UK over 40 per cent of contacts in the English and film sectors report new business and commercial opportunities due to our work.

Our research consistently tells us that participation in British Council cultural relations activities such as learning English, or taking part in education or the arts leads to an increase in trust in the people and the government of the UK.

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



We continually monitor and adjust our activities, scaling up successful services and introducing new products to meet demand and adapt to a changing environment.

In arts we expanded our showcasing, seasons and festivals programme, invested in a new Creative Economy programme and created a new Cultural Skills Unit. Winning Erasmus+ was a highlight for Education and Society. In English we launched the myClass teaching offer in East Asia as a flexible way for students to develop their English skills. We also launched Aptis for Teachers, our new English test to assess the English skills of teachers.

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



This year we have developed the strategic range of our collaborations to increase the impact and scale of our work, and have exceeded last year's income from partnerships and contracts. We have invested in research to identify and understand new prospective sectors and partners and extended our business development approach with global partners, including trusts, foundations and corporates. Continued focus in this area is essential if we are to build trust and create international opportunities at a scale that is transformational.

Our main goals

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

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

Contribute more to the UK's aid effort, spending an increased proportion (64 per cent by 2014–15) of our FCO grant on aid-eligible countries and expanding development programmes.

Increase our total turnover from £693 million in 2010–11 to over £900 million by 2015, and over £1 billion in 2016, despite the reduction in our FCO grant.

FCO grant will be less than 20 per cent of our turnover by 2015 and we will have a more effective infrastructure which accounts for under 15 per cent of our total spend.

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

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

Our progress



We have exceeded almost all our participation targets in 2013–14 and in the case of exhibitions* and digital have surpassed the targets by 45 per cent and 29 per cent respectively. Quality and impact scores have also increased this year with particularly impressive results from the Annual Impact Survey. While there is some way to go to meet the target for net recommendation, improving scores this year show that we are making progress towards our ambition.



We have both maintained our presence in well over 100 countries worldwide and created new ways of delivering our activities in countries where we do not have staff permanently on the ground. We continue to give priority to countries which are important to the UK's prosperity and security and where we can make a significant difference. Supporting the UK's commitment to development, we have continued to deploy more of our government grant to countries where there are limited opportunities to fund work through earned income.



We have made good progress with 59 per cent of FCO grant now spent on development activity in eligible countries, up from 55 per cent of the FCO grant in 2012–13 and exceeding our 2013–14 target by £1 million.



We increased our 2013–14 turnover to £864 million, nearly 11 per cent and £83 million higher than in 2012–13. We exceeded the total income target for the year set in the 2013–15 Corporate Plan by £31 million.



We achieved these targets a year early. In 2013–14 FCO grant fell to 19 per cent of turnover, compared with 22 per cent last year and 24 per cent in 2011–12. Our infrastructure costs (our worldwide 'platform') reduced further from 16 per cent of total spend in 2012–13 to 14 per cent in 2013–14.



We have strengthened our expertise through external recruitment, on-the-job learning, secondments and formal training. Accredited qualifications have been introduced in marketing and exams and we have delivered training in many areas e.g. customer services and commercial partnering. Attachments and exchanges within our digital and arts teams have enabled operational staff to build new skills and expertise.



Evidence includes high rates of satisfaction from our customers, and staff reporting a high level of pride in working for the organisation through our survey. Consistent with the ten per cent improvement in diversity leadership performance reported through our Diversity Assessment Framework, the staff survey results also confirm positive leadership engagement with diversity.

* Exhibitions refers to exhibitions, festivals, fairs and performances.

Our performance in 2013–14

The story our results tell this year is one of increased participation, particularly digitally and at events. In addition, the people we are working with report strong and lasting impact on their lives, outlooks and opportunities.

In 2013–14, participation in British Council programmes, products and services was over 600 million. The number of people who participated in our online learning and digital communities exceeded our target by 26 million, reflecting a steady shift to working on a much larger scale through digital channels. At the same time, we exceeded our exhibition, event, festivals and fairs target by over three million.

The quality of our work stayed high as the scale increased. Our customer satisfaction score shows that overall our customers agreed or strongly agreed that our programmes are of high quality. Our net recommendation score has increased this year although there is some way to go to reach our target for 2015–16.

We had a real impact on the lives of many people who took part in our programmes. UK participants continue to report particularly high levels of impact. In our Annual Impact Survey of influencers, Ipsos MORI reported high and increasing levels of satisfaction with British Council programmes and their major impact on professional lives, organisations, awareness of the UK's contribution and links with the UK.

What we measure

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

- **Participation:** the number of people that our work touches and reaches – measured by programme monitoring of participants in our projects, programmes and services.
- **Direct impact:** the impact that our work has on lives and opportunities – measured by programme evaluation and research (Annual Impact Survey).
- **Return to the UK:** the benefits that our work brings to the UK, through improved cultural relations, increased trust and the wider benefits that brings, for example return on investment, tourism and soft power.

Each year we set targets for and assess:

- The scale of our work – how many people have been involved in activities with us?
- The quality of our work – are we maintaining quality year on year?
- The impact of our work – does what we do make a difference to lives and opportunities?

We set financial, environmental and diversity targets in our Corporate Plan. We report on performance against those targets in the Financial Review and Accounts and the Governance and Management sections of this report.

We analyse any research carried out which looks at the efficacy of cultural relations in fulfilling our purpose of creating international opportunities and building trust for the UK.

The scale of our work

Each year we measure the number of people who participate in our projects, programmes and services. This gives us a picture of the scale of our activity and helps us to see if we are reaching a critical mass of people in particular markets or locations.

We work with three main groups of people – those who are influential in their field, such as educators and community leaders; younger people in education, or starting out on their careers; and a smaller number of people who are leaders in their area. This year's results are shown on the opposite page.

PARTICIPANTS IN OUR ACTIVITIES	2012–13 RESULT	2013–14 TARGET	2013–14 RESULT
Face-to-face People participating in activity where they come into face-to-face contact with others. Includes leaders, teachers, examinations candidates and teaching centre students.	10.8 million	11.0 million	10.9 million
Exhibitions, festivals and fairs and performances People attending exhibitions, live arts performances, and arts and education fairs and festivals.	12.7 million	8.0 million	11.6 million
Digital People participating through digital channels, social networks, online learning communities, websites, and mobile devices and apps.	90 million	90 million	116 million
Broadcast and publications People participating by watching, listening to, or reading British Council produced or co-produced content.	440 million	450 million	465 million

This year the number of people participating through digital channels and through broadcast and publications was higher than the previous year. There was a slight increase in face-to-face participation and the numbers attending events, exhibitions and festivals went down, but remained well over the target for the year. Exhibition attendance is driven by major events and so can be uneven from year to year (with major events such as UK Now in China and London 2012 providing a fillip in 2012–13).

This year 116 million people accessed our digital services – an increase of 29 per cent compared with the previous year. We have two broad categories of digital users – those who interact through social networks and online learning communities, and those who use websites or download mobile apps. This year the number of people using social networks and online learning almost doubled to 16.1 million, compared with 8.4 million last year.

The number of people who participated in our activities digitally exceeded our target by 26 million this year, reflecting a shift to working on a much larger scale through digital channels as well as more accurate and inclusive reporting which captures more activity. As we increase the accuracy of our audience monitoring this can result in lower numbers for some regions, particularly in broadcast and publications.

The quality of our work

We measure how people view the quality of our work in three main ways:

- Scores from a customer satisfaction survey distributed both at face-to-face events and online.
- Responses to a question asked mainly of teaching centre students and examinations candidates to find out the extent to which they feel they have acquired new knowledge or skills.

- A net recommendation score, which is a measure of the willingness of participants to recommend others to work with us or use our services. The result is calculated from advocates minus detractors, in line with standard international practice.

This year we had feedback on levels of satisfaction from nearly 250,000 people involved in a wide range of our programmes. These are the results:

QUALITY	2012–13 RESULT	2013–14 TARGET	2013–14 RESULT
Customer satisfaction	82	83	83
Net recommendation	52	59	54

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

Our net recommendation score for 2013–14 has improved since last year although is below the target for the year. The methodology is widely used and allows us to benchmark our scores externally. The net score is calculated from advocates minus detractors, according to international benchmarks. These scores can be as low as -100 (everybody is a detractor) or as high as +100 (everybody is a promoter). A score that is positive (i.e. higher than zero) is considered to be good, and a score of +50 is considered excellent.

Our score of 54 remains above the 'excellent' threshold and compares well with industry averages (from 12 for health insurance, 21 for travel websites, 27 for online entertainment, 30 for airlines and 40 for UK universities) and compares well with highly rated ('star') brands such as Amazon at 69.¹

¹ Source: Satmetrix European Net Promoter Industry Benchmarks 2013

The impact of our work

We evaluate our impact through an Annual Impact Survey, evaluations of the success of individual programmes and bespoke research into key impact areas such as trust and soft power.

Annual Impact Survey (AIS)

This survey assesses whether our work really has made a difference to individuals, to their organisations and communities, and to their relationship with the UK.

Each year we commission a survey of influential people such as teachers, community leaders and policy makers who have taken part in activities with us both overseas and in the UK. We survey people who were involved in British Council activity six to 18 months ago as we want to measure longer-term impact. This year the survey was again conducted by Ipsos MORI. As well as giving numerical data, the survey also includes free text (verbatim) responses to give more flavour, context and examples of the impact of our work.

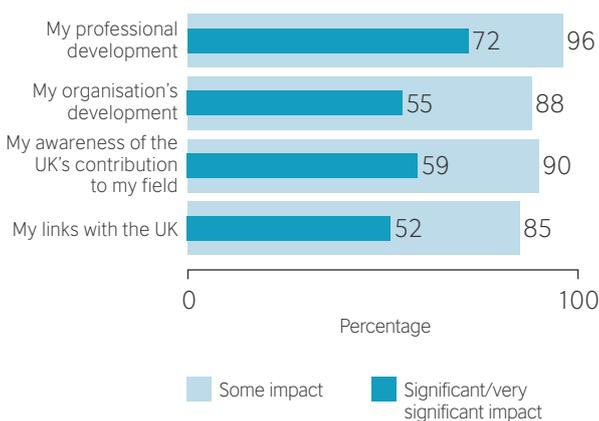
The results of this year’s survey are markedly higher than last year’s which may suggest a significant and improving impact both overseas and in the UK, although the result is also influenced by the sample contacted to take part in the survey. As might be expected, participants have reported the highest level of impact on their professional development – 96 per cent amongst overseas participants.

One of the benefits of a global survey like AIS is that we can compare across geographical and delivery areas, as well as looking in detail at the impacts reported by participants in particular programmes. This allows us to use the results to inform where we need to improve and how we can make a greater impact.

Impact on overseas participants

We ask overseas participants about the impact of their involvement with us in four different areas. This year’s results are shown below:

Overseas participants 2013



These results show that overall levels of impact have been maintained and that we are well on track to meet our Corporate Plan targets for this measure by 2016. Once again, participants who have worked with us for longer, or been involved in more than one kind of activity, have reported higher levels of impact. Participants from less economically developed regions and countries tended to report higher levels of significant impact than others.

Impact on UK participants

In order to measure the impact of our work on UK stakeholders we:

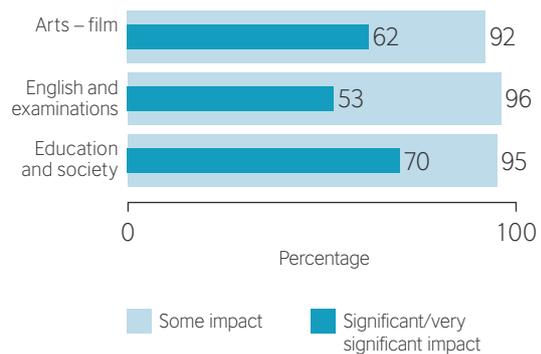
- survey over 1,000 influential UK stakeholders within our Annual Impact Survey to assess the impact of our work on personal and professional lives
- operate a Profile and Participation Tracker to assess the extent of UK stakeholders’ and key target audiences’ knowledge and appreciation of the value created by the British Council.

In addition, we undertake bespoke research to augment our understanding of audiences and impact for example on trust, soft power, and global languages.

During 2013–14 the Annual Impact Survey in the UK focused on arts (on our work in film only), English and examinations, and education and society. There is no overall UK score. This year’s results are shown below:

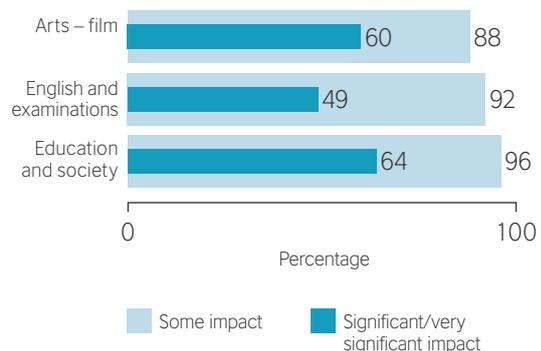
UK participants 2013:

impact on professional development



UK participants 2013:

impact on organisation's development



Once again there was a strong result for impact on international links and collaboration. This is fundamental to what we are aiming to achieve in the UK.

Programme evaluations

The impact of some of our larger programmes, and of the programmes we deliver on behalf of others, is evaluated externally.

International Inspiration, which began in 2007 and ended formally in March 2014, was the London 2012 Olympic and Paralympic Games' international sports legacy programme. The programme enriched the lives of over 25 million children and young people in 21 countries. Its final external evaluation reported, among other achievements, that it had inspired 55 policy changes and linked 594 schools in the UK and worldwide.

Connecting Classrooms has now enabled over 8,600 schools around the world to take part in an international partnership or benefit from teacher training. Over 3,200 school leaders have been trained across 37 countries. The programme received an overall 'A' grade from the programme's co-funder, the Department for International Development (DFID), and in many places is exceeding its 2015 targets.

UK–Brazil Transform is a four-year long programme running from 2012 to 2016 to strengthen the artistic and cultural relationships between the UK and Brazil. It is an important element in the drive to intensify the cultural links between the two Olympic host countries in the years leading to the Rio Olympic Games in 2016. The interim evaluation report indicated that during the first six months over 932,000 visitors experienced Transform activities across 36 projects spanning all art forms. Transform provides a trusted platform for Brazilian and UK arts and cultural institutions to explore opportunities for collaboration and is having a direct positive impact on the volume of those collaborations.

DFID and European Commission (EC) programmes

We have delivered over 20 DFID and EC-funded programmes across 19 countries with over 900 policy makers and 10,000 policy influencers and community leaders actively participating. External evaluations of the impact of these programmes consistently rate us as meeting or exceeding expectations.

Heads of Mission Survey

The Heads of Mission survey was not undertaken this year, as the FCO undertook separate consultation with Heads of Mission as part of the Triennial Review of the British Council.

Strategic research

Our research this year examined the growing importance of soft power in international politics; the economic value of the English language to the UK and to developing countries; the UK's future foreign language needs; and the lasting global legacy of the First World War.

In *Influence and Attraction*, we revealed how countries like Thailand, Korea, China and Brazil are increasingly investing in soft power and warned that the UK needs to keep up with them or risk losing standing in the world. The UK is a world leader in the field and achieves a huge amount for a modest level of investment. Our attractiveness comes from assets including the English language, our strong cultural sector, top class universities, an active and open civil society – and most recently through the 2012 Olympics and Paralympics. With new technology and globalisation creating an explosion in peer-to-peer contact, however, formal diplomacy and more traditional institution-to-institution relationships become less influential. Governments have less and less influence over the web of international relationships to and from their country. Effective soft power will require increasing domestic effort to help ensure that our next generation of young people are internationally minded and culturally confident.

The English Effect showed how English has become a global language. It highlighted its economic value to the UK, its impact on the lives of individuals, how it contributes to growth, stability, employability and prosperity in developing countries, and why more young people from the UK should be encouraged to teach it overseas. We noted that those who only speak English will gradually lose out in the global jobs market to those who are multilingual.

This last point was reinforced by *Languages for the Future* which identified Spanish, Arabic, French, Mandarin Chinese, German, Portuguese, Italian, Russian, Turkish and Japanese as the languages most vital to the UK over the next 20 years. This was based on economic, geopolitical, cultural and educational factors including the needs of UK businesses, the UK's overseas trade targets, diplomatic and security priorities, and prevalence on the internet. We noted that without a significant increase in capacity in Arabic, Chinese and Portuguese in particular, as well as more investment in the languages traditionally taught in our schools, the UK risks losing out, economically and culturally, to competitors who are able to speak English as well as other languages.

In *Remember the World as well as the War*, we explored perceptions and knowledge of the First World War amongst people in Egypt, France, Germany, India, Turkey, Russia and the UK. Our findings highlighted the truly global nature of the conflict and its continuing legacy, and also revealed that international perceptions of the UK today are, in part, still influenced by Britain's role in the First World War. The report called on the UK and the rest of the world to use the centenary commemorations to create a better understanding of the global nature of the war, improving trust and understanding between the UK and countries around the world.

Selection of events from the year

APRIL 2013

Qatar–UK 2013 Year of Culture

The British Council presented a major arts and disability festival at Katara Cultural Village in Doha, Qatar. The first of its kind in the Middle East, the festival was inspired by the *Unlimited* season that took place at the Southbank Centre during the London 2012 Cultural Olympiad.

MAY 2013

Derry~Londonderry City of Culture: Farewell

The British Council made its largest single investment in the arts in Northern Ireland to celebrate the UK City of Culture. As part of Derry~Londonderry City of Culture, British Council support included *Farewell*, a new work by Clare Dwyer Hogg, staged by the Field Day Theatre Company.

Culture Means Business

Publication of the British Council's *Culture Means Business* report. The report draws on research in ten key overseas countries and shows that people who have experienced UK culture are more interested in doing business with the UK than those who have not.



© British Council

JUNE 2013

English Magic

June marked the opening of *English Magic*, Jeremy Deller's exhibition for the British Pavilion at the Venice Biennale. The British Council manages the British Pavilion in Venice, the most prestigious international art biennial in the world.



Jeremy Deller, *English Magic*
A good day for cyclists, painted by Sarah Tynan.
Photo by Cristiano Corte. © British Council

Global Education Dialogues

Launch of the South Asia series of Global Education Dialogues in Sri Lanka. The Dialogues bring together policy makers and influencers to debate the challenges and opportunities facing international higher education. The South Asia series drew participants from countries including Afghanistan, Bangladesh, India, Nepal, Pakistan, Sri Lanka, the United Arab Emirates and the UK.

Generation UK

Start of Generation UK: a three-year British Council campaign to help UK students boost their employability, enhance their long-term job prospects and develop a global mindset through study and work experience opportunities in China.

Famelab 2013

The competition, organised by the British Council and Cheltenham Festivals, invites young scientists and engineers to bring their work to life in three-minute stage performances, creating an international network of talented scientists who are also great communicators.

AUGUST 2013

Edinburgh Showcase

The British Council's biennial Edinburgh Showcase is the single biggest opportunity for contemporary UK theatre companies to introduce their work to international promoters. The 2013 programme featured new work representing the breadth and diversity of British performing arts. Fifty-six companies were seen by 234 international programmers and the #EdShowcase hashtag reached 6.1 million Twitter users.

The English Effect

The English Effect report highlights the impact of English, its value to the UK and why it matters to the world. This report explores the dynamics of native and non-native use of English, the impact that English language skills have on people's lives, and the economic value of English to the UK.



© British Council

SEPTEMBER 2013**Expansion of Premier Skills**

Announcement of the expansion of Premier Skills, our partnership with the Premier League. Premier Skills uses football to help young people around the world develop the life skills they need for a brighter future.

UK–South Asia Season 2013

Start of the British Council's UK–South Asia Season 2013: a series of events promoting opportunities to connect, create and collaborate in the fields of education and culture between the UK and countries across the South Asia region.

OCTOBER 2013**Ice Lab: New Architecture and Science in Antarctica**

The first exhibition of its kind, *Ice Lab* showcases innovative contemporary architecture in one of the most extreme environments on our planet. Since opening at Manchester's Museum of Science and Industry in October 2013, *Ice Lab* has attracted over 42,000 visitors and will now tour to New Zealand and East Asia.

Burma and UK higher education

In October 2013 Sir Vernon Ellis discussed higher education developments in Burma with Nobel Peace Prize laureate Aung San Suu Kyi at an event held at the British Council in London, in partnership with the University of Oxford.

NOVEMBER 2013**Inauguration of new British Council library in Colombo, Sri Lanka**

HRH The Prince of Wales inaugurated our new library in Colombo, Sri Lanka. During 2013–14 we also opened a new office in Jaffna, northern Sri Lanka.

Erasmus+

The British Council, in partnership with Ecorys UK, was awarded the contract to deliver Erasmus+. Funded by the European Commission, and bringing together a number of existing European Union programmes, Erasmus+ will increase opportunities for international study, teaching and volunteering in Europe and beyond.

Hammamet Conference

The British Council's second Hammamet Conference, held in Tunisia, connected senior leaders from the UK with counterparts from the countries of North Africa. This brought together leading figures from politics, civil society, the media, business and the arts.

FEBRUARY 2014**HSBC/British Council Mandarin Chinese Speaking Competition**

The final of the 2013–14 competition took place at The British Museum. The winners got to spend a week visiting Beijing, interacting with local students and British Council staff from China.

The International Fashion Showcase

Organised by the British Council and British Fashion Council and taking place during London Fashion Week, the International Fashion Showcase gave the public, the international press and buyers the opportunity to explore work by some of the most innovative emerging fashion designers from around the world.

Connect/ZA

As part of our Connect ZA programme, which connects 18–35 year old creatives in the UK and South Africa, two music acts from South Africa travelled to London. Wildebeats, an electronic artist from Cape Town and performance collective The Brother Moves On, from Johannesburg, performed as headliners at a festival of emerging music staged by The Roundhouse in London.

MARCH 2014**British Council's 80th anniversary**

We marked the 80th anniversary of the British Council and HRH The Prince of Wales's 30th year as our Vice Patron.

Venice International Arts Biennale: leading artist announcement

We announced that Sarah Lucas, widely recognised as one of our foremost contemporary artists, will represent Britain at the 56th Venice International Arts Biennale in 2015.

FOR AND FROM THE UK



BLOOM was commissioned by the British Council to showcase the works of Granta's 'Best of Young British Novelists' and was designed by Raw-Edges.
© British Council. Photographer Agnese Sanvito.

Our work for the UK

Seizing international opportunities is vital to the UK's future success.

The British Council's work in the UK in 2013–14 focused on helping UK young people, organisations and leaders to expand their global horizons, and on cementing the UK's influence in the world through promoting our world-class educational and cultural assets. We worked with partners and governments in each of the four UK countries to make a real contribution to the lives and careers of UK people and institutions.

By sharing the UK's great cultural assets around the world, we help attract people and inward investment to the UK. At the same time we support the UK's education sector and creative industries to identify and take advantage of market opportunities overseas.

We showcase the best of the UK's arts and creative industries worldwide and bring cultural leaders and artists to work with their counterparts in the UK. This helps generate international opportunities for the UK's artists and creative businesses.

By promoting the UK as an English language learning destination we help English language providers in the UK recruit overseas students. We help to attract international students to the UK, contributing to the billions of pounds worth of export income that international student recruitment creates for the UK economy. We also help the UK's education sector build links with institutions overseas and help the sector respond to demand for international educational expertise.

Strengthening UK soft power

Soft power is increasingly recognised as important in relations between states. Last year several landmark reports contributed to the growing body of evidence that cultural relations pays real dividends in tourism and trade, and acknowledged the British Council's leading role in this field.

The British Council itself published both *Influence and Attraction*, an analysis of global trends in cultural relations and soft power, and *Culture Means Business*, a survey of 10,000 young people in ten key overseas economies, revealing that those who had experienced UK culture were significantly more interested in doing business with the UK, and rated the country more highly as a business destination.

The British Academy published *The Art of Attraction* in March 2014, recognising that the educational and cultural institutions of the UK – including the British Council – contribute to the UK being widely regarded as 'a cultural superpower'.

The report of the House of Lords Committee on Soft Power and the UK's Influence in March 2014 endorsed the importance of the power of attraction to the UK's global standing. It recognised the success of the British Council's work in sharing key educational and cultural assets with the world, the value of its worldwide presence and the global standing of its trusted and respected brand. The report supported the effectiveness of the mixed funding model in making this possible – where over three quarters of income in 2013–14 was earned through activities including teaching, examinations and contracts – and called for this model to be continued.

UK prosperity

The UK government and devolved administrations recognise the crucial importance of international activities in delivering economic benefit, both to individuals and to society as a whole. Through our work we create those opportunities, both for the people of the UK and for the UK's cultural and educational organisations.

Throughout 2013–14 the British Council worked with the university sector to help strengthen the UK's world standing in international higher education. We supported partnerships between UK and international universities, industries and governments worldwide and led international collaboration through research and policy dialogues.

We created international opportunities for UK partners by sharing UK policy and practice with the world through our contracts and official development assistance programmes in areas such as school leadership, educational quality assurance, vocational skills development and social enterprise.

Our Services for International Education Marketing supported UK education providers to recruit students and develop partnerships with over 5,000 activities in 51 countries overseas. With co-funding from the UK government's GREAT campaign we ran student recruitment marketing initiatives in ten target countries, including 60 Jubilee Scholarships in India that created an estimated £4.5 million in value for the UK economy. The value of English language teaching to the UK providers we accredited last year was £2 billion.

We administered examinations worldwide on behalf of more than 70 UK examination boards and universities. As well as creating life-changing opportunities and enhancing trust for the UK worldwide, this work helped UK providers to earn £80 million in fees and increased their access to markets.

Making powerful connections through culture

We have created major international opportunities to ensure that UK artists and arts organisations prosper on the world stage, growing the UK's reputation and sharing UK culture.

2013 was designated the Qatar–UK Year of Culture, aimed at strengthening bilateral relations by creating understanding and lasting partnerships between institutions and individuals. Over 80 events took place throughout the year in both countries across the arts, education, sport and science. The lasting value to the UK includes deeper diplomatic ties; increased investment in higher education, knowledge and skills programmes; and agreements for future cultural and educational co-operation and activities.

We worked with a range of UK partners to bring international delegations to see new work at cultural platforms in all four UK countries, including Edinburgh's Festivals, WOMEX (the World Music Expo) which was held in Cardiff in October 2013, Celtic Connections in Glasgow, and the Brighton Festival. We also toured Jeremy Deller's acclaimed *English Magic* exhibition from the 2013 Venice Biennale to galleries in London, Bristol and Margate with the support of the Art Fund and Arts Council England.

Our focus on major UK events and anniversaries builds trust and opportunity for the UK worldwide. In 2013–14 we:

- Played a key role in the UK City of Culture in Derry~Londonderry in 2013, helping to broaden horizons and change perceptions among local and international audiences alike. We worked with the city to develop a strong international dimension to programming during the year, supporting links with 23 countries worldwide and raising the profile of Derry~Londonderry by touring parts of the programme through our global network. We continue to work with the city on the legacy of 2013 and our experience will help us in supporting Hull as it prepares to become the City of Culture in 2017.
- Led on *Starless* and *Bible Black*, in partnership with the Welsh Government – an international programme to celebrate the Dylan Thomas centenary. Launched in Cardiff and New York by the First Minister for Wales and featuring activities across Canada, USA, India, Argentina and Australia, it aims to engage new audiences with fresh perspectives on the work of Dylan Thomas and on contemporary Wales.
- Developed a cultural programme around the 2014 Glasgow Commonwealth Games that focuses on making international connections to build enduring relationships and trust. An early highlight was the BBC Scottish Symphony Orchestra's ground-breaking India tour and education programme in March 2014, supported by the British Council's on-the-ground knowledge and networks.

Creating global insights for UK advantage

Our extensive expert networks enable us to share global insights through conferences, exchanges and research. This work strengthens the UK's thought leadership in education and cultural policy and brings global policy perspectives back to the UK to contribute to its future success.

Our support for the 2014 Education World Forum in January 2014 helped to make it once again the largest gathering of education and skills ministers in the world.

In the UK, we worked with the education departments of England, Northern Ireland, Scotland and Wales to agree shared policy interests – in maths and numeracy, raising attainment and early years education – and to bring new international insights on these issues to policy makers across the UK.

We also worked with 80,000 UK teachers and other professionals, a 20 per cent increase on the previous year, providing unique professional development through bringing international perspectives that help teachers to provide more innovative and relevant education.

Bringing a world of opportunities to UK young people

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

We offer those young people support to study overseas, to connect with people from other countries and to learn languages. This helps them to develop the international skills and experience which will improve their own career prospects and contribute to the UK's future economic success.

The lives of the next generation of UK citizens will be powerfully shaped by globalisation. Last year the British Council offered over 1.6 million direct opportunities for young learners in the UK to develop skills to help them work across cultures and internationally, helping to prepare them to thrive in our increasingly connected and fast-changing global economy.

UK student numbers on the EU Erasmus programme managed by the British Council more than doubled between 2007 and 2013, and record numbers took part in its final year, with more than 14,500 UK students benefiting from exchanges. In November 2013 the UK Minister for Universities and Science announced that the British Council would become the UK National Agency for the new Erasmus+ programme, in partnership with Ecorys UK. The Erasmus+ programme brings a total investment of some £800 million between 2014 and 2020 that will fund a 50 per cent increase in the numbers of students receiving grants to go overseas.

Together with other schemes including large-scale programmes in India and China, and partner-funded initiatives such as Study USA for students from Northern Ireland, the British Council offers tens of thousands of overseas experiences each year. The Study Work Create website launched at the start of 2013–14 established a single online gateway to open the eyes of UK young people to the full range of global opportunities, attracting 110,000 UK users in its first year. Speaking at a reception in March 2014 to celebrate the British Council's 80th anniversary, our vice patron HRH The Prince of Wales announced plans for a further 100,000 young people in the UK to have the opportunity to work or study overseas over the next three years.

Enabling learners to develop vital skills

The British Council's work also focused on helping younger learners gain essential skills to make the most of international opportunities in the future, and on improving UK attitudes towards language learning.

This was the focus of our International Education Week in November 2013 which introduced new resources to support language learning in UK primary schools, and saw national policy debates sparked by the British Council's *Languages for the Future* report which identified the languages likely to be most important to the UK in the future.

More than 400,000 school pupils had the chance to gain language confidence and fluency last year by working with British Council language assistants across the UK. We piloted new types of support for primary schools as part of Scotland's policy to introduce modern languages from primary one.

Teachers, youth workers and young people were connected and supported to learn from each other across Europe and beyond. Nearly 2,500 UK school partnerships were supported through the Connecting Classrooms and Comenius programmes, along with more than 600 UK youth projects in the final year of the EU Youth in Action programme. By 31 March 2014, 38,000 schools worldwide, including 4,000 in the UK, had already engaged online with Commonwealth Class, a project with the BBC and Commonwealth Secretariat. The project enables young people to learn about Commonwealth issues and values in the run up to the Glasgow 2014 Commonwealth Games.

The Takeover Cardiff project piloted an innovative approach to creative skills development by handing over major cultural venues in the city to young people for one day. Young people from local communities showcased performances they had developed with experts in dance, literature and film-making from the US, Ethiopia, Norway and South Africa, drawing new inspiration and ambition from these international role models.

Through co-financed and partnership projects the British Council also helped migrants in the UK to learn English. ESOL Nexus offers web-based resources for migrant learners in the UK and their teachers, while EAL Nexus will support learners in UK schools who speak English as an additional language as well as their teachers and their parents. English My Way also supports adults with no or low levels of spoken English and no or minimal literacy skills.

Performance headlines this year

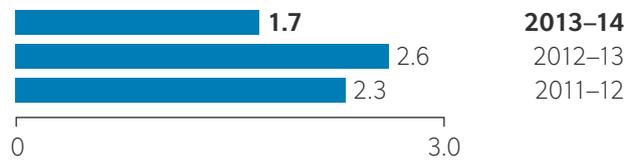
- We offered **1.7 million** face-to-face opportunities for people in the UK to gain international skills and experience in 2013–14; a 35 per cent reduction against a peak of 2.6 million in 2012–13. This drop is largely driven by two factors: a reduction in UK schools taking up language assistants for affordability reasons, and a spike in 2012–13 caused by UK schools being able to access support under both the last year of the Global School Partnerships programme and the first year of the new Connecting Classrooms programme.
- Within the 1.7 million noted above we engaged with **80,000** teachers and other influencers, a 20 per cent increase on 2012–13, reflecting our increased focus on professional development.
- Visitors to exhibitions, fairs and festivals increased from 121,000 to **two million** this year driven by UK visual arts programmes.
- The reduction in the UK digital participation result from 17 million last year to **13 million** in 2013–14 is largely due to more accurate reporting, which means that some of the visitors to global websites who were previously attributed to the UK are now attributed to the overseas regions.
- Publication and broadcast audience reduced from **three million** to **two million** after a peak around the London Olympics in 2012 connected to our Olympics Legacy programme International Inspiration.

Of the UK participants in our programmes surveyed for our Annual Impact Survey:

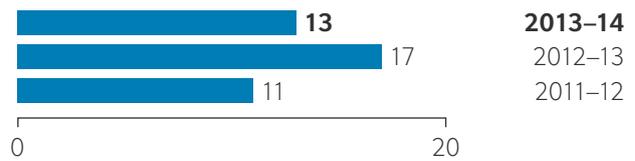
- 85 per cent of influencers participating in arts (film) programmes felt that our work had a significant impact on the UK’s reputation in the arts and 71 per cent felt that the international outlook of the UK’s arts and culture sector was improved through our work. 46 per cent of UK film contacts say that working with the British Council has led to new commercial or business opportunities.
- 96 per cent of influencers in English felt that our work had some impact on their professional lives, and 53 per cent felt this impact was significant. Respondents noted the positive impacts on confidence and recognition of professionalism as particularly important.
- almost 80 per cent of contacts in education and society noted that our work had a significant impact on international links and 62 per cent saw a more international focus in their institutions.

UK participation

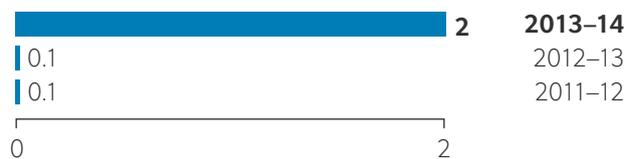
Face-to-face (millions)



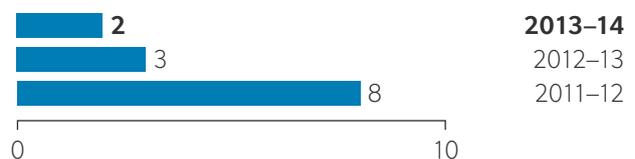
Digital (millions)



Exhibitions, fairs and festivals (millions)



Publication and broadcast (millions)



The customer satisfaction score has not been included this year as the sample size is too small for meaningful reporting.

Sharing the UK's great cultural assets

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

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

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

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

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

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

English and Examinations:

More widespread and better quality teaching, learning and assessment of English worldwide.

Arts:

New ways of connecting with and understanding each other through the arts.

Education and Society:

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

English and Examinations

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

How we work: the English language is one of the UK's greatest assets, connecting people around the world and helping to build trust for the UK. We work with UK partners to provide people globally with greater access to the life-changing opportunities that come from learning English and from gaining internationally respected UK qualifications.

We do this through delivering face-to-face teaching and blended courses; through supporting English language teaching and learning in public education systems; through providing materials for self-access learning and by managing English language examinations and other UK qualifications across the world. In the UK, we work in partnership to quality assure English language teaching provision and to support migrant learners.

Through a combination of free-access and paid-for services, delivered directly or through partnership with UK providers, the UK is better placed to respond to the demand for English worldwide. Our English and examinations activity has doubled in the last five years and continues to grow.

In **face-to-face teaching** we teach learners at over 83 teaching centres in nearly 50 countries, growing and adapting our services in response to increased demand and changing learner preferences. We also help provide quality assurance for UK providers.

Highlights in 2013–14 included:

- Launching the **myClass flexible learning offer** in seven countries in East Asia. myClass is a flexible way for students to develop their English, choosing the lessons that best suit their interests and schedule. The offer will be extended to all other teaching centres in our network from late 2014.
- We re-opened in **Alexandria** in November 2013. This commitment to the future of Egypt was significant in a year in which we celebrated 75 years of cultural relations in the country.
- In partnership with UK English, we manage **Accreditation UK**, a quality assurance scheme for the English language teaching sector. Providing assurance for learners worldwide on quality language provision in the UK, the scheme accredits over 550 UK schools, colleges and universities and links them to education marketing in 51 countries.

English for education systems involves working closely with ministries, authorities and institutions worldwide to develop high-quality English language teaching policy and practice. This year we increased our activity and levels of impact and diversified our offer, responding flexibly to the growing demand for English as a core skill in many countries.

Highlights in 2013–14 included:

- Running a large-scale DFID-funded project in **Tanzania** to enhance the capability of secondary school teachers to teach in English across the curriculum. This involves developing the curriculum and working with training colleges to upgrade 1,300 teachers' proficiency in English and their teaching skills.
- Developing an online **MA in English Language Teaching (ELT)** in collaboration with the University of Southampton, addressing current theory and practice in applied linguistics and language teaching.
- Working in **Lebanon** with the EC, local and international partners to prepare teachers to deal with the difficult educational context created by an influx of one million refugees from Syria.
- Working in partnership in the UK with FutureLearn, the UK's first **massive open online courses (MOOC)** provider alongside 30 other partners from higher educational institutes, training organisations, corporates and the British Library and the British Museum. We have announced the development of an English language MOOC to be introduced in 2014, and are working with partners on further MOOCs.

In **self-access learning** the success of our English learning and teaching websites continues. Through self-access channels we are able to work on a much larger scale than before and to reach people who have not traditionally had access to English teaching.

Highlights in 2013–14 included:

- We reached 38 million people through our print products, 44 million through our radio programmes, and 50 million through the popular **Word on the Street** television series – filmed in partnership with the BBC and now in its third series along with nearly four million downloads of our mobile apps for learners of English.
- Phenomenal growth of our **TeachingEnglish** Facebook page from 120,000 to 2.5 million likes in this year. LearnEnglish and LearnEnglish Teens also experienced rapid growth; all three pages have been among the top three fastest growing educational pages worldwide at different points during the last 12 months.
- The **LearnEnglish Teens** website has been firmly established with a full range of content in a variety of sections, resulting in 2.3 million unique visitors, helping us connect with this harder-to-engage audience group.

- The online self-study course for adult learners of English, **LearnEnglish Pathways**, has had 58,000 enrolments in Chile, achieved through a joint British Council and Ministry of Labour project for workers on below-average wages.

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

Highlights in 2013–14 included:

- Jointly owned by the British Council, IDP: IELTS Australia, and Cambridge English Language Assessment, **IELTS** remains the world's most popular English language test for higher education and global migration. Over two million IELTS tests were delivered worldwide in 2013–14. Over 9,000 organisations worldwide, including over 3,000 institutions in the USA, now accept IELTS scores. The IELTS partners have enhanced the security of test delivery using biometrics, and the British Council has launched new online support materials for test takers.
- **British Council Aptis**, the global English language assessment service we launched in 2012, is now being used by organisations in more than 69 countries. In October, we launched our first variant of Aptis, Aptis for Teachers, designed specifically for the education sector. Aptis has been used in a wide range of projects across the world including large-scale English development projects in Rwanda and Tanzania, workforce development in Poland and Egypt, and student training courses in Singapore and India. We're working with UK partners, including University of Bedfordshire and the University of Birmingham, to develop Aptis further.
- We generated £80 million for **UK examination boards**. We renewed our global agreement with the University of London to deliver their examinations in 90 countries and we extended our contract with the Chartered Institute of Purchasing and Supply for another year, including five new centres. We continued to expand our computer based examinations capacity, delivering computer based examinations in over 50 countries.

WE WORKED WITH

938
THOUSAND

Policy makers and government ministers, teachers and learners

8.6
MILLION

Teachers and learners in online communities

388
THOUSAND

Learners in teaching centre classes

2.6
MILLION

Examinations candidates

73
MILLION

Website users (including apps)

132
MILLION

Viewers, listeners and readers

Arts

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

How we work: we share the best of the UK's vibrant arts and creative industries across the world. This creates opportunities for the UK arts sector to develop new markets, to increase international audiences for their work and to connect, collaborate with and learn from their counterparts overseas. We encourage respect for difference based on UK experience and values as a diverse society and, through art, enable exploration of some of the big themes of our age.

Highlights in 2013–14 included:

- The biennial **Edinburgh Showcase** has become one of the foremost opportunities for small and medium theatre and dance companies to present their work. During the 2013 showcase, 56 companies were seen by 234 international programmers. Twenty-one of those companies have already confirmed international engagements for next year. They will represent British arts across the globe, from Lebanon to the Philippines.
- A new exhibition by the Turner Prize winning artist Jeremy Deller was created for the British Pavilion at the 55th International Art Exhibition – **la Biennale di Venezia** – in June 2013. After being seen by 375,000 people in Venice, the exhibition toured London, Bristol and Margate on a tour supported by the ArtFund and Arts Council England.
- The British Council and Britten Pears Foundation worked together on a rich programme of events to celebrate the centenary of the birth of **Benjamin Britten**. This included the first ever presentation of Britten's adaptation of Shakespeare's *A Midsummer Night's Dream* in Rio de Janeiro's Parque Lage and a festival of Britten's works in Russia, culminating in the Russian premiere of his final opera, *Death in Venice*.
- Now in its third year, the **2014 International Fashion Showcase** was the biggest yet. Coinciding with **London Fashion Week**, nearly 30 foreign embassies and cultural institutes based in London showcased the work of more than 120 designers. The Showcase is an annual festival of emerging designer talent which champions fashion as a cultural expression. It offers a collective welcome to creative talents from across the globe.
- On 15 April 2013, **Granta** announced its once-a-decade selection of the **20 Best British Young Novelists** aged under 40. We worked with Granta and the authors selected to present a showcase of their work. International events took place in more than ten countries, including Brazil, Canada, Kenya, Russia, Qatar and India, introducing more than 16,500 new readers to their work.

- The **London Book Fair** is one of the world's biggest publishing trade fairs. Through our cultural programme we brought the best in contemporary Turkish writing and publishing to the Fair in 2013. Fifty writers were introduced to new audiences in 27 events over 14 venues reaching over 1,500 readers, 1,000 senior literary professionals and policy makers and 2,500 London Book Fair visitors.

Our work in **cultural policy development** continues.

Highlights in 2013–14 included:

- **No Boundaries:** a State of the Arts event in February 2014 supported by Arts Council England and the British Council. It brought together cultural leaders and practitioners to consider the role of culture in 21st century society. It looked at the way in which the cultural map is being re-drawn by new behaviours, new technologies, new models of funding and new local, national and global thinking.
- The **Creative Economy** programme delivered a series of policy investigation workshops with the themes: Creative Industries Driving Innovation; Skills, Talent and Young People in the Creative Economy; and, Creative Cities.

We work with **fragile states and developing countries** to foster economic growth through arts and the creative industries and enable the exploration of difficult ideas.

- The British Council funded a small grant scheme to support 75 **displaced Syrian artists** across Europe and the Middle East and North Africa. This was aimed at enabling Syrian artists to advance contemporary forms of expression, raise awareness about the Syrian crisis, record Syrian heritage and develop professional networks.
- The **Stages for Change Theatre project** in the **Solomon Islands** uses community theatre as a vehicle for reducing violence against women and increasing women's participation in civil society and peacemaking. The objective is to use this theatre form to generate community engagement in issues relating to family violence and women's participation in civil society.

Looking to the future, we are committed to **investing in our art collection, Creative Economy programme, our skills building work** and **our network of global arts professionals online**.

Highlights in 2013–14 included:

- The **British Council Collection** continued to be one of the hardest working collections of contemporary art in the world. In 2013 1,765 works from our Collection were seen in exhibitions worldwide and major highlights included: *Lucian Freud in Brazil* which was seen by over 450,000 visitors; *Homelands*, which toured to India, Pakistan and Sri Lanka; *Henry Moore: The Printmaker*, which travelled to five countries including Montenegro, Kazakhstan and Kosovo; and *Private Utopia* which is currently touring around four cities in Japan.
- Last year, our **Creative Economy** team began a new programme of work, focusing on up to six priority markets annually. We will work closely with policy makers, entrepreneurs, investors and creative practitioners to deliver a local creative economy strategy over three years. In 2013–14 our focus countries were Brazil, Nigeria and Indonesia with UK partners including Future Everything, Creative Skillset, Arts and Humanities Research Council, Nesta, Watershed, UKTI and Goldsmiths University.
- We have continued to work with partners to develop **new writing around the world**. Our collaboration with the BBC, the International Playwriting Competition, is in its 24th year. Last year, as a result of our continuing collaboration with the Royal Court's international playwriting scheme, the Royal Court commissioned a UK production of Abhishek Majumdar's *The Djinnns of Eidgah*. This is set in the conflict in Kashmir and shares a symbolic approach to new playwriting that made a mark with the UK theatre industry. During 2014–15, the programme will extend to South Africa and Nigeria.

WE WORKED WITH

377
THOUSAND

Artists, art lovers,
cultural leaders
and ministers

671
THOUSAND

Artists and participants
in online communities

9.3
MILLION

Exhibition, festival,
event and performance
attendees

4.6
MILLION

Website users

137
MILLION

Viewers, listeners
and readers

Education and Society

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

How we work: providing people around the world with high-quality opportunities for education, skills and engagement in society helps address some of the most pressing issues of our time. Skills and educational attainment bring economic opportunity and enable participation in society, which leads to more prosperous and stable communities and nations. Working extensively with partners, our programmes improve educational opportunity and advance UK leadership in education. They widen access to justice, support open societies and, by drawing on the UK's strength in social enterprise, build more sustainable and inclusive economies.

Higher education and skills development are UK strengths that attract partners and learners from other countries. It is vital that we make connections with emerging economies, helping them to develop their education systems, encourage the best students to choose UK education and provide opportunities for people from the UK to experience education and work in other countries. This brings economic benefit, strengthens ties with the UK, enriches our academic and skills sector and develops intercultural skills for a globalised world.

Highlights in 2013–14 included:

- **Erasmus, Comenius and Youth in Action** had their seventh successive year of growth giving more of the UK's young people international experience. The EU-funded programmes provided over 23,000 periods of study overseas by UK students and over 16,000 professional development opportunities. The British Council, in partnership with Ecorys UK, was awarded the contract to deliver **Erasmus+** which will provide 240,000 UK people with funding to study, train, gain work experience and volunteer abroad over the next seven years.
- **British Council Services for International Education Marketing** supports the international intelligence and marketing needs of UK institutions across 51 overseas markets. In the last year it attracted over 240,000 aspiring international students to education exhibitions. The **Education UK** website and **GREAT** campaign investment provided over 2.2 million unique visitors with information about studying in the UK.
- Our work in **skills** brought education and industry leaders together to improve skills development and job prospects for young people in over 30 countries. For example, we facilitated a partnership between Egypt's chemical industry and Proskills, which represents the UK's process and manufacturing sector, resulting in national vocational standards for Egypt.

Leadership and research initiatives aim to influence policy and increase international collaboration.

Highlights in 2013–14 included:

- Our **Global Education Dialogues** brought together education experts and policy shapers from East Asia, South Asia and the UK. We held 11 events across South and East Asia involving over 1,200 education policy shapers from 34 countries, and reaching over two million people through broadcast and digital media. This has already resulted in 20 new initiatives between UK and East Asian institutions ranging from research and academic talent collaborations to skills development projects.
- We launched two new **science** programmes. **Researcher Links** initiated over 100 bilateral research mobility partnerships between UK institutions and counterparts in 19 emerging countries. **Global Innovation Initiative**, in partnership with the UK Department for Business, Innovation and Skills, the US Department of State and the Institute of International Education, initiated 23 multilateral research partnerships between 175 researchers in 75 of the strongest research universities in the UK, US, Brazil, India, China and Indonesia.
- Our **FameLab** science programme, which now has 5,000 alumni, develops science communication and advocacy skills among young scientists and engineers. This year's competitions, delivered in partnership with Cheltenham Science Festival and over 200 international partners, involved 27 countries and reached over 13 million people.

Our **schools** work connects schools in the UK to others around the world. This international dimension increases young people's skills and understanding and improves school leadership.

Highlights in 2013–14 included:

- **Connecting Classrooms** has now enabled over 8,600 schools around the world to take part in an international partnership or benefit from teacher training. Over 3,200 school leaders have been trained across 37 countries. The programme received an overall 'A' grade from the programme's co-funder, DFID.
- During **International Education Week** we launched research on *Languages for the Future: Which languages the UK needs most and why* and held a conference for 115 head teachers and school leaders on developing a world-class curriculum with languages at its heart.

- Our **Schools Online** and **e-Twinning** sites helped teachers from over 22,000 schools in the UK and overseas develop international projects and enabled over 6,800 projects between UK teachers and a European partner.
- More than 10,000 UK schools are now involved in the British Council **International Schools Award** – over one third of all UK schools. The award recognises a whole school commitment to international activities in the curriculum.

Society programmes aim to strengthen civil society, widen access to justice, share and develop expertise in social enterprise and empower women and girls. In particular, we help young people to include their voice in decision-making and acquire leadership skills.

Highlights in 2013–14 included:

- Our **Premier Skills** programme continued to build a brighter future for young people around the world through football. Since 2007, Premier Skills has trained 2,300 coaches and reached 500,000 young people. In September 2013 we announced our new three-year partnership with the Premier League which commits to a minimum participation of 50 per cent girls and women in 2016.
- Our programmes that support the development of **skills for youth and community leaders** in the Middle East and North Africa region were positively reviewed by the Independent Commission for Aid Impact.
- Our work in **social enterprise** builds the skills of social entrepreneurs and shares the UK's expertise in this area. Last year over 10,000 leaders and entrepreneurs in 20 countries took part in skills development and policy discussion events.
- We delivered over 20 **DFID and EC-funded society programmes** across 19 countries with participation from over 10,000 policy influencers and community leaders. Some examples include access to justice programmes in South Sudan and Nigeria; civil society capacity building programmes in Afghanistan and China; and girls' and women's empowerment programmes in Pakistan and Egypt. External evaluations of the impact of these programmes consistently rate us as meeting or exceeding expectations.

WE WORKED WITH

**6.5
MILLION** Ministers, teachers, academics, education and youth sector leaders and young people

**1.9
MILLION** Education and citizenship exhibition and fair attendees

**5.3
MILLION** Teachers, academics, college and higher education leaders in online communities

**14.7
MILLION** Website users

**196
MILLION** Viewers, listeners and readers

Working with partners

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



Our highly successful English language assessment partnership, jointly owned by the British Council, IDP: IELTS Australia and Cambridge English Language Assessment, is celebrating its 25th year in 2014. IELTS is a test for people who intend to study or work in countries where English is a main language for communication. Last year well over two million IELTS tests were taken in over 135 countries. IELTS has grown to become the world's most popular English language test for higher education and global migration.



The British Council and HSBC have built a powerful partnership to support communities across the world – creating opportunities for young people, connecting them and celebrating cultures. This year, HSBC sponsored the Lucian Freud exhibition at MASP São Paulo as part of Transform – a four-year British Council programme deepening the level of cultural relations in the arts between the UK and Brazil.



The Global Innovation Initiative, in partnership with the UK Department for Business, Innovation and Skills (BIS), the US Department of State and the Institute of International Education, launched this year, initiating 23 new multilateral research partnerships between universities in the UK, US, Brazil, China, India and Indonesia. The Global Innovation Initiative will award grants to university consortia focusing on science, technology, engineering, and mathematics (STEM)-related issues of global significance.



The British Council was one of the first partners to join FutureLearn, the first UK-led social learning platform offering massive open online courses (MOOCs) from world-renowned learning and cultural partners such as the Open University, the British Library and the British Museum. FutureLearn went live in September 2013, giving learners around the world the opportunity to learn through conversation. The British Council's first course – Exploring English: Language and Culture – will begin on the platform in September 2014.



Working with the UK government's GREAT Britain campaign, the British Council is raising awareness and promoting the UK's strengths in English, education and culture. Co-operating with the relevant UK government departments and bodies: Foreign and Commonwealth Office (FCO), UK Trade and Investment (UKTI), BIS, Cabinet Office, Department for Culture Media and Sport (DCMS) and VisitBritain we optimise our impact, contributing to economic growth and enhancing cultural relations.



The British Council, in partnership with Premiership Rugby and Social Services for Industry (SESI) in Brazil, is supporting the development and growth of rugby with the innovative Try Rugby programme. 350 teachers and volunteer coaches have been trained to deliver coaching with over 54,000 young people and adults reached through the programme so far. As well as increasing overall participation the programme uses rugby's culture and core values to drive educational, health and social change through youth development.



We are proud to have welcomed BP as a Founder Sponsor for the programme developed by the British Council for the UK–Russia Year of Culture 2014. The past year has also seen further collaboration in Angola with the signing of an agreement to provide English language training to over 150 teachers at the Luanda Institute of Sciences and Higher Education.



Now in its seventh year, our successful partnership with the Premier League, Premier Skills, uses football to develop a brighter future for young people around the world. Since 2007, Premier Skills has trained 2,300 coaches and reached 500,000 young people. It aims to expand to cover 25 countries by 2016, reaching another 300,000 young people in the process.



pears
foundation



BIRAX (the Britain Israel Research and Academic Exchange Partnership) is a £10 million initiative of the British Council and British Embassy in Israel in collaboration with the Pears Foundation and the United Jewish Israel Appeal (UJIA). Together we are co-ordinating a large fund to support cutting-edge research into regenerative medicine using stem cell therapies. Over £4 million has been committed to seven research projects in the UK and Israel. The second call, launched by Prime Minister David Cameron in March 2014, will fund a further set of projects.



The British Council has signed an agreement with Qatar Foundation for a pilot project to promote the teaching of Arabic language and culture in UK schools. The pilot project will lay the foundations of a five-year programme significantly increasing the number of students learning Arabic in the UK. Simultaneously the project will ensure a growth in the number of teachers of Arabic both from an Arabic-speaking and non-Arabic-speaking background, and improve understanding of the Arab world across the UK.



Plan Ceibal

Our highly innovative English partnership with Plan Ceibal in Uruguay is delivering 2,000 remote English lessons each week to 50,000 students in Uruguayan state primary schools, using remote teachers based in Montevideo, Argentina and the Philippines. Plan Ceibal has given laptops to every child in state schools throughout Uruguay and the project makes use of digital materials downloaded onto the laptops with teachers delivering their lessons using high quality video-conferencing equipment.



The challenge of delivering the European Commission's Erasmus+ programme is enormous. We are very pleased to further develop our long-standing National Agency partnership with Ecorys UK over the next seven years. Funded by the European Commission, Erasmus+ will provide £800 million to support UK students and staff to experience international studying, teaching and volunteering opportunities in Europe and beyond.



The British Council is working closely with City & Guilds in realising the benefits of the Memorandum of Understanding between the UAE and the UK. The initiative involves a number of UK awarding bodies, including City and Guilds, collaborating with the UAE's National Qualifications Authority, paving the way for mutual recognition of qualifications at Gulf-wide level.



This year, BG Tanzania strengthened an existing partnership, signing an agreement with the British Council to deliver the International Postgraduate Scholarship Scheme for Geoscience and Engineering. During 2014–15, the scheme will offer ten valuable scholarships to Tanzanian graduates to study for masters degrees in UK universities.

OUR GLOBAL NETWORK



Key:

- Countries where the British Council works

The British Council operates in **over 100 countries.**



Americas

The Americas are of growing importance to the UK's international relations. As well as long standing relationships with the US and Commonwealth countries of the Caribbean and Canada, there is a drive to strengthen links between the UK and Brazil, Mexico, Colombia, Chile and Peru.

We are supporting systemic change in English teaching through innovative ways of working on a large scale. Our partnership with Plan Ceibal in Uruguay delivers 2,000 remote English lessons each week to 50,000 students in Uruguayan state primary schools using teachers in Montevideo, Argentina and the Philippines. Five hundred primary teachers in Venezuela participated in a successful trial of a specialist diploma in Primary level English language teaching which we will introduce across the region.

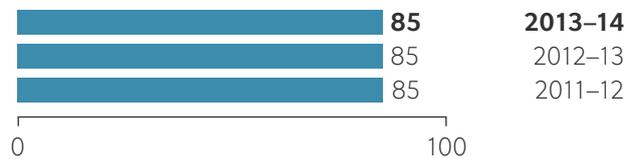
We promoted the UK as a strategic partner for the Americas in all areas of education. We launched the Global Innovation Initiative, a multinational higher education research programme, which secured £3 million partnership funding from the US State Department, the British Council and BIS for 23 projects involving researchers from the UK, US, Brazil, China, India and Indonesia. We attracted record numbers of UK institutions to education exhibitions in the US, Colombia, Mexico and Brazil. We provided consultancy, leadership and training for more than 30 schools which adopted the Cambridge International Examinations (CIE) programme in Colombia. They administered 6,000 examinations.

Our engagement with social issues grew. We won contracts with the EU for an arts in public spaces project in Venezuela and a civil society project in Jamaica. Try Rugby, our partnership with Premiership Rugby in Brazil, reached 50,000 people in 12 cities and was awarded best community programme worldwide by Rugby Expo. We agreed a partnership with the McConnell Foundation in Canada to promote social enterprise, drawing on UK experience.

In the arts, we marked our 70th anniversary in Mexico with a partnership with Canal 22 to broadcast a film of Benjamin Britten's life and a concert by the Britten Sinfonia to 850,000 people. Under *Transform*, our four-year cultural connections festival in Brazil, we supported *Unlimited*, a festival celebrating accessibility in the arts with UK artists performing in Rio de Janeiro, São Paulo and Recife. This led to changes in how audiences, critics and arts organisations relate to disabled audiences and artists. We supported the first big Lucien Freud exhibition in Brazil with sponsorship from HSBC, reaching over 430,000 people. British choreographer Billy Cowie was invited to create a new work for world-class dance company Danza Contemporánea de Cuba after producing the first dance piece in Cuba combining virtual and live dancers.

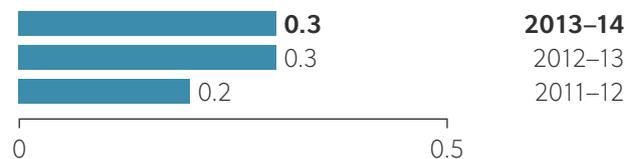
Customer satisfaction

Score from 0-100

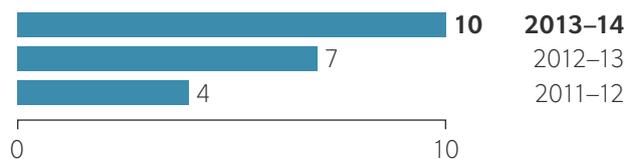


Participation

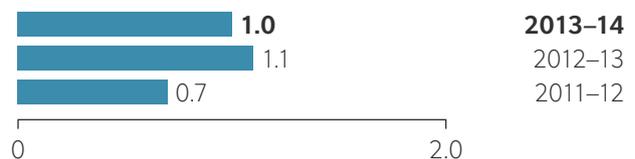
Face-to-face (millions)



Digital (millions)



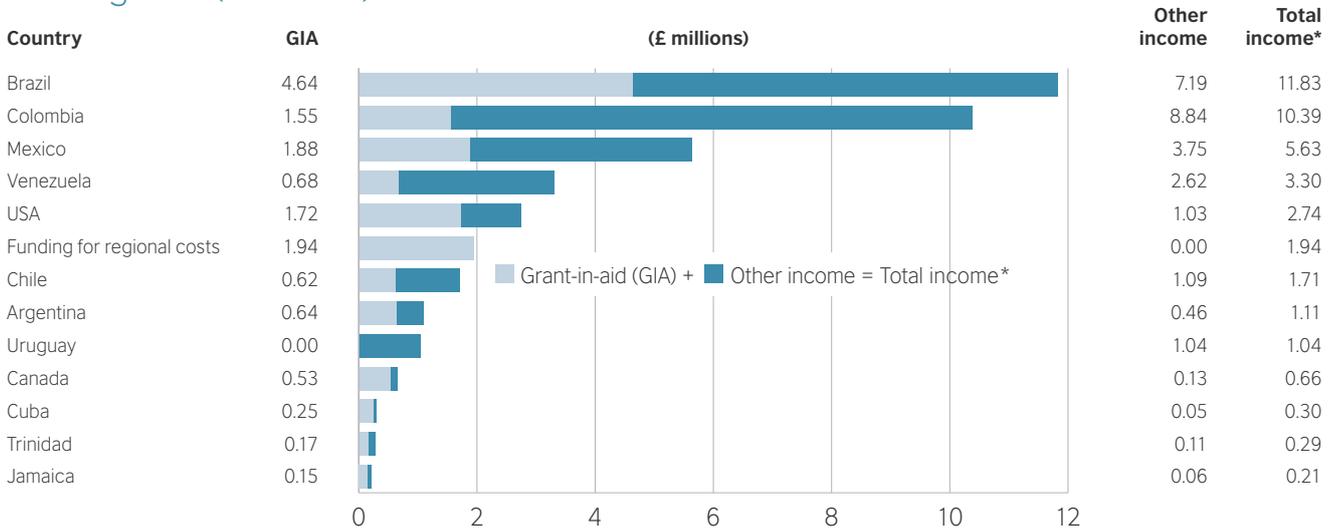
Exhibitions, fairs and festivals (millions)



Publication and broadcast (millions)



Funding data (£ millions)



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

East Asia

Home to over two billion people, the markets in East Asia remain vibrant and continue to grow. With a mix of developed and emerging economies, there is a strong demand for education, skills and English language learning. The UK's reputation remains high in all these areas.

This year nearly 104,000 students from China alone are studying in the UK, an increase of 23 per cent on last year. They bring estimated earnings of £2.6 billion to the UK. Such is the demand that many UK educational institutions have also opened faculties in East Asia.

We have reinforced the UK's reputation in higher education with a series of six education policy dialogues, attracting leading figures from the UK as well as over 600 leaders from 18 countries. Follow-up activities included collaboration on conferences and a programme linking researchers in the UK and the region.

Demand for qualifications in East Asia is high. We provide professionally managed environments for UK examination bodies and administered over one million UK examinations this year. The increase in UK examinations, together with a growth in the number of English teaching centres, enabled us to boost the visibility of the UK's expertise in English language teaching and assessment.

The need for English proficiency in international business and global institutions has led a number of governments to upgrade their English teaching provision. We are working with the authorities in China, Korea, Japan, Burma and Malaysia. In Malaysia alone the projects cover some 12,000 teachers.

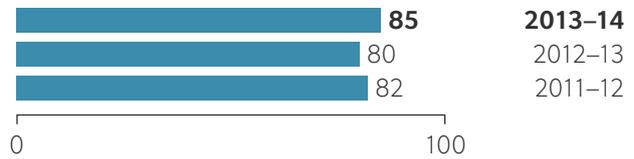
There is growing interest in the arts and creative industries. The UK has a strong reputation in this area, attracting partners to work with us. For example, we partnered with the Australia Council for the Arts and Australian state authorities to provide creative leadership training and UK arts experience to indigenous artists. We also partnered with Prudential on a multi-country arts and creative education programme using UK expertise.

This year saw a British focus to the Singapore digital fashion week and preparations for a Korean focus at the London Book Fair 2014. We also connected Japanese authorities with UK leaders of the 2012 Cultural Olympiad to support plans for the 2020 Olympics in Japan.

As East Asia becomes increasingly prominent in the world economy and political life, interest in this part of the world grows among the UK public. We seek opportunities for young people from the UK to participate in projects in the region. In China, we established the *Generation UK* programme which aims to give up to 80,000 young British people a study or work experience there by 2020. We also have schemes for young British people in Thailand, Japan and Hong Kong.

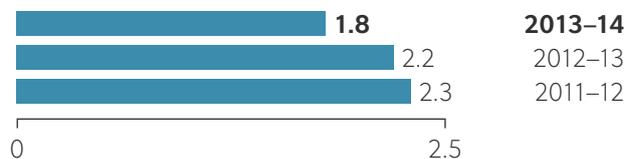
Customer satisfaction

Score from 0–100

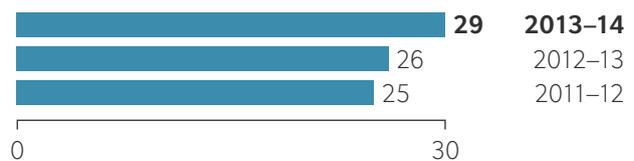


Participation

Face-to-face (millions)



Digital (millions)



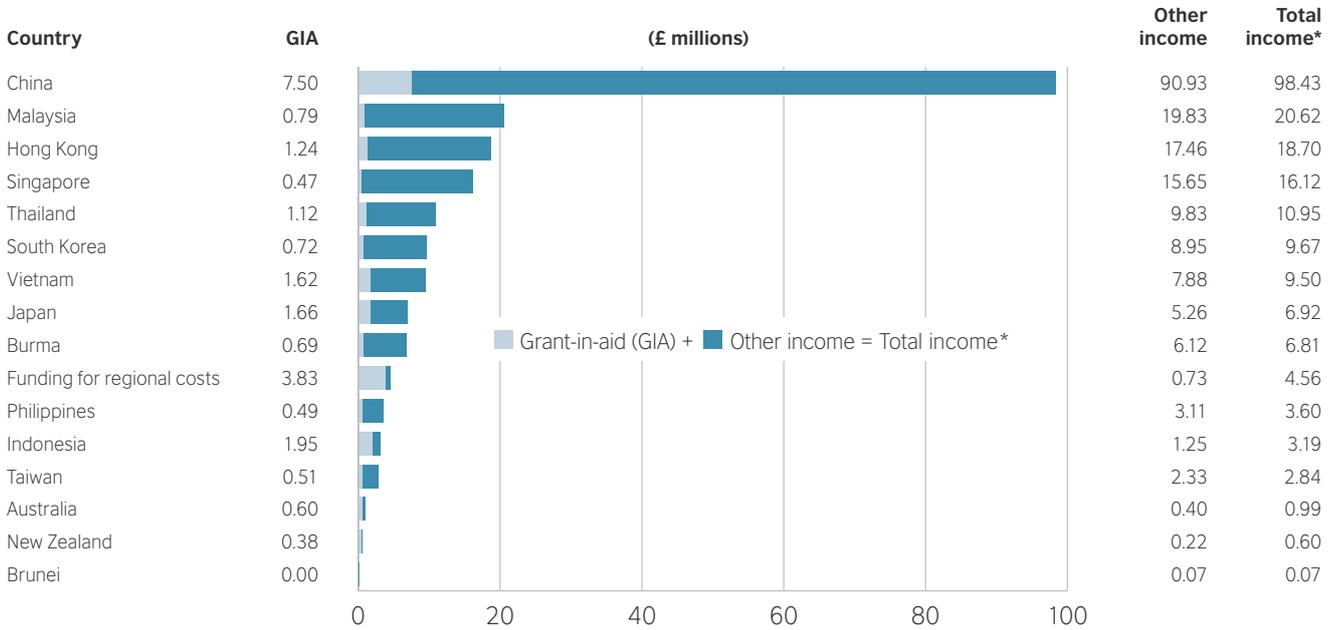
Exhibitions, fairs and festivals (millions)



Publication and broadcast (millions)



Funding data (£ millions)



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

EU Europe

Countries in this region continued to face the challenges of the eurozone recession. The region remains critically important, not least because it accounts for nearly half of UK trade and exports. The correlation between trust and trade means that cultural relations in Europe are more important than ever to the UK's prosperity and security.

Most of our impact and income comes from English teaching and examination services and from European Commission (EC) contracts. We have achieved year-on-year growth in our earned income. With government grant now less than ten per cent of our total regional income, we are proportionally the least reliant of any region on it. We have begun our business transformation programme which aims to meet increasing demand from people in the region whilst further reducing our reliance on government grant. This includes working more closely with UK partners and expanding and enriching what we offer online.

Partnerships contribute to our success in this region as illustrated by our new relationship with Tesco. Through the Tesco for Schools corporate social responsibility programme in Poland we have worked online and with over 640 schools to support the learning of English. We have successfully incorporated an English language component into Tesco's premier education programme and aim to co-operate further with Tesco in more countries in the region beyond 2014.

Using expertise and resources from across the region and working in collaboration with the Goethe Institut in Minsk and Alliance Française we are implementing a two-year programme for young Belarusians through our centre in Krakow. The €2 million EC-funded programme gives them language training and access to EU cultural programmes.

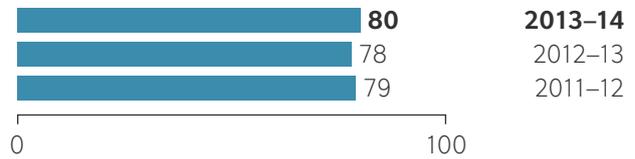
In the arts, we expanded our work in the creative industries. In Portugal and Spain we launched a three-year Iberian Creative Industries programme which will position the UK centrally in the development of the sector. It offers UK, Portuguese and Spanish creative businesses the tools, information and training they need to better access markets for their work. We are also connecting digital innovators from small creative businesses with each other so that they can collaborate on new digital solutions for their customers.

We launched a two-year Unlimited Access programme, with partners in Portugal, Greece and Croatia, co-funded by the EC, which celebrates the work of leading European disabled artists and contributes British expertise to the dissemination of best practice.

We contributed to the social enterprise sector in Europe this year through a Vision 2020 paper for the EC's landmark event in Strasbourg and follow up in-country events throughout the region. This provides a sound foundation for a programme of work, including training for current and future social entrepreneurs to help meet the economic challenges faced by the region.

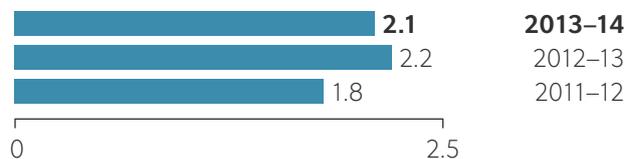
Customer satisfaction

Score from 0–100

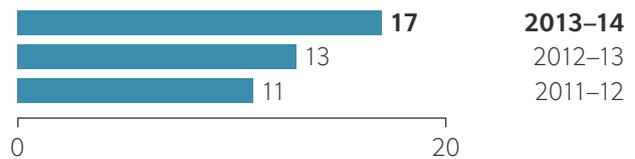


Participation

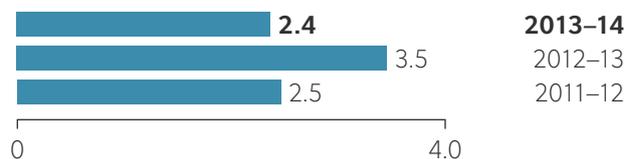
Face-to-face (millions)



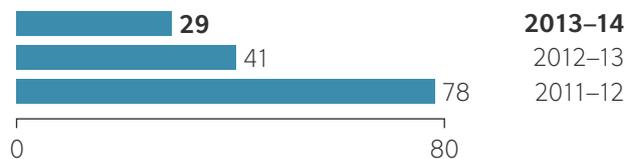
Digital (millions)



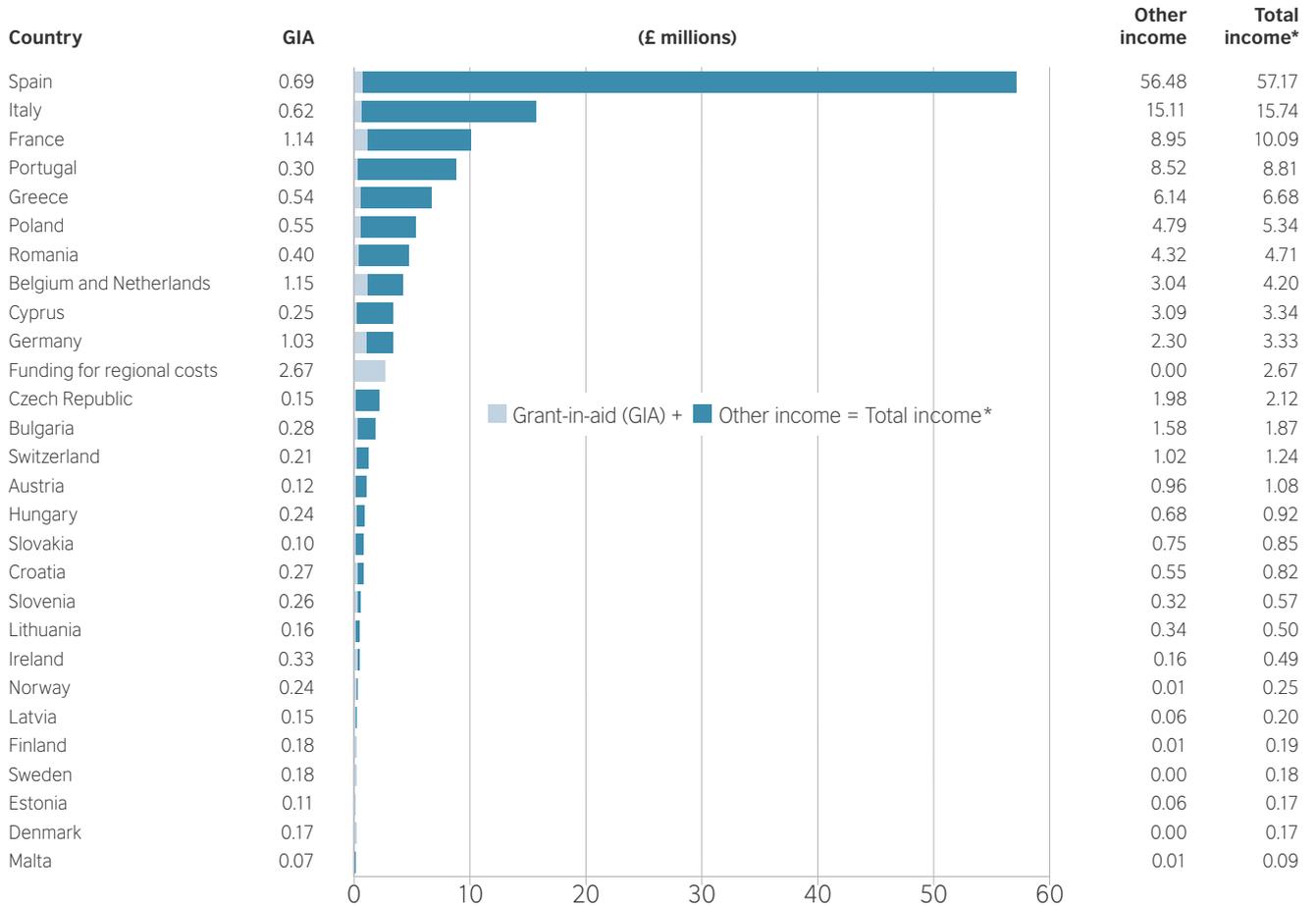
Exhibitions, fairs and festivals (millions)



Publication and broadcast (millions)



Funding data (£ millions)



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

Middle East and North Africa

In the four years that have followed the Arab uprisings, governments across the region have faced the challenge of balancing the competing pressures of political and social reform with the need to provide better education and meaningful employment for the region's majority young population.

Through our work we are giving young men and women in the region skills they need to succeed. We provide access to UK education, culture and language. This helps to position the UK as a partner for economic growth and diversification in the region. It also builds trust which underpins future peace and prosperity for the UK and the countries of the Middle East and North Africa.

This year we almost doubled the scale of our activity, reaching over 62 million people through our work in English, education, society and the arts. This growth has been helped through strategic partnerships with BBC Arabic and ON TV in Egypt, allowing us to connect with even larger audiences to support our society and skills programmes. Projects such as our EC-funded Support to Improving the Quality of Education in Iraq has reached, since 2011, over 137,000 educators and 800,000 school children, with its innovative blend of basic, vocational and sports education.

We continue to support the development of skills in the region, training over 172,000 people face-to-face. Our Women Participating in Public Life project, which is supported by the UK government's Arab Partnership Initiative, and the Springboard project have enabled the professional development of over 13,000 women this year.

The demand for English teaching and UK qualifications continues to grow exponentially. This year we delivered over 410,000 examinations in 15 countries across the region, with the Gulf countries accounting for 67 per cent of revenue.

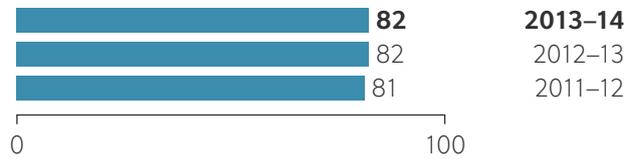
Our partnership income has risen by 60 per cent this year, and there has been a fivefold increase in contract work, with notable programmes such as the Accelerated Learning Programme for Syrian Refugees in Lebanon with the EC. The programme will fast track the learning of English to allow Syrian refugees access to the Lebanese state school sector.

Online, our audience has grown by 25 per cent in one year. We've used more Arabic content and a targeted social media strategy to extend our digital audience. Our regional Learn English Facebook page now has over two million followers.

Building on the success of Qatar-UK 2013, we are connecting and expanding our network of contacts to support UK cultural institutions exploring opportunities in the wider Gulf. Our recent agreement with the Abu Dhabi Music and Arts Foundation is an ambitious partnership that will help develop the creative economy in the United Arab Emirates (UAE), and will serve as a channel to connect the UAE to the UK.

Customer satisfaction

Score from 0-100

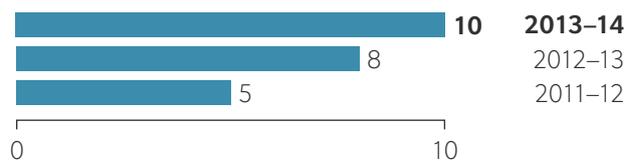


Participation

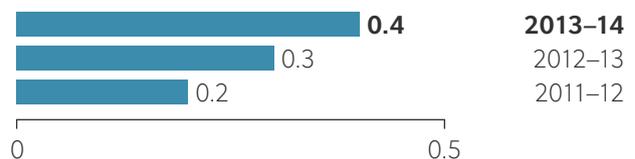
Face-to-face (millions)



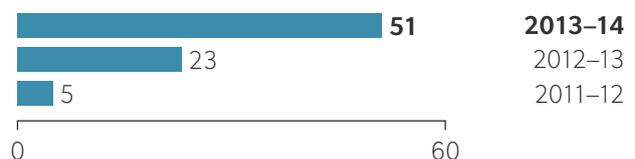
Digital (millions)



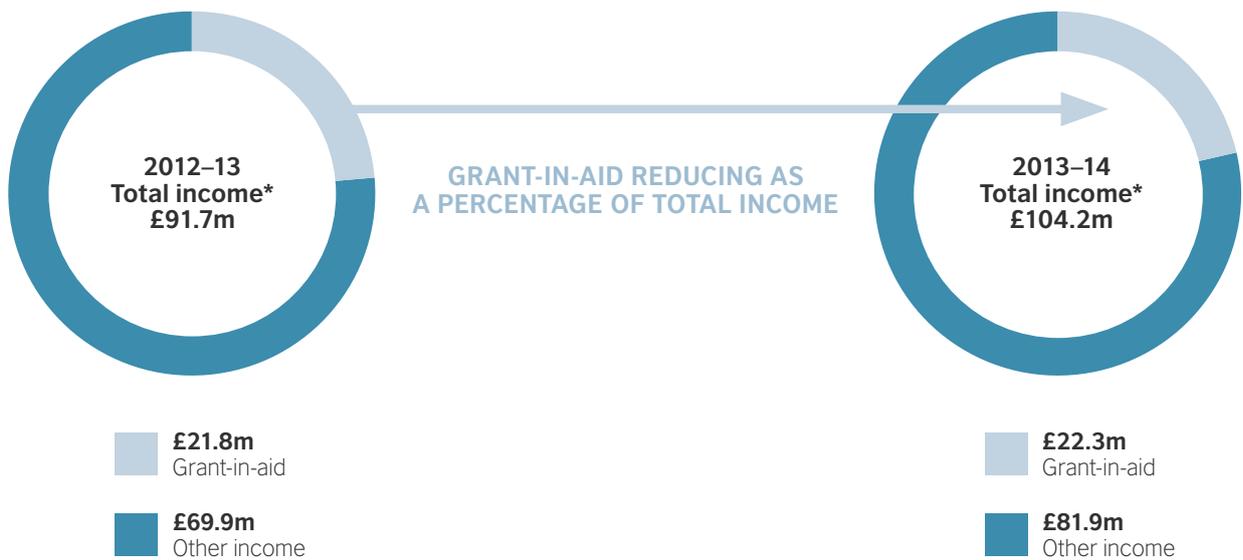
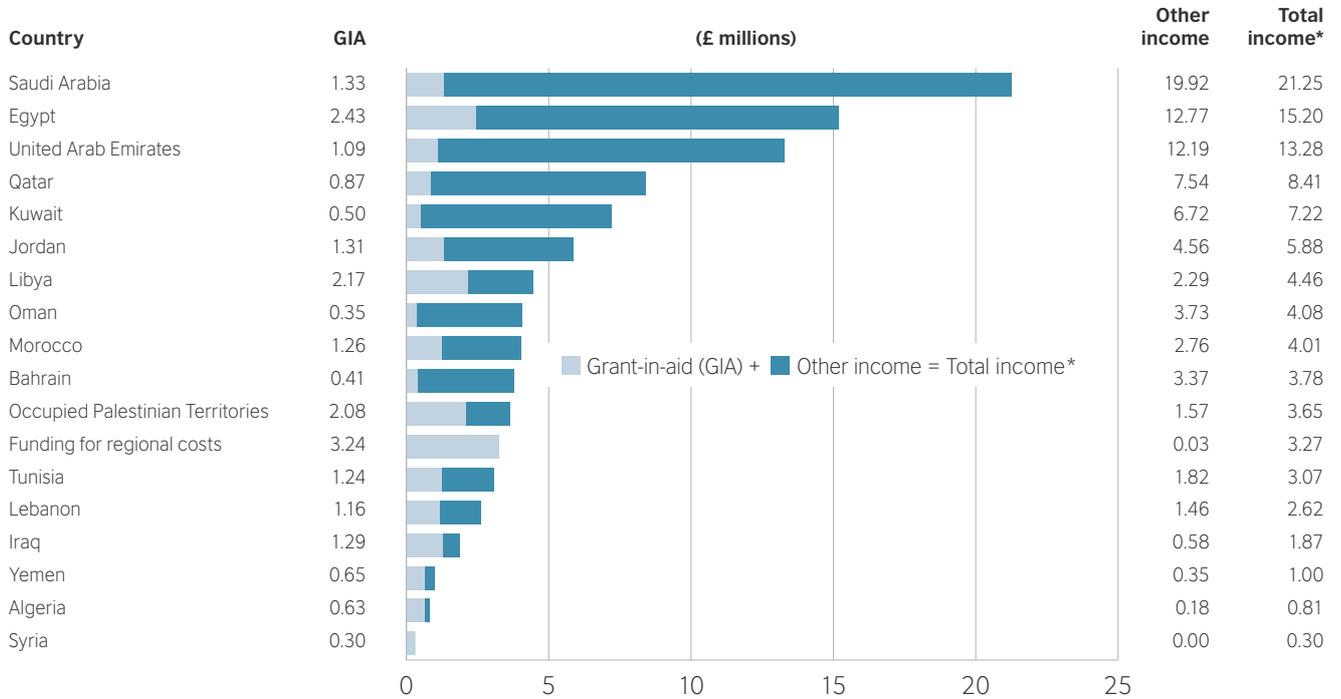
Exhibitions, fairs and festivals (millions)



Publication and broadcast (millions)



Funding data (£ millions)



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

South Asia

This region makes up a fifth of the world's population, with 30 per cent aged under 15. Core to the UK's prosperity and security agenda, this fast-moving and turbulent region has huge challenges to resolve but is also at the centre of an emerging network linking its countries with those of the Middle East and Africa in a web of new economic, political and security relationships.

Our priority in English is to extend access to quality English learning. In India about 4.4 million learners used innovative digital and print products, and in partnership with state governments 840,000 teachers have benefited from our training with the aim of reaching 1.5 million by 2017. In partnership with Afghanistan's Ministry of Education, we trained 1,450 state school English teachers in 31 of the 34 provinces. We aim to reach a third of the country's estimated 45,000 secondary school English teachers by 2016. In Pakistan over 1,400 trainers and teachers received English medium instruction training through the Punjab Education and English Language Initiative. By 2018 we aim to have trained 300,000 teachers in all 36 districts of Punjab.

We delivered 942,000 examinations on behalf of the UK sector this year, representing over £19.5 million in fee payments to UK examination boards. In Bangladesh, our dedicated and resourceful team delivered 134,000 exams, exceeding targets despite disruption to service delivery through violent political demonstrations.

In education, 480 policy makers took part in a series of South Asia–UK higher education policy events about quality, access, skills and employability with a further 50,000 involved digitally. Across South Asia nearly 30,000 school leaders were involved in our school leadership training programmes.

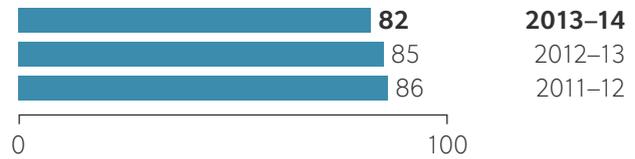
In Pakistan we established a partnership with the Qatar Foundation, aiming to bring 130,000 out-of-school children into school over three years. In India we won a £1 million Asian Development Bank contract to improve the employability of young people in Meghalaya.

We launched a new programme to increase the impact and reach of our library services across South Asia. In Sri Lanka we now have 24,000 library members across three libraries. HRH The Prince of Wales officially opened our new library in Colombo in November 2013.

Showcasing more than 80 works by 28 of the UK's leading modern artists, the *Homelands* exhibition attracted over 55,000 visitors in three Indian cities, before moving on to Pakistan and Sri Lanka where it was one of the Colombo Art Biennale highlights. Acclaimed by critics, the *Homelands* tour has led to increased awareness of the UK's position as a global leader in the arts and creative industries.

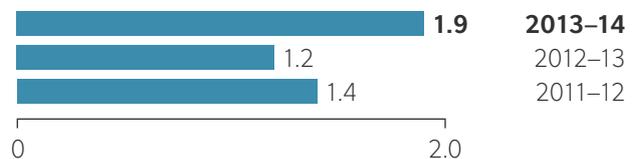
Customer satisfaction

Score from 0–100

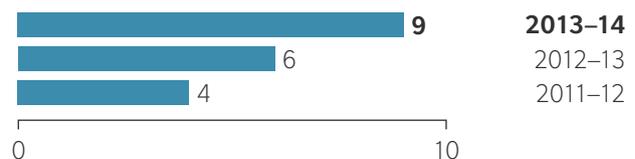


Participation

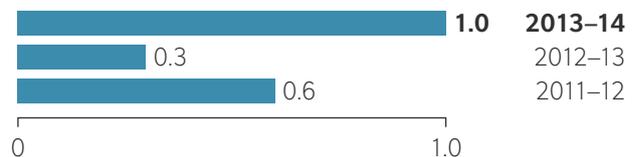
Face-to-face (millions)



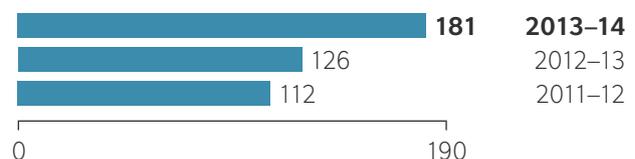
Digital (millions)



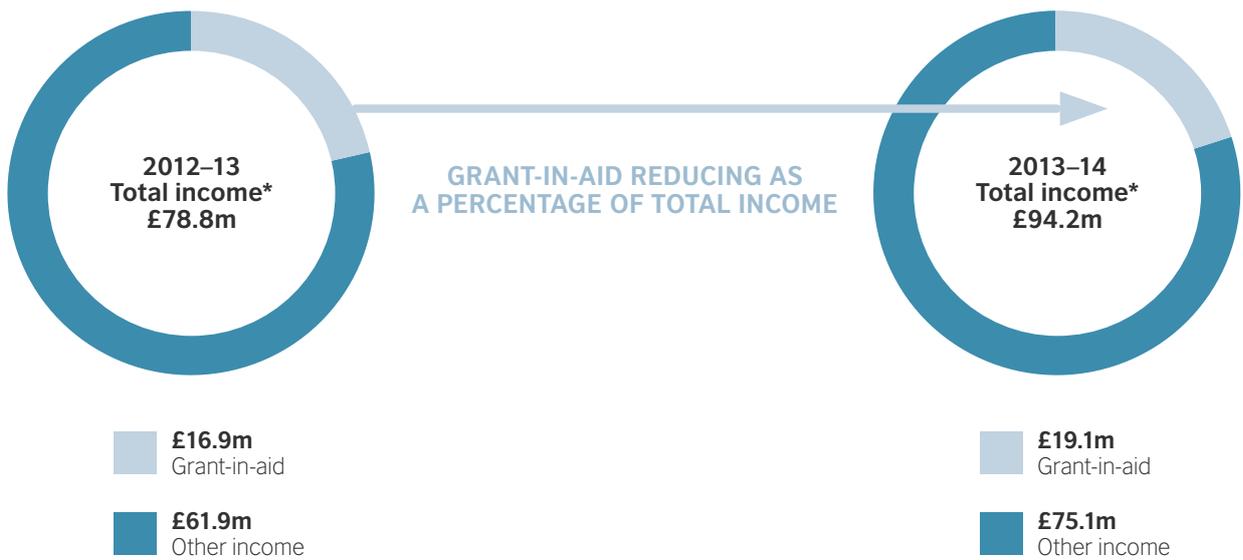
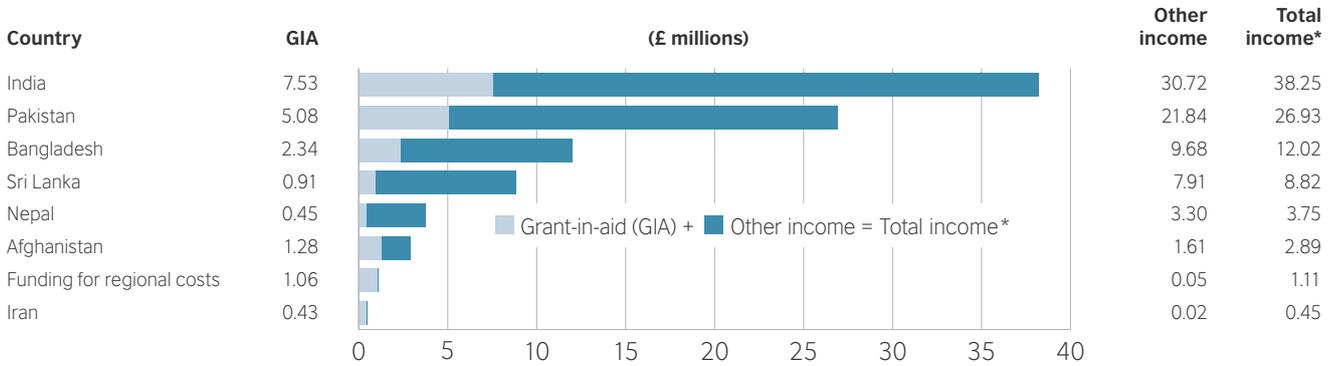
Exhibitions, fairs and festivals (millions)



Publication and broadcast (millions)



Funding data (£ millions)



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

Sub-Saharan Africa

This region has a population of 925 million, with 60 per cent under the age of 25. There is a growing consumer class, and increases in public and private sector investment provide a platform for sustained growth. Our response has been to expand the opportunities to connect with the UK through scholarships and skills programmes. We have expanded on our work with schools to provide more UK experience and expertise to support learning in the classroom through English and school leadership.

In the arts, we launched the South Africa–UK Season in partnership with the South African Department of Arts and Culture. The season will work alongside our own innovative Connect ZA programme which focuses on exchange between 18–35 years olds and has a strong emphasis on using different digital media to engage young people. This will be followed by a similar initiative in Nigeria to strengthen ties with the UK through a large-scale arts programme.

Regional examinations income grew by 12 per cent compared to the previous year through promotion of UK qualifications such as Cambridge International Examinations in Nigeria. We invested in the future of professional exams across the region by purchasing equipment and technology to deliver computer-based tests, supporting UK boards as they move to digital platforms.

We have developed a strong partnership with South Africa's Department of Basic Education (DBE) to implement their national strategy to teach English in state primary schools. The DBE is now seeking to use our methodology to deliver teacher training in the country's nine official African languages. More than 15,000 schools, 200,000 teachers and seven million learners will directly benefit from the efforts of the DBE and the British Council, raising standards of English and ultimately improving literacy levels.

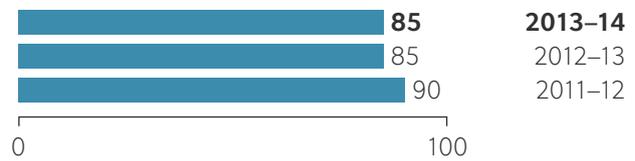
Our partnerships work continues to grow. British Gas became the next big UK company to work with us, alongside an expansion of the programme we already run with Tullow Oil. Both companies are investing in young people through scholarships and skills development programmes. In partnership with a variety of UK companies, including Barclays, we have created skills and entrepreneur development opportunities in Sudan, Senegal, Nigeria and Ghana.

There are a number of conflict affected environments across the region. Our South Sudan office was closed on the outbreak of violence following political dispute in December 2013. We have subsequently opened a limited back office. We continue to work on justice, security and conflict prevention initiatives to contribute to stable and peaceful societies, particularly in Northern Nigeria. Contract extensions agreed with DFID in Ethiopia and Nigeria worth £35 million affirm confidence in our capability to deliver large-scale initiatives that make a difference.

This year we worked with 114 million people in the region. This represents 18 per cent of the population in countries in which we operate in the region.

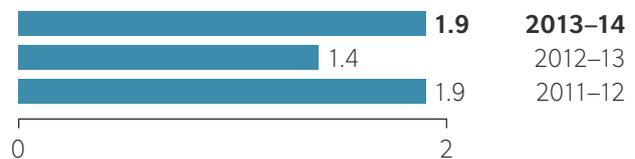
Customer satisfaction

Score from 0–100

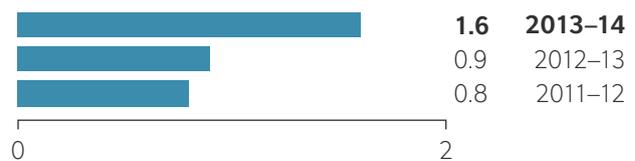


Participation

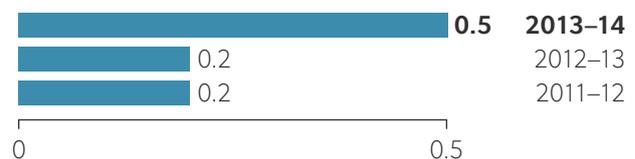
Face-to-face (millions)



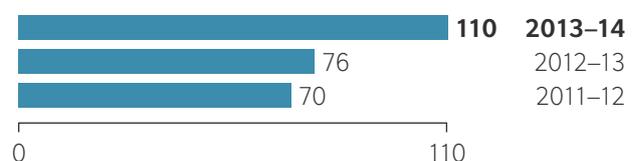
Digital (millions)



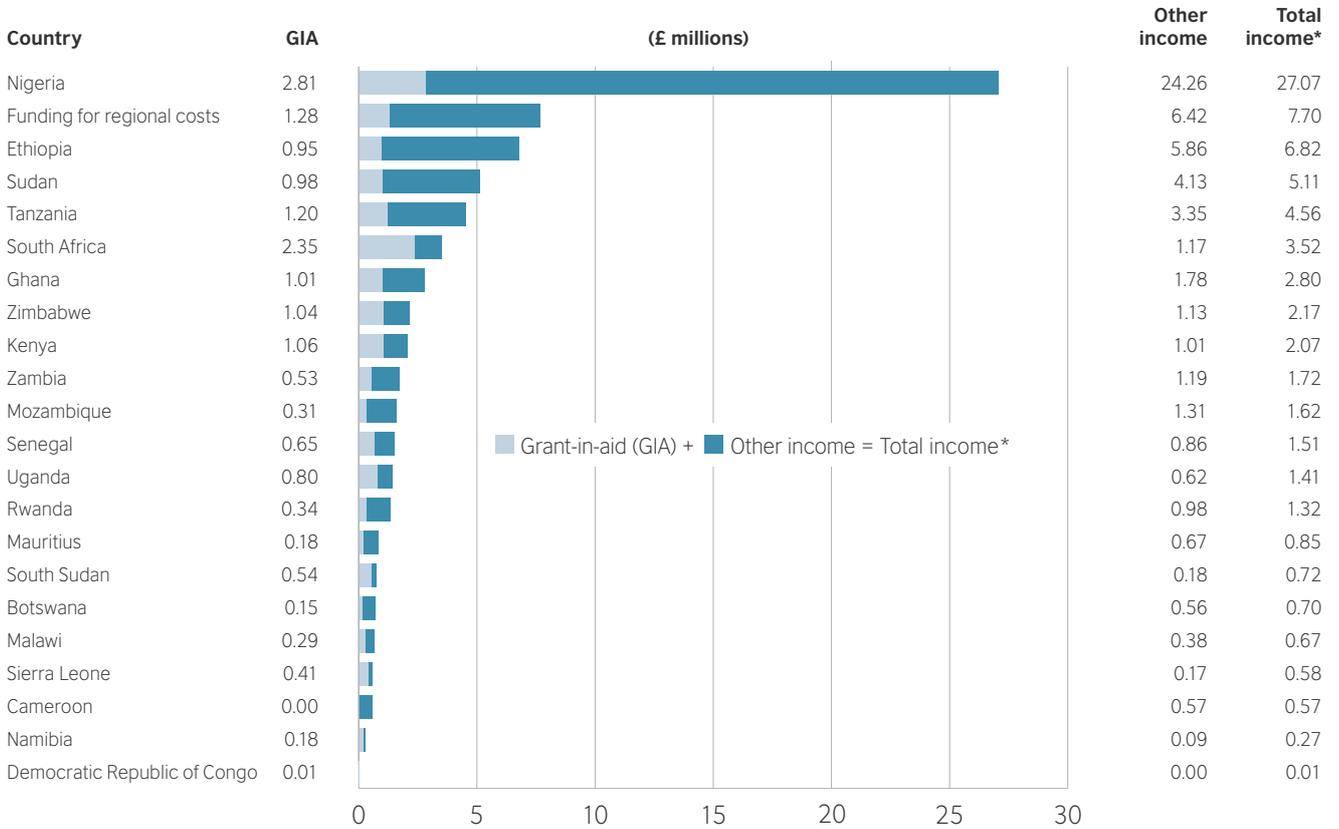
Exhibitions, fairs and festivals (millions)



Publication and broadcast (millions)



Funding data (£ millions)



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

Wider Europe

Wider Europe is a dynamic and turbulent region, with young democracies and fragile or emerging economies. The past year saw significant changes in the external environment including major protests in Ukraine, Turkey, Bosnia and Herzegovina and elsewhere, and challenging relationships between Ukraine and Russia and between Russia and the West.

These changes had a major impact on our work, most notably on the high-profile UK–Russia Year of Culture 2014 and our engagement with the interim government in Ukraine.

During the year we managed the education component of the Prime Minister's visit to Kazakhstan and education is now one of three areas highlighted for UK–Kazakhstan co-operation. Through our strong partnership with Kasipkor, Kazakhstan's vocational education institution, we managed a call for proposals to the UK education sector to help develop new schools of English, which resulted in a £2.7 million contract for Pearson.

The Prime Minister also supported international science co-operation when he visited Israel and launched the second call for proposals for our BIRAX Regenerative Medicine Initiative (the Britain Israel Research and Academic Exchange Partnership).

In Turkey we now chair the UK–Turkey Taskforce which has enabled 96 UK universities to receive Turkish government-funded scholars, an increase of more than 50 per cent from last year. Furthermore the UK–Turkey Higher Education and Industry Partnership project has received £1.9 million in additional research and development funding.

In Ukraine we signed a partnership agreement with Shell for a £1.5 million higher education fund that will build links between Ukraine and the UK. In addition, the British Council in-service training curriculum is being implemented in over half the national network of in-service centres.

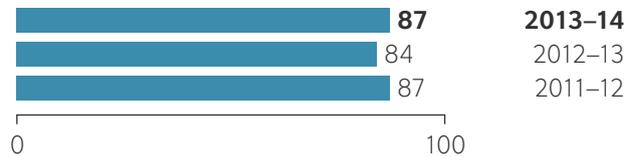
We have re-entered the English teaching market in Azerbaijan by opening a teaching centre in Baku. We are also working with the Azerbaijani Ministry of Education to support the development of English teachers' language skills across 16 regions. The Ministry would like this programme to extend to all schools.

In Uzbekistan, the national curriculum for English for tourism is based on our Learn English for Tourism courses and the new pre-service teacher training curriculum was officially adopted by the Ministry of Higher Education and introduced to all first year English language students.

In Georgia we signed a Memorandum of Understanding to extend our theatre development project for four years. We also signed partnership agreements with the Ministries of Culture in Azerbaijan and Kosovo and are continuing our partnership with the Vodafone Foundation in Albania to showcase UK best practice in social inclusion in the arts.

Customer satisfaction

Score from 0–100

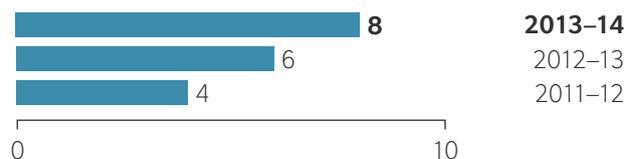


Participation

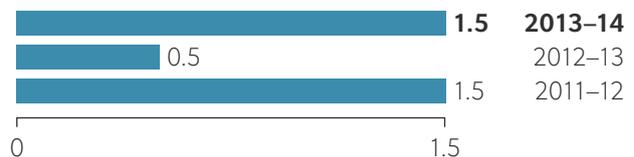
Face-to-face (millions)



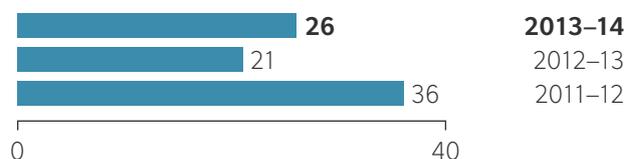
Digital (millions)



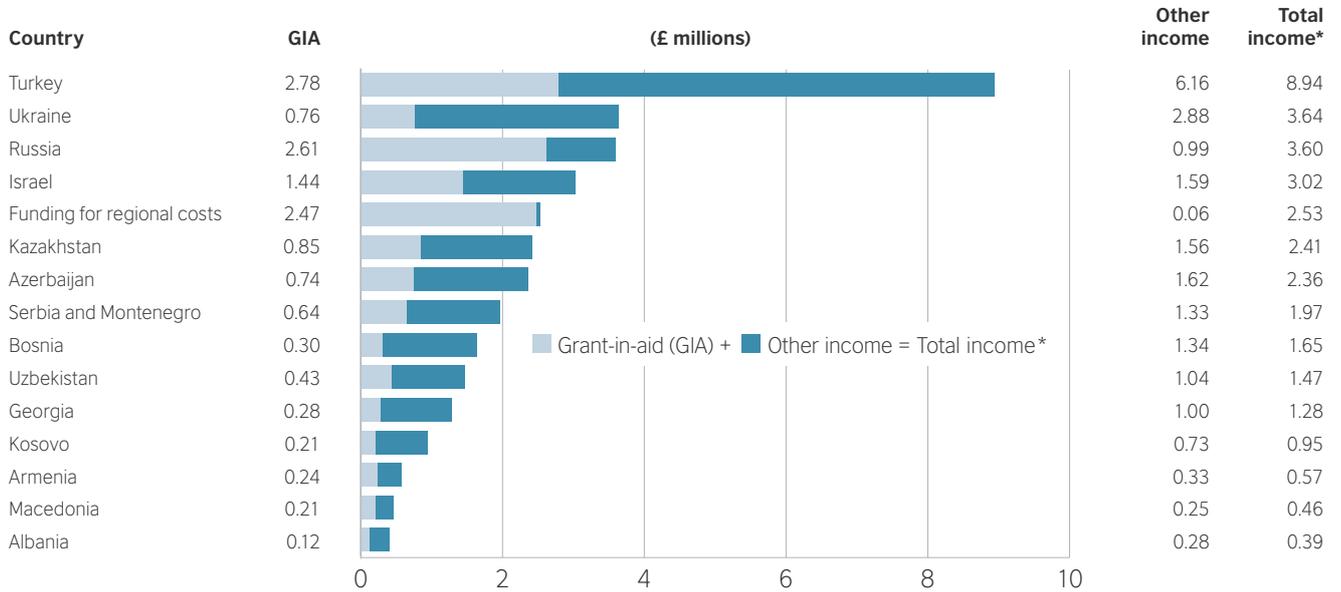
Exhibitions, fairs and festivals (millions)



Publication and broadcast (millions)



Funding data (£ millions)

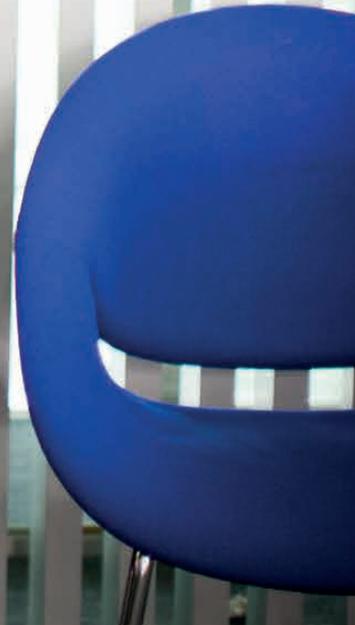


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GOVERNANCE AND MANAGEMENT



**BRITISH
COUNCIL**



Governance Statement

This Governance Statement sets out the British Council's governance, risk and compliance framework and our management of the major risks to the achievement of our strategic objectives from 1 April 2013 to 31 March 2014.

We ensure that we have robust governance arrangements in place to promote high performance and safeguard propriety and regularity. Our arrangements reflect the principles in 'Good Governance: A Code for the Voluntary and Community Sector', and 'Executive NDPB: Principles of Good Corporate Governance' to the extent that those principles apply to the British Council as a charity.

Governance Framework

Purpose

The purpose of the British Council is to create international opportunities for the people of the UK and other countries and build trust between them worldwide.

Principal address

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

Legal status

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

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

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

Patron Her Majesty the Queen

Vice Patron His Royal Highness the Prince of Wales

Charitable objects

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

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

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

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

Relationship with the Foreign and Commonwealth Office

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

Connected charities and organisations

The British Council co-operates with many organisations in the pursuit of its charitable objects. Other than related parties, we have no direct relationship with any organisation other than by way of normal contract.

The British Council is a corporate trustee of some charitable trusts and is the sole corporate trustee of a small number of these, including the Sir Shiu Kin Tang Educational Trust.

The British Council also has a linked charity, the British Council Benevolent Fund (registration number 209131-1). British Council staff donate funds to the British Council Benevolent Fund which then issues grants or interest-free loans to support current or former staff, or their families, who have suffered hardship.

Board of Trustees

The Royal Charter vests all the powers of the British Council in a Board of Trustees. The Board of Trustees are the guardians of the British Council's purpose and are ultimately accountable for the organisation. Sir Vernon Ellis is currently in his second term of office as Chair of the Board.

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

Under the terms of the Royal Charter the Foreign Secretary has the right to nominate one trustee to the Board. The Permanent Under-Secretary of the Foreign and Commonwealth Office stepped down as a Trustee in December 2013. The Chief Operating Officer of the Foreign and Commonwealth Office was appointed as a Trustee at the Board's next meeting in February 2014. The Foreign Secretary also approves appointments to the offices of Chair and Deputy Chair.

The Deputy Chair performs a role equivalent to that of senior independent director. The Chair, Deputy Chair and members of the Board are not remunerated but we reimburse out-of-pocket expenses incurred on British Council business. We may also pay fees if a Board member undertakes work in a professional capacity at the request of the British Council, however, no Trustees were remunerated for their services in 2013–14. The Board Code of Practice requires members to declare any interest that may conflict with their responsibilities as Board members. This information is updated annually and is available for inspection.

The Royal Charter, which can be viewed on the British Council's website, gives further detail on membership of the Board. In appointing new trustees this year we have further strengthened the Board's mix of skills while maintaining diversity. More than a quarter of Board members are female. Members of the Board of Trustees who have served in 2013–14 are listed on page 58.

The British Council Board meets six times a year. The Royal Charter establishes a quorum of seven for Board meetings. A Board member reviews the effectiveness of the Board annually. A review was undertaken in October 2013. There is a summary of attendance at this year's Board and Board sub-committee meetings on page 58.

During 2013–14 the Board of Trustees worked with the Executive Board to refresh the Corporate Plan. The latest plan, for the period 2014–16, reflects the government's 2015–16 Spending Review completed during 2013. The plan was approved by the Trustees at the Board's April 2014 meeting and is published on the British Council's website.

The Board has also focused on developing the ambitions of the organisation to 2020 and beyond, and has committed the organisation to building an ever stronger partnering ethos to increase impact for the UK. Further details about the Board's work during the year are available in the Board minutes published on the British Council website.

Board delegation and sub-committees

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

The Board has four sub-committees: Audit, Remuneration, Nominations and Finance and Contracts. It delegates certain responsibilities to these sub-committees and receives reports from them.

Audit Committee

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

In October 2013, an additional committee meeting was held to consider the action being taken through the Financial Control for Income Growth project and other initiatives to strengthen financial controls in response to the Grant Thornton review of the control framework. In addition to the standing items on its agenda, the committee approved a revised treasury and banking policy. It also monitored the management of selected strategic risks and the performance of the Shared Services Centre.

Remuneration Committee

The Deputy Chair of the British Council, currently Baroness Usha Prashar, chairs the Remuneration Committee. The committee sets annual performance measures and policy for total remuneration and benefits for the Chief Executive and agrees his annual performance evaluation. It also sets policy for remuneration of members of the Executive Board and reviews and agrees their performance evaluation reports, ratings and eligibility for bonuses.

The committee considers the impact of its work on remuneration policy for the organisation as a whole and addresses any other matters referred to it by the Board.

The full Executive Board remuneration report is on pages 62–65.

Nominations Committee

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

Finance and Contracts Committee

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

UK country advisory committees

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

The Chair of the Board of Trustees appoints the Chair of each country committee, and one place on the Board of Trustees is filled by the Chair of the Wales, Scotland or Northern Ireland country committee, co-opted on a rotating basis for a two-year period. Members of the country committees who have served in 2013–14 are listed on page 59.

Executive Board

The British Council's Executive Board is made up of the Chief Executive Officer and eight Executive Directors. Executive Board members are responsible for the management and performance of the organisation and for delivering the strategy that has been agreed by the Board of Trustees. Executive Board appointments are filled through open recruitment. New members of the Executive Board are given induction briefings which include our governance arrangements.

Executive Board members who served during 2013–14 are listed on page 61. As at 31 March 2014, one third of the Executive Board members were female.

Triennial Review

Since the publication of the last Annual Report, the Foreign and Commonwealth Office has undertaken a Triennial Review of the British Council. The Trustees and management of the British Council will begin the process of responding to, and implementing, the Triennial Review's recommendations during 2014–15.

Reporting and accounting arrangements

As explained at page 60, the Trustees of the British Council are legally responsible for the preparation of financial statements for each financial year and for keeping proper accounting records in accordance with applicable law and regulations.

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

Audit arrangements

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

At the date of signature of this statement by the Chair and Chief Executive, the fee for the external audit of the British Council's 2013–14 charity and group accounts is £168,500 (2012–13 audit: £142,500). In addition to this fee, total audit fees of £153,000 (2012–13: £105,000) were payable to the auditors of the corporate entities in the group.

Further disclosures are given in note 5 to the accounts.

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

The British Council has a policy and procedures in place to ensure that the purchase of non-audit services from external auditors does not compromise the independence and objectivity of the audit opinions on the financial statements of entities and branches within the British Council group. This policy was approved by the Audit Committee during 2012–13.

Auditors

Comptroller and Auditor General

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

Bankers

HSBC
129 New Bond Street
London W1A 2JA

Risk assessment

Management of risk

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

An Enterprise Risk Management team of specialists in security, business continuity, health and safety, fire safety and risk management is responsible for strengthening our

capacity to manage risk. Specialist teams provide support for the management of other areas of risk, including information management and child protection.

We provide a range of risk management training and guidance to staff to ensure they are equipped to manage risks appropriate to their duties and level of authority.

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

Risk and control framework

The risk and control framework comprises two elements:

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

Financial Control Compliance Framework

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

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

During the year, FCCF reporting was improved to identify risks and control improvement opportunities, in addition to confirming compliance with financial control standards.

In 2013–14, we commenced strengthening the financial risk and compliance function in the regions. Each region will have a dedicated financial risk and compliance resource as part of the local management structure. This will enable the FCCF to be managed closer to operations, improving its effectiveness. The central team will retain overall accountability for the FCCF, ensuring that activity is co-ordinated across regions and that the FCCF is developed in line with evolving business needs.

Changes in the way in which services are delivered and in the way in which the British Council manages its business, including the use of new delivery channels (such as online), more working through partners, larger scale programmes, and the establishment of subsidiaries, all have implications for the control framework, which will be further

strengthened in 2014–15. We remain committed to improving the quality of financial control and our management of financial risk.

Enterprise Risk Management Framework

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

All countries and business units maintain a risk register. Registers are reviewed and updated at least every quarter and refreshed at the start of each year. Country and business registers are also reviewed at regional and strategic business unit level.

The Executive Board revises the Strategic Risk Register annually. A member of the Executive Board is accountable for ensuring that there is effective mitigation for each risk. The Executive Board sets risk tolerances for each strategic risk based on the Statement of Risk Appetite. In 2013–14, the Board of Trustees approved a revised Statement of Risk Appetite.

The Enterprise Risk Management team provides a commentary on the risk data from all countries and business units to the Risk Board, which meets quarterly to monitor changes to the British Council's risk profile, review the mitigation of strategic and operational risks and recommend action to improve mitigation where necessary. The Board also considers reports from the Security, Health and Safety and Information Assurance committees.

Risk profile

The priorities for risk management in the British Council this year included:

Security and business continuity

Political instability, conflicts and natural disasters continue to pose a threat in many parts of the world. We maintained operations in Afghanistan and Iraq despite increases in violence during the year which restricted the movement of staff and visitors. Civil unrest continued in several locations including Egypt, Bahrain, Libya, Sudan, Venezuela and Thailand, requiring us to carefully adjust our activities and in some cases necessitating short-term closures. The conflict in South Sudan led to a managed withdrawal of staff from Juba and the provinces with our incident team working closely with the FCO Crisis Centre. In some countries, the volatile security situation affected income generating activities, especially English teaching. Operations in Syria remained suspended during the year.

We are at risk from terrorism across the network, especially in Afghanistan, Kenya, Libya, Nigeria, Pakistan and Yemen. To meet the security challenges of operating in high risk countries we have developed and are rolling out security management plans with detailed security protocols.

These plans provide the framework within which security is managed to help us meet our duty of care to staff, customers and partners. We will implement security management plans where necessary to ensure that we manage security in line with our risk appetite.

In January 2014 a strategic security workshop was held bringing colleagues together who operate in high risk environments. This pooling of knowledge and experience identified other strands of work that will further enhance our ability to protect people and assets, as well as our ability to respond better to security incidents.

We continue to prioritise the safety of our staff, customers and partners through a combination of risk assessments, briefing, training and appropriate protective security measures. During the year we provided country specific security training for all staff, including teachers, in Bahrain, Tanzania and South Sudan.

Further updates of the crisis and business continuity plans templates and guidance were issued during the year. All templates and guidance are now on a single emergency planning intranet page ensuring the information we provide to staff on managing security incidents and other crises is easily accessible.

We have started a three-year rolling programme of inspections to assess and implement protective security measures across our global estate in consultation with the FCO Estates and Security Directorate, with whom we have a service level agreement. The Security Committee is responsible for monitoring the effectiveness of security arrangements throughout the overseas network and in the UK.

Status and tax

We continued work during the year on the regularisation of the British Council's status overseas. The status and tax programme aims to establish a robust platform for the growth of income generating activities and to address the reputational and financial risks associated with our status in some countries. We have reviewed status options and agreed preferred solutions in all directorates. However, we are revisiting status solutions in 19 countries, either because of changes to local legislation or to our business.

The status and tax programme was originally due to end in March 2014. However, the programme has been extended by a year to complete status projects in major operations, including China, Russia and Brazil. The focus is on countries where risk and/or business potential are high. However, there are a number of countries where both are so low that no action is currently required, and others where the host government will not or cannot engage with us to allow us to change status. In some cases, regularisation has resulted in demands for back tax and we have made provision for potential back tax payments where necessary.

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

Further progress has been made on the development of the British Council's group structure and the financial and legal framework needed to support it. There are now 18 subsidiary entities, of which two (BC Holdings (United Kingdom) Limited and BC Trading International Ltd) are based in the UK. A transfer pricing mechanism which provides a transparent means of charging between different entities is in place. In view of the increased complexity of the group structure and the risks associated with it, priority is given to ensuring the British Council's governance, risk management and control framework is aligned with the new arrangements and its accounting software enables local statutory financial reporting.

Fraud, bribery and money-laundering

The British Council is much more exposed to the likelihood of fraud in some parts of the world than in others, particularly in cash economies, and as a consequence may suffer financial loss. The challenges which impact operations in environments where fraud and corruption are endemic can have a major impact on the organisation's ability to protect its assets.

We raise staff awareness of these risks through mandatory anti-bribery training and e-learning courses on anti-fraud and corruption. Anti-money laundering training is scheduled for launch in 2014–15. We will also continue to deliver targeted training throughout 2014–15 focusing on increasing awareness of financial risk and control.

These provisions in themselves do not entirely eliminate the risk of fraud. Together with other processes and controls, they provide a mechanism to support the prevention and detection of fraud. However, if managers fail to use these tools or a culture develops that is resistant to these challenges, the likelihood of fraud increases. Four cases of frauds with a value in excess of £20,000 were identified during 2013–14 (£101,590 in Kenya, £81,000 in India, £51,844 in Senegal, and £42,226 in Afghanistan).

These frauds were identified through internal reporting and, in the Afghan case, through allegations by external parties. All were investigated by Internal Audit. Our internal investigation into the Afghan case found insufficient evidence to support a legal claim against an individual or organisation at this stage, and an independent audit commissioned by the project funders concurred with this assessment. In addition to the Internal Audit investigations, we also commissioned external forensic audits into the frauds in Senegal and Kenya. We found that the opportunity to commit fraud in Kenya stemmed from weaknesses in the controls over operational advances and payments to partner organisations, while the frauds in Senegal and India arose from weaknesses in the processes for appointing suppliers and approving invoices. In these cases, we have taken action against the individuals responsible for the fraud, notified the relevant authorities and are considering legal redress. We have implemented a new policy for operational advances and strengthened approval processes for suppliers and partners in response to the control weaknesses identified in these cases. In India we have restructured the procurement team and in Senegal we have restructured the finance team to provide higher level management oversight.

Recognising the possibility that, in some high risk countries, the control environment may no longer be sufficient to respond to the increasing scale and complexity of the British Council's business, we commissioned Grant Thornton to review our control framework. The review focused on high risk countries and the areas of the British Council's operations with the greatest exposure to financial risk: procurement, exams and full cost recovery contracts. Our approach has been to develop a proportionate and intelligent response to the recommendations in the report, focused on developing an organisational culture that supports effective financial controls. We have established the principle of regional ownership of financial risk, and all regions now have a dedicated financial control and compliance manager. In the three highest-risk regions, Sub-Saharan Africa, South Asia and the Middle East and North Africa, we have:

- delivered training on financial risks and controls to staff working in finance and the exams business
- held workshops and group discussions, analysing the operational challenges and causes of frauds and proposing solutions
- introduced control improvements, including restricting staff advances and the use of framework purchase orders
- surveyed managers to assess their confidence and skills in dealing with fraud and bribery and their level of challenge of controls and data.

Building on these initiatives, we commenced work to develop a comprehensive counter fraud strategy that will include increasing awareness of the fraud risks that the organisation faces together with enhanced procedures to mitigate these risks. We expect to start rolling out the programme of actions required in early 2015.

The implementation of the Global Finance Change Programme in 2014–15 will support the strengthening of our control environment by automating, standardising and modernising our controls processes. It will result in clearer ownership and accountability and enhance our financial and management reporting, which will support better decision making and improve our monitoring and detective controls.

Information management

We are committed to protecting and using our information securely and effectively, in compliance with our legal obligations and the standards and requirements set out by the Cabinet Office. Our Senior Information Risk Owner is a member of the Executive Board and chairs the Information Assurance Committee, which is responsible for monitoring compliance with relevant legislation and the proportionate management of information risk.

We have improved information management through locating responsibility for it directly with regions and strategic business units. Our information and knowledge management strategy continues to build on this approach.

We continue to measure our performance in information management against the standards set out in the government's Information Assurance Maturity Model (IAMM). To ensure that our reporting is accurately benchmarked we contracted an external specialist to assess our position in 2013–14. The results show that the organisation is still working towards IAMM Level 1. However, the assessment highlighted the considerable strength already established by the approach we have adopted of mainstreaming information management throughout the organisation. In response to the recommendations made by the independent assessor we will introduce further improvements to our information management, aiming for Level 1 across the organisation in the next 12 months.

We have maintained our programme of security testing our digital platforms, including the legacy digital platforms, to minimise our exposure to cyber risk. The improved governance of the legacy digital estate has allowed us to reduce our cyber risk by decommissioning or merging 106 sites while maintaining functionality and presence. During 2013–14 we detected two attempts to gain unauthorised access to British Council systems that were successful. Major incident investigations were triggered in each case and in one case, a minor loss of non-sensitive data was detected. However, no evidence was found that any harm was likely as a result of the breaches.

Our increasing reliance on technology and digital platforms to meet our mission continues to increase our exposure to the ever-growing global information security (including cyber security) threat. To counter this, we have appointed an experienced Head of Information Security and Governance, and combined IT Security, Information Security and Information Governance into a single team to improve co-ordination, risk management and compliance. This has strengthened our information security capabilities and set us up for further improvements.

Child protection

The British Council works annually with around nine million children through a wide range of activities. We are committed to taking all necessary measures to protect children from abuse and have a zero tolerance of risk in this area. We benchmark policy and practice against international child protection standards identified by Keeping Children Safe, of which we are a fully committed member. Key measures include completing country level child protection self-audits and ensuring child-safe action plans are in place for all countries. We have also introduced departmental and contract level child-safe action plans, enhanced child protection regional training for focal point leads and developed a child protection e-learning course for all managers. Safer recruitment regional webinars for HR and recruiting managers have been delivered and we have phased in the requirement for international child protection certificates for third parties. Child protection has also been integrated into existing departmental systems and procedures through the global roll-out of a country level child protection risk template to promote accuracy and consistency in risk reporting. In 2013–14, there was one case involving an ex-employee which required liaison with the UK police authorities for advice and support. However, to the best of our knowledge no further police action ensued.

Health and safety

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

As the organisation develops and expands its operational activities, we have considered how the British Council can best deliver an appropriate standard of safety management for the future. An external review was commissioned which recommended strengthening the health and safety capability available to support overseas operations. The recommendations from this review are being considered as part of the wider organisational review of our support services.

In response to operational requirements, the health and safety team has developed guidance, tools and other information to help staff manage risks in a broad spectrum of projects, ranging from detailed technical standards for the very young learners programme to accommodation guides for teachers looking to rent accommodation in a new location. Work continued throughout the year to raise awareness of the importance of incident reporting, in particular reporting near misses, as a means of mitigating and preventing accidents in the future.

In spite of due diligence measures and guidance for staff on topics ranging from travel to fire safety, risks arising from routine activities impact from time to time on our work. We were reminded of this during the year when participants in a British Council programme in Egypt were involved in a fatal traffic accident.

Shared Services Centre

The British Council's Shared Services Centre (SSC) in Noida, India provides finance transaction, IT support and specialised financial management services to our global operations. In addition to these services, the Shared Services Centre established a Contact Centre in December 2013 to service telephone and email enquiries from external customers for the British Council in India.

The Shared Services Centre operates as a wholly-owned subsidiary of BC Holdings (United Kingdom) Limited, incorporated under Indian law as BC Management Services Pvt Ltd (BCMS). Services provided by the Shared Services Centre to the British Council are regulated through a management services sub-contract, licensing and affiliation agreements, and are underpinned by agreed service standards and operating level agreements. The Shared Services Centre maintains an effective compliance framework to ensure statutory regulatory and legal requirements and corporate standards relating to security, health and safety and risk management are met. Specialist external advice is also used to ensure the BCMS Board discharges its responsibilities in line with Indian company law.

Given the business critical nature of its activities, we pay particular attention to mitigating the business continuity risks associated with the Shared Services Centre. In February 2014 the Shared Services Centre's business continuity management arrangements were re-certified as being compliant with the requirements of ISO 22301.

The Shared Services Centre continues to give high priority to information security management and in July 2013 an annual assessment confirmed that its information security management system continues to meet the requirements of ISO 27001.

Examinations

Following a review of examinations security processes and controls, a new quality and compliance assessment framework for examinations was developed and implemented during the year. This included a completely revised set of standards with regard to the control and management of confidential materials and test administration. In 2014–15, this will be further strengthened by updated examinations staff induction and compliance training programmes, as well as an increase in the number of examinations compliance auditors to create more capacity in this area.

Fair trading

A fair trading policy is in place to ensure that the British Council's dealings with suppliers, partners, clients and customers are at all times conducted in accordance with relevant legal requirements and key principles of fair trading. The policy is implemented through the provision of guidance and training for relevant employees, the maintenance of appropriate financial systems, and through the provision of a fair trading complaints procedure. An accounting firewall is maintained to prevent our use of state funding from resulting in the distortion of competitive markets, and in particular to ensure that grant-in-aid funds do not subsidise British Council projects that involve the supply of products or services for which there is a competitive market.

Managing change

The British Council is going through a significant period of change, with funding being released from reserves for investment in major change programmes aimed at growing the business, both in terms of impact and income, and achieving efficiencies. Without appropriate mitigation, there is a risk that the scale and extent of the planned changes could exceed the ability of managers to realise the benefits from the change programmes, and could impact not only on the achievement of business targets, but also on the quality of delivery and the effectiveness of the control environment.

We have controls in place to ensure that decisions on pace and ability to absorb change are made at regional and country level, so that business as usual activity is not adversely affected. We are also supporting teams globally to embrace new ways of working and culture change, focusing on the need to develop a more entrepreneurial, commercially aware culture.

Chief Executive recruitment

As stated in note 24 to the accounts, the salary of the new Chief Executive has not been retrospectively approved by HM Treasury. We have reviewed the process that was undertaken to assure that Cabinet Office and HM Treasury requirements are adhered to in future.

Accrual balances

Further work to cleanse balances in the accounts identified as accruals has meant that the planned publication of our accounts has been delayed. This work has now been completed. The relevant processes have been strengthened and future work is planned.

Review of effectiveness

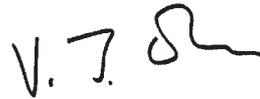
As Accounting Officer, the Chief Executive has responsibility for reviewing the effectiveness of the system of internal control in the British Council. His review is informed by the work of Internal Audit and members of the Executive Board, who have responsibility for the development and maintenance of the control framework, and comments and recommendations made by the external auditors in their annual management letter and other reports.

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

- comprehensive operational and financial planning and reporting processes within the organisation
- policies and procedures, to support the flow of timely, relevant and reliable information across the organisation
- formalised authorisation processes, with the maintenance of delegated authorities covering financial transactions and contracts
- quarterly and year end self-certification by all country and UK directors of minimum financial control application, providing assurance that the organisation's financial risks have been understood, reported and managed
- the work of Internal Audit, which provides an independent and objective opinion on the adequacy of processes around risk, control, governance and finance systems

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

Based on the above, we are satisfied that this Governance Statement provides an accurate account of the British Council's governance, risk and compliance framework, and its management of the major risks to the achievement of its strategic objectives during the period 1 April 2013 to 31 March 2014.



Sir Vernon Ellis
Chair, British Council
5 December 2014



Sir Martin Davidson KCMG
Chief Executive, British Council
5 December 2014

The Board of Trustees

At 31 March 2014

Chair

Sir Vernon Ellis † † † †

Deputy Chair

Rt Hon. Baroness Prashar
of Runnymede CBE † † †
Independent Member, House of Lords

Members

Martin Bean †
Vice Chancellor, The Open University

Gareth Bullock † †
Non-Executive Director

Aled Eirug
Chair, British Council Wales
Advisory Committee

Professor Pamela Gillies CBE † † †
Principal and Vice-Chancellor,
Glasgow Caledonian University

Rohan Gunatillake
(from 19 August 2013)
Director, 21awake

Richard Gillingwater CBE †
Non-Executive Chair,
Henderson Global Investors

Sue Hoyle OBE †
Director, Clore Leadership Programme

Howell James CBE † † †
Global Head of Corporate
Communications, Christie's

Rosamund Marshall † †
Chief Executive Officer, Taaleem

Martin Roth
(from 19 August 2013)
Director, Victoria and Albert Museum

Matthew Rycroft CBE
(from 25 February 2014)
Chief Operating Officer, Foreign
and Commonwealth Office

Raoul Shah
Founder and Chief Executive, Exposure

Tom Thomson OBE
(from 19 August 2013)
Managing Editor, Herald & Times Group

Board members who served during part of the year

Sir Simon Fraser KCMG
(until 31 December 2013)
Permanent Under-Secretary of State,
Foreign and Commonwealth Office

Secretary

Alison Coutts

Attendance at Board of Trustees meetings 2013–14

BOARD MEMBER	ATTENDANCES	APOLOGIES
Sir Vernon Ellis	6	0
Martin Bean	5	1
Gareth Bullock	3	3
Aled Eirug	6	0
Sir Simon Fraser KCMG**	5	0
Professor Pamela Gillies CBE	5	1
Richard Gillingwater CBE	5	1
Rohan Gunatillake*	3	0
Sue Hoyle OBE	6	0
Howell James CBE	5	1
Rosamund Marshall	5	1
The Rt Hon. Baroness Prashar of Runnymede CBE	6	0
Martin Roth*	2	1
Matthew Rycroft CBE***	0	0
Raoul Shah	5	1
Tom Thomson OBE*	3	0

* Joined the Board part way through the year

** Left the Board part way through the year

*** Appointed to the Board at the last Board meeting of 2013–14

Attendance at Board of Trustees sub-committee meetings 2013–14

AUDIT*	ATTENDANCES	APOLOGIES
6 June	4	0
3 July	2	2
3 October	3	1
21 October	4	0
17 February	4	0
REMUNERATION		
27 June	4	0
23 September	3	1
NOMINATIONS		
11 June	2	2
16 July	3	1
FINANCE AND CONTRACTS*		
30 May	4	0
11 February	3	1

* Committee includes one independent member

† Member of the Audit Committee

†† Member of the Remuneration Committee

‡ Member of the Nominations Committee

‡‡ Member of the Finance and Contracts Committee

British Council Country Committees

At 31 March 2014

Northern Ireland Committee

Chair

Rosemary Kelly OBE

Members

Dr Norman Apsley
Gavin Boyd
Alan Clarke
Bob Collins
Colette Fitzgerald
Isabel Jennings
Judge Geoffrey Miller QC
Professor Anne Moran
John Stewart
Noel Thompson
Dr Denis McMahon
Paul Sweeney
Duncan Morrow
Derek Baker †
Peter May †
Dr Vicky Kell †††

Secretary

David Alderdice

Rosalie Flanagan left the Northern
Ireland Committee in April 2013

Alan Shannon left the Northern Ireland
Committee in April 2013

Tracy Meharg left the Northern Ireland
Committee in January 2014

Scotland Committee

Chair

James Boyle

Members

Professor Sir Ian Diamond
Sir David Edward
Dawn Ellis
Ken Greer
Owen Kelly
Mukami McCrum
Dr Dave Reay
Tom Thomson
James Tough
Professor Petra Wend
Karen Watt – Ex officio

Secretary

Dr Lloyd Anderson

Wales Committee

Chair

Aled Eirug

Members

Gary Davies
Huw Brodie †
Berwyn Rowlands
Professor Laura McAllister
Ashok Ahir
David Anderson
Phillip Cooper
Lleucu Siencyn †
Professor Elan ap Robert
Professor Richard B Davies
Rhiannon Wyn Hughes MBE †
Efa Gruffudd Jones ††
Eluned Haf – Ex officio

Secretary

Jenny Scott ††††

John Howells left the Wales Committee
in July 2013

Nicholas Bourne left the Wales
Committee in February 2014

Simon Dancey ceased to be
Secretary to the Wales Committee
in February 2014

† From June 2013
†† From August 2013
††† From January 2014
†††† From February 2014

Statements of the Trustees' and Accounting Officer's responsibilities

Statement of the Trustees' Responsibilities

Under the Charities Act 2011 and Charities and Trustee Investment (Scotland) Act 2005, the Trustees are responsible for the preparation of financial statements for each financial year in the form and on the basis prescribed by regulations made by the Secretary of State for the Home Department.

The accounts are prepared on an accruals basis and give a true and fair view of the British Council's, and of the group's, income and expenditure during 2013–14, and of the assets and liabilities held at the end of the year.

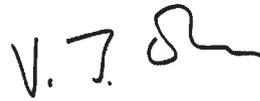
In preparing those financial statements the Trustees are required to:

- observe the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs, including the relevant accounting and disclosure requirements
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards as set in the Government Financial Reporting Manual 2013–14 and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the British Council will continue in operation.

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

The Trustees are also responsible for safeguarding the British Council's assets and hence for taking reasonable steps for the prevention and detection of fraud and breaches of law and regulations.

Details of any related party transactions undertaken by the Trustees are detailed in note 20 to the accounts.



Sir Vernon Ellis
Chair British Council
5 December 2014

Statement of the Accounting Officer's Responsibilities

The Accounting Officer for the Foreign and Commonwealth Office has designated the Chief Executive as the Accounting Officer for the British Council. The Chief Executive's relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are carried out according to Chapter 3 (Accounting Officers) of 'Managing Public Money'.



Sir Martin Davidson KCMG
Chief Executive British Council
5 December 2014

The Executive Board

At 31 March 2014

Sir Martin Davidson KCMG
Chief Executive

Dr Jo Beall
Director Education and Society

Adrian Greer CMG
Chief Operating Officer

Christopher Kinsella
Interim Chief Financial Officer
(from 2 December 2013)

Helen Murley
Director Global Human Resources
(from 7 May 2013)

Mark Robson
Director English

Graham Sheffield CBE
Director Arts

Rebecca Walton
Director Partnerships and Business Development

John Worne
Director of Strategy

Executive Board members who served
during the year

Bidesh Sarkar
Chief Financial Officer
(until 31 March 2014)

Executive Board remuneration report

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

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

In 2013–14, Executive Board members received an increase to salary in accordance with the rules on Senior Civil Service pay for that year. Members of the Executive Board can also be eligible for a non-consolidated performance-related payment, as part of their total remuneration, if they are successful in meeting a number of targets and objectives. Any bonuses issued to the Executive Board are solely related to performance. Bonuses are based on performance levels attained and are made as part of the appraisal process.

The bonuses reported in 2013–14 relate to performance in 2012–13.

Executive Board members do not receive non-cash benefits. Executive Board members are initially appointed on a fixed-term contract of three years. The notice period for termination, for either side, is three months. Early termination, other than for misconduct, may result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Emoluments (salaries, including allowances subject to UK taxation) paid to members of the Executive Board and their pension entitlements are set out below. All those individuals are members of the Principal Civil Service Pension Scheme. An overview of retirement benefits is given below.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

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

Employee contributions are set at the rate of 1.5 per cent and 6.25 per cent of pensionable earnings for **classic** and 3.5 per cent and 8.25 per cent for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2014. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

(ii) Partnership pension account

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between three per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of three per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Executive remuneration

NAME AND POSITION	SALARY 2013-14 (IN BANDS OF £5,000)	SALARY 2012-13 (IN BANDS OF £5,000)	BONUS PAYMENTS 2013-14 (IN BANDS OF £5,000)	BONUS PAYMENTS 2012-13 (IN BANDS OF £5,000)	VALUE OF PENSION BENEFITS FOR SINGLE TOTAL FIGURE OF REMUNERATION FOR 2013-14	VALUE OF PENSION BENEFITS FOR SINGLE TOTAL FIGURE OF REMUNERATION FOR 2012-13	ACCRUED PENSION AT PENSION AGE AS AT 31 MARCH 2014 (IN BANDS OF £5,000)
Davidson, MS Chief Executive	170-175	165-170	15-20	15-20	£9,257	11,540	60-65
Greer, A Chief Operating Officer	130-135	140-145	10-15	10-15	£65,548	88,452	50-55
Robson, MW Director English	140-145	140-145	10-15	10-15	£55,351	48,080	20-25
Worne, JP Director of Strategy	120-125	120-125	10-15	10-15	£21,215	55,565	35-40
Sarkar, B ^{1,2} Chief Financial Officer	155-160	115-120	20-25	10-15	£46,835	41,280	15-20
Sheffield, G Director Arts	120-125	115-120	10-15	10-15	£47,102	47,780	5-10
Beall, J Director Education and Society	120-125	115-120	10-15	10-15	£47,102	46,720	10-15
Walton, RH Director, Partnerships and Business	110-115	110-115	10-15	10-15	£6,905	8,452	40-45
Murley, H ³ Global HR Director	110-115	N/A	N/A	N/A	£43,892	N/A	2.5-5
Full year equivalent	125-130						
Kinsella, C ⁴ Interim Chief Financial Officer	125-130	N/A	N/A	N/A	N/A	N/A	N/A
Full year equivalent	380-385						
Highest paid	380-385	185-190					
Median	£34,994	£34,694					
Remuneration ratio ⁵	11.0:1	5.4:1					

The above table has been subject to audit. The calculations have been made based on the total salary of UK appointed staff. 'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances; and any other allowance to the extent that it is subject to UK taxation. It does not include employer pension contributions or the cash equivalent transfer value of pensions, or the salaries of staff appointed overseas.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest-paid director in the British Council in the financial year 2013-14 was £380,000-£385,000 (2012-13: £185,000-£190,000). This was eleven times the median remuneration of the workforce, which was £34,994 (2012-13: £34,694).

The membership of the Remuneration Committee is included in the full membership list of the Board of Trustees on page 58.

1 Left 31 March 2014. Salary payments to Mr B Sarkar above include compensation in lieu of notice. Under the agreement relating to his departure, Mr B Sarkar received a further payment of £64,301 in relation to the voluntary exit scheme. This amount is not included in the table above.

2 Bonus payments for Mr B Sarkar are in respect of the two years 2012-13 and 2013-14.

3 Appointed 7 May 2013.

4 Mr C Kinsella's services were supplied through an agency on an interim, non-exclusive basis from 2 December 2013 until 6 June 2014.

5 The Remuneration ratio is calculated on the highest paid director which is Mr Kinsella based on the payments to the agency to which Mr Kinsella is contracted. Excluding Mr Kinsella the current year ratio would be 5.4:1.

ACCRUED LUMP SUM AT PENSION AGE AS AT 31 MARCH 2014 (IN BANDS OF £5,000)	REAL INCREASE (DECREASE) IN PENSION AT PENSION AGE (IN BANDS OF £2,500)	REAL INCREASE (DECREASE) IN LUMP SUM AT PENSION AGE (IN BANDS OF £2,500)	CETV AT 31 MARCH 2014 (TO NEAREST £1,000)	CETV AT 31 MARCH 2012 (TO NEAREST £1,000)	REAL INCREASE (DECREASE) IN CETV FUNDED BY EMPLOYER (TO NEAREST £1,000)	TOTAL SALARY BENEFITS 2013–14 (IN BANDS OF £5,000)	TOTAL SALARY BENEFITS 2012–13 (IN BANDS OF £5,000)
190–195	0–2.5	2.5–5	1,415	1,319	8	195–200	195–200
160–165	2.5–5	7.5–10	1,113	990	58	210–215	215–220
N/A	2.5–5	N/A	305	248	32	210–215	200–205
N/A	0–2.5	N/A	504	459	10	155–160	185–190
N/A	2.5–5	N/A	192	155	19	220–225	170–175
N/A	2.5–5	N/A	138	87	37	180–185	175–180
N/A	2.5–5	N/A	169	116	37	180–185	175–180
125–130	0–2.5	0–2.5	832	775	5	130–135	130–135
N/A	2.5–5	N/A	32	N/A	23	155–160	N/A
N/A	N/A	N/A	N/A	N/A	N/A	125–130	N/A

Annual incentives for Chief Executive and Executive Board members

Purpose and link to strategy

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

Operation

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

Opportunity

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



Sir Martin Davidson KCMG
Chief Executive, British Council
5 December 2014

Equal opportunity and diversity

As the UK’s international cultural relations organisation we are committed to making equality and diversity part of everything that we do, both in the UK and across our global network.

During 2013–14 we maintained our focus on the three objectives outlined in our Diversity Strategy – to develop capability and leadership, to foster inclusion and to measure our performance, impact and compliance with legal requirements.

Developing capability and leadership

In 2013–14 we delivered a number of webinars that were attended by a wide range of leaders across the organisation exploring leadership in the area of equality and diversity. Regional diversity workshops were held in East Asia, Wider Europe, the European Union and South Asia to support the professional development of colleagues. We have developed a programme for teachers of people with special educational needs and this year we are equipping our own staff to specialise in this area.

Fostering inclusion

Many of our programmes have inclusion as a goal including, for example, Armenia’s Skills and Mechanisms for Women’s Political Advancement. Several of the British Council’s internship programmes have a particular focus on people from minority or under-represented groups, including a successful disabled internship scheme in Vietnam. We marked various international equality days and organised regional diversity weeks across our global network that have helped staff and external audiences engage with diversity issues in a new way. In addition to the long-standing equality monitoring carried out in the UK, in 2013–14 our Wider Europe region undertook equality monitoring of staff to try to identify under-representation and recommendations to address this. Other regions are planning to do something similar in the coming year.

Measuring performance, impact and legal compliance

We use our bespoke Diversity Assessment Framework (DAF), to measure our progress towards embedding equality and diversity into our work using ten significant indicators of performance. We revised these indicators in 2013–14 to ensure they measure ongoing rather than occasional activity and we moved from an annual to a biennial DAF submission. In 2013–14 our overall organisational DAF score was six out of ten. Over 30 per cent of submissions met or exceeded the organisational target of eight out of ten, and three countries, Armenia, India and Ukraine met all ten indicators.

Equality monitoring

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

CATEGORY	AT 31 MARCH 2012	AT 31 MARCH 2013	AT 31 MARCH 2014	2014 TARGET
Minority ethnic	7.4%	5.4%	3.6%	11%
Women	28.6%	32.8%	31.7%	35%
Disabled	0%	0%	1.8%	2%

The data at 31 March 2014 refers to the 60 staff at the senior management level. Of these, declaration rates were 92 per cent for ethnicity, 100 per cent for gender and 95 per cent for disability.

The mix of UK-contracted staff at all grades, as at 31 March 2014 was as follows:

CATEGORY	TOTAL NUMBER	% OF UK-CONTRACTED STAFF*
Minority ethnic	190	15.5%
Women	695	53%
Disabled	33	2.7%

*UK-contracted staff includes colleagues on career break and maternity/paternity leave. Declaration rates were 93 per cent for ethnicity, 100 per cent for gender and 94 per cent for disability.

Disabled employees

We continue to work to support the involvement of disabled people in our work both as employees and as programme participants. We are committed to attracting disabled people to work with us and to supporting disabled employees to progress and develop their careers. We display the ‘positive about disabled people’ logo on all recruitment advertisements and our web pages, offer a guaranteed interview to all disabled applicants meeting our recruitment criteria and make reasonable adjustments to help support the full participation of disabled people.

We have continued to work with our internal Disability Working Group and external Disability Advisory Panel, both valuable resources in promoting understanding and awareness and providing advice and guidance in the area of disability.

Our staff

We continue to work with our staff to evolve our culture and ways of working to enable them to use and develop their talents to deliver our ambitious plans.

We are:

- further strengthening our internal processes to identify and develop talent within the organisation and build robust succession plans at all levels
- increasing flexible deployment within and across regions to allow us to maximise the opportunities for all our workforce, no matter where they are located
- creating a skills framework against which we can map our current levels of expertise in mission critical areas to inform future recruitment and development
- building the support and training available in leadership and management for all staff but with a particular focus on those operating in fragile states.

In 2013–14 we worked to identify the career aspirations of our most senior staff, to understand their potential and to use this to support decisions about international deployment and succession planning.

For middle management, we continued to focus on staff development programmes and targeted training, focusing on the skills required to support the emerging challenges of working in an organisation experiencing significant growth across a variety of areas.

At the same time, we continued to invest in our graduate scheme and our well-recognised and valued internship programme. In addition, we re-worked and upgraded our Learning and Development Portal to provide online support around a range of management and leadership development topics.

Staff survey

We carried out a full staff survey across our global population during 2013–14. The response rate of 68 per cent is consistent with that achieved in previous years.

The survey found that overall staff engagement has remained at a similar level to previous years and is significantly higher than Ipsos MORI's private and public sector norms. There is particularly strong alignment and loyalty to the British Council's mission and direction. The survey again reported strong scores in areas including:

- recognition of the linkage between the respondents' own work and the British Council's overall success
- willingness to recommend the British Council to individuals outside the organisation.

There was a notable improvement in the scores relating to learning and development. Staff reported a continuing recognition that change is essential in bringing long-term benefits to the British Council.

Some areas require further explanation and action. In particular, there is a need to link improvements with the findings of the staff survey both locally and in the organisation as a whole. Other areas highlighted include:

- a need to increase our ability to share information, good ideas and best practice across the British Council
- concern about achieving the correct balance between work and personal life.

The Executive and Management Boards are reviewing the results of the survey and will look for ways to address the issues raised.

Consultation and engagement with staff

We recognise the value of staff having the ability to express their views and concerns and to influence change. We support staff involvement in trade unions and staff associations and provide a framework of regular engagement and dialogue to ensure staff across all of our global operations are given an opportunity to provide feedback and ideas to improve our products and services. We consult with staff according to local practice and legislation. In EU countries we discuss transnational European issues through the European Works Council. Managers are accountable for consulting with trade unions, staff associations and individual staff on proposals for change which have significant implications for staff.

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

Absence monitoring

We monitor sickness absence in the UK through Absence Line (the British Council's contracted absence monitoring organisation) and analyse data monthly to assess trends and inform management. In 2013–14, 1.1 per cent of staff days were lost to sickness absence. This is an improvement of 0.3 per cent on the 2012–13 figure and continues a significantly improved trend dating from 2010–11.

Environment

As an organisation with a significant physical presence around the world the British Council is committed to managing and reducing our impact on the environment.

We have a global environment policy and systems for managing and mitigating our effect on the environment both in the UK and overseas. We make specialised environmental guidance, training and support available to all British Council staff.

Operating more sustainably also helps us to cut costs, win new business and partners, provide better value for the UK and the communities with which we work globally.

Minimising our impact on the environment in the UK

We use an Environmental Management System to improve our environmental performance in the UK. Our six UK premises have maintained International Standard for Environmental Management ISO 14001 during 2013–14.

We achieved a year-on-year reduction in carbon dioxide emissions in the UK through efficient management of our resources, smart working and sharing our building in London with sub tenants.

We report on sustainability performance in line with the UK government's Greening Government Commitments. This covers our UK estate but does not include travel. As a public corporation we are not required to publish our performance results, but as an organisation committed to reducing our impact on the environment we are choosing to report on significant areas this year as set out below.

We have already achieved our 2014–15 targets in relation to carbon dioxide emissions and total waste. We have not yet achieved our 2014–15 targets for water use and waste recycling.

Significant areas of UK sustainability performance

IMPACT	2009–10 ¹ PERFORMANCE	2010–11 PERFORMANCE	2011–12 PERFORMANCE	2012–13 ² PERFORMANCE	2013–14 PERFORMANCE	TARGET FOR 2014–15
Carbon dioxide emissions from energy (electricity and gas) in offices	2,254 tonnes of CO ₂ e	2,041 tonnes of CO ₂ e	1,843 tonnes of CO ₂ e	1,659 tonnes of CO ₂ e	1,358 tonnes of CO ₂ e	Reduce CO ₂ e by 25 per cent to 1,690 tonnes compared with 2009–10 baseline.
Water consumption ³	9,170 cubic metres	8,770 cubic metres	9,515 cubic metres	11,351 cubic metres	10,171 cubic metres	Reduce water consumption by 15 per cent to 7,794 cubic metres compared with 2009–10 baseline.
Total waste arising	124 tonnes	140 tonnes	130 tonnes	106 tonnes	92 tonnes	Reduce overall waste arising (general and recycled) by 25 per cent to 93 tonnes compared with 2009–10 baseline.
Recycling (includes food and shredded waste)	36 per cent of waste arising	45 per cent of waste arising	36 per cent of waste arising	37 per cent of waste arising	51 per cent of waste arising	Divert waste from landfill by increasing recycling by 20 per cent to 56 per cent compared with 2009–10 baseline.

Note: CO₂e represents equivalent carbon dioxide.

¹ The Greening Government Commitments require us to use a 2009–10 baseline, however, 2010–11 was the first year in which we could obtain reliable data from all six of our UK premises.

² The 2012–13 results shown above have been restated to reflect the results of external validation. They also include a deduction of 22.4 per cent pro rata for all data to reflect the new tenant occupying part of the London premises from December 2012.

³ Includes extrapolated data for the Belfast and Cardiff offices.

Minimising our impact on the environment overseas

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

Our 2013–14 Corporate Plan set a target environmental framework score of four. Although we fell short of that target during 2013–14 good progress has been made in many areas. Three of our seven overseas regions achieved EFT Level four: Americas, South Asia and the EU Europe regions. East Asia was confirmed as Level three and Wider Europe as Level two. The Sub Saharan Africa and Middle East and North Africa regions have remained on Level one, but both already have plans in place to improve their environmental performance next year.

We have continued to reduce the environmental impacts of our large network of teaching and examination centres in Spain. Our offices in Pakistan started the implementation of the EFT in 2013–14 and achieved Level three during the year.

Sustainability in our global estate

Environmental sustainability is an integral part of how we manage our global estate. We aim for all our new build and refurbishment projects to result in a reduction of the impact we make on the environment.

Recent estate projects include the British Council Library refurbishment in Lahore, Pakistan which is working towards LEED (Leadership in Energy and Environmental Design) accreditation and we are on track to achieve a 'Good' rating for our offices and teaching centre refurbishment in Colombo, Sri Lanka in the BREEAM (Building Research Establishment Environmental Assessment Methodology) environmental assessment.

Our refurbished offices in Bangkok, Thailand, have been awarded 'Highly Commended' in the Office Interiors category of the International Property Awards. In this project we aimed to achieve a ten per cent energy and CO₂e reduction. We exceeded that target, achieving an estimated 30 per cent reduction in energy consumption with modifications to the air conditioning and lighting. This achievement was a significant factor in our commendation.

FINANCIAL REVIEW AND ACCOUNTS



Financial review

Summary of results

- For every £1 of government grant-in-aid from the Foreign and Commonwealth Office (FCO) we generated an additional £4.32 from other sources, up from £3.56 the previous year.
- Grant-in-aid reduced by £9 million to just 19 per cent of total income in 2013–14 (22 per cent in 2012–13).
- Despite the cut in grant-in-aid, we achieved an 11 per cent (£83 million) increase in total income compared with last year. The total income of £864 million is £31 million ahead of our income target set in the 2013–15 Corporate Plan.
- 2013–14 income disclosed in the accounts includes the value of income-in-kind (£23 million). This represents the benefit generated for the British Council from gifts in kind and donated services and facilities.
- We made savings through increased efficiency as our worldwide platform costs went down to 14 per cent of total expenditure from 16 per cent last year.
- We exceeded the target of spending £96 million (59 per cent of grant-in-aid received) on Overseas Development Assistance.

Income earned and funding received

Our government grant-in-aid continues to fall in line with the Spending Review Settlement of October 2010. The £162.4 million grant-in-aid received in 2013–14 was five per cent less than the previous year (2012–13: £171.5 million).

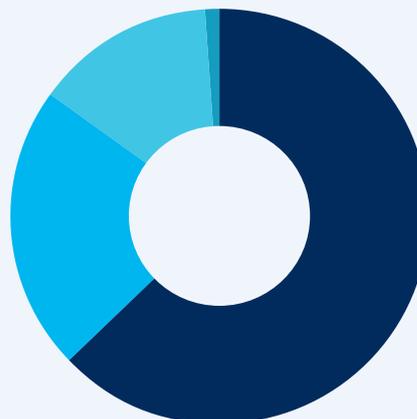
Despite the reduction in the FCO grant-in-aid, total income increased by 11 per cent (£83 million) compared with 2012–13 (nine per cent and £68 million excluding the value of income-in-kind).

The most significant increase by value was in our teaching and examinations business. The £448 million teaching and exams income generated in 2013–14 was 13 per cent (£50 million) higher than the previous year. Although we achieved income growth in both sectors, examinations income in 2013–14 exceeded the Corporate Plan target.

In 2013–14, our partnership income totalled £88 million (2012–13 £54 million). This comprised £65 million of income from partner organisations (2012–13 £45 million) and £23 million of income in kind, representing the value of gifts and donated services. (2012–13 £9 million). Our Corporate Plan target for partnership income, excluding income in kind, was £50 million.

Taken together, funding for contract activity and contract management fee income increased by 26 per cent to £20 million compared with the previous year (£16 million).

Sources of income



Expenditure

Resources expended across the group increased by 12 per cent (£95 million) compared with last year to a total of £880 million. This increase reflects both growth in income generating activities and over £50 million having been invested in 2013–14 in projects for growth, infrastructure and operational efficiency, the British Council continues to drive towards its 2020 vision. Operating models such as the Global Operating Model and Strategic Business Unit Operational Model seek to mould the charity into a successful entrepreneurial organisation. Funds invested in product development and supporting operational efficiencies will move the organisation towards greater technical stability and provide essential business protection.

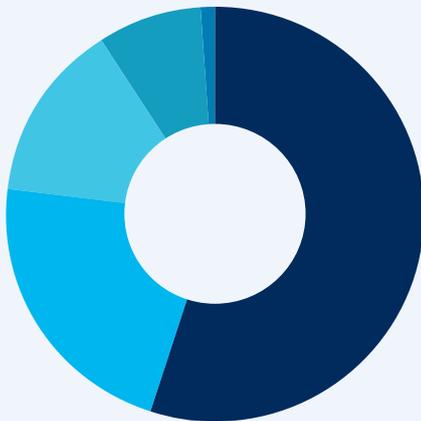
Our increased staff numbers reflect the growth in our business. We have increased the value of non-grant-in-aid income we have generated, relative to staff numbers, to £87,245 per employee in 2013–14 from £83,145 in 2012–13.

During the year the British Council suffered net exchange losses of £8.4 million (2012–13 £1.0 million) resulting from the impact of the strengthening of sterling on our overseas activities.

As part of the UK's commitment to Overseas Development Assistance (ODA) we were required to spend £96 million of our 2013–14 FCO grant-in-aid on development activity in ODA eligible countries as defined by the Organisation for Economic Co-operation and Development (OECD). We exceeded this target by £1 million, spending nearly 59 per cent received on development projects.

We achieved savings and efficiencies on our grant costs in 2013–14. One way in which we track our efficiency is by looking at the percentage of our total expenditure that relates to our worldwide platform of buildings, infrastructure and support staff. We have steadily reduced this percentage over the last five years from 19 per cent in 2009–10 to 14 per cent in 2013–14.

Resources expended



Revaluation of land and buildings

In accordance with our accounting policy, the British Council revalued its land and buildings as at 31 March 2014. This revaluation was carried out by the British Council's surveyors, CBRE, a commercial property consultancy firm. The valuation took into account prevailing market conditions and restrictions on the British Council's right to use the property. The revaluation gave rise to a net downward adjustment of £7.8 million. This has been applied by decreasing the revaluation reserve by £3.6 million relating to the reversal of prior year revaluations and by making an impairment charge on assets written down below their historical cost of £4.2 million. This charge has been carried to the capital reserve.

Fair trading

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

Reserves policy

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

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

If a balance remains within the General Account after the designation to the risk reserve and the investment fund, it remains deployable at the discretion of management in line with the British Council's corporate targets.

Management regularly review funds within the scope of the reserves policy to take account of the latest targets and assessment of risks and opportunities, financial out-turn, and plans and projections for the following year. As a result of the latest review, the risk reserve as at 31 March 2014 has been reduced by £4 million to £45 million.

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

Grant making policy

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

During the year to 31 March 14, the British Council made grants totalling £109.3 million. An analysis of the recipients and the objects of these grants is in note 8 of the accounts.

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 2013–14, 98 per cent (2012–13: 98 per cent) of valid invoices were paid within this target period. This figure includes payments of grants and stipends. The total number of payment transactions processed in 2013–14 was 131,664 (2012–13: 115,790). These figures relate only to UK activity.

Trade creditor days for the British Council for the year ended 31 March 2014 were 22 days (2012–13: 25 days) based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by the trade creditors. These figures relate only to UK activity.

Estates management

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

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

The British Council's overseas estate comprises 261 commercial properties in 109 countries plus a small number of residences. The majority of the overseas properties are leased rather than owned to keep fixed costs low and to give greater flexibility. In the UK, we have large premises in London and Manchester, together with smaller regional offices in Cardiff, Edinburgh and Belfast. All the UK properties are leased.

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

I have audited the financial statements of the British Council for the year ended 31 March 2014. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and British Council Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

I audit under section 43 of the Charities Act 1993 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with those Acts.

My responsibility is to audit and express an opinion on the financial statements in accordance with the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with those Acts. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the British Council's

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

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of British Council's affairs as at 31 March 2014 and of its net outgoing resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011 and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and directions issued by the Secretary of State for Foreign and Commonwealth Affairs.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State directions made under the Charities Act 2011; and
- the information given in the sections titled Performance Overview, Governance and Management and 'Financial Review' included within the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

In its Annual Report and Accounts, the British Council has noted significant events that have taken place since the 31 March 2014, including the appointment of a new Chief Executive Officer announced in August 2014. In appointing the Chief Executive Officer, the British Council agreed to award a salary level that required approval from HM Treasury, but failed to obtain this. I am aware that HM Treasury has written to the Foreign and Commonwealth Office, the sponsoring department of the British Council, to confirm that it would not provide retrospective approval for the salary level that has been agreed. I will consider this matter further as part of my audit of the British Council's 2014–15 financial statements and my regularity opinion.

Sir Amyas C E Morse
Comptroller and Auditor General

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

10 December 2014

Accounts

Statement of Financial Activities for the year ended 31 March 2014

	NOTES	UNRESTRICTED £'000	RESTRICTED £'000	2013-14 TOTAL £'000	2012-13 TOTAL £'000
Incoming resources					
Incoming resources from generated funds					
Voluntary income	3	162,400	2,943	165,343	174,999
Investment income		2,661	–	2,661	2,938
Trading income		4,724	–	4,724	3,103
Incoming resources from charitable activities					
Fees and gross income from services and other sources	4	571,913	840	572,753	490,010
Funding for contract activity		–	117,212	117,212	105,924
Other incoming resources	6	1,578	18	1,596	4,315
Total incoming resources		743,276	121,013	864,289	781,289
Resources expended					
Costs of generating funds					
Trading expenses		87	–	87	500
Cost of activities and grants made in furtherance of the objects					
Developing a wider knowledge of the English language		485,068	968	486,036	425,500
Encouraging educational co-operation and promoting the advancement of education		120,164	74,594	194,758	213,449
Encouraging cultural, scientific and technological co-operation		66,501	229	66,730	56,539
Building capacity for social change		77,253	47,503	124,756	82,511
Governance costs		6,150	–	6,150	6,262
Total resources expended to promote cultural relationships and the understanding of different cultures	5	755,136	123,294	878,430	784,261
Taxation		1,893	–	1,893	572
Total resources expended		757,116	123,294	880,410	785,333
Net outgoing resources		(13,840)	(2,281)	(16,121)	(4,044)
Transfers and other recognised gains/(losses)					
Inclusion of 2011-12 donated heritage assets	17	–	–	–	27
Funds spent from restricted reserves	17	–	(1,930)	(1,930)	(118)
(Loss)/gain on revaluation of fixed assets for charity's own use	17	(3,656)	–	(3,656)	4,127
(Loss)/gain on revaluation of intangible fixed assets for charity's own use	17	(547)	–	(547)	1,095
Gain on revaluation of fixed assets for charity's own use – heritage assets	17	6,770	–	6,770	15,077
Transfer of heritage assets to restricted funds	17	(3,657)	3,657	–	–
Foreign exchange differences arising on consolidation of subsidiaries	17	(34)	–	(34)	195
Other reserve movements	17	579	–	579	–
Actuarial loss recognised in the retirement benefits scheme	17	–	–	–	(1,105)
Losses on curtailments in the retirements benefits scheme	17	–	–	–	(967)
Employer pension contributions	17	–	–	–	72
Net movement in funds		(14,385)	(554)	(14,939)	14,359
Funds brought forward at start of year		309,191	62,444	371,635	357,276
Funds carried forward at end of year		294,806	61,890	356,696	371,635

The British Council's non-consolidated total incoming resources for 2013-14 were £823.4 million (2012-13: £756.3 million); total resources expended were £839.2 million (2012-13: £762.2 million); and total net outgoing resources were £15.8 million (2012-13: net outgoing resources of £5.9 million).

Restricted activity includes £60 million (2012-13: £61 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 £9.3 million (2012-13: £5.4 million) received in relation to European Commission projects.

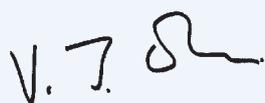
There are no other recognised gains and losses other than those passing through the Statement of Financial Activities. All activities are continuing.

The notes on pages 79 to 110 form part of these accounts.

Balance Sheet as at 31 March 2014

	NOTES	GROUP		BRITISH COUNCIL	
		2014 £'000	2013 £'000	2014 £'000	2013 £'000
Fixed assets					
Intangible fixed assets	9	4,636	5,793	4,618	5,760
Tangible fixed assets	10	169,487	177,503	165,850	173,497
Heritage assets	11	107,632	100,158	107,632	100,158
Investments	12 (f)	1,411	2,565	1,435	2,595
Total fixed assets		283,166	286,019	279,535	282,010
Current assets					
Stock		569	623	559	620
Loan to subsidiaries	12(c)	–	–	6,033	3,480
Debtors	13	76,709	79,882	76,160	77,352
Cash at bank and in hand	22	181,010	192,463	172,560	185,784
Short-term investments	14	72,306	65,482	69,925	65,482
Total current assets		330,594	338,450	325,237	332,718
Liabilities: amounts falling due within one year					
Creditors	15	(227,682)	(222,683)	(220,281)	(213,502)
Short-term provisions for liabilities and charges	16(a)	(8,970)	(9,256)	(8,128)	(9,187)
Net current assets		93,942	106,511	96,828	110,029
Total assets less current liabilities		377,108	392,530	376,363	392,039
Liabilities: amounts falling due after more than one year					
Long-term provisions for liabilities and charges	16(b)	(20,411)	(20,894)	(20,271)	(20,784)
Net assets		356,697	371,636	356,092	371,255
Funds and reserves					
Unrestricted funds					
General account	17	–	–	–	–
Risk reserve	17	45,000	49,000	45,000	49,000
Investment fund	17	28,255	33,265	30,739	36,885
Capital account	17	95,956	100,927	92,374	96,889
Revaluation account	17	78,167	82,370	78,095	82,369
Heritage assets reserve – unrestricted	17	47,428	43,629	47,428	43,629
Total unrestricted funds		294,806	309,191	293,636	308,772
Restricted funds					
Other restricted funds	17	(314)	1,930	252	1,969
Endowment funds	17	2,000	3,985	2,000	3,985
Heritage assets reserve – restricted	17	60,204	56,529	60,204	56,529
Total restricted funds		61,890	62,444	62,456	62,483
Total charity funds		356,696	371,635	356,092	371,255
Minority interest		1	1	–	–
Total capital employed		356,697	371,636	356,092	371,255

Approved by the Board of Trustees and signed on its behalf on 5 December 2014.



Sir Vernon Ellis, Chair
British Council



Sir Martin Davidson KCMG, Chief Executive Accounting Officer
British Council

Cashflow statement for the year ended 31 March 2014

	2013-14		2012-13	
	£'000	£'000	£'000	£'000
Net outgoing resources for the year	(16,121)		(4,044)	
		(16,121)		(4,044)
Add/(deduct):				
Interest receivable	(2,661)		(2,938)	
Depreciation charge including impairments	9,600		9,506	
Amortisation charge including impairments	628		1,142	
Loss on sale of tangible fixed assets	68		75	
Loss on revaluation of land and buildings	4,172		304	
Loss/(gain) on disposal of fixed asset investment	133		(39)	
Taxation charge	1,893		-	
Transfer of completed fixed assets to additions	5,664		2,426	
Movement on donated heritage assets	(18)		(424)	
Foreign exchange difference arising on consolidation of subsidiaries	(34)		195	
Other reserve movements	579		-	
Decrease/(increase) in stocks	54		(227)	
Decrease/(increase) in debtors	3,173		(12,301)	
Increase in creditors	4,134		33,386	
Movement in provisions including short-term element	(769)		(1,377)	
Increase in interest receivable on investments	-		(3)	
Movement in pension asset	-		(211)	
Total additions/deductions		26,616		29,514
Net cash inflow from operating activities		10,495		25,470
Returns on investments and servicing of finance				
Interest receivable	2,661		2,938	
Net (payments into)/withdrawals from short-term deposits	(6,824)		21,845	
Total returns on investments and servicing of finance		(4,163)		24,783
Taxation				
Overseas corporation tax paid	(1,027)		-	
Total taxation		(1,027)		-
Capital expenditure and investments activities				
Receipts from sale of investments	1,348		854	
Payments to acquire investments	(427)		(489)	
Payments to acquire intangible fixed assets	(18)		(153)	
Payments to acquire tangible fixed assets	(15,274)		(24,211)	
Payments to acquire heritage assets	(686)		(120)	
Receipts from sales of tangible fixed assets	130		767	
Receipts from loan repayments	99		135	
Payments out of restricted grant reserve	(1,930)		(118)	
Total capital expenditure and investments activities		(16,758)		(23,335)
Decrease/(increase) in cash		(11,453)		26,918
Cash at start of year		192,463		165,545
Cash at end of year		181,010		192,463

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

Notes

1 Basis of preparation and consolidation

The accounts have been prepared under the historical cost convention modified by the inclusion of certain fixed assets at their current cost. They comply with *Accounting and Reporting by Charities: Statement of Recommended Practice (Revised 2005)* ('the SORP') and other applicable accounting standards; the Charities Act 2011; the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs; and with the 2013–14 *Government Financial Reporting Manual* ('the FReM') where this exceeds but does not conflict with the SORP.

The Group financial statements consolidate the financial statements of the Charity and its subsidiary undertakings drawn up to 31 March each year. All subsidiaries in the British Council Group have been consolidated under the acquisition method (see note 12).

The British Council controls a number of special trusts which are included within the Financial Statements of the British Council (see note 17).

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

The results of a joint venture, IELTS Inc., in which the British Council has a long-term interest and over which it exercises joint control, have not been consolidated as they are not material.

The financial statements for the year ended 31 March 2014 have been prepared on a going concern basis: both the Board of Trustees and management believe that this is an appropriate basis of preparation.

2 Accounting policies

(a) Contractual income

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

(b) Grants and donations receivable

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

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

(c) Resources expended

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

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

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

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

(d) Classification of expenditure

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

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

Charitable expenditure comprises all expenditure directly relating to the charitable activities of the British Council, resources expended on managing and administering the charity and the support infrastructure in the UK and overseas which enables these activities to take place, but excludes governance costs. Charitable expenditure is analysed between four of the British Council's charitable objects:

- promote a wider knowledge of the United Kingdom
- develop a wider knowledge of the English language
- encourage cultural, scientific, technological and other educational co-operation between the United Kingdom and other countries
- otherwise promote the advancement of education.

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

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

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

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

(e) Taxation

For the United Kingdom only, irrecoverable and partially recoverable Value Added Tax (VAT) is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input tax is recoverable the underlying transactions are brought to account net of VAT.

The British Council as a registered charity is exempt from Corporation Tax on its income and gains falling within Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objects. Accordingly, no UK Corporation Tax has been incurred during 2013–14. Subject to the availability of similar charitable exemption overseas, provision has been made for overseas taxation on the profits of overseas subsidiaries and branches.

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

(f) Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £3,000 or more is incurred. Software licences are included at their value to the business by reference to current costs and are amortised at rates calculated to write off the assets on a straight-line basis over ten years or the period of the licence, whichever is shorter. These revaluations take place annually in line with market value.

(g) Tangible fixed assets

Expenditure on tangible fixed assets is capitalised if:

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

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

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

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

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

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

(i) Land and buildings

Land and buildings are recognised at a valuation arrived at by an external valuer CBRE a commercial property consultancy firm, in accordance with the guidelines issued by the Royal Institution of Chartered Surveyors. A rolling programme of revaluing 20 per cent of the portfolio every year, augmented by regular annual revaluations of key properties in volatile markets, will commence from 2014–15.

All freehold and long leasehold land and buildings were revalued by CBRE as at 31 March 2014, except those earmarked for sale, which were valued during the year. Non-specialised properties are valued on the basis of existing use value, except where restrictions on the British Council's rights to use the property mean that this is not appropriate. Specialised properties are valued on the basis of depreciated replacement cost. Properties earmarked for disposal are valued at open market value.

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

(ii) Other tangible fixed assets

All other tangible fixed assets are included at their value to the business by reference to current costs and reflect changes to current values where this is material. They are reviewed on an annual basis for material impairment. The adjustments for current cost accounting revaluation and backlog depreciation include the effect of both upward and downward indices. Upwards revaluations are added to the revaluation reserve as are downwards revaluations to the extent of previous upwards revaluations. Any excess downwards revaluations are taken to the Statement of Financial Activities before being moved to the capital account.

(h) Heritage assets

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

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

The Curator carries out reviews of the collection each year and where the Curator considers there to be a material change in value, the work of art is revalued. There is an inherent uncertainty in any valuation of heritage assets. The Curator is a member of the British Council's staff as permitted under Financial Reporting Standard 30 – Heritage assets, and is a suitably qualified person. Any gains or losses on the revaluation of heritage assets are recognised through the heritage asset revaluation reserve.

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

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

(i) Fixed asset investments

Investments held in subsidiaries and joint ventures are included in the Balance Sheet of the British Council at the amount invested by the British Council less any impairments (in the case of equity or loans) and any amounts repaid (in the case of loans). Where impairments are identified, they are recognised as an expense within resources expended.

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

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

(j) Financial assets and liabilities

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

The British Council may hold derivative financial instruments in the form of forward foreign exchange contracts. These are held to hedge the organisation's exposure to currency fluctuations. Derivative financial instruments are classified as financial assets and liabilities at fair value through profit or loss.

Creditors are recognised at carrying value. Provisions for liabilities and charges are accounted for at the best estimate of the expenditure required to settle the present obligation at the Balance Sheet date, discounted to present values where the effect of discounting is considered to be material. Debtors are recognised at carrying value, reduced by appropriate allowances for estimated irrecoverable amounts.

(k) Stocks

Stocks of items for resale are valued at the lower of historical cost and net realisable value. Replacement cost is not materially different from historical cost. Purchases of consumable items are taken to expenditure as incurred.

(l) Gifts in kind

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

Incoming resources include a reasonable estimate of the gross value of gifts in kind received by the British Council based on an internally developed standard cost model that reflects the types of non-cash contributions the British Council most commonly receives and the British Council's global distribution.

Where the British Council collaborates to increase impact through co-creation projects, the resources committed by co-creation partners, such as expertise or facilities provided and paid for directly by the partner, are excluded from the British Council's accounts.

(m) Leases

Costs relating to operating leases are charged to the Statement of Financial Activities over the period of the lease.

(n) Exchange differences

Transactions in foreign currencies are translated into sterling on a monthly basis at the opening rate of exchange for the period. Current assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling on the Balance Sheet date. Fixed assets are recorded at historical cost or current cost. All exchange differences incurred in the year are taken to the Statement of Financial Activities.

(o) Retirement benefits

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This is an unfunded defined benefit scheme. The British Council recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability to pay future benefits is a charge on the PCSPS rather than the British Council.

Certain UK appointed employees, formerly employed by the Central Bureau for Educational Visits and Exchanges, are members of a separate, funded and contributory defined benefit scheme. The expected cost of providing pensions as calculated periodically by independent actuaries is charged so as to spread the cost over the expected average remaining service lives of current employees.

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

(p) Provisions and contingent liabilities

Provisions are recognised when the British Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are discounted to present value where the effect is material.

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

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

Where the British Council has significant possible obligations which do not meet the provisions criteria set out in Financial Reporting Standard 12 – Provisions, contingent liabilities and contingent assets, these are disclosed as contingent liabilities unless such disclosure would seriously prejudice the position of the British Council.

(q) Revenue and expenditure under contracts or agreements

Where the British Council receives funding or income for a specified purpose and can exercise discretion over the use of the funds, the British Council is considered to be acting as principal. In these circumstances, expenditure on activities under contracts or agreements is brought to account when incurred. Revenue is recognised as an incoming resource on the Statement of Financial Activities as an amount equivalent to the expenditure on the activity. The difference between receipts and expenditure is carried forward in the Balance Sheet as debtor or creditor balances depending on the status of the balance for each individual contract or overall client agreement.

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

(r) Fund accounting

Funds are classified as either unrestricted or restricted.

(i) Unrestricted funds

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

Unrestricted funds include designated funds where the Trustees, at their discretion, have created a fund for a

specific purpose, or where funds are effectively constrained by their application in operational fixed assets. The purpose and any application of designated funds are set out in the notes to the financial statements.

(ii) Restricted funds

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

(iii) Transfers between funds

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

3 Voluntary income

	UNRESTRICTED	RESTRICTED	2013–14 TOTAL	2012–13 TOTAL
	£'000	£'000	£'000	£'000
Foreign and Commonwealth Office				
Revenue grant-in-aid	157,400	–	165,500	
Capital grant-in-aid	5,000	–	6,000	
Total grant-in-aid			162,400	171,500
Other grants				
Grants receivable from				
International Inspirations		756	1,318	
Department for Education		591	755	
Welsh Government – Education and Skills		527	500	
Department of Education, Northern Ireland		346	339	
Scottish Government Schools Directorate		312	433	
Commonwealth Secretariat		250	–	
Henry Luce Foundation		90	–	
European Commission		31	–	
Department for Business, Innovation and Skills		24	–	
Social Science Research Council		16	–	
Carnegie Corporation of New York		–	123	
Department for International Development		–	31	
Total other grants			2,943	3,499
Total grants receivable			165,343	174,999

4 Fees and income from services and other income

	CONTRACT MANAGEMENT FEE INCOME	TEACHING AND EXAMS INCOME	PARTNERSHIP INCOME	OTHER INCOME	2013-14 TOTAL	2012-13 TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, sponsorship and other income received from activities in furtherance of the objects:						
Developing a wider knowledge of the English language	916	447,775	32,765	15,530	496,986	433,388
Encouraging educational co-operation and promoting the advancement of education	7,577	(22)	33,653	1,187	42,395	39,131
Encouraging cultural, scientific and technological co-operation	31	–	11,541	31	11,603	5,452
Building capacity for social change	11,390	–	10,337	42	21,769	12,039
Total income received to promote cultural relationships and the understanding of different cultures	19,914	447,753	88,296	16,790	572,753	490,010

Income-in-kind has been included within partnership income in the table above. For 2013–14, total income-in-kind was £23,301,171 (2012–13: £8,821,208).

Income-in-kind was included in the accounts for the first time in 2012–13. The 2012–13 figures do not include any income from the UK region as the process for capturing data was not finalised in the UK until after 31 March 2013.

Included in the above fees and income are restricted resources of £840,000 (2012–13: £1,017,150).

5 Total resources expended

	GRANTS PAYABLE	STAFF COSTS	OTHER DIRECT COSTS	SUPPORT COSTS	2013-14 TOTAL	2012-13 TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of activities in furtherance of the objects:						
Developing a wider knowledge of the English language	1,166	229,799	208,751	46,320	486,036	425,500
Encouraging educational co-operation and promoting the advancement of education	73,043	47,571	64,440	9,704	194,758	213,449
Encouraging cultural, scientific and technological co-operation	4,696	22,857	25,415	13,762	66,730	56,539
Building capacity for social change	30,440	21,628	37,970	34,718	124,756	82,511
Governance costs	–	4,344	351	1,455	6,150	6,262
Total costs to promote cultural relationships and the understanding of different cultures	109,345	326,199	336,927	105,959	878,430	784,261

Included in the above resources expended are costs of £123,293,401 relating to restricted expenditure.

Expenditure relating to income-in-kind included in other direct costs above was £23,301,171 (2012–13: £8,821,208).

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

Included in governance costs are fees of £168,500 (2012–13: £142,500) payable to the Charity's auditors for the audit of the Charity's Annual Report. In addition to the Charity audit fees, total audit fees of £153,000 (2012–13: £105,000) were payable to the auditors, who are not the Charity's auditors, of corporate entities within the Group that require separate audits.

There were no fees paid to the Charity's auditors in respect of non-audit work. Fees for non-audit services of £160,000 (2012–13: £625,000) were payable to the auditors, who are not the Charity's auditors, of corporate entities within the Group that require separate audits.

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

	2013–14	2012–13
	£'000	£'000
Payments for travel, subsistence, etc.	17,982	17,187
Property rental costs relating to operating leases	21,323	24,555
Depreciation and amortisation charged	10,228	10,648
Provisions charged to expenditure in year	14,526	6,389
Foreign exchange losses	9,714	4,487

The property rental costs relating to operating leases are higher than the annual commitments disclosed in note 18 of the accounts as a result of leases under contracts cancellable within one year.

6 Other incoming resources

	2013–14	2012–13
	£'000	£'000
Profit on disposal of fixed assets	244	348
Foreign exchange gains	1,334	3,517
Donated heritage assets	18	450
Total other incoming resources	1,596	4,315

7 Staff emoluments and related costs

(a) Total staff costs:

	2013–14	2012–13
	£'000	£'000
Wages and salaries – permanent	251,331	225,509
Wages and salaries – non permanent	54,766	57,364
Social security costs	5,659	5,701
Other pension costs	13,152	13,382
Early retirement costs	1,291	2,347
Total staff costs	326,199	304,303

Included in non-permanent wages and salaries is £34,774,619 (2012–13: £30,349,996) 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 number of employees at 31 March 2014, on a full time equivalent (FTE) basis, was 8,045 (2012–13: 7,334) analysed as follows:

	2013–14	2012–13
	NUMBER OF STAFF	NUMBER OF STAFF
United Kingdom		
Management and administrative (senior managers – 207 (2012–13: 175))	939	821
Overseas		
Management and administrative (senior managers – 396 (2012–13: 262))	5,087	4,731
Teachers	2,019	1,782
Total employees	8,045	7,334

Casual staff are excluded from the above figures.

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

EXIT PACKAGE COST BAND – UK APPOINTED STAFF	NUMBER OF COMPULSORY REDUNDANCIES		NUMBER OF OTHER DEPARTURES AGREED		TOTAL NUMBER OF EXIT PACKAGES BY COST BAND	
	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13
<£10,000	–	–	–	2	–	2
£10,000–£25,000	3	2	2	9	5	11
£25,000–£50,000	2	1	6	15	8	16
£50,000–£100,000	1	–	5	4	6	4
£100,000–£150,000	–	–	–	2	–	2
£150,000–£200,000	–	–	–	1	–	1
£200,000–£250,000	–	–	–	–	–	–
£250,000–£300,000	–	–	–	–	–	–
£300,000–£350,000	–	–	–	–	–	–
Total number of exit packages	6	3	13	33	19	36
Total resource cost (£)	212,898	69,596	625,997	1,523,388	838,895	1,592,984

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

EXIT PACKAGE COST BAND – OVERSEAS APPOINTED STAFF	NUMBER OF COMPULSORY REDUNDANCIES		NUMBER OF OTHER DEPARTURES AGREED		TOTAL NUMBER OF EXIT PACKAGES BY COST BAND	
	2013–14	2012–13	2013–14	2012–13	2013–14	2012–13
<£10,000	29	32	16	100	45	132
£10,000–£25,000	10	21	5	15	15	36
£25,000–£50,000	5	5	1	–	6	5
£50,000–£100,000	2	1	1	–	3	1
£100,000–£150,000	–	–	–	–	–	–
£150,000–£200,000	–	–	–	–	–	–
£200,000–£250,000	–	–	–	–	–	–
£250,000–£300,000	–	–	–	–	–	–
£300,000–£350,000	–	–	–	–	–	–
Total number of exit packages	46	59	23	115	69	174
Total resource cost (£)	540,075	746,868	257,237	477,363	797,312	1,224,231

(d) The Chief Executive's total actual emoluments plus pension was £229,447 (2012–13: £228,043) comprising salary of £188,012 (2012–13: £186,883), which includes a bonus of £17,500 (2012–13: £17,500) and pension contributions of £41,435 (2012–13: £41,160). The Chief Executive is a member of the Principal Civil Service Pension Scheme.

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

	2013–14	2012–13
	NUMBER OF STAFF	NUMBER OF STAFF (RESTATED)
£60,000–£70,000	112	86
£70,001–£80,000	78	78
£80,001–£90,000	59	48
£90,001–£100,000	29	24
£100,001–£110,000	13	14
£110,001–£120,000	12	7
£120,001–£130,000	7	11
£130,001–£140,000	7	9
£140,001–£150,000	3	2
£150,001–£160,000	5	3
£160,001–£170,000	2	3
£170,001–£180,000	1	0
£180,001–£190,000	1	1
Total	329	286

Of staff with remuneration over £60,000, 255 UK appointed staff (2012–13: 226) are members of a defined benefit pension scheme, and none are members of a defined contribution scheme (2012–13: nil). Locally appointed overseas staff are subject to a variety of locally agreed arrangements.

Off-payroll engagements

Table 1: For all off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months.

Number of existing engagements as of 31 March 2014	48
Of which...	
Number that have existed for less than one year at time of reporting	32
Number that have existed for between one and two years at time of reporting	7
Number that have existed for between two and three years at time of reporting	3
Number that have existed for between three and four years at time of reporting	4
Number that have existed for four or more years at time of reporting	2*

Notes

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

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

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months

Number of new engagements, or those that reached six months in duration, during the period	141
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	141
Number for whom assurance has been requested	141
Of which...	
Number for whom assurance has been received	141
Number for whom assurance has not been received	0
Number that have been terminated as a result of assurance not being received	0

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2013 and 31 March 2014

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	2
Number of individuals that have been deemed 'board members, and/or, senior officials with significant financial responsibility', during the financial year. This figure includes both off-payroll and on-payroll engagements.	19

Notes

Table 3 – The services of two professionals were secured as temporary cover in the period, pending recruitment of full time employees to two senior roles, in IT and finance respectively, which had fallen vacant. The first engagement ceased in October 2013. The other, through an agency, commenced in December 2013, was non-exclusive, not full-time and ceased in June 2014.

(f) Travel expenses reimbursed to six (2012–13: eight) members of the Board of Trustees amounted to £62,347 (2012–13: £21,608). The increase in travel expenses in 2013–14 is due to a greater number of trips in the current year.

No Trustees or any persons connected with them received any remuneration for their services during the year ended 31 March 2014.

(g) The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the British Council is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2013–14, employers' contributions of £8,736,084 (2012–13: £8,021,469), were payable to the PCSPS at one of four rates in the range from 16.7 per cent to 24.3 per cent of pensionable pay, 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 2013–14 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 £95,303 (2012–13: £80,000) were paid to one or more of the panel of three appointed stakeholder pension providers.

Employer contributions are age-related and range from three per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to three per cent of pensionable pay. In addition employer contributions of £7,729 (2012–13: £5,289), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the Balance Sheet date were £15,080 (2012–13: £8,141). Contributions prepaid at that date were £nil (2012–13: £nil).

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

(i) The British Council operates a defined benefit scheme for UK-appointed employees formerly employed by the Central Bureau for Educational Visits and Exchanges (CBEVE). Financial Reporting Standard 17 Retirement Benefits has been adopted.

The scheme is closed to new entrants and active members of the Scheme ceased to accrue benefits in respect of pensionable service from 31 January 2013. A full actuarial valuation was carried out at 1 April 2011 and updated to 31 March 2014 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

Present values of scheme liabilities, fair value of assets and surplus

	2014	2013	2012
	£'000	£'000	£'000
Fair value of scheme assets	18,707	18,242	17,177
Present value of scheme liabilities	15,394	17,286	12,996
Surplus in scheme	3,313	956	4,181
Unrecognised surplus	3,313	956	2,392
Asset to be recognised	–	–	1,789

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

	2014	2013
	£'000	£'000
Scheme liabilities at start of period	17,286	12,996
Current service cost	5	119
Interest cost	648	609
Past service cost	251	–
Contributions by scheme participants	–	16
Actuarial (gains)/losses	(1,491)	2,874
Losses on curtailments	–	967
Benefits paid and death in service insurance premiums	(1,305)	(295)
Scheme liabilities at end of period	15,394	17,286

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

	2014	2013
	£'000	£'000
Fair value of scheme assets at start of period	18,242	17,177
Expected return on scheme assets	904	939
Actuarial gains	866	333
Contributions by the British Council	–	72
Contributions by scheme participants	–	16
Benefits paid and death in service insurance premiums	(1,305)	(295)
Fair value of scheme assets at end of period	18,707	18,242

The actual return on the scheme assets over the period ending 31 March 2014 was £1,770,000 (2012–13: £1,272,000).

Total expense recognised in the Statement of Financial Activities

	2014	2013
	£'000	£'000
Current service cost	5	119
Interest cost	648	609
Past service cost	251	–
Expected return on scheme assets	(904)	(939)
Total income recognised in the Statement of Financial Activities	–	(211)

Statement of total recognised gains and losses

	2014	2013
	£'000	£'000
Difference between expected and actual return on scheme assets:		
Amount: gain	866	333
Experience gains and losses arising on the scheme liabilities:		
Amount: gain/(loss)	218	(88)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities:		
Amount: gain/(loss)	1,273	(2,786)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable)		
Amount: (loss)/gain	2,357	(2,541)
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable:		
Amount: (loss)/gain	(2,357)	1,436
Total amount recognised in statement of total recognised gains and losses		
Amount: loss	–	(1,105)

Assets

	2014	2013	2012
	£'000	£'000	£'000
Equity	9,484	8,373	7,798
Bonds	4,677	6,075	5,497
Property	3,573	3,539	3,143
Cash	973	255	739
Total assets	18,707	18,242	17,177

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

	2014	2013	2012
	% PER ANNUM	% PER ANNUM	% PER ANNUM
Inflation	3.50%	3.40%	3.30%
Salary increases	n/a	n/a	3.30%
Rate of discount	4.20%	3.90%	4.70%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	5.00%	5.00%	5.00%
Allowance for commutation of pension for cash at retirement	None	None	None

The mortality assumptions adopted at 31 March 2014 imply the following life expectancies:

Male retiring at age 60 in 2014	24.7
Female retiring at age 60 in 2014	26.6
Male retiring at age 60 in 2034	27.9
Female retiring at age 60 in 2034	29.7

Expected long-term rates of return

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

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

	2014	2013
	% PER ANNUM	% PER ANNUM
Equity	8.00%	8.02%
Bonds	3.50%	4.50%
Property	6.25%	6.25%
Cash	1.50%	3.50%
Overall for scheme	6.07%	6.38%

Amounts for the current and previous four years

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	18,707	18,242	17,177	17,225	16,217
Present value of scheme liabilities	15,394	17,286	12,996	11,515	14,014
Surplus in scheme	3,313	956	4,181	5,710	2,203
Experience adjustment on scheme assets	866	333	(675)	687	278
Experience adjustment on scheme liabilities	218	(88)	(11)	425	116

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

(j) Trustees

Capita ATL Pension Trustees Limited, independent Trustee to the Scheme, was paid fees amounting to £33,598.00 (2012–13: £43,606.75) excluding VAT during the year. One other Trustee of the Scheme was paid fees amounting to £6,500.00 (2012–13: £7,020.00) excluding VAT during the year. Travel expenses totalling £117.45 (2012–13: £186.00) were reimbursed to one Trustee of the Scheme during the year.

8 Grants payable

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

TYPE OF INSTITUTION	DEVELOPING A WIDER KNOWLEDGE OF THE ENGLISH LANGUAGE	ENCOURAGING EDUCATIONAL CO-OPERATION AND PROMOTING THE ADVANCEMENT OF EDUCATION	ENCOURAGING CULTURAL, SCIENTIFIC AND TECHNOLOGICAL CO-OPERATION	BUILDING CAPACITY FOR SOCIAL CHANGE	TOTAL 2013–14	TOTAL 2012–13
	£'000	£'000	£'000	£'000	£'000	£'000
Universities	365	44,855	278	448	45,946	44,458
Charities, NGOs and social enterprises	463	6,907	152	20,026	27,548	19,491
Other bodies	197	3,601	2,507	8,012	14,317	15,387
Schools	–	8,850	21	112	8,983	13,605
Colleges	–	2,334	–	115	2,449	1,983
Arts and culture bodies	–	695	885	634	2,214	329
National and international government bodies	–	1,969	92	129	2,190	228
Local government bodies	–	1,340	41	11	1,392	1,302
Environmental groups	–	86	–	772	858	58
Religious bodies	–	61	3	12	76	–
Total grants to institutions	1,025	70,698	3,979	30,271	105,973	96,841
Grants to individuals	141	2,345	717	169	3,372	2,333
Total grants payable to promote cultural relationships and the understanding of different cultures	1,166	73,043	4,696	30,440	109,345	99,174

9 Intangible fixed assets

SOFTWARE LICENCES	
£'000	
Modified cost or valuation	
At 1 April 2013	6,837
Additions/transfers	18
Disposals	–
Revaluations	(618)
At 31 March 2014	6,237
Amortisation	
At 1 April 2013	(1,044)
Charge for year	(628)
Disposals/transfers	–
Revaluations/backlog amortisation	71
At 31 March 2014	(1,601)
Net book value	
At 31 March 2014	4,636
At 1 April 2013	5,793

Software licences are included at their value to the business by reference to current costs and are amortised at rates calculated to write off the assets on a straight-line basis over ten years or the period of the licence, whichever is shorter. These revaluations take place annually in line with market value.

10 Tangible fixed assets

	FREEHOLD LAND AND PROPERTY – COMMERCIAL	FREEHOLD LAND AND PROPERTY – RESIDENTIAL	LEASEHOLD LAND AND PROPERTY – COMMERCIAL	LEASEHOLD LAND AND PROPERTY – RESIDENTIAL	FURNITURE AND EQUIPMENT	INFORMATION TECHNOLOGY	VEHICLES AND PLANT	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Modified cost or valuation								
At 1 April 2013	87,569	5,647	94,957	8,381	7,918	12,476	12,416	229,364
Additions/transfers	4,863	552	2,260	1,233	1,281	1,687	2,022	13,898
Transfers of completed assets from AUC	(4,420)	–	(154)	–	(322)	(502)	(266)	(5,664)
Reclassifications	10,409	–	(10,409)	–	–	–	–	–
Disposals	(121)	–	(899)	–	(252)	(204)	(744)	(2,220)
Revaluations	(9,015)	(282)	(8,697)	5,411	–	–	–	(12,583)
At 31 March 2014	89,285	5,917	77,058	15,025	8,625	13,457	13,428	222,795
Depreciation								
At 1 April 2013	(1,830)	29	(26,496)	(75)	(5,851)	(9,011)	(8,627)	(51,861)
Charge for the year	(2,027)	(69)	(4,552)	(197)	(640)	(1,237)	(878)	(9,600)
Reclassifications	(2,963)	–	2,963	–	–	–	–	–
Disposals/transfers	472	–	1,677	–	269	225	754	3,397
Revaluations	2,998	(14)	1,596	176	–	–	–	4,756
At 31 March 2014	(3,350)	(54)	(24,812)	(96)	(6,222)	(10,023)	(8,751)	(53,308)
Net book value								
At 31 March 2014	85,935	5,863	52,246	14,929	2,403	3,434	4,677	169,487
At 1 April 2013	85,739	5,676	68,461	8,306	2,067	3,465	3,789	177,503

Included in the above:

Assets under construction (AUC)

	LAND AND PROPERTY	FURNITURE AND EQUIPMENT	INFORMATION TECHNOLOGY	VEHICLES AND PLANT	TOTAL
	£'000	£'000	£'000	£'000	£'000
AUC cost at 1 April 2013	7,281	331	836	563	9,011
Transfers of completed assets to additions	(4,574)	(322)	(502)	(266)	(5,664)
Additions to AUC	2,829	573	1,003	621	5,026
Total AUC cost at 31 March 2014	5,536	582	1,337	918	8,373

Included in tangible fixed assets are assets to the value of £25.7 million (2012–13: £26.7 million) which have been fully depreciated. These assets are still in use and provide value to the business.

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

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

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.

Properties earmarked for sale are valued at open market value as at the date during 2013–14 that they were valued for sale. Expected selling costs have not been deducted as they are not material.

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

As part of the revaluation exercise, the British Council undertook a full review of title to all properties. For a small number of properties, there are restrictions on the British 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.

The valuations reflect these restrictions.

For a small number of properties valued at existing use value, open market value is materially different to existing use value. Where open market value is lower, this is because there are restrictions on the British Council's use of the property or its rights to sell the property or retain the proceeds from the sale. Where open market value is higher, this is usually because the development value of the property exceeds the value of current use.

Following the review undertaken during the year and based on new information there has been a reclassification of land and buildings from leasehold to freehold during the year.

Within the freehold land and properties category, there is one building allocated a useful life of 60 years in 2009 that will expire in 2069. The current book value is £1.9 million (2012–13: £2.1 million), this is the only property where treatment deviates from the accounting policy.

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

The British Council currently has assets with a cost of £605,997 and a net book value of £109,459 in Damascus, Syria. The office in Damascus was closed in February 2012 and at the date of the financial statements remains so without a reopening date confirmed.

11 Heritage assets

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

The British Council maintains a permanent collection of works of art which started in 1938 and at present has over 8,500 works. The purpose of the collection is to increase the understanding and appreciation of British art overseas in furtherance of the British Council's objectives for cultural co-operation. It is not held for investment or resale. Many works have been acquired from emerging artists and on beneficial terms because of the collection's purpose.

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

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

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

The 'increase in valuation' figure for 2013–14 is a net amount including disposals of £6,537.

12 Investments

(a) Subsidiary undertakings

ORGANISATION NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	CLASS SHARES HELD/% (CHARITY)	CLASS SHARES HELD/% (GROUP)	YEAR END DATE
BC Holdings (United Kingdom) Limited	England and Wales	Holding company	Ordinary/100%	–	31 March
BC English Services Trans-National Limited	Hong Kong	Holding company	Ordinary/100%	–	31 March
British Council Civil Association	Mexico	Carrying out charitable objectives of the British Council	Ordinary/100%	–	31 December
BC Trading International Ltd	England and Wales	Raising funds through trading activities	–	Ordinary/100%	31 March
BCT Events and Promotions India Private Limited	India	Raising funds through trading activities	Ordinary/0.01%	Ordinary/99.99%	31 March
BC Management Services Private Limited	India	Provision of accounting and IT support to the British Council	Ordinary/0.003%	Ordinary/99.997%	31 March
British Council Associated Civil Association	Mexico	Raising funds through trading activities	–	Ordinary/100%	31 December
Friends of British Council USA	USA	Fundraising and carrying out charitable objectives of the British Council	–	–	31 March
BC Holdings (Thailand) Limited	Thailand	Holding company	–	Ordinary/100%	31 March
BC Operations (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	–	Ordinary/100%	31 March
BC Language Teaching (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	–	Ordinary/100%	31 March
British Council (Singapore) Limited	Singapore	Carrying out charitable objectives of the British Council	–	–	31 March
British Council Indonesia Foundation	Indonesia	Carrying out charitable objectives of the British Council	–	–	31 March
British Council Education Services Company	Turkey	Carrying out charitable objectives of the British Council	–	Ordinary/100%	31 March
Private Extra-Curricular Educational Institution 'British Council (Ukraine)'	Ukraine	Carrying out charitable objectives of the British Council	–	Ordinary/100%	31 December
Limited Liability Company 'British Council (Ukraine)'	Ukraine	Carrying out charitable objectives of the British Council	Ordinary/1%	Ordinary/99%	31 December

The entities in Ukraine, Turkey and Indonesia were registered during 2013–14. Two further entities were registered but no investment or trading had taken place in either entity. These are the British Council Foundation in Poland and the British Council Association in Brazil.

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

British Council Civil Association and British Council Associated Civil Association have a year end reporting date of 31 December due to local statutory reporting requirements in Mexico. Private Extra-Curricular Educational Institution 'British Council (Ukraine)' and Limited Liability Company 'British Council (Ukraine)' have a year end reporting date of 31 December due to local statutory reporting requirements in Ukraine.

English translations are given for the names of organisations that have been registered in another language.

(c) Loans to subsidiaries

During the financial year British Council charged BC English Services Trans-National Limited interest of £7,822 (2013: £8,022) on the loan. At 31 March 2014, the balance on the loan was £337,345 (2013: £329,522).

During the financial year British Council charged BC Holdings (United Kingdom) Limited interest of £83,464 (2013: £75,600) on the loan. At 31 March 2014 the balance of the loan was £4,276,542 (2013: £3,150,523).

During the financial year British Council charged British Council Singapore Limited interest of £24,316 (2013: £nil) on the loan. At 31 March 2014 the balance of the loan was £1,419,555 (2013: £nil).

During the financial year BC Holdings (United Kingdom) Limited charged British Council Civil Association, Mexico interest of £137 (2013: £300) on the loan. At 31 March 2014 the balance of the loan was £nil (2013: £11,098) as it was fully repaid including interest.

During the financial year BC Holdings (United Kingdom) Limited charged Friends of British Council USA interest of £3,734 (2013: £2,865) on the loan. At 31 March 2014 the balance of the loan was £157,748 (2013: £154,014).

During the financial year BC Holdings (United Kingdom) Limited charged BC Holdings (Thailand) Limited interest of £41,812 (2013: £46,231) on the loan. At 31 March 2014 the balance of the loan was £957,157 (2013: £1,132,505).

During the financial year BC Holdings (United Kingdom) Limited charged Limited Liability Company 'British Council (Ukraine)' interest of £3,238 (2013: £nil) on the loan. At 31 March 2014 the balance of the loan was £372,544.

During the financial year BC Holdings (United Kingdom) Limited charged Private Extra-Curricular Educational Institution 'British Council (Ukraine)' interest of £669 (2013: £nil) on the loan. At 31 March 2014 the balance of the loan was £60,249.

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

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

Of the loans outlined above, loans to subsidiaries held on the Charity's Balance Sheet include only those loans to BC Holdings (United Kingdom) Limited, British Council (Singapore) Limited and BC English Services Trans-National Limited with a total value of £6,033,442.

(d) IELTS

The British Council has a long-term interest in a joint venture, IELTS Inc., over which it exercises joint control. IELTS Inc. is a not-for-profit organisation formed for the charitable and educational purposes of supporting and improving the teaching of English.

ORGANISATION	COUNTRY OF REGISTRATION	NATURE OF BUSINESS	INTEREST HELD
IELTS Inc.	USA	Developing, administering and marketing the IELTS examinations	33%
INTEREST IN IELTS			£'000
At 1 April 2013			104
Loan repayments			(99)
Interest receivable for year			1
Loss on revaluation			(6)
At 31 March 2014			–

(e) Quoted investments

	2014	2013
	£'000	£'000
Market value as at 1 April	2,461	2,797
Purchases during the year	426	489
Disposals during the year	(1,349)	(854)
Exchange differences	–	–
Net realised/unrealised (loss)/gain	(127)	29
Market value at 31 March	1,411	2,461
Historical value as 31 March	1,017	2,045
Total investments at 31 March	36	75
Held in the United Kingdom	25	59
Held outside the United Kingdom	11	16

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

(f) Total investments

	2014	2013	2012	2011
	£'000	£'000	£'000	£'000
IELTS	–	104	222	104
Quoted investments	1,411	2,461	2,797	2,461
Investment in subsidiaries	–	–	–	30
Total	1,411	2,565	3,019	2,595

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

	GROUP		BRITISH COUNCIL	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade debtors	35,239	37,392	32,954	30,809
VAT debtor	620	179	602	261
Other debtors	7,281	6,539	6,806	6,023
Balances resulting from activity under contracts and agreements	10,068	16,772	9,996	16,681
Prepayments and accrued income	23,501	19,000	22,857	18,570
Amounts due from subsidiary undertakings	–	–	2,945	5,008
Total debtors	76,709	79,882	76,160	77,352

(b) Intra-government debtors:

	2014	2013
	£'000	£'000
Balances with central government bodies	1,880	5,189
Balances with local authorities	35	–
Balances with public corporations and trading funds	474	132
Total intra-government debtors	2,389	5,321
Balances with bodies external to government	74,320	74,561
Total debtors	76,709	79,882

14 Short-term investments

	GROUP		BRITISH COUNCIL	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Short-term deposits maturing in under one year	72,306	65,482	69,925	65,482
Total short-term investments	72,306	65,482	69,925	65,482

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

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

	GROUP		BRITISH COUNCIL	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Trade creditors	20,062	20,982	18,114	20,439
Balances resulting from activity under contracts and agreements	54,103	48,771	54,103	48,771
Other creditors	5,239	3,927	5,186	3,863
Taxation and social security	4,664	3,613	4,411	3,528
Accruals	51,004	57,876	47,519	55,667
Deferred income	92,610	87,514	85,179	78,762
Amounts due to subsidiary undertakings	–	–	5,769	2,472
Total	227,682	222,683	220,281	213,502

	GROUP		BRITISH COUNCIL	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
MOVEMENTS IN DEFERRED INCOME DURING THE YEAR WERE AS FOLLOWS:				
At 1 April	87,514	82,429	78,762	80,579
Income recognised during the year	(179,840)	(392,132)	(150,967)	(373,575)
Income deferred during the year	184,936	397,217	157,384	371,758
At 31 March	92,610	87,514	85,179	78,762

(b) Intra-government creditors:

	GROUP	
	2014	2013
	£'000	£'000
Balances with central government bodies	5,061	4,307
Balances with local authorities	27	–
Balances with NHS trusts	–	–
Balances with public corporations and trading funds	23	10
Total intra-government creditors	5,111	4,317
Balances with bodies external to government	222,571	218,366
Total creditors	227,682	222,683

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

	TERMINAL GRATUITIES	EARLY RETIREMENT	OTHER STAFF	LEGAL CASES	OTHER	TOTAL COSTS
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	–	1,632	1,360	78	6,186	9,256
Unrealised loss on exchange	–	(2)	(1)	(36)	833	794
Net amounts paid or utilised in year	–	(3,542)	(890)	(42)	(8,502)	(12,976)
Charged to expenditure	–	1,709	901	–	8,310	10,920
Movement between short and long term	–	976	–	–	–	976
At 31 March 2014	–	773	1,370	–	6,827	8,970

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

	TERMINAL GRATUITIES	EARLY RETIREMENT	OTHER STAFF	LEGAL CASES	OTHER	TOTAL COSTS
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	17,694	3,200	–	–	–	20,894
Unrealised gain on exchange	719	–	–	–	–	719
Net amounts paid or utilised in year	(3,832)	–	–	–	–	(3,832)
Charged to expenditure	3,457	149	–	–	–	3,606
Movement between short and long term	–	(976)	–	–	–	(976)
At 31 March 2014	18,038	2,373	–	–	–	20,411

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

The Council makes Terminal Gratuity payments to its staff under four different circumstances: resignation, retirement, redundancy and early retirement.

A provision is raised to meet this liability which accrues over time. The provision has not been discounted as it is a provision at a fixed point in time and timing of future payments are not fixed and cannot be reliably determined. We believe that the majority of this provision will be payable in greater than one year and since the amount payable within one year cannot be reliably determined this is not disclosed separately.

Reserves policy

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

This established a minimum level of funds (£45 million with effect from 31 March 2014) to be maintained in the Risk Reserve to protect the British Council from the potential financial impact of business risks and of status and tax risks.

The policy also designated funds for use in specific planned investment projects during 2014–15.

Designated funds

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

- Risk reserve – a designated reserve created from funds transferred from the General Fund that represents a minimum level of funds required to protect the British Council from the potential financial impact of business risks and status and tax risks.
- Investment fund – a designated reserve created from funds transferred from the General Account representing funds earmarked for use on specific planned investment projects.

Funds held in the investment fund will be used for projects during 2014–15 and these funds will be added to from trading surpluses generated during the year.

The resources will be used for:

- Growth and impact projects that will result in increased future impact, or revenues and/or surpluses.
 - Efficiency and capability projects that reduce cost structure and/or increase capability to deliver the British Council's objectives.
- Retirement benefits reserve – actuarially assessed net asset/(liability) relating to the British Council's share of the Central Bureau for Educational Visits and Exchange pension scheme.
 - Capital account – funds applied towards the purchase of tangible and intangible fixed assets other than heritage assets, less accumulated depreciation relating to historic cost.
 - Revaluation reserve – arising from the five-yearly revaluation and the indexation of historical asset values to arrive at a modified historical cost.
 - Heritage asset reserve – funds applied towards the purchase of heritage assets, and the effect of revaluation of those assets. This excludes donated heritage assets which are shown within restricted reserve.

Movement in restricted funds

	INCOME (RESTRICTED GRANTS)	EXPENDABLE ENDOWMENT RESERVE	HERITAGE ASSET RESERVE	TOTAL
	£'000	£'000	£'000	£'000
Balance as at 1 April 2013	1,930	3,985	56,529	62,444
Transfer from unrestricted funds: heritage assets	–	–	3,657	3,657
Funds spent from reserves	(1,930)	–	–	(1,930)
Net incoming/(outgoing) resources for the year	(314)	(1,985)	18	(2,281)
Balance as at 31 March 2014	(314)	2,000	60,204	61,890

Permanent endowment reserve

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

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

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

Expendable endowment reserve

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

- Lefevre Trust – To promote understanding between UK and France, and the mutual learning of each other's customs and language through an exchange programme for French and British boys and girls between the ages of 11 and 19.
- Hammond Trust – Provides small grants of up to £500 to students of Asian origin in the UK who are suffering hardship, to help them complete their course of study and return to their country of origin.
- De Souza Trust for Goanese Students – Assist education of men and women living in Goa, or born of Goan parents, by the award of scholarships or grants for study in the UK.
- The Sir Shiu Kin Tang Educational Trust – To advance the education of postgraduate students from Hong Kong in the UK. The Trust funds one to two scholarships a year.
- UK 9/11 Scholarship Fund – Provides scholarships to any child or other dependant of any person who has been killed or permanently injured as a result of the terrorist attack on the World Trade Centre in New York and similar tragedies, for higher education study in the UK.
- Dame Nancy Parkinson Bequest – To assist Commonwealth students to purchase books, attend conferences or consult specialist advisers in Britain when this cost could not be met from public funds.
- Charles De Gaulle Bursary Scheme – To provide an opportunity for British and French students aged 17–19 to undertake a specific study project relating to the language or culture of the other country.

	UNRESTRICTED FUNDS	RESTRICTED FUNDS	TOTAL FUNDS
ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS	£'000	£'000	£'000
Fixed assets	221,551	60,204	281,755
Investments	94	1,317	1,411
Current assets	329,911	683	330,594
Current liabilities	(236,338)	(314)	(236,652)
Amounts falling due after more than one year	(20,411)	–	(20,411)
Total net assets	294,807	61,890	356,697

18 Commitments

(a) Capital commitments:

	2014	2013
	£'000	£'000
Contracted expenditure	1,555	1,357

Contracted expenditure includes £218,730 (2012–13: £nil) relating to subsidiary capital commitments.

(b) Specific charitable projects (grants):

	2014	2013
	£'000	£'000
To be undertaken in the following year	2,034	1,605

Grants to be undertaken in the following year includes £nil (2012–13: nil) relating to subsidiary charitable commitments.

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

	2014		2013	
	LAND AND BUILDINGS	OTHER	LAND AND BUILDINGS	OTHER
	£'000	£'000	£'000	£'000
In one year or less	5,009	201	5,210	7,695
Between one and five years	6,288	977	7,265	9,374
In five years or more	4,956	–	4,956	3,484
Total lease commitments	16,253	1,178	17,431	20,553

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

19 Losses and special payments

The following losses have been confirmed during the year:

During the year, there were 368 cases of losses totalling £2,666,024, as defined in Managing Public Money. This includes fraudulent and non-fraudulent business losses.

The total includes:

- The write-off of £1,741,215 of fees, which the British Council is unlikely to recover. A provision of £0.4 million was made in the year to 31 March 2013 for these fees; the remainder has been charged to the Statement of Financial Activities in the current year. No other individual cases were greater than £300,000.
- £401,496 (122 cases) of historic contract balances from 2007 to 2010, related to funds granted to beneficiaries under the Youth in Action agreement which were deemed ineligible for reimbursement to the British Council by the European Commission and which were provided for in the year to 31 March 2013.

During the year ended 31 March 2014, the British Council made no payments that fall within the category of special payments as defined in Managing Public Money.

20 Related party transactions

The Council is a Non-Departmental Public Body sponsored by the Foreign and Commonwealth Office (FCO).

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

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

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

There are some small balances receivable from these bodies at year end, and no balances payable.

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

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

ORGANISATION	TRUSTEE/BOARD MEMBER	RELATIONSHIP	GRANTS PROVIDED AND FUNDS DISBURSED UNDER CONTRACTS/AGREEMENTS	RECEIVABLE BALANCE AT YEAR END	PAYABLE BALANCE AT YEAR END
			£'000	£'000	£'000
Lancaster University	Christopher Kinsella	Fellow	606	10	–
Glasgow Caledonian University	Professor Pamela Gillies CBE	Principal and Vice Chancellor	517	5	–
Swansea University	Aled Eirug	Strategic Policy Advisor	587	11	–
The Open University	Martin Bean	Vice-Chancellor	95	1	(3)
Leonard Cheshire Disability	Martin Davidson	Trustee	49	–	–
Imperial College London	Martin Roth	Member	28	2	–
Parkside Community College	Helen Murley	Director	17	–	–
Sheffield Hallam University	Chris Kinsella	Board Member	11	10	(38)
Afghan Institute of Arts and Architecture	Paul Smith	Board Member	2	–	–
Charity IT Leaders	Laura Dawson	Trustee	1	–	–
Newsquest (Herald & Times) Limited	Tom Thomson	Managing Editor	1	–	–
The English Speaking Union	Lena Milosevic	Judge	1	–	(24)

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.

21 Contingent liabilities

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

The British Council is estimated to have contingent liabilities of £2.7 million (2012–13: £1.5 million) in relation to ongoing legal action and £0.2million relates to bank guarantees issued under various contracts, which may be called if the British Council does not meet its contractual obligations. No losses are expected to arise under these arrangements.

The British Council has a composite facility with respect to foreign bills/cheques for negotiation and/or engagements for a combined amount of US\$15,500,000 with our bank HSBC to cash foreign currency cheques that we receive or to issue bank bonds and guarantees on our behalf. During the year we cancelled a bond issued in Kazakhstan for €480,141 which was issued in September 2003. There are no bonds or guarantees under this facility outstanding at 31 March 2014.

22 Financial instruments

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

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

- Loans and receivables: the British Council values receivables initially at fair value and subsequently at amortised cost. The British Council does not intend to trade receivables and currently holds no loans.
- Assets available for sale: the only assets that the British Council holds under this category are cash and short-term investments as described below. These are stated in the accounts at fair value.
- Financial liabilities: the British Council's policy is that short-term creditors are recorded at carrying value and long-term creditors are reflected at amortised costs where reasonable timescales exist over which to discount and where this is materially different from carrying value.
- Financial assets and liabilities at fair value through profit or loss: the British Council uses forward foreign exchange contracts to reduce exposure to movements in exchange rates. These contracts are carried at fair value, and any gains or losses in fair value are recognised in the statement of financial activities.

Credit risk

The British Council is exposed to credit risk on trade debtors over 120 days of £4.9 million (2012–13: £3.8 million). Of this £4.9 million, £1.7 million relate to debts from the Syrian Ministry of Higher Education and a specific provision of £1.7 million has been made for the entire debt. The remainder of these debts relate to European Union and Middle Eastern projects on which the British Council is protected from financial risk provided criteria are met. In addition, experience in many overseas regions demonstrates that aged debts in this timeframe remain valid and collectable.

Bad and doubtful debts are provided for on an individual basis. Write-offs in the year for bad debts amounted to £1,562,019 (£589,306 in 2012–13).

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

Grants from government departments, principally the Foreign and Commonwealth Office, and charitable organisations comprise 19 per cent (2012–13: 22 per cent) of total income of the British Council. The remainder is funded through fees and income from services and competitively tendered contracts.

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

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

The British Council, as at 31 March 2014, held cash and short-term deposits amounting to £253 million (2012–13: £258 million), of which £109 million (2012–13: £122 million) was held in sterling, £48 million (2012–13: £46 million) was held in euros and £5 million (2012–13: £4 million) was held in US dollars. Other currency holdings amounted to £91 million (2012–13: £86 million). Of the total cash and short-term deposit balances of £253 million (2012–13: £258 million), £99 million or 39 per cent (2012–13: £87 million or 34 per cent) was held in overseas bank accounts of which £83 million (2012–13: £74 million) was held with banks incorporated in the UK and regulated by the Prudential Regulation Authority, £16 million (2012–13: £13 million), was held with overseas banks outside the UK bank portfolio. Counterparty risks relating to our banks' holding balances overseas are reviewed regularly and 97 per cent of all funds are held with banks with an S&P short-term deposit rating of A1 or greater.

At 31 March 2014, total interest income amounted to £2.6 million (2012–13: £2.9 million), of which £1.2 million (2012–13: £1.6 million) was earned in the UK and the balance of £1.4 million (2012–13: £1.3 million) attributable to cash invested overseas.

Currency risk

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

The British Council manages its exposure to foreign currency risk on cash balances by limiting operational funding balances in local currency bank accounts where possible to no more than working capital requirements. Where countries have deregulated foreign exchange controls any excess funds over and above working capital requirements are repatriated to the UK and then invested and/or held in convertible hard currency accounts.

The British Council operates a foreign exchange forward hedging programme to cover up to 80 per cent of euro and US dollar exposures, the objective being to assist in achieving budget certainty. The British Council's current US dollar and euro exposures are limited by significant natural hedges and as a result, the British Council held no open euro or US dollar forward foreign exchange contracts as at 31 March 2014.

Cash held overseas and considered to be trapped due to foreign exchange controls amounted to a sterling equivalent of £16 million (2012–13: £15 million) as at 31 March 2014. The British Council is actively seeking ways to manage and limit the effect of foreign exchange gains and losses on cash balances held in those currencies.

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

23 Contract activity as an agent

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

The resources from these contracts is analysed as follows:

	2013-14	2012-13
	£'000	£'000
Commonwealth Scholarships		
Contract income	31	15,195
Contract expenditure	31	15,195
Current assets	400	1,054
Current liabilities	400	1,054
Matt II		
Contract income	-	734
Contract expenditure	-	734

The Commonwealth Scholarships contract ended during 2013-14 and has been replaced under a new arrangement where the British Council acts as principal and not as an agent.

There were no current assets or liabilities relating to this contract at the year end.

24 Post Balance Sheet events

The financial statements were authorised for issue by the Accounting Officer and Trustees on the date shown on the audit certificate. Since the year end, there have been a few significant developments:

- The Triennial Review of the British Council has been published. We are working on our response to the 72 recommendations contained within it and are co-operating with the ongoing further analysis of the operating models which the review recommends.
- Our new Chief Executive, Ciarán Devane, has been appointed and will join the British Council in January 2015.
- HM Treasury has not granted retrospective approval for the salary of the new Chief Executive; whilst this does not prevent the appointment of the new Chief Executive as planned, this will be examined by the Comptroller and Auditor General as part of his audit of the 2014-15 financial statements.

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East Jerusalem
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Details were correct as at 31 March 2014.