

2022–23 Annual Report and Accounts

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Introduction and summary

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Message from Paul Thompson, Chair

It is a pleasure to introduce the British Council's annual report for the first time as I begin my role as Chair of the Board of Trustees. The organisation's incredible achievements this past year are plain to see in the pages that follow and I am thrilled to be joining Scott and the Board to deliver its important mission.

I have worked with the British Council throughout my career and hold its ability to build partnerships with the UK globally in high regard. I have seen first-hand the value of its work to promote our incredible higher education sector, to create new relationships in the arts across the world, and to enhance the reputation of the UK. It's exciting to see the commitment of the organisation to adapt in changing and volatile circumstances, whether that be the geopolitical context within which it operates, or in improving its own efficiency. I'm looking forward to everything that is to follow in my time as Chair.

I would like to echo Scott's thanks to our partners and colleagues everywhere we work, and to add my own to my fellow Trustees on the Board, in particular, to Sarah Sands for her service as Acting Chair, and to my predecessor, Stevie Spring CBE, for all of their dedication to and support for the British Council.

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Message from Scott McDonald, Chief Executive

This year has been one of progress and achievement for the British Council. We worked in over 200 countries reaching over 600 million people, creating thousands of opportunities to bring people, institutions and governments internationally together with the UK's arts and culture, education and English language sectors.

All of this furthered our purpose: to support peace and prosperity by building connections, understanding and trust between the people of the UK and countries worldwide. Our work has delivered impact for all four nations of the UK and for our partners, developing deep long-term relationships and increasing trust while enhancing the UK's influence.

As the world becomes more volatile, we have adapted in the UK and overseas.

Ukraine is one example of many where we continue to build trust in environments challenged by wars, climate change, or economics. In Ukraine, we provided access to free English resources through the war, transferring courses over borders and maintaining online teaching. We are supporting the professional development of 1 in 5 teachers of English in the country, as well as providing them with conflict and trauma training. Together with our partners at the Ukrainian institute, we delivered a bilateral UK/Ukraine cultural season, with the First Lady commenting: "we hesitated about whether art was appropriate in wartime; but we soon realised it is precisely during war that art is most important". During the season we worked with over two thousand artists and creative professionals, reaching audiences of almost 650,000, including at major UK festivals such as the Hay Festival, Cheltenham Literature Festival and Sheffield DocFest.

Increased volatility is felt everywhere, not only in countries directly affected. That is why we work with our partners to address it and support the UK's International Development Strategy. For example, our English and Digital for Girls' Education (EDGE) programme has benefitted over 18,000 girls in Bangladesh, India and Nepal, building English language, digital and life skills. It is now expanding into new geographies, aiming to benefit over 40,000 girls by 2025.

We worked with 40 governments globally to strengthen English in their education systems. We helped build educational and foundational skills, supported employability and positive pathways for young people and developed new creative responses to address the challenges of climate change.

Our support strengthened the skills and networks of young people, helping them to reach their potential, make positive life choices and gain meaningful employment. This includes building opportunities in the creative industries – for example skills development through the Cultural Protection Fund, protecting heritage at risk from conflict and climate change.

We worked with the UK Arts, Education and English sectors to enhance prosperity and trade. We remain an important stakeholder for the UK's education sector, increasing student mobility and delivering on the UK's International Education Strategy. The annual intake of international students contributes £41.9 billion to the UK economy,¹ and our research indicates the British Council influences 23% of those students to study in the UK.

We helped build educational and foundational skills, supported employability and positive pathways for young people and developed new creative responses to address the challenges of climate change.

¹

Universities UK figures

The British Council supports UK exam boards with overseas delivery of services such as UK school exams and UK qualifications. This generated £113 million in exports last year.

In the arts, the UK-Australia cultural season, delivered in partnership with the Australian and UK Governments, supported almost a thousand new connections between the UK and Australian cultural sectors, who were able to leverage British Council support to secure an estimated £13.8 million in additional funding.

We have also made considerable progress on our efficiency and internal operations. The pandemic led to multiple challenges for the British Council. However, we have emerged stronger, leaner and better able to deliver, while providing improved experiences for those who encounter us everywhere we work. This year, we completed the restructuring of our frontline operations, creating a more focused team supported by scalable global programmes. Our restructuring programme will now move to build our finance, HR, digital and other professional functions for the future with the best technology and efficiencies.

In the last year, our economic situation has improved. We increased income from our teaching and exams by over 17% to £601 million- an excellent result. We are on track to delivering projected savings of £185 million by 2024–25, and to generate a surplus by 2023–24.

In the coming year, we will continue to concentrate our support where we are strongest, connecting other countries with the UK's exceptional arts and culture, education and English language sectors. We will continue to invest in our expertise and ability to create impact so they remain world class. We will also build our digital offerings to further extend our reach and engagement.

Although we are not part of government and maintain our independence, we remain part of the UK government ecosystem. And we would like to thank our sponsors at the Foreign, Commonwealth and Development Office, other UK government partners, the governments of Scotland and Wales, and the Executive in Northern Ireland for their continued trust and financial support.

We also want to acknowledge our partners in the UK and across the world. Our work reaching and supporting millions would be impossible without the dedication, time and openness of thousands of institutions and thousands more individuals. No matter how you work with us, thank you.

And to our colleagues in the 100 countries where we have a presence, we are deeply grateful for your creativity, integrity and commitment. The British Council has existed for almost 90 years, but it would be nothing without the cadre of incredible professionals dedicated to building enduring relationships between the UK and other countries.

The counter to a more volatile world ultimately involves creating more understanding and trust between people. The British Council is important in the difficult times ahead and we are determined to continue to expand the impact we have in the UK and around the world.

We will continue to concentrate our support where we are strongest, connecting other countries with the exceptional arts and culture, education and English language sectors of all four nations of the UK to build trust.

About the British Council

We support peace and prosperity by building connections, understanding and trust between people in the UK and countries worldwide.

We uniquely combine the UK's deep expertise in arts and culture, education and the English language, our global presence and relationships in over 100 countries, our unparalleled access to young people and influencers and our creative sparkle.

We share our values and explore ideas. We have difficult discussions and find common ground. We create mutually beneficial relationships between the people of all four nations of the UK and other countries. This helps strengthen the UK's global reputation and influence, encouraging people from around the world to visit, study, trade and make alliances with the UK.

We work directly with individuals to help them gain the skills, confidence and connections to transform their lives and shape a better world in partnership with the UK. We support them to build networks and explore creative ideas, to learn English, to get a high-quality education and to gain internationally recognised qualifications.

We work with governments and our partners in the education, English language and cultural sectors, in the UK and globally. Working together we make a bigger difference, creating benefit for millions of people all over the world.

We take a long-term approach to building trust and remain at arm's length from government.

We work with people in over 200 countries and territories and are on the ground in more than 100 countries. In 2022–23 we reached 600 million people.

Most of our income comes from partnership agreements, contracts, philanthropy, teaching and exams, and we also receive grant-in-aid funding from the UK government.

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

Strategic priorities

Our strategic priorities summarise our response to the changing world. They help us make the biggest decisions and steer the development of our strategy and day-to-day actions. Our strategic priorities in 2022–23 are set out below:

1.

Focus on what we are best at:

We focus on young people, influencers and future leaders. We make an impact across arts and culture, education and the English language, where we have global leadership, and we invest to maintain our competitive edge. We link our areas of expertise to make our offers distinct, connecting people across local, national, UK and international networks. We combine quality and creativity and stay relevant through changing times. We are well-known in the UK and globally for what we do.

3.

Maintain collaborative independence:

Our work supports the international aspirations of all four governments of the UK, and we operate at arm's length from the political process to ensure we build long-term trust wherever we operate.

5.

Be professional and constantly learning:

We will be financially sound, diversify our sources of funding, simplify and be agile. We focus on data and evidence. We constantly evolve and get better.

2.

Deliver a unique mix of physical and digital presence:

We maintain the broadest face-to-face network, complemented with an ambitious digital offering. This combination of face-to-face and digital sets us apart from our competitors and delivers a unique experience for our partners and customers.

4.

Be one British Council with an attractive culture:

We act as a single organisation to maximise our impact and efficiency, while allowing the flexibility needed for each area of our operations to thrive. Partners' and customers' journeys across the British Council are seamless. Our people and our partners experience a culture that promotes excellence, respect, inclusion and diversity. We are environmentally responsible.

Details about these strategic priorities and how we have delivered against them are outlined in the **Performance** section of this report.

Strategy and objectives

Our strategy is published in the Corporate Plan for 2023–25. It maintains our focus on arts and culture, education and English and incorporates our strategic framework (see below).



Achievements

Our impact

In 2022–23 we reached 600 million people across the world and increased the number of people with whom we had a more qualitative, meaningful engagement from 98 million in 2021–22 to 111 million in 2022–23. In the UK and across the world, we helped 1,400 arts institutions to work in partnership. We also supported 430 further and higher education institutions to build partnerships focused on transnational education (TNE), joint teaching programmes, science and research.

Our work celebrated the diversity, creativity and innovation of England, Northern Ireland, Scotland and Wales. It built long-term, mutually beneficial and trusted relationships across the world to enhance the UK's influence and prosperity, and to contribute to the UK's international development ambitions and the reform agendas in the countries where we work.

A selection of our major achievements are summarised below:

- We delivered a full programme of activity in support of our **Ukraine** operation, working online or face-to-face in the UK and Poland. The **UK/Ukraine Season** reached an audience of almost 650,000, showcasing the work of 2,445 artists and cultural professionals across 20 UK cities. Through our Online Teachers Community platform, we have engaged with approximately 7,000 teachers since 2021, which is about one in five of all teachers of English in Ukraine. In addition, we have worked with over 1,000 Ukrainian teachers face-to-face in Poland, helping them to support young people and children who have suffered trauma as a result of the Russian invasion.
- 2022 was a momentous year for the **British Pavilion** at the 59th International Art Exhibition at La Biennale di Venezia. Commissioned by the British Council, Sonia Boyce's *Feeling Her Way* was awarded the prestigious Golden Lion award for Best National Participation – the first time that the UK has been awarded this prize since the prize's inception in 1986. *Feeling Her Way* was also the most visited British Pavilion exhibition to date, attracting a record 565,100 people during its seven-month run.
- The **UK/Australia Season** – a joint initiative led by the British Council and the Australian government's Department of Foreign Affairs and Trade – contributed towards reviving and reframing the UK–Australia relationship. The programme supported 987 new connections between the UK and Australia. It offered a vital platform for both the UK and Australian cultural sectors, who were able to leverage British Council seed funding to secure an estimated £13.8 million in additional funding for their work.

- Working with the UK education sector and GREAT campaign, we promoted the whole of the UK as a destination of choice for international students. We had 6.3 million visitors to our new **Study UK** website and 534,000 click throughs to UK university websites. The annual intake of international students contributes £41.9 billion to the UK economy according to Universities UK figures, and our research indicates the British Council influences 23% of those students to study in the UK.
- UK and India signed a memorandum of understanding in July 2022 to recognise academic qualifications within the two countries. This will expand co-operation and exchange between UK and Indian higher education bodies and boost opportunities for students, fulfilling an important milestone in the **2030 India–UK Roadmap** and making UK higher education even easier to access and more appealing to Indian students.
- We made significant progress globally, increasing the number of jurisdictions where UK qualifications are accepted. We facilitated 93 interventions on the acceptance and retention of UK qualifications and the expansion of UK transnational education (TNE). This included the signing of bilateral government-to-government agreements in Nigeria and Viet Nam, which will pave the way for UK education providers to offer TNE programmes with local partners.
- Our English programmes had meaningful engagement with over 50 million teachers and learners around the world. English teachers and teacher educators worldwide accessed our free, high-quality professional development events and resources, with 6.8 million users on our **TeachingEnglish** website in 2022–23. Confidence in English is positively associated with trust in the UK and intent to engage and trade with the UK. It can help address issues of equity and change people's lives for the better by increasing their opportunity to study or work in their own countries or abroad.
- 3.3 million people chose the British Council for life-changing UK qualifications. We delivered 1.8 million **IELTS** tests in 2022–23 (compared to 1.6 million in 2021–22), 910,000 **school exams** (compared to 842,000 in 2021–22) and 665,000 **professional and university exams** (compared to 645,000 in 2021–22).
- During COP27, we worked closely with the UK Government and Egyptian counterparts and were active in the **UK–Egypt Green Partnership**, showcasing UK expertise and the importance of arts, education and English to address the climate crisis.

Our organisation

During 2022–23 we increased our total income, increased our digital engagement and improved customer experience.

We continue to become a more efficient and effective organisation, delivering better value for money at minimum cost to the UK taxpayer. For every £1 of government grant-in-aid from the Foreign, Commonwealth and Development Office (FCDO), an additional £4.30 was generated from other sources compared to £3.90 last year (see **Financial review**).

Our main organisational achievements are summarised below:

- Our English teaching and assessment activities continued to recover as the world gradually reopened from Covid-19. Our total income from teaching and exams grew by 17.2% from £513 million in 2021–22 to £601 million in 2022–23 (see **Financial review**).
- We completed the restructuring of our frontline operations and remain on track to deliver projected savings of £185 million between 2021–22 and 2024–25.
- We improved our customers' experience, and the quality of our assessment offers. We achieved this through the development of new assessment products such as IELTS Online, improved support for test preparation through the launch of IELTS Ready: Premium, and through general improvements to the test-day experience.
- We continued the acceleration of digital/online delivery, including through English Online and digital arts programmes. We engaged with 95.6 million people through live and recorded virtual events compared to 86.3 million last year. And we reached a further 206 million people online compared to 202 million last year.
- We continued to manage the reduction of our carbon footprint and are on track to meet our 2025 target to reduce our total carbon footprint by 33% against the 2017–18 baseline.
- Staff morale improved, evidenced by our Global People Survey. Engagement scores increased by five percentage points to 55 compared to the previous survey which was conducted in February 2022.
- Our colleagues demonstrated outstanding resilience and commitment in continuing to build mutually beneficial relationships during difficult times and in response to major geopolitical events.

Activity and performance

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Our programmes and services

All of our work is carried out under the three sectors of arts and culture, education and English. The table below shows how many people we engaged with by sector.

Audience type	2022–23 result				
	Sector				
	Arts and culture	Education	English	Cross-cutting ²	Total
Meaningful engagement face-to-face	6,059,080	6,109,966	2,732,606	360,565	15,262,217
Meaningful engagement online	19,658,247	24,594,969	51,358,632	6	95,611,854
Total meaningful engagement	25,717,327	30,704,935	54,091,238	360,571	110,874,071

Social media reach	2,569,373	6,456,250	32,028,544	7,122,711	48,176,878
Website reach	5,575,475	21,538,681	167,558,821	11,005,130	205,678,107
Publication and broadcast	142,838,496	99,985,003	101,933,132	1,208,000	345,964,631
Total reach	150,983,344	127,979,934	301,520,497	19,335,841	599,819,616

Over the course of the year we have worked in over 200 territories across the world online and face-to-face. As summarised below we have prioritised key geographies aligned to wider UK government priorities:

Indo-Pacific

We supported the UK's strategic priorities across the Indo-Pacific. We supported for instance the UK's ASEAN Dialogue Partner status through scholarships and higher education collaboration and helped deliver the UK-India Roadmap through our Season of Culture. We delivered world-class arts and culture programmes in Australia and New Zealand and celebrated 75 years of our work with Indonesia and Malaysia. In China we facilitated 240 UK-China TNE partnerships and provided 200+ UK institutions with China insights.

² Cross-cutting is applied where activity spans the different sectors.

The European Union

In the EU, we helped position the UK as a preferred partner in Arts, English, and Education. We focussed on mobility, creating exchange networks, and ensuring access to language skills and qualifications. Highlights included the People to People program developed over the last eight years in the Baltic States, to foster social cohesion, access to culture, education, and 21st-century skills. The 2022 CoMuseum conference, in partnership with the Benaki Museum, the US Embassy, and the British Embassy in Athens, drew over 1600 participants from global cultural institutions, both in-person and online.

Sub-Saharan Africa

In Sub-Saharan Africa, aligned with UK and the region's priorities, our focus is on empowering the next generation and communities to unlock their potential, develop the economy, enhance resilience and foster new connections and mutually beneficial partnerships between Africa and the UK. We focus on higher education, school partnerships, TVET, non-formal education, skills enterprise, creative industries, and English assessment and qualifications. A noteworthy achievement is the expansion of our exam initiatives throughout the region.

We have also delivered programmes across all four countries of the UK:

- In Wales: we supported the launch of Wales/France as a partner to the Welsh Government, and we played an important role in supporting Wales through our culture and education programme during the men's football World Cup in Qatar.
- In Northern Ireland: our Peace and Beyond work put arts and culture at the heart of the 25th anniversary of the Belfast/Good Friday Agreement in partnership with institutions across Northern Ireland. We also continued to deliver Northern Ireland's international outward mobility scheme, Study USA, which was set up almost 30 years ago to connect young people with higher education opportunities across the US.
- In Scotland: we displayed our commitment to connecting Scotland with the world through the Edinburgh International Culture Summit – which was delivered in a partnership including the Scottish and UK governments. In higher education we supported the Connected Scotland programme at Going Global 2022 and delivery of the EARTH Scholarship Programme with the Scottish Graduate School for Arts and Humanities.
- Wider UK events: we took part in a series of large-scale civic and cultural public engagement moments across the UK – including Coventry City of Culture, the Commonwealth Games in Birmingham, UNBOXED: Creativity in the UK, Her Majesty the Queen's Platinum Jubilee, the 75th anniversary of the Edinburgh Festival and BBC 100. Through these events we connected UK and global audiences.

Arts and culture

We strengthen creative and economic development and build trust through connections, collaboration and learning between the arts, culture, heritage and creative industry sectors in the UK and internationally.

Our work in Arts and Culture connected artists and creative organisations from all four nations of the UK with their peers in other countries and introduced audiences to new work from the UK in all artforms, including a growing programme building connections through creative technology. National anniversaries in India and Pakistan created opportunities for extensive programmes of cultural exchange, and we supported Ukraine to showcase the breadth and depth of their cultural sector in the UK. Research highlighted opportunities to tap into the economic and social benefits that come from strong creative economies and our work helped to influence policies designed to support the creative industries to thrive. We initiated cross-border cultural collaborations, throwing new light on some of the most critical challenges facing the world today including the impact of climate change on vulnerable communities; the threats to tangible and intangible heritage from conflict and the environmental crisis; gender equality, cultural rights and inclusion.

Cultural exchange

We connect the UK's arts and culture sectors with their peers and with audiences internationally, driving greater engagement with and favourability towards UK arts and culture.

UK/Ukraine Season

The season was originally conceived as a bilateral programme in partnership with the Ukrainian Institute (Kyiv) to mark 30 years of diplomatic relations between our two countries. After the full-scale Russian invasion of Ukraine in February 2022, the season was re-imagined as a UK platform for Ukrainian creatives to support the changed needs of Ukraine's cultural sector. The season, themed 'Future Reimagined', featured Ukrainian work at major UK festivals such as Sheffield DocFest, Cheltenham Literature Festival and Hay Festival, reaching audiences of almost 650,000 and showcasing the work of 2,445 artists and cultural professionals. Across 20 UK cities, live cultural events served as platforms for artistic expression while online programmes built deep connections through 36 collaborative projects.

India and Pakistan seasons

We marked the 75th anniversary of India's independence and Pakistan's founding through two ambitious seasons of culture.

The India/UK Together Season celebrated connections across the arts, education, science and the English language. Supported by Oscar-winning composer AR Rahman as our season ambassador, the programme brought together 51 partners to deliver 91 cultural events in 21 cities across India and the UK. Through the year, the season engaged nearly 2,000 emerging and established artists and reached an audience of over 14.3 million people in the UK and India.

UK/Pakistan: New Perspectives focused on challenging perceptions, particularly among the younger generations in both countries. Working with 55 partners, the season delivered 25 projects over the year, reaching an audience of nearly 750,000 people, including 683 established and emerging artists from the UK and Pakistan.

UK/Australia Season

Concluding in December 2022, the UK/Australia Season – a joint initiative led by the British Council and the Australian Government's Department of Foreign Affairs and Trade – achieved great success in reviving and reframing the UK-Australia relationship. The programme supported 987 new connections between the UK and Australia and offered a vital platform for both the UK and Australian cultural sectors, who were able to leverage British Council seed funding to secure an estimated £13.8 million in additional funding for their work.

Across the 15-month programme, 277 arts and education events were delivered, involving 1,707 artists and practitioners and reaching an audience of over 800,000 people. The British Council in Australia continues to support legacy projects in-country and has agreed a new partnership with the UK's Department of Business and Trade and the British Phonographic Institute to support UK House at the inaugural SXSW Sydney in October 2023. This will boost the UK's presence and opportunities for both business and cultural exchange across the music and immersive creative technology sectors.

Creative economy

We develop the creative economy as a key driver of sustainable, dynamic and inclusive growth, with the UK being recognised as a global leader.

Helping to develop the creative economy in Iraq

Throughout 2022, the British Council's pioneering creative economy programme in Iraq engaged stakeholders across the country's creative ecosystem. Following on from the 2022 Creative Iraq Mapping Report, the first ever Iraqi creative economy delegation visited the UK in March 2023 for a week-long exchange with UK and international creative economy stakeholders. The delegation included representatives of the Ministries of Culture in Federal Iraq and the Kurdistan Region of Iraq as well as emerging creative professionals and entrepreneurs. The exchange was a valuable opportunity for Iraqi leaders and influencers to connect with UK sector representatives.

As a result of this visit, the delegates have set up the Creative Iraq Steering Group, which aims to catalyse the development of the Iraqi creative economy by providing a forum for exchanging ideas, creating networks, addressing barriers to development, and exploring and promoting opportunities.

Participating in the World Conference on Creative Economy

In October 2022, the British Council partnered with the Indonesian government, the United Nations Conference on Trade and Development, and KADIN (Indonesia's Chamber of Commerce) to host an event at the World Conference on Creative Economy in Bali. An official side event for Indonesia's G20 Presidency, the conference was attended by 800 people and 200 people online from 54 countries.

As a knowledge partner, the British Council supported the participation of leading UK speakers and hosted two sessions and an exhibition showcasing work from the G20 Creative Commissions project. At the end of the conference, Uzbekistan was announced as the host of the 2024 conference and the British Council has been invited to join the international steering committee.

Supporting creative leadership in Mexico

We ran the fourth edition of the Mexico Creative Leadership Programme in collaboration with Edinburgh Napier University and Counterculture Partnership LLP. This year, the programme worked with a group of ten creative leaders from across Mexico, each representing a different art form. Over the course of a highly intensive one-week fellowship in Scotland, participants were encouraged to explore the principles of creative and sustainable leadership. The programme helped empower participants to influence and shape their respective industries, encouraging them to spearhead impactful change within their communities.

Supporting the fashion industry in Kenya

In Kenya, we launched the third iteration of our Creative DNA programme, supporting the development of the country's fashion industry. To date, the programme has incubated 51 creative businesses and, through strategic partnerships between Kenya and the UK, has supported research and insight, policy and advocacy, and business. Working directly with micro- small and medium enterprises, and leaders across the creative economy, the programme is demonstrating the potential of the fashion sector in Kenya as a professional choice for young people and a valuable contributor to the creative economy.

Culture responds to global challenges

We support the arts sector to respond to global challenges of inclusion and sustainability by capacity-building and developing networks, celebrating best practice and giving people access to international showcasing platforms

Cultural Protection Fund

Our flagship Cultural Protection Fund, in partnership with the Department for Culture, Media and Sport, launched its new three-year programme to protect heritage at risk from conflict and climate change in 16 countries. The fund awarded £14 million to 17 new large, multi-year projects. Projects include the revival of Islamic monuments in Cairo, protection of an endangered dialect of Swahili in Kenya and the rehabilitation of a 19th-century palace in Yemen.

Unlimited – growing international connections and networks across arts and disability

This year was an important one for the expansion of the British Council's work across arts and disability. In 2022 we agreed nine new micro-grants and eight new International Partner Awards, enabling UK professionals to explore international collaboration and build new partnerships. We also supported the 2022 Unlimited Festival run by the Southbank Centre in London. The Unlimited partnership is increasingly focusing on countries eligible for official development assistance that have historically had less access to exchange and support. It is also providing rich new spaces for learning for UK disabled artists and their international peers.

Building communities in South Asia

Our team in South Asia hosted three Women of the World (WOW) Festivals – in Nepal, Pakistan and Bangladesh.

Organised against the backdrop of the floods of 2022 – which affected the lives of millions of people, especially women, in Pakistan – WOW Karachi 2023 provided a vital space for communities to come together to address the challenges of environmental justice, social inequity and gender rights. Under the theme of 'Ral-mil', meaning integration and joining, more than 100 artists, performers, speakers and workshop facilitators came together to reflect, evaluate and garner strength as a community to move forward. Over two days 8,274 people attended the festival, while 70,000 people viewed the livestream and 5.3 million were reached through social media channels.

Reaching global audiences through Five Films for Freedom

In March 2023, our annual Five Films for Freedom programme – run in partnership with BFI Flare: London LGBTQIA+ Film Festival – reached a global audience of over three million people. The five LGBTQIA+ themed short films in this year's programme were from Nigeria, Guyana, Northern Ireland, Cyprus and South Korea. Since we began in 2015, over 23 million people have viewed our annual Five Films selections, watching in more than 200 countries and principalities, including many parts of the world where homosexuality is criminalised and, in some cases, punishable by the death penalty.

Education

Education is particularly effective at building trust and understanding because it reaches young people at a formative stage and positive experiences stay with them all their lives. The UK's strength in education makes it an excellent partner for people-to-people, institution-to-institution and government to-government connections.

Our work promoted study in the UK to support young people's education and helped bring new ideas and knowledge to UK campuses. We brokered and enabled education partnerships in basic education, technical, vocational education and training (TVET), higher education and research. This helped build stronger connections and collaboration between the UK and countries around the world, growing global capacity, improving the quality of education systems and helping ensure the UK was a central player to meet the increasing global demand for transnational education (TNE) programmes.

We also worked with young people and future leaders outside of the formal education system, supporting them to gain new skills and to take positive action on the big global challenges that affect their lives and communities.

Our delivery was guided by the International Education Strategy, by the education priorities of all four governments of the UK, and by the Sustainable Development Goals, supporting inclusive and equitable quality education and promoting lifelong learning opportunities for all.

Student mobility, scholarships and alumni

We support the higher education sector to attract international students to the UK and create opportunities for UK students internationally. We support a lifelong engagement with international students.

Study UK: Promoting the UK as a top choice study destination

The Study UK campaign is delivered by the British Council in partnership with the UK government's GREAT Britain campaign.

The campaign is delivered through a combination of global, regional and local activity on a variety of channels, based on insight and in consultation with the UK's higher education sector. On a global level, the campaign drives awareness and consideration of the UK as a study destination through digital marketing campaigns, delivery of the GREAT Scholarships, alumni engagement through the Alumni Awards, a range of campaign content made available to stakeholders, regional teams and institutions, and free online courses. In-country, British Council teams reinforce the campaign through events, agent and counsellor engagement, fairs and roadshows, and local media engagement.

In 2022–23, we launched a new Study UK website. We had over 6.3 million unique visitors to the website with 534,000 click-throughs to university websites, with both figures a significant improvement on last year. We also worked with 150 universities across England, Scotland, Wales and Northern Ireland.

In March 2023, over 170 international scholars gathered at the University of Glasgow's Hunterian Museum to celebrate international study in the UK. Key speakers highlighted the valuable contribution international scholars make in Scotland. Representatives from Scottish universities, the Foreign, Commonwealth and Development Office and our event partner hosts – Universities Scotland, Scottish Universities Inclusion Group and the Scottish government – were in attendance.

We collaborated with Universities Wales to deliver a social media campaign in March 2023 that showcased the amazing student experience in Wales. Eight international students captured footage of themselves doing a variety of activities across the nation. Content ranged from blog features and posts to interactive quizzes, student testimonials, videos showing international students experiencing what Wales has to offer and an Instagram takeover by Swansea University. The campaign received over 12.7 million impressions, 2.6 million engagements, two million video views and 60,000 link clicks.

Offering international opportunities for UK students

In Northern Ireland we deliver the Study USA programme on behalf of the NI Executive. Study USA is a well-established outward mobility programme, which next year marks its 30th anniversary. Annually 50-60 students from Northern Ireland's universities and colleges benefit from a year-long scholarship to colleges and universities spread across the US. Study USA provides graduates with an international perspective who return home with skills and experience which support them in making a contribution in advancing the Northern Ireland economy. The programme and its participants are highly regarded within the network of 140 partner institutions across the US, strengthening connections between the two countries.

Creating a global alumni of international students

Alumni UK is the new global network for people from around the world who have studied in the UK as an overseas student or on a UK transnational education (TNE) programme overseas. The programme extends international students' connection with the UK and each other once they have finished their studies, giving them the opportunity to join a global community and to develop their skills to further their careers and to contribute to wider society. It helps build long-term engagement with and favourability towards the UK. As well as providing alumni with an online networking and careers and employability offer, the British Council engages with alumni through activities in-country and by supporting alumni associations.

We officially launched Alumni UK on 28 November 2022 with an event at the British High Commissioner's Residence in Singapore, attended by 400 international UK alumni. Since the launch, more than 28,000 alumni from over 100 countries have registered. To date, Alumni UK has delivered 22 online training sessions for over 2,000 alumni from around the world.

Education partnerships

We facilitate higher education, TVET, science and school partnerships between the UK and other countries to develop better quality, more inclusive and globally connected education systems and contribute the UK's knowledge to international education.

Bringing together education leaders from around the world

The Going Global Asia Pacific 2022 conference was hosted in Singapore, marking 75 years of the British Council's presence in Singapore. The Indo-Pacific is home to almost half (47%) of the UK's international students travelling from the region. The event brought together leaders of tertiary education from over 80 countries, increasing global partnerships and networks between universities, students, practitioners and higher education leaders. Delegates included heads of state, government ministers, vice-chancellors and college principals, CEOs from educational organisations, policy advisers and the media. The evaluation showed that 84% of delegates felt the event was effective at showcasing the mutual benefits of international collaboration and 62% felt the event was useful in terms of building their networks.

Educational Empowerment for Zimbabwe's School Leaders

We are building the capabilities of school leaders in Zimbabwe's primary and secondary schools through a partnership with the Ministry of Primary and Secondary Education. The Leading Learning for Gender Equality programme has a particular focus on addressing the challenges faced by girls while improving the quality of teaching and learning. Key topics covered in the program include instructional leadership, crafting a school vision, addressing gender-biased teaching practices, designing school projects, and understanding relevant ministry and school policies.

Building creative links in higher education

Working in seven countries – Ukraine, Kazakhstan, Uzbekistan, Kyrgyzstan, Azerbaijan, Armenia and Georgia – between 2018 and 2023, Creative Spark helped build enterprise skills, develop the creative economy, and support higher education reform. This included funding and developing 50 bilateral partnerships between the UK and these countries in higher education and creative institutions.

Creative Spark created significant benefits, including supporting sustained engagement of UK higher education institutions with strengthened connections and reputation across these countries. Eighty-two per cent of UK partners reported that their partnership was mutually beneficial and 88% developed an expanded network.

Impact from Creative Spark can be seen at the individual, institutional and systematic level, including the creation of 193 new courses or modules, the development of the Quality Practice Framework for Enterprise Education in Uzbekistan, and the foundation of the Georgia Enterprise Educators Alliance.

Training women scientists in Mexico

Mentors in Science is an initiative in Mexico to train women scientists, who are part of the National System of Researchers, to mentor young women researchers in their professional career. It has so far included 180 mentors, who have supported more than 500 mentees. Ninety-four per cent of mentees believe they have developed the skills needed to pursue their career goals. Half of the mentors involved have already started planning to implement an ongoing mentoring programme within their institution. In Mexico, the programme is helping to position the UK as an ally in the support of women researchers in STEM.

Supporting educational outcomes for Palestine refugee students

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the British Council signed an agreement in June 2022 to strengthen an existing education programme. The agreement includes our support to schools, to build the capacity of teachers and address local and global issues such as climate change, gender equality and the use of information technology in education. It also provides an opportunity to expand the agency's English language programme in schools in the West Bank, East Jerusalem, Gaza, Jordan, Lebanon and Syria, benefiting over half a million Palestinian refugee students.

Non-formal education

We empower young people and future leaders through skills development to contribute to trust-building, cohesion and stability in their societies and to represent their communities on a local and national stage.

Creating networks of young people across Europe

Through our Stronger Together programme, co-funded by the EU, we have worked with over 269,000 young people across Europe, creating opportunities for them to learn, connect and influence. The programme has four strands: AI for the Common Good, Climate, Gender Equality and Social Cohesion. It is delivered in partnership with 18 organisations across the UK and the EU.

Activities to date have included hackathons, a study visit to London and a youth policy dialogue for young people interested in using AI to identify innovative solutions on how to tackle social and environment challenges. Another highlight was a workshop in Romania for 55 Ukrainian people aged 16 to 24, who had fled Ukraine due to the conflict. It aimed to understand the socio-emotional needs of young refugees to help design future programming.

Supporting civil society in Ethiopia

The Civil Society Support Programme Phase 2 (CSSP2) has contributed to a change in federal legislation that will offer better protections to civil society organisations across Ethiopia. CSSP2 supported the set-up of the new Ethiopian Civil Society Organisation Council (ECSOC) and worked with them to run workshops, training and consultations supporting the development of the new law. Jimma Dilbo, Director of the Authority for Civil Society Organizations, said: 'CSSP2 provided capacity development programmes to the whole sector ... The foundational trainings they provided have impacted how we do our work. CSSP2 staff are also our role models ... I can boldly say that if CSSP2 was not our partner, we wouldn't be able to achieve what we have achieved.'

UK qualifications

We create opportunities for people everywhere to achieve their potential by taking UK qualifications.

Transforming schools through the British Council Partner School's Schools Now! conference

British Council Partner Schools is a global community of more than 2,000 schools. It supports over 100,000 teachers and touches the lives of around one million students each year who take English curriculum school exams such as IGCSEs and A-levels.

This year's Partner Schools conference, Schools Now!, took the theme of 'Transforming Schools: Leadership at all levels'. It was a unique opportunity for participants to share ideas and best practice and to learn from experts and peers in the field. The conference welcomed over 300 in-person delegates, with more than 1,700 joining virtually from over 35 countries. Schools Now! fosters educational innovation across our Partner Schools global community.

Bringing together attendees from over five regions, this annual global conference helps support the mission of the British Council in building connections, understanding and trust through education.

The British Council offers university admissions tests across the UK

The British Council delivered over 2,000 admissions tests in 29 locations across the UK for students applying for the top-ranking universities between October and November 2022. This was an expanded collaboration with Cambridge University Press & Assessment, focusing on widening access and removing financial barriers for eligible students. Our centre network provides additional access to the tests, particularly for students who are not in school or where the school is unable to run the tests. This year 589 students who are from financially disadvantaged background benefited from a new test voucher scheme, effectively waiving their test fee.

Aileen Zahera took the BioMedical Admissions Test to support her ambition to study dentistry at the University of Leeds. She commented: *'It's great to know the British Council is ensuring that disadvantaged students have the same opportunities as people who are better off.'*

English

English is a global language for communication. It is the principal language of science, trade, tourism, the internet and of higher education and academia. English language skills increase opportunities for all, including girls, women and marginalised groups across the world.

Through our work in English language teaching (ELT), assessment and system reform, we enabled people around the world to improve and prove their English language skills. Our work with governments around the world helped address issues of equity, supporting access for women and girls and other marginalised groups. Across all our work we continued to promote the UK as a leader and trusted partner in supporting a wider knowledge of the English language.

Systems

We enable education systems to support inclusive, quality teaching, learning and assessment of English, widening knowledge of the English language and empowering people to access global opportunities and connections.

Improving language proficiency of teachers in Rwanda

We launched the **Secondary Teachers English Language Improvement Rwanda (STELIR)** project, a blended model of intensive in-person and online training courses for English language teachers and teachers of STEM subjects at lower-secondary level. The STELIR project is the British Council's first collaboration with the Mastercard Foundation and aims to improve the English language proficiency of up to 7,000 pre- and in-service lower secondary teachers in the Rwandan state education system across up to 14 districts. This partnership is based on the lessons learned during the Building Learning Foundations (BLF) project. BLF is a six-year UK aid-funded primary literacy and numeracy project delivered by a consortium of UK charities: Education Development Trust (lead), VSO and the British Council. BLF works in every state and government-aided primary school in the country and has trained over 42,000 teachers.

Bilingualism in Colombia

For the first time in Colombia's history, a city has been able to secure the funds for an ongoing eight-year English Language Policy. This happened in Barranquilla, Colombia, when the City Council officially passed the law creating the Bilingualism Plan for Public Schools with the overall purpose of implementing a high-quality bilingual education for its public school system and transforming Barranquilla into a bilingual territory. This decree included the historic appropriation of future funds from 2023 to 2030 (an equivalent of more than £12 million).

In the first year of implementation, we reached 889 teachers, 154 schools through onsite mentorship, and approximately 42,000 primary students. The eight-year programme has a robust theory of change and is currently collecting baseline data with a sample of around 13,000 students.

'I am very grateful for this project between the British Council and the Secretary of Education of Barranquilla because just as the children learn, teachers also want to learn English and I love to share with all my children the learning that I have every day.'

Ana Toncel, teacher, Barranquilla

Empowerment

We support empowerment of girls and those affected by conflict to make more informed life choices in the future by building their English language, digital and other skills.

Empowering girls in South Asia

English and Digital for Girls' Education (EDGE) aims to improve the life prospects of girls in marginalised communities in India, Nepal, Bangladesh and Pakistan. Over 18,000 girls have benefited through the programme to date. This year we introduced the programme in Pakistan in collaboration with Muslim Hands International. It is setting up 45 EDGE clubs in ten different locations with safe spaces where girls can improve their English and digital skills and discuss social issues. So far, this has engaged over 500 adolescent girls and trained over 100 peer group leaders to lead the clubs in their respective locations. We are expanding the programme into new geographies, aiming to benefit 40,000 girls.

Teaching and Learning in Difficult Times

This initiative was an immediate response to teachers' needs for practical approaches to teaching in challenging circumstances in Ukraine. The programme emerged in response to about 1,500 teachers' feedback to a needs analysis conducted between May and June 2022 and presented at the Ukraine Conference on 1 July 2022 in London.

The three-day teacher professional development course is based on British Council Language for Resilience expertise and helps teachers identify the inherent teaching and learning difficulties that appear in conflict areas and explore ways in which teachers support learners. The content focused on creating a trauma-sensitive learning environment, managing challenging behaviours and making classrooms a safer space for learners.

From August until March 2023, the course was delivered to 1,078 teachers of English across Ukraine, including those who were displaced or worked with displaced learners. The face-to-face training activities were conducted in Poland for security reasons and seemed to be a cathartic experience for participants, who spent time with other teachers, sharing thoughts and experiences in a safe space.

Teachers felt that the new knowledge, skills and practices they had learned through the programme would improve their teaching practice, and almost all of them reported that they were going to apply what they had learned in the classroom.

Teaching and learning

We support the professional development of individual teachers and teacher educators and teach English across all ages to help build core skills, critical thinking and shape new ideas.

Winning prizes for English Online

Our English Online business grew significantly in 2022–23. Demonstrating our commitment to excellence, we bolstered our customer base, delivering courses to nearly 25,000 individuals.

As a testament to our commitment to innovative education, English Online was named a finalist in the esteemed BETT awards 2023 and clinched two accolades, including the prestigious "Language Learning Company of the Year" at the World HRD Congress Awards in India. These accolades underscore our dedication to advancing the frontiers of language learning, reinforcing our position as a trailblazer in the industry.

'I live in a rural area where I have to walk for over 30 minutes just to get to the nearest bus station. Online English courses are a necessity in my situation. I can schedule my own classes, choose my own pace and choose the teacher I study most effectively with – the system is very flexible. I am so grateful to your organisation for this opportunity. Thank you!'

Valeriya, Cheshire

Connecting students around the world

We also further expanded our transformative initiative, Connecting Cultures, in 2022–23, enriching the educational experience for our students on a global scale. Designed as a distinctive platform, Connecting Cultures offers a unique avenue for British Council students from diverse corners of the world to engage in meaningful cross-cultural communication, facilitated through the shared medium of English, serving as a ‘lingua franca’. This innovative approach empowers them to collaborate on authentic real-world tasks while gaining profound insights into different cultures and exploring topics of mutual interest among peers of similar age groups.

Our face-to-face teaching continues to grow

The resurgence of in-person teaching, following the pandemic, continues. Total student enrolments globally increased by 13% in 2022–23. This growth is a testament to our commitment to providing quality in-person learning experiences, coupled with the use of innovative online resources. Our dedication to excellence remains evident as parents continue to place great value on our high-quality in-person classes. Our adult classes saw an impressive 20% year-on-year expansion. This highlights the versatility and adaptability of our teaching methodologies, catering to a diverse range of learners.

Assessment

We provide English language assessments, enabling individuals to access life, study or work opportunities internationally or in their own countries and change lives.

IELTS support for Home Office

IELTS continues to remain an important partner for the Home Office through delivery of the UK Visa and Immigration (UKVI) secure English language test concession. In 2022–23 we delivered the majority of the UK’s Secure English Language Tests overseas. We have supported UKVI in implementing the points-based immigration system, and in particular the growth of the Skilled Worker Route, an important catalyst for the UK’s post-Covid-19 economic growth plan. We are trusted for our experience and the advice we can offer.

Providing online support for IELTS test takers

IELTS Online has been launched across more than 50 markets and can now test up to 1,600 test takers per week. It is the most recognised remotely proctored high-stakes English test in the world, providing an at-home option for the market-leading IELTS test.

This year British Council IELTS significantly improved its offer in test preparation. IELTS Ready: Premium, launched at the end of the year, provides an unmatched range of support activities for British Council IELTS test takers. We also modernised our IELTS on Computer technology, which now provides a much smoother test-day experience for test takers, reducing the time needed for the test event by at least 20 minutes. By the end of the year, we had transferred to the new platform in 54 countries, delivering over 30,000 tests. Complete transition is expected by the end of 2023.

English assessment in India

We have worked to create new partnerships, business models, products and services that address opportunities to support English language assessment needs in India. Through new strategic partnerships we have created an assessment product for the Indian vocational sector, extending our product range and offering more integrated and complementary solutions to our customers. This work supports our vision of replacing our IELTS and library presence with an English and exams offer that meets the needs of the country’s employability market.

Performance

The summary of performance in this section is presented against each of the strategic priorities outlined in the **Strategy** section of this report.

Focus on what we are best at

We have covered our performance against this strategic priority in the **Achievements** and **Programmes and services** sections. Here we present some more detail on scale and quality.

Objective: More people meaningfully engage with us

In 2021–22 we introduced the concept of meaningful engagement, which comprises face-to-face, exhibitions, virtual live and virtual recorded events. In 2021–22 we had meaningful engagement with 98 million customers and in 2022–23 this rose to 111 million, an increase of 13 million. This is mostly due to increases from our Study UK campaign, training more teachers in our English programmes and more engagement on our English websites, especially LearnEnglish.

Meaningful engagement figures:

All figures in millions	2020–21	2021–22	2022–23
Face-to-face People participating in activity where they come into personal face-to-face contact with others, including teaching centre students, examination candidates, teachers and learners	6	8.5	8.1
Exhibitions, festivals and fairs, and performances People attending exhibitions, live arts performances, and arts and education fairs and festivals	0.8	3.4	7.2
Virtual live Attendees to a live virtual event	9.3	9.6	5.3
Virtual recorded Viewers of a recorded virtual live event	17.5	76.7	90.3
Total:	33.6	98.2	110.9

Deliver a unique mix of physical and digital presence

Objective: Significant growth in quality digital delivery and reach

Our overall reach in 2022–23 was 600 million, 50 million below target – and 48 million behind 2021–22 – mostly due to scaled back broadcast activity in some of our programmes, including one of our education contracts (AAWAZ II) in Pakistan. However, English and arts are ahead of target. Despite this, online and social media reach is broadly in line with performance last year. We continue to improve our digital approach, including by focusing on building infrastructure and developing new innovative approaches to support our products and programmes.

Reach figures:

All figures in millions	2020–21	2021–22	2022–23
Digital social media and learning Through digital professional, educational and English learner communities on social networks	51.2	50.7	48.2
Digital online audience Audiences to British Council digital arts, education and English (including teaching and examinations) content – through websites, mobile devices and applications	195	202	206
Broadcast and publications People participating by watching, listening to or reading British Council-produced or co-produced content in television services, via radio and in print	466	395	346
Total:	712.2	647.7	600.2

Objective: Maintain our physical presence through more flexible operating models

We continue to maintain our physical presence in 102 countries including across the UK in Northern Ireland, Scotland and Wales. As outlined elsewhere in this report, we have structured our front line operations to provide more flexible operations and greater focus in the delivery of our programmes and services.

Maintain collaborative independence

Objective: Better relationships and alignment with government and sector stakeholders across the whole of the UK and overseas

In April 2022, we secured a three-year Comprehensive Settlement Review of more than £500 million, bringing greater levels of certainty to the organisation. The Integrated Review Refresh was published in March 2023, citing the British Council (and the UK's wider soft power assets) as a key strategic advantage.

Our contact with UK government ministers has been extensive, with approximately 40 face-to-face engagements alone in 2023. Our relationships with MPs and Lords continue to increase as we have met one in five members of the Commons alone and built strong relationships with Chairs and Committee Members relevant to the British Council's work, including the Foreign Affairs Committee. We have strong and durable relationships with political leaders across the four nations of the UK, including the First Minister of Wales, the new First Minister of Scotland, and across the parties in Northern Ireland.

Be one British Council with an attractive culture

Objective: A more attractive and diverse culture with talented and motivated people working as one British Council

In March we managed our annual Global People Survey for 2022–23. We have also been running a series of change surveys to support the implementation of transformation. In the global survey we maintained or improved our scores in all areas, with our engagement score increasing by five percentage points to 55. Results for transformation workstreams showed the greatest improvements overall. It is particularly unusual to see positive employee sentiment increase during significant organisational transformation, so we are encouraged to see these improvements.

Globally, we also saw strong improvements for our three global priorities for action (open and honest communications, better management of change, and improved well-being), so leadership will continue to focus action on these areas for the coming year.

Our people's well-being remains a global priority. In our most recent Global People Survey, agreement that 'the British Council is genuinely interested in my well-being' showed a small increase of four percentage points. We have recently mapped our entire well-being offer and are now reviewing and refreshing our strategy. There are three overarching priorities for this year: policy and process review, launching a global well-being awareness programme and enhancing mental health training for all people managers.

Be professional and constantly learning

Objective (financial growth): Increased and diversified surpluses to drive sustainable growth

The British Council and Foreign, Commonwealth and Development Office (FCDO) have agreed a five-year business plan to rebuild and renew operations. The investment loan agreed with the FCDO will support a longer-term transformation programme in the future growth of income-generating activity, accelerating plans for digital development and supporting new operating models. Through this investment we expect to generate a net surplus by 2024–25.

As set out in the **Financial review** section of this report, the British Council's teaching and exams income increased by 17.2% to £601 million this year (2021–22: £513 million).

A significant driver of the overall success was the fast recovery of the China IELTS business after the relaxation in Covid-19 restrictions towards the end of the year. There was also better than expected growth in Sub-Saharan Africa and South Asia.

Objective (increased efficiency): New operating model delivered on time to unlock cost efficiencies with agreed investment plan

The British Council launched a radical transformation programme in 2021–22 to increase focus, reduce costs, streamline operations and improve efficiency. By the end of the agreed transformation programme, we will have increased focus on our core activities, consolidated our global country portfolio (including office closures), reduced headcount by 15–20% over two years, and reduced overall costs by £185 million.

By the end of 2022–23, our Marketing and Teaching workstreams had embedded their new structures while other front line services had completed their restructuring. The professional services (HR, Finance, Procurement, Digital and Technology) had completed preparations for restructuring including supplier dialogues for outsourcing of specific services.

Objective (operational excellence): Agile professional services to drive process improvements and reduce bureaucracy

We are continuing to target improvements in our processes. A Business Process Improvement workstream has been set up with an organisation-wide process governance framework in place. This has prioritised 11 process improvements, with six areas 70% complete and pilots under way with a primary focus on HR recruitment processes. The priorities include HR onboarding and leavers, delegated authorities and our Travel and Expenses Policy. Since Q3, we have made progress in dealing with delays in vendor creation and paying suppliers, and in making recruitment processes more efficient.

Objective: More effective management of our internal compliance

The Internal Control and Compliance function was established in February 2022, and has been focusing on addressing urgent issues, including reviewing global policies and ensuring there is a Global Policy Management Framework in place for policy maturity and maintenance. A new policy bank has been set up and is extensively used by colleagues. An independent Compliance Maturity Assessment was undertaken and findings shared with the Senior Leadership Team in February, leading to a revised internal control environment plan aligning with external compliance maturity scale. The Senior Leadership Team endorsed the maturity level. Some additional resource has been agreed for 2022–23 to maintain and build on current compliance effort.

As part of the five strategic priorities specified above and our commitment to social value we focus on equal opportunity and climate change.

Equal opportunity

Our priority for our work in equality, diversity and inclusion (EDI) during 2022–23 was to strengthen mainstreaming and try to ensure a more evidence-informed approach. EDI has been embedded within our planning and performance review processes, which means every country now has an EDI action plan with a combination of standard and tailored actions. There is dedicated EDI resource in several global regions, giving the opportunity not only to support country teams but also to engage with external partners and contacts to share practice and experience.

We identified actions to support the EDI key performance indicators (KPIs) agreed last year. These first phase KPIs focus on representational targets for women and disabled employees at senior levels globally, and for minority ethnic and specifically black employees in senior roles within the UK. Discrete actions to support the targets have been combined with those set out in our Anti-Racism Action Plan and allocated to senior leaders. We will report on progress against these actions quarterly, and our position against the representational targets is set out below.

EDI category	2020–21 result	2021–22 result	2022–23 result	2024–25 target
Women in senior posts (UK)	44.7%	46.7%	44.3%	50%
Women in senior posts (global)	N/A	N/A	45.9%	50%
Minority ethnic staff in senior roles (UK)	9.7%	9.3%	8.5%	16%
Black staff in senior roles (UK)	N/A	N/A	1.9%	3.5%
Disabled staff in senior roles (UK)	2.9%	5.3%	6.1%	7%
Disabled staff in senior roles (global)	N/A	N/A	2.1%	7%

Our global working group exploring how to tackle socio-economic inequality has continued to meet and is encouraging monitoring in this area, which will take place in the coming year. This will provide important baseline data as we seek to address workforce inequality and continue to promote a fair and more inclusive organisational culture.

Each department/country is delivering its own EDI plan and activities. We also delivered global events exploring race equality and the area of sex and gender identity and their impact on our work. We continued to focus on our priority areas of age, disability, race/ethnicity, sex and gender, religion and belief, and sexual orientation, all of which are supported by guides and resources to develop understanding and awareness. This was led by our internally-accredited diversity facilitators, who have delivered sessions for colleagues on these topics and beyond in all our geographical regions.

Fighting climate change

We support the UK's contribution to international leadership in climate change through arts and culture, education and English. We engage with leaders, institutions, youth and communities in a constructive response to global climate challenges. We bring this together under **The Climate Connection** (TCC) programme framework to support the international COP process and partnerships.

During 2022–23 we provided a range of opportunities for people to participate in meaningful dialogue and bring about real change through our global programmes and bespoke bilateral partnership projects. These included:

- **young people and future leaders:** providing platforms, opportunities and capacity building for young people to participate and influence policy and climate action, including a new partnership project focusing on climate skills and just transition in six countries.
- **climate education:** supporting education systems, schools and educators to integrate climate and sustainability education into the curriculum.
- **teacher development:** supporting teachers to integrate climate into teaching.
- **research:** supporting early-career researchers across the world to participate in climate research with the UK.
- **Creative Commissions:** stimulating global conversations on the climate crisis and inspiring change through collaborations between artists, scientists and digital innovators.
- **cultural protection:** providing grants for partnerships with the UK to protect cultural heritage at risk from climate change across the world.
- **providing platforms and brokering partnerships:** enabling UK sectors to engage globally to support the climate agenda.

Engagement at COP27

With the UK as COP26 President and Egypt as COP27 President, we supported the UK–Egypt Green Partnership plan, working closely with UK government counterparts.

During COP27, we organised several sessions, events and exhibitions to showcase some of the Climate Connection and UK partner activities. These focused on the relevance of arts, education and English in the climate dialogue, and provided opportunities for young people and policymakers to connect and participate in dialogues. Our major sessions and activities during COP27 included:

- **a roundtable discussion with British Council climate youth activists** and the UK's Secretary of State for Foreign, Commonwealth and Development Affairs.
- **a panel session on the role of young people in delivering the Glasgow Climate Pact**, chaired by COP26 President Alok Sharma.
- **a session with the Department for Education and Secretary of State** to showcase the UK's climate education policy.
- **showcasing the British Council's creative responses to climate change** through live performances and interactive experiences at the Green Zone, including a selection of Creative Commissions.
- **supporting YOUNGO**, the Official Youth Constituency of the UN Framework Convention on Climate Change, and leading a key session at COY17, the 17th UN Climate Change Conference of Youth, to bring together the voices of young local and international climate activists ahead of COP27.

We also continued to strengthen the management of our own carbon footprint. In 2022–23 we committed to net-zero emissions by 2040 at the latest. The table below outlines our main areas of focus:

Initiatives to reduce our carbon footprint	<ul style="list-style-type: none"> Transformed our UK offices to reduce our footprint by using space more efficiently. Accelerated our digital operations to reduce the need to travel among our customers and partners, including computer-based testing, learning English online and new arts platforms for digital collaborations.
Improved management of our carbon footprint	<ul style="list-style-type: none"> Improved data collection methodologies, including estimates for missing data.
Leadership and engagement	<ul style="list-style-type: none"> Recruited a new Global Head of Environment to lead, oversee and further develop our Environment Strategy across programmes and operations. Maintained a network of regional and country environmental co-ordinators to support collection and analysis of our carbon footprint data.

Our carbon data results for 2022–23

	2020–21 actuals (tCO ₂ e)	2021–22 actuals (tCO ₂ e)	2022–23 Actuals (tCO ₂ e)	2025–26 target (tCO ₂ e)
Scope 1 emissions Direct greenhouse gas emissions occur from sources that are owned or controlled by the British Council, e.g. from boilers, generators or vehicles	1,057	1,026	918	885
Scope 2 emissions Indirect greenhouse gas emissions are from the generation of purchased electricity and heat consumed by the British Council	12,512	9,420	11,060	10,260
Scope 3 emissions All other indirect emissions occurring at sources we do not own or control across the entire value chain	5,820	5,568	8,065	22,580
Total³	19,389	16,014	20,043	33,725

We remain on track to deliver our 2025 interim targets, primarily as a result of a number of carbon reduction initiatives outlined above and the continuation of hybrid working in some countries post-Covid-19. During 2023–24 we will continue to manage this closely and revise and update policies to deliver against our environment commitments.

3

Carbon emissions are reported for the global estate and calculated using the operational control approach in line with GHG Protocol. Data collected includes: electricity and natural gas usage at locations, water usage and waste generated, as well as travel for business purposes. Data has been estimated for missing electricity, water and waste data. Gas and travel data was not estimated due to the variable nature of these data elements.

Governance statement

3

Legal structure

Constitution and charitable purpose

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

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

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

The Trustees have given consideration to the Charity Commission for England and Wales's and the Office of the Scottish Charity Regulator's guidance to ensure that there is clear evidence of how the aims of the British Council are carried out through the activities undertaken for public benefit. Further information on activities undertaken during the reporting year can be found within the 'Activity and performance' section of this report (pages 13-32).

Group structure

The British Council heads a corporate group structure which includes subsidiary undertakings in the UK and overseas. These have been established, for reasons of legal and tax compliance, to further the British Council's charitable objects and to generate income for use by the charity. The names, countries of registration and principal activities of the subsidiary entities in the group during 2022–23 are provided in note 12 to the accounts.

Connected charities

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

Relationship with the FCDO and other stakeholders in 2022–23

The British Council receives grant-in-aid from, and is sponsored by, the Foreign, Commonwealth and Development Office (FCDO), from which the British Council has operational independence. During 2022–23 the relationship between the British Council and its sponsor department continued to be managed under the terms of the Management Statement and the Financial Memorandum agreed in 2013.

Since March 2024, the relationship between the British Council and its sponsor department is set out in a new Framework Document, available on the British Council's website. This replaces the Management Statement and the Financial Memorandum.

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

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

Our Corporate Plans are developed in consultation with stakeholders and partners across the UK, the British Council's advisory bodies, the UK government and the devolved governments in Northern Ireland, Scotland, and Wales. They also draw on our understanding and assessment of the needs of our partners overseas. The 2023–25 Corporate Plan was approved in July 2023 and is available on the British Council's website.

Governance codes

Charity Governance Code

We have reviewed our governance arrangements against the principles and recommended practice for larger charities in the Charity Governance Code, which was originally published in 2017 and refreshed at the end of 2020.

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

During 2022–23 the British Council applied, and continues to apply, all the principles and the majority of the applicable supporting recommended practice. Some practice recommended by the Charity Governance Code is specific to membership organisations and so is not relevant to the British Council.

Corporate governance in central government departments: code of good practice 2017

During 2022–23, where relevant and practical, the British Council adopted the principles of Corporate governance in central government departments: code of good practice 2017 as published by HM Treasury and the Cabinet Office.

The British Council complied with the principles in paragraphs 1.2, 1.6, 2.1, 2.4, 2.5, 2.9, 2.10, 3.1, 4.1, 5.2, 5.6, 5.9, 5.12 and 5.13 of the central government code, except that it normally has an externally facilitated board evaluation every two years rather than annually. The code's other principles are less directly applicable as the British Council is not a ministerial department and the responsibilities of its Trustees are defined in the Royal Charter and charity law.

The central government code is intended for the advisory boards of government departments whose composition and role differs from that of a board of a charity, such as the British Council, composed of unremunerated trustees with specific legal responsibilities under charity law. For these reasons, under the terms of the new Framework Document agreed between the British Council and its sponsor department, the FCDO, the British Council solely adopts the Charity Governance Code from March 2024.

The Board of Trustees

The British Council's Royal Charter vests all the powers of the British Council in its Board of Trustees. The Trustees are responsible for governing the British Council. They must ensure that it is solvent, well-run and delivering the charitable objects for the benefit of the public, for which it has been set up.

Under the Royal Charter and Bye-Laws the Board must comprise between ten and 15 Trustees. Trustees who have served during the reporting year are listed on page 53.

Stevie Spring CBE served as Chair until 31 December 2022. The office of Deputy Chair was vacant for the first part of the reporting year, with Sarah Sands appointed with effect from 19 September 2022. Sarah Sands subsequently served as Acting Chair, on a temporary basis, from 1 January 2023 until 3 January 2024. Dr Paul Thompson was appointed as the British Council's new Chair with effect from 4 January 2024.

The Trustees are not remunerated but may be reimbursed for the expenses they incur on British Council business in line with the Trustee Travel Policy. The Royal Charter specifies how Trustees' conflicts of interest must be managed and requires a register of Trustees' interests to be maintained. The register is updated at least annually and is available on the British Council's website.

The most recent externally-facilitated review of the effectiveness of the Board of Trustees and its committees was conducted during 2021–22. Overall, the review found that all elements of the Charity Governance Code were met to a 'good' or 'excellent' level. Meetings and Board business were seen as well-conducted and with good decision-making. Induction of new Trustees was seen as a particular strength. The next externally-facilitated review is underway at the date of signing this statement.

Trustee recruitment and induction

The Nominations Committee identifies the Selection Panel for the appointment of new Trustees. As and when required, the Chair leads the recruitment of a new Deputy Chair, and the Deputy Chair leads the recruitment of a new Chair. Alternative arrangements can be and are made where necessary, for example, where there is an unavoidable conflict of interest.

Under the Royal Charter and Bye-Laws, Trustees are appointed in three ways.

- The Secretary of State for Foreign, Commonwealth and Development Affairs has the right to nominate three Trustees. During 2022–23 these posts were held by Thomas Drew CMG, Richard Hookway, and David Lefevre.
- One Trustee post is held by the Chair of the Northern Ireland, Scotland or Wales country committees (further information on page 41), co-opted on a rotating basis for a two-year period. Throughout 2022–23 the post was held by the Chair of the Scotland Committee, Dame Seona Reid DBE. Since 11 June 2023, the post has been held by the Chair of the Northern Ireland Committee, Dr Katy Radford MBE.
- All other Trustees, including the Chair and the Deputy Chair, were elected by the Board following an open recruitment process, with appointments to the offices of the Chair and the Deputy Chair also subject to the prior approval of the Secretary of State for Foreign, Commonwealth and Development Affairs⁴.

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Stevie Springs' and Sarah Sands' appointments, as Chair and Deputy Chair, respectively, were made in-line with this process. Sarah Sands' appointment as Acting Chair was approved by the Board following the prior approval of the Secretary of State for Foreign, Commonwealth and Development Affairs, but was not subject to an open recruitment process due to its temporary nature. Dr Paul Thompson's appointment as Chair was in line with this process.

Elected Trustees are appointed to the Board for a term of three years, with the possibility of re-election for up to a further three years. Re-election to the offices of the Chair and the Deputy Chair is subject to the prior approval of the Secretary of State for Foreign, Commonwealth and Development Affairs. Nominated Trustees are appointed for one or more terms not exceeding six years in total. Up to two non-British citizens may sit on the Board at any given time.

The induction programme for new Trustees includes a programme of briefings from senior managers and a comprehensive induction pack addressing the Trustees' legal responsibilities, public sector requirements and the work of the British Council.

The Board's work during 2022–23

There were six formal Board meetings held in 2022–23.

Matters considered by the Board during the year included:

- the continued impact of the Covid-19 pandemic on the British Council's operations, finances and staff, including risk and cash management.
- funding provided by the FCDO.
- updates on the British Council's transformation programme.
- a re-articulation of the British Council's vision statement.
- updated versions of the British Council's Code of Conduct and the Speak Up Policy, which were both approved in March 2023.
- the outcome of the successful search for a new Deputy Chair who was appointed by the Board and took up their position on 19 September 2022.

Trustees also provided strategic input into the development of the 2023-25 Corporate Plan during the year, which extended into the following year and was approved by the Board in July 2023. Following the end of the reporting year, as part of the British Council's transformation programme, the Board agreed a contract with a specialist third party provider related to the transfer of aspects of professional services (Digital & Technology, Finance, HR, Procurement), subject to consultation.

In addition to the matters above, the Board continued to receive regular updates from its committees and from senior management. This included financial updates and organisational performance and impact reports. The Board also approved updated terms of reference for its committees, in line with best practice.

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

Further information about the Board of Trustees' work during the year is available in the Board minutes published on the British Council website. The Board of Trustees has continued to meet regularly following the end of the reporting year.

The Board's committees

The Board's decision making is supported by detailed oversight and scrutiny carried out by its committees. During 2022–23 the Board was supported by five standing committees: Audit and Risk, Commercial, Finance, Nominations, and Remuneration and People. This followed the implementation of a new standing committee structure in February and March 2022.

The minutes of standing committee meetings, excluding those of the Nominations Committee and Remuneration and People Committee, are shared with the full Board. The terms of reference of each of the standing committees, as well as protocols for their operation, are available on the Board of Trustees page of the British Council's website.

The membership of the standing committees as at 31 March 2023 is shown on page 53. The standing committees have continued to meet regularly following the end of the reporting year.

Committee	Overview
Audit and Risk	<ul style="list-style-type: none"> • Reviews key aspects of the British Council's systems of governance, risk management and internal control. Includes oversight of the arrangements for and work of internal audit and external audit. • Comprised four Trustee members and one external member on 31 March 2023. • Held six formal meetings in 2022–23.
Commercial	<ul style="list-style-type: none"> • Reviews the British Council's commercial English teaching and examinations activities. Includes oversight of strategic partnerships and the development of new products and innovations in these areas. • Comprised five Trustee members and one external member on 31 March 2023. • Held six formal meetings in 2022–23.
Finance	<ul style="list-style-type: none"> • Reviews the British Council's financial plans, including high-value investments, and monitors financial performance, including cashflow forecasts. • Comprised four Trustee members on 31 March 2023. The Finance Committee has no external members. • Held 13 formal meetings in 2022–23.
Nominations	<ul style="list-style-type: none"> • Reviews the Board of Trustees' composition and leads the recruitment of Trustees and the Chief Executive. • Comprised six Trustee members on 31 March 2023. The Nominations Committee has no external members. • Held three formal meetings in 2022–23.
Remuneration and People	<ul style="list-style-type: none"> • Reviews the British Council's people and workforce strategy and leads on the Senior Leadership Team's performance evaluation and remuneration. • Comprised five Trustee members and one external member on 31 March 2023. • Held four formal meetings in 2022–23.

Audit and Risk Committee

Chaired by Richard Hookway, the Audit and Risk Committee maintains oversight of key aspects of the British Council's systems of governance, risk management and internal control. Its responsibilities include scrutinising risk appetite and strategy (advising the Board), supporting the Board in determining and monitoring the principal risks profile, oversight of the internal control environment, oversight of internal and external audit arrangements and related activity, and reviewing external financial reporting to provide assurance to the Board.

During 2022–23, the Committee held six formal meetings. Matters considered by the Committee included review of the statement of risk appetite prior to submission to the Board, principal and divisional risk reports, and update reports on the internal control environment (including cybersecurity). The Committee scrutinised the preparation of the Annual Reports and Accounts 2021–22, approved the 2023–24 internal audit plan, and considered reports on any serious incidents to be reported to the Charity Commission for England and Wales.

Commercial Committee

Chaired by Sushil Saluja, the Commercial Committee is focused on work in the areas of English teaching and examinations. The Committee examines the British Council's charitable activities undertaken on a commercial basis and assures their effective and transparent management in line with corporate objectives.

During 2022–23, the Committee held six formal meetings. Matters considered by the Committee included the planning and performance of the British Council's commercial activities and investments (with a regular focus on specific countries and markets), the strategy and direction for examinations (in particular for international students and workers), the future for teaching, and the group's plans, partnerships and funding related to digital products.

Finance Committee

Chaired by Mark Beddy, the Finance Committee scrutinises financial plans, performance and forecasts, reviews cash forecasts (including delegated authority from the Board for related decisions), and reviews cases for investment in excess of £15 million before they go to the Board for approval.

During 2022–23, the Committee held 13 formal meetings. Matters considered by the Committee included review of the monthly management accounts, consideration of monthly cash flow forecasts, and regular updates on investments within the organisation related to FCDO loan funding. The Committee scrutinised the preparation of the five-year financial plan and the annual budget for 2023–24 prior to submission to the Board.

Throughout 2022–23 and extending into the following year, the Committee received regular updates on the British Council's transformation programme. Since September 2023, the Audit and Risk Committee has assumed responsibility for Board-level scrutiny of the transformation programme.

Nominations Committee

The Nominations Committee was chaired by Stevie Spring CBE until 30 September 2022, and then by Sarah Sands, in her capacity as Deputy Chair, with effect from 1 October 2022 until 24 January 2023. Mark Beddy subsequently chaired the Nominations Committee for the remainder of the reporting year and into the following year. The Nominations Committee monitors the composition of the Board of Trustees to ensure it provides the expertise and experience needed for the effective stewardship and governance of the British Council. The Committee also actively monitors and aims to increase the diversity of the Board of Trustees and leads on the recruitment of elected Trustees and the Chief Executive.

During 2022–23 the Committee held three formal meetings. Matters considered by the Committee included the appointment of a new Deputy Chair and the process to appoint a new Chair, which was completed in the following year.

Remuneration and People Committee

Chaired by Stephen Deuchar until 18 September 2022, and by Sarah Sands for the remainder of the reporting year and into the following year, the Remuneration and People Committee sets the annual performance measures and policy for the Chief Executive's remuneration and benefits and agrees the Chief Executive's annual performance evaluation. It also sets the policy for the remuneration of other members of the Senior Leadership Team and reviews and agrees their performance evaluation reports, ratings and eligibility for bonuses. The full Senior Leadership Team remuneration report is available on pages 61–68.

The Committee annually reviews remuneration packages for staff that exceed £100,000 per year. It also considers the impact of its work on remuneration policy for the organisation as a whole, maintains oversight of risks related to our workforce (people), oversees our equality, diversity and inclusion approach and addresses any other matters referred to it by the Board.

During 2022–23 the Committee held four formal meetings.

UK country advisory committees

The Board of Trustees, the Chief Executive and the British Council's country teams in Northern Ireland, Scotland and Wales draw on the professional advice and external perspective of the British Council's UK country advisory committees for Northern Ireland, Scotland and Wales. Members of the country advisory committees who served during 2022–23 are listed on page 54 and further information about each committee is available on the British Council's website.

Delegation and management

Delegation of authority and matters reserved to the Board

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

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

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

The Board delegates authority to the Chief Executive for the day-to-day management of the British Council and to authorise staff to exercise the authorities delegated to him. The Chief Executive delegates authority to staff through a scheme of delegation which states who may approve specific actions, transactions and contracts and the limits and conditions that apply. The scheme of delegation is reviewed and updated each year.

The Senior Leadership Team

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

Those who served on the Senior Leadership Team during 2022–23 are listed in the remuneration report on pages 61–68. Scott McDonald has been Chief Executive and Accounting Officer since 1 September 2021.

Appointments to the Senior Leadership Team are filled through open recruitment. New members receive induction briefings which include our governance arrangements. A register of interests of members of the Senior Leadership Team is published on the British Council's website and is updated annually. On 31 March 2023, the Senior Leadership Team comprised one woman and eight men. In addition to the members of the Senior Leadership Team, Senior Leadership Team meetings are attended routinely by the Director Communications, Secretary to the Board and, on a rotating basis, by a Regional Director.

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

Values, policies and procedures for raising concerns

To fulfil the British Council's mission effectively, we must ensure our behaviour reflects our values and stands up to scrutiny wherever we work. Our Code of Conduct explains the principles that everyone who works for the British Council must follow and the values that underpin everything we say and do, how we work with people, behave towards them and communicate. We publish the Code of Conduct on our website alongside our Global Policy Statements. These set out, at a high level, our policy commitments on issues including equality, safeguarding, the environment, fair competition, information governance, complaints, and our 'zero tolerance' policy towards fraud, bribery and corruption. The Global Policy Statements are reviewed and approved by the Chief Executive annually. They apply to all British Council employees and govern any others working on British Council premises, including partners of, and suppliers to, the British Council.

Our Speak Up Policy, refreshed in 2023, sets out how staff can raise concerns about malpractice, wrongdoing and other workplace-related concerns, confidentially and without fear of victimisation or disadvantage. It provides details of internal contacts and external agencies to whom employees can report concerns, including how concerns can be raised anonymously, and it explains what happens after a concern is raised.

The Speak Up Committee provides governance for our Speak Up arrangements and is responsible for ensuring that the policy is properly implemented. The Committee, which draws its membership from the Senior Leadership Team and wider Global Leadership Team, has a 'dotted line' to the Remuneration and People Committee, and ensures that concerns are correctly investigated and that appropriate follow-up action is taken. In June 2023, a communication and engagement campaign was launched to promote our Speak Up arrangements across the organisation.

Personal data

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

All staff must comply with the information governance and confidentiality requirements of our Code of Conduct and complete mandatory information management training. This training must be re-certified annually.

During 2022–23, the British Council continued to develop and strengthen its information governance and security framework, to ensure ongoing compliance with the General Data Protection Regulation (GDPR), the UK Data Protection Act 2018, and best practice.

Technical security and data protection impact assessments (DPIAs) are built into the British Council's project management standards to ensure that information governance and privacy considerations are built into all new projects, systems and initiatives. Improved standardisation of the DPIA process and the appointment of a DPIA Quality Assurance Manager continues to strengthen compliance monitoring and the support available to colleagues in this area.

Following the end of the reporting year we completed an audit of the DPIA process, which has assisted us in further refining and developing our approach. This reflects our commitment to continuous improvement, with the aim of ensuring that the process is as effective as possible, while remaining proportionate and allowing the organisation to be pragmatic in each case.

The adoption of an approach to information governance aligned to the principles of ISO27001 (Information Security Management Standard), during 2022–23, has also strengthened compliance across the organisation. Where applicable, the principles are intended to be applied by the British Council and all organisations delivering a service to the British Council or processing British Council personal information. The principles are particularly useful during the procurement and contracting processes, as they serve as a baseline set of requirements and assist in the identification, treatment, and resolution of any identified gaps.

Work to ensure the British Council meets the requirements of new privacy laws in China continues. A strategy for data protection management and compliance in China has been developed and includes policies and processes necessary for compliance with Chinese law, specifically the Personal Information Protection Law.

During 2022–23 we experienced no personal data incidents which required a report to the Information Commissioner's Office (ICO) or to the Charity Commission for England and Wales. Following the end of the reporting year, one personal data incident was reported to the ICO. This concerned an email which included sensitive information and was sent to an unintended recipient. The matter was promptly identified, and appropriate action taken to mitigate risks to those concerned. The ICO confirmed that it would not be taking further action based on the information provided.

Audit

External audit

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

At the date of signature of this statement, the fee for the external audit of the British Council's charity and group accounts is expected to be £525,000 (2021-22: £424,500). In addition to this fee, total audit fees of £549,521 (2021-22: £480,474) were payable to the auditors of the group's component audits. Further disclosures regarding the auditors are given on page 56 and in note 5 to the accounts. The British Council has policy and procedures in place to ensure that the provision of non-audit services from external auditors does not compromise the independence and objectivity of the audit opinions on the financial statements of entities and branches within the British Council Group.

Internal audit

The British Council has an in-house internal audit function, supplemented by an independent third-party provider which delivers specialised audits. Internal audit's objectives, scope and responsibilities are set out in a charter which is reviewed annually by the Audit and Risk Committee. The Director of Internal Audit formally reports to both the Chair of the Audit and Risk Committee (functional line) and the Chief Operating Officer (administrative line). The Audit and Risk Committee reviews and approves internal audit's annual work plan and receives regular reports on delivery against that plan and audit findings. Following the end of the reporting year the Audit and Risk Committee receives a summary of the results from internal audit's work during the year.

In 2022–23, internal audit delivered a plan which provided assurance on corporate functions and activities (including information technology and change programmes) and overseas operations across the principal risk areas identified. The majority of audit reports had a 'substantial' assurance rating and there were no reports with an 'unacceptable' assurance rating. Additionally, no audit observations were rated 'severe'. In 2022–23, the Internal Control and Compliance (ICC) function commissioned an external and objective review of the organisation's compliance maturity, which concluded that the British Council is in a stage of development on its compliance maturity scale. The review evaluated the British Council against nine key areas and an action plan has been developed to build on the foundations in place in each.

Based on internal audit work and second line-of-defence assurance activities undertaken in 2022–23 in its annual assurance opinion, internal audit reported: 'A moderate level of assurance that the British Council has an adequate and effective system of governance, internal control and risk management for the year ended 31 March 2023.' This is in line with previous years' assurance opinions. A total of 21 audits were delivered in the year. As a result of the audits completed, work is being undertaken to further enhance aspects of our control environment related to operational oversight, management information, and financial and contract management.

Monitoring of audit actions remains an ongoing process. Significant progress was made in 2022–23 in the implementation of long outstanding audit actions (with a focus on those rated 'severe' and 'major') as well as the timely closure of more recent actions. At the end of the year there was a 44% reduction in the number of long outstanding actions and the total number of open audit actions had decreased by 57%.

Risk management and control

Approach to risk management

The British Council is committed to managing risk effectively and to embedding risk management in all areas of our work.

There are a number of key principles underpinning the British Council Enterprise Risk Management Framework. These are that risk management activities shall be:

- proportionate to the level of risk faced by different areas of the organisation and the organisation as a whole.
- aligned with the activities and ways of working of the British Council.
- comprehensive, structured and systematic.
- embedded within the organisation, action-oriented and a part of decision-making.
- dynamic and responsive to emerging risks and changing needs of the organisation.

The Board of Trustees has overall accountability for ensuring that the British Council manages its risks effectively. The Trustees set the organisation's strategic direction, determine its risk appetite and review the effectiveness of its risk and control processes.

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

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

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

This 'top-down' and 'bottom-up' approach ensures that the risk priorities of senior management are understood across the British Council, and that risks identified within the organisation are visible to senior management. It enables the British Council to consider the potential impact of different types of risks on processes, activities, stakeholders, products and services at all levels of the organisation, and to ensure alignment in priorities.

Risk management practices are continually evolving and maturing. Examples of our progress include the ongoing refinement of our principal risks and risk appetite statements, and strengthened collaboration and engagement across our Risk Champion network, including with other second line-of-defence functions. Additionally, risk management continues to be integrated within corporate planning and performance monitoring processes.

Risk profile

The principal risk areas in the following table are those deemed as having the greatest potential impact on the achievement of our strategic objectives at the time of signing this statement. The Senior Leadership Team undertakes an annual risk assessment to ensure that the risk profile continues to track and monitor the most significant risks.

The order of the following risk areas does not indicate priority, severity or ranking. Next to each risk we set out how we mitigate these risks and the plans that are put in place to further reduce the organisation's risk exposure.

Senior Leadership Team members are assigned to each principal risk as responsible for the monitoring of strategic activities in response to that risk.

Risk area	Mitigations and ongoing actions
<p>Financial sustainability</p> <p>Risks relating to our cash flow, liquidity and going concern status; cost base and efficiency; and overall financial sustainability.</p>	<p>Progress continues to be made in respect of our overall financial sustainability. We are investing in the growth of our English teaching and assessment products and services to grow impact, income and surplus. Transformation across professional services is designed to further reduce the cost base and improve operating efficiency, while also delivering service improvements.</p> <p>Constructive discussion is ongoing with the FCDO on future financing arrangements, which will subsequently inform the British Council's investment and reserves strategy.</p> <p>Robust controls are in place to monitor expenditure and cashflow, and the Board's Finance Committee continues to provide strategic oversight of financial performance and sustainability.</p>
<p>Commercial performance in English and Exams</p> <p>Risks relating to the relevance and performance of our products and services in English and Exams, and our ability to meet customer needs.</p>	<p>We continue to grow our world-class English assessment capability and strong 'know-how' in English language learning and teaching.</p> <p>Market dynamics are being closely monitored to identify emerging threats and opportunities.</p> <p>Investment is ongoing into the portfolio for growth across new and existing products and services, building on the British Council's unique offer and brand. This includes improvements to customer experience and to accelerate use of digital technologies.</p>
<p>Reliance on key geographies and products</p> <p>Risks relating to the reliance of our financial model on the sustained performance of our business across key geographies and products, and the impact that disruption in these markets would have on global financial sustainability.</p>	<p>Medium-to-long-term diversification is being prioritised through investment in products, services and digital platforms across our range of funding streams and countries where we operate.</p> <p>Risk analysis and contingency planning is on going relating to a range of possible scenarios impacting our key geographies and products.</p> <p>We continue to make progress on delivering a more flexible cost model and continue to maintain close working relationships with host government agencies, UK missions in country, and across His Majesty's Government departments, to ensure agility in times of stress.</p>
<p>Relevance in a digital world</p> <p>Risks relating to our ability to maintain relevance to our stakeholders and customers in a digital world and build an efficient, data-led organisation.</p>	<p>We have made good progress in the release of digital products and tools, with others in development for release in 2023–24.</p> <p>We continue to embed our digital enablement strategy across the British Council into all plans and delivery, and to prioritise improvements to digital capability within the organisation.</p> <p>The Digital and Technology operating model is being updated through the transformation programme to further strengthen long-term digital integration across all business units.</p>

Risk area	Mitigations and ongoing actions
<p>Success of transformation</p> <p>Risks relating to failing to deliver the benefits of transformation – a sustainable and effective organisation, supported by the right processes and culture, and able to continue to change.</p>	<p>A dedicated Transformation Programme Team ensures that effective governance, co-ordination, and assurance remains in place to support the British Council in delivering the next phase of transformation across professional services – HR, Finance, Procurement, Digital and Technology, and Global Estates.</p> <p>Comprehensive mitigations are in place to ensure the effectiveness of operating model designs and to ensure business continuity during transition.</p> <p>Plans are being developed post-transformation, so we have the capability and culture to continue to adapt and change as needed going forwards.</p>
<p>Political</p> <p>Risks relating to our relationship with His Majesty's Government (HMG) and all four governments of the UK, and our ability to effectively respond to a fastmoving and complex political landscape.</p>	<p>Our Policy and External Relations Team continues to co-ordinate strategic engagement and consistent messaging across all stakeholders including HMG, select committees and devolved governments.</p> <p>We maintain an ongoing commitment to supporting the international ambitions of all four governments of the UK and have senior-level meetings and ongoing discussions throughout the year. Regular British Council-FCDO Strategic Forums create the opportunity for closer relationships and agreed KPIs and associated targets are regularly tracked to ensure delivery against shared priorities.</p>
<p>Business integrity</p> <p>Risks relating to our ability to maintain the integrity of our activities, and to meet internal and external control and compliance requirements.</p>	<p>We continue to strengthen our dedicated, specialist second line-of-defence functions in place for key areas.</p> <p>A newly-formed Controls Team is now in place with the mandate to implement a controls maturity framework.</p> <p>Learning and development expertise has also been sourced to improve compliance capability across the business and complement existing mandatory training.</p> <p>The 'Speak Up' framework continues to evolve, with improved escalation and investigation processes around non-compliance. A communications campaign has been launched to increase staff awareness of our Speak Up policy and arrangements.</p> <p>Internal and external assurance reviews continue, with several second-line functions scheduled for audit in 2023–24.</p>
<p>Information security</p> <p>Risks relating to the confidentiality, integrity, and availability of our data and IT systems.</p>	<p>Significant investment continues to be made in strengthening information security controls, ensuring any gaps are identified and addressed. Areas of focus include the replacement of unsupported technology, multi-factor authentication and data management.</p> <p>A holistic information assurance framework has been designed and implemented, comprised of policies, standards and reporting mechanisms.</p> <p>We also continue to focus on projects to ensure compliance with specific privacy and cybersecurity regulations in different jurisdictions.</p>
<p>People and culture</p> <p>Risks relating to our ability to attract and retain the right skills and experience to meet our organisational needs, and to foster successful organisational values and culture.</p>	<p>A number of organisation-wide initiatives are under way to strengthen the recruitment, retention and mobilisation of key talent, with focus on the employee value proposition, well-being and organisational culture.</p> <p>We remain committed to our Anti-Racism Action Plan and equality, diversity and inclusion policies and processes. They continue to be embedded across the organisation, with key metrics included in wider business planning and performance monitoring.</p>

Risk appetite

Following the end of the 2022–23 financial year, the Board of Trustees approved a revised Risk Appetite Statement. Our risk appetite is dynamic and is updated as necessary to reflect any significant changes in the context in which we operate.

As we consider and maintain our risk appetite to reflect context and changing environmental factors, there may be circumstances, such as those experienced dealing with the Covid-19 pandemic, when it becomes necessary to significantly alter the level, nature and balance of risks within which we are willing, or are required, to operate.

The British Council's purpose is to support peace and prosperity by building connections, understanding and trust between people in the UK and countries worldwide. We combine the expertise of the UK's cultural and education sectors with our global presence. We share our values and export ideas, having difficult discussions and finding common ground. We work directly with individuals to gain skills and confidence and to build networks. We work with governments and sector partners in the UK and globally. With a global presence and large, varied, and often complex operations, the risks we face are significant and wide-ranging.

We acknowledge that adverse events can, and do, happen, and that risks can carry major, far-reaching impacts. We recognise, therefore, the importance of effective risk management in building a resilient and successful organisation for the future.

The British Council generates more than two-thirds of its income from commercial businesses in English teaching and assessment, and as such will often have higher risk exposure than other arm's length bodies that are funded fully by grant-in-aid. We accept that to deliver our vision of a more peaceful and prosperous world built on trust, to thrive in the varied and changing environments in which we operate, and to distinguish ourselves from both our commercial and soft-power competition, we must at times embrace risk, be bold in our ambitions, be innovative and creative, but also accept that we will not achieve success without understanding the risks we face, making informed decisions, and responding to risks proportionately.

The British Council has a cautious and balanced appetite for risk. Our preference is for reduced risk and uncertainty, but we acknowledge that some risk taking will be required, and that it is not possible, nor desirable, to eliminate all risk inherent in our activities. We will need to take risks to strengthen our impact in priority areas and respond to the challenges we face. Risks will be mitigated in line with our risk appetite statements, and we may pursue options giving rise to risk where it is likely to favourably impact the achievement of our vision and purpose.

Review of effectiveness

The Board of Trustees has legal responsibility for the British Council's governance, management and administration. In addition to the Board's accountability for risk management, guidance issued by the Charity Commission for England and Wales states: 'The trustees should, at least annually, ensure a review is conducted of the effectiveness of the charity's internal financial controls.'

As Accounting Officer, the Chief Executive is also responsible for reviewing the effectiveness of the system of internal control in the British Council. The Board of Trustees' and Accounting Officer's reviews of the effectiveness of the British Council's system of internal control are informed by the work of internal audit and members of the Senior Leadership Team, who have responsibility for the development and maintenance of the control framework, and comments and recommendations made by the external auditors in their annual management letter and other reports.

The effectiveness of the system of internal control was maintained and reviewed for this reporting year through the following activities:

- An external and objective review of the British Council's compliance maturity, commissioned by the central Internal Control and Compliance function. The scope of the review included all core central functions and considered business streams' management of controls and compliance. The review concluded that the British Council is in a stage of development in most compliance areas, having progressed with the support of the Internal Control and Compliance and other functions. The review evaluated the British Council against nine key areas and an action plan has been developed and agreed to build on the foundations in place in each.
- An ongoing assessment of governance and internal control across the organisation, including policies, procedures, systems and processes. During 2022–23, the Internal Control and Compliance function provided frameworks for policy management and agreed targets for policy and control reviews, improvements, and streamlining. Internal control and compliance accountabilities and responsibilities were reviewed and articulated for the wider control and compliance eco-system. Improvements were made in the management of internal assurance returns and compliance checks. Actions from the FCDO Central Assurance Assessment from the previous reporting year were closed.
- Assurance work conducted by the British Council's Financial Policy and Compliance, Legal, Counter-Fraud, Information Governance, and Risk Management teams, among others.
- A process of quarterly assessment of compliance with key financial controls by all countries and subsidiaries, providing assurance that the organisation's financial controls are monitored and reported on and plans are in place to address any control gaps identified.
- The work of internal audit, which provides an independent and objective opinion on the adequacy of processes around risk, control, governance and finance systems. Internal audit's assurance opinion for the year was 'moderate', in line with previous years' assurance.
- The work of the Audit and Risk Committee, which continued to provide oversight and scrutiny of external financial reporting and to receive reports on the work of internal audit and the Comptroller and Auditor General and other external auditors.

Based on the above, the Board of Trustees and the Chief Executive and Accounting Officer consider the framework of internal controls and risk management in place during 2022–23, and up to the date of signature, to have been effective.

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

11 March 2024

Scott McDonald
Chief Executive and Accounting Officer,
British Council

11 March 2024

Board and committee membership

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The table on page 53 lists all those who served on the Board of Trustees during 2022–23 and the Trustees who served on the Board’s standing committees as at 31 March 2023.

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

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

Dame Seona Reid DBE’s trusteeship ended on 10 June 2023 and Yasmin Diamond CB’s trusteeship ended on 10 July 2023.

Dr Katy Radford MBE was appointed as a Trustee with effect from 11 June 2023 and Paul Woodgates was appointed as a Trustee with effect from 11 September 2023. Dr Paul Thompson was appointed as Chair with effect from 4 January 2024.

External members of the Board’s committees

Throughout 2022–23, Lindsay Croisdale-Appleby CMG served as an external member of the Remuneration and People Committee, Rajiv Garodia served as an external member of the Commercial Committee, and Nazim Girnary served as an external member of the Audit and Risk Committee.

UK country committees

The members of the British Council’s UK country advisory committees for Northern Ireland, Scotland and Wales during 2022–23 are listed on page 54. Further information about each committee is available on the British Council’s website.

Members of the Board of Trustees during 2022–23 and the Trustees serving on its standing committees on 31 March 2023

	Start/end of term if not a Trustee for the full year	Board meeting attendance ⁶	Membership of the standing committees on 31 March 2023				
			Audit and Risk	Commercial	Finance	Nominations	Remuneration and People
Stevie Spring CBE (Chair)	End: 31/12/22	4/4					
Sarah Sands (Deputy Chair and Acting Chair)	Start: 19/09/22	4/4			X	X	X
Professor Wendy Alexander	Start: 01/10/22	3/3			X		X
Mark Beddy		6/6	X		X	X	
Sir Stephen Deuchar CBE		6/6					X
Yasmin Diamond CB ⁵		5/6		X		X	X
Thomas Drew CMG		2/6				X	
Richard Hookway		6/6	X	X		X	
Professor David Lefevre		4/6		X			
Rageh Omaar		2/6					
Professor Malcolm Press CBE		4/6	X				
Clare Reddington		5/6					
Dame Seona Reid DBE ⁵		6/6					X
Sushil Saluja		5/6		X	X	X	
Fiona Salzen		6/6	X	X			

⁵ Denotes a trusteeship that ended following the end of the year.

⁶ In this column the first number shows the number of Board of Trustees meetings attended, the second the number of Board meetings the person was eligible to attend as a Trustee in the year.

Membership of the UK country committees

Committee	Members during 2022–23	Start/end of term if not a member for the whole year
Northern Ireland	Dr Katy Radford MBE (Chair)	
	Gren Armstrong	
	Mike Brennan (ex officio)	
	Gordon Brown (ex officio)	
	Linsey Farrell (ex officio)	
	John Greer	
	Liam Hannaway	
	John McCord (ex officio)	Start: 6 December 2022
	Tom Reid (ex officio)	
	Terri Scott (ex officio)	End: 6 December 2022
	Professor Paul Seawright OBE (ex officio)	Start: 6 December 2022
	Maeve Walls (ex officio)	End: 6 December 2022
	Dr Michael Wardlow	
Scotland	Dame Seona Reid DBE FRSE (Chair)	
	Beth Bate	
	Natasha Gilmore	Start: 20 February 2023
	Sandra Gunn	End: 6 June 2022
	Janette Harkess	
	Gary Kerr	
	Asif Khan	
	Steven Kidd	
	Alan MacKay	
	Dr Bill Maxwell	
Wales ⁷	John Primrose	
	Rob Humphreys CBE FLSW (Chair)	
	Ashok Ahir	End: 27 February 2023
	David Anderson OBE	End: 27 February 2023
	Dr Elaine Canning	
	Owen Evans	End: 4 October 2022
	Eluned Hâf (ex officio)	
	Mary Kent	
	Catherine Paskell	
	Zenny Saunders (ex officio)	
	Charley Sealey (ex officio)	Start: 2 July 2022
	Gary Williams (ex officio)	End: 1 July 2022
	Rhiannon Wyn Hughes MBE	End: 27 February 2023

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The Annual Report and Accounts 2021–22 indicated that Ifona Deeley and Lleucu Siencyn had been members of the Wales Advisory Committee for the full year and remained so at the time of signing. This was an administrative error and both members' terms ended on 17 February 2022.

Reference and administrative details

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Patron and Vice Patron:

Our Patron was Her Majesty Queen Elizabeth II until the time of her passing. Our Vice Patron was His Royal Highness The Prince Charles, Prince of Wales (Tywysog Cymru) until his Accession as His Majesty King Charles III.

Legal form:

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

Status:

The British Council is registered as a charity under registration numbers 209131 (England and Wales), SC037733 (Scotland), 59749478807 (Australia), and 20100360 (Ireland).

The British Council's New Zealand branch is registered with the Charities Service of New Zealand under the name 'British Council (New Zealand Branch)' and the registration number CC45235.

Principal address:

1 Redman Place, Stratford, London E20 1JQ, United Kingdom

External auditors:

- **Auditor of the British Council charity and group:** Comptroller and Auditor General, National Audit Office (NAO), 157–197 Buckingham Palace Road, Victoria, London SW1W 9SP, United Kingdom
- **Subsidiaries auditor:** PricewaterhouseCoopers LLP (PwC), 1 Embankment Place, London WC2N 6RH, United Kingdom
PwC audits most, but not all, of the British Council Group's subsidiary undertakings. Where external audits are required locally, the auditors are disclosed in each entity's financial statements.

UK legal advisers:

The British Council draws on advice from a range of legal firms according to the jurisdiction and subject matter on which advice is required. The British Council's main providers of external legal advice in the UK during 2022–23 were:

- DLA Piper UK LLP, 160 Aldersgate Street, Barbican, London EC1A 4HT, United Kingdom
- Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU, United Kingdom
- Mills & Reeve LLP, 24 King William Street, London EC4R 9AT, United Kingdom

Bankers:

HSBC Bank plc, 8 Canada Square, London E14 5HQ, United Kingdom

Modern Slavery Act 2015:

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

Fundraising:

In 2022–23 the British Council engaged with a small number of high-net-worth individuals, securing donations for our work in arts and culture, but did not carry out fundraising among the wider public. The British Council used a third-party agency to deliver fundraising activities specifically related to the Venice Biennale 2022, an international cultural exhibition. A written contract was put in place which required the agency to comply with all applicable laws as well as the British Council's fundraising policies and processes. The agency's work was monitored by a suitably senior member of staff.

We continued to ensure that our procedures were compliant with the UK GDPR and Data Protection Act 2018 and did not receive any complaints about British Council fundraising activities during the year.

Neither the British Council nor any persons contracted to act on its behalf were bound by voluntary fundraising regulatory schemes or standards during the reporting year. Following the end of the reporting year, the British Council voluntarily registered with the Fundraising Regulator.

Statement of the Trustees' and Accounting Officer's responsibilities

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

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

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

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

- make judgements and estimates on a reasonable basis.
- prepare the accounts on a going concern basis.
- state whether applicable accounting standards have been followed, comprising FRS 102, subject to any material departures disclosed and explained in the financial statements.
- select suitable accounting policies and apply them consistently.
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.
- have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the British Council's auditors are aware of that information. So far as they are aware, there is no relevant audit information of which the auditors are unaware.

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

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

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

Managing public money, published by HM Treasury, holds the Accounting Officer responsible for keeping proper records and for safeguarding the British Council's assets. In addition, the responsibilities of the Accounting Officer include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable. The Trustees are responsible for the maintenance and integrity of the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Paul Thompson
Chairman, British Council,
on behalf of the Board of Trustees
11 March 2024

Scott McDonald
Chief Executive and Accounting Officer,
British Council
11 March 2024

Senior Leadership Team remuneration report

7

Senior Leadership Team remuneration report – part one

Service contracts

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

Senior Leadership Team remuneration

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

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

In 2022–23, Senior Leadership Team members received an increase in salary. British Council aligns to the Civil Service senior pay control when applying the Senior Leadership Team pay award. This pay award is signed off by the Remuneration Committee. Members of the Senior Leadership Team can also be eligible for a non-consolidated performance-related payment, as part of an annual incentive scheme described below. Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2022–23 relate to performance in 2021–22.

The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum less the contributions made by the individual. The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension right.

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

The figures in this report have been subject to audit.

Name and position	Salary 2022–23 (in bands of £5,000) £'000	Salary 2021–22 (in bands of £5,000) £'000	Bonus payments 2022–23 (in bands of £5,000) £'000	Bonus payments 2021–22 (in bands of £5,000) £'000	Value of pension benefits for single total figure of remuneration for 2022–23 (to the nearest £1,000)	Value of pension benefits for single total figure of remuneration for 2021–22 (to the nearest £1,000)	Total salary benefits 2022–23 (in bands of £5,000) £'000	Total salary benefits 2021–22 (in bands of £5,000) £'000
McDonald, S Chief Executive Officer Full year equivalent	245-250	145-150 245-250	–	–	96,000	56,000	345-350	200-205
Ewart-Biggs, K Deputy Chief Executive Officer	150-155	145-150	5-10	0-5	22,000	104,000	185-190	250-255
Williams, A Chief Operating Officer	130-135	120-125	5-10	0-5	36,000	98,000	175-180	220-225
Robson, M ⁸ Director English and Exams Full year equivalent	55-60 165-170	165-170	10-15	0-5	21,000	64,000	85-90	225-230
Stephens, M Director Cultural Engagement	120-125	115-120	5-10	0-5	(6,000)	20,000	125-130	140-145
Thomas, R ⁹ Chief Financial Officer	140-145	135-140	5-10	0-5	–	–	150-155	140-145
Horton, A Director Digital, Partnerships and Innovations	125-130	120-125	0-5	0-5	49,000	48,000	175-180	170-175
Patel, S Chief People Officer	125-130	120-125	0-5	0-5	(3,000)	350,000	130-135	475-480
Walker, M ¹⁰ Director English and Exams	135-140	115-120	5-10	0-5	71,000	114,000	215-220	235-240
Walker, C Director Global Network	120-125	115-120	5-10	0-5	4,000	113,000	135-140	235-240
Pierson, S ¹¹ Director Examinations Full year equivalent	70-75 140-145	–	5-10	–	29,000	–	105-110	–

8. Mr M Robson was a Senior Leadership Team member up until 31 July 2022.

9. Mr R Thomas chose not to be covered by the Civil Service Pension arrangements during the reporting year.

10. Mr M Walker Director Transformation to 31 August 2022 and Director English and Exams from 1 September 2022.

11. Ms S Pierson was appointed as a Senior Leadership Team member on 1 August 2022 and subsequently left the British Council on 11 February 2023

Annual incentives for Chief Executive Officer and Senior Leadership Team members

Purpose and link to strategy

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

Operation

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

Opportunity

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

The membership of the Remuneration and People Committee is included in the full membership list of the Board of Trustees on page 53.

Senior Leadership Team remuneration report – part two

Pension benefits

Name and position	Accrued pension at pension age as at 31 March 2023 (in bands of £5,000)	Accrued lump sum at pension age as at 31 March 2023 (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 2023 (to nearest £1,000)	CETV at 31 March 2022 (to nearest £1,000)	Real increase (decrease) in CETV funded by employer (to nearest £1,000)
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
McDonald, S Chief Executive Officer	5-10	–	5-7.5	–	127	45	59
Ewart-Biggs, K Deputy Chief Executive Officer	55-60	95-100	0-2.5	–	1041	928	1
Williams, A Chief Operating Officer	50-55	100-105	0-2.5	–	1045	919	17
Robson, M Director English and Exams	55-60	–	0-2.5	–	974	937	15
Stephens, M Director Cultural Engagement	60-65	45-50	0-2.5	–	1123	1022	(22) ¹²
Thomas, R Chief Financial Officer	–	–	–	–	–	–	–
Horton, A Director Digital, Partnerships & Innovations	20-25	–	2.5-5	–	268	220	28
Patel, S Chief People Officer	60-65	140-145	0-2.5	–	1310	1183	(21) ¹²
Walker, M Director Transformation	45-50	–	2.5-5	–	664	555	43
Walker, C Director Global Network	30-35	95-100	0-2.5	–	791	735	(10) ¹²
Pierson, S Director Examinations	25-30	–	0-2.5	–	341	–	16

¹² Taking account of inflation the CETV funded by the employer has decreased in real terms.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switch into alpha sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution (money purchase) pension with an employer contribution (partnership pension account).

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

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Cash equivalent transfer values

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

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

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

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.

Senior Leadership Team remuneration report – part three

Pay multiples

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

The banded remuneration of the highest-paid director in the British Council in the financial year 2022–23 was £245,000–£250,000 (2021–22: £245,000–£250,000), which is a 0% increase from the previous year. This was 5 times (2021–22: 6) the median remuneration of the workforce. The remuneration ratio has changed due to an increase in median remuneration.

The median remuneration of the workforce was £46,173 (2021–22: £43,347)- this is a 7% increase from the previous year. This increase is due to combination of factors, including more 3rd party workers included in the note this year, higher bonuses paid in 2022–23 due to general higher ratings across the organisation and £1,000 minimum salary increase introduced for the first time in order to support lower-paid staff.

	2022–23			2021–22		
	Total remuneration	Salary	Ratio	Total remuneration	Salary	Ratio
25th percentile pay ratio	£33,489	£31,073	7	£31,168	£22,750	8
Median pay ratio	£46,120	£41,481	5	£43,347	£38,755	6
75th percentile pay ratio	£66,128	£59,793	4	£61,036	£56,966	4

In 2022–23, no employees (2021–22: no employees) received remuneration in excess of the highest-paid director. Remuneration ranged from £20,000 - £250,000 (2021–22: £20,000 - £250,000).

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

The median pay calculation is based on the requirements specified in the Hutton Review of Fair Pay – Implementation guidance. The guidance requires the calculation to be based on the pay of full-time equivalent staff of the British Council, at the reporting end date, on an annualised basis.

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

11 March 2024

Scott McDonald
Chief Executive and Accounting Officer,
British Council

11 March 2024

Financial review

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Financial highlights

	2022–23 £ Million	2021–22 £ Million	Change %
Total income	873	897	(2.7)
Net expenditure	(54)	(49) ¹⁴	10
Total reserves	402	447	(10)
Free reserves¹³	35	93	(62)
Grants paid	17	106	(84)
	£	£	%
Income raised for every £1 received from grant-in-aid	4.3	3.9	–

Summary of results

Total income generated by the British Council dropped by approximately 2.7% to £873 million (2021–22: £897 million), principally due to the reduction in contract income as the Erasmus+ scheme came to an end.

For every £1 of government grant-in-aid from the FCDO, an additional £4.30 was generated from other sources compared to £3.90 last year.

Total pre-tax expenditure improved by 2.2% to £914 million (2021–22: £935 million) as the British Council adjusted its operational expenditure globally to mitigate the impact of Covid-19 and continued winding down the Erasmus+ scheme.

Included in income and expenditure above are net foreign exchange losses of £7.3 million (2021–22: £7 million losses), mainly arising from the exchange variation of sterling against other major currencies over the course of the year.

The net expenditure increased by £5 million to £54 million (2021–22: £49 million). This was driven by the increase in direct commercial cost and the reduction in contract income.

Total reserves decreased overall by £45 million to £402 million (2021–22: £447 million) whilst the British Council's free reserves also decreased by £58 million to £35 million (2021–22: £93 million), primarily due to the net expenditure incurred in the financial year.

The Going Concern section of this review outlines how the British Council will continue to ensure its financial viability over the foreseeable future.

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Free reserves are those generally available for the activities of the British Council and comprise the General Account, Risk Reserve, Limited Access Reserve, and Investment Fund.

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Excludes results from discontinued operations.

Income

Donations

The main element of this is government grant-in-aid income of £165 million (2021–22: £183 million). The proportion of total income from grant-in-aid has decreased by 1.5% to 18.9% (2021–22: 20.4%).

Income from charitable activities

Income from charitable activities dropped by 1.6% to £695 million compared to £706 million in 2021–22. (For a breakdown of this income by charitable activities please see note 4 of the accounts).

The British Council's Teaching and Exams income increased by 17.2% to £601 million this year (2021–22: £513 million), as more centres were able to operate close to capacity through the financial year. However, the British Council's teaching and exams operations were still impacted by new restrictions in key markets, in particular China.

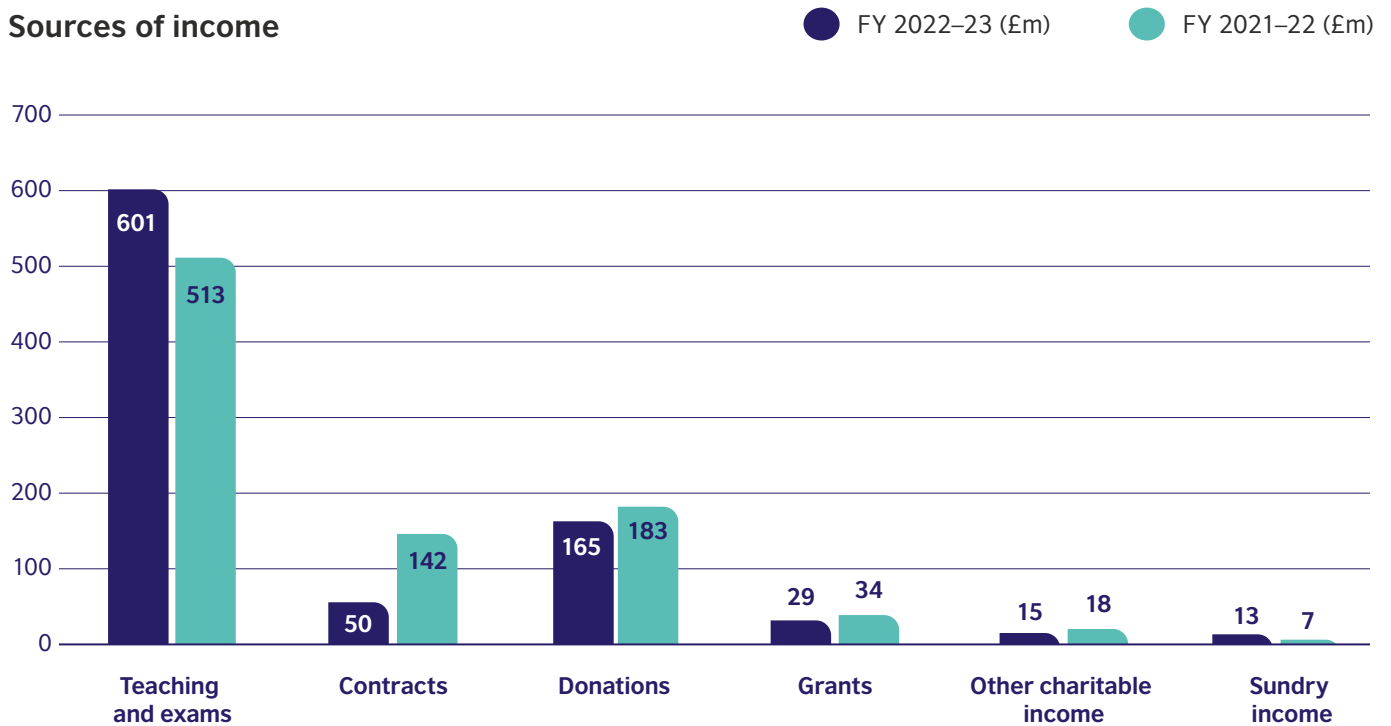
The British Council also receives Contract and Grant income mainly for the delivery of programmes in Cultural Engagement. Contract income decreased by 64.8% to £50 million (2021–22: £142 million). The decrease in Contract income is mainly driven by the winding down of the Erasmus+ programme. Grant income also decreased by 14.7% to £29 million (2021–22: £34 million).

The British Council received other charitable income of £15 million (2021–22: £18 million).

Sundry income

Income from other trading activities, predominantly sponsorship income, was £0.4 million (2021–22: £0.3 million). Income from investments increased to £5 million (2021–22: £1 million), primarily due to higher interest rates on short term deposits. Other income was composed of predominantly foreign exchange gains which increased to £7 million (2021–22: £5 million). This is offset by foreign exchange losses of £15 million.

Sources of income



Expenditure

Expenditure on charitable activities

Expenditure on charitable activities decreased by 2.2 % to £914 million compared to £935 million in 2021–22 as the British Council continued its cost-saving measures to address the long-term impacts of Covid-19. For a breakdown of this expenditure by charitable activities please see note 5 of the accounts.

The British Council supports specific programmes and activities through the provision of grant funding to individuals and organisations to facilitate their participation in events, schemes or programmes set up to achieve its objectives. In 2022–23, £17 million of grants were payable to individuals and institutions, an 84.3% decrease from £106 million in 2021–22, mainly driven by winding down the Erasmus+ activity.

Direct costs increased by 7.6% to £718 million (2021–22: £667 million) because of the increase in the British Council's income-generating activities, predominantly teaching and exams. The British Council operated near full capacity across the world. Total exchange losses of £15 million (2021–22: £12 million) are included within direct costs.

Support costs increased by 11.1% to £180 million (2021–22: £162 million) mainly due to added spend on transformation. The 2022–23 figure for support costs includes £11 million (2021–22: £15 million) in respect of restructuring.

The British Council received £130 million grant-in-aid from the FCDO for spend on development activities in ODA eligible countries. ODA countries are defined by the Organisation for Economic Co-operation and Development and include countries in Africa, the Middle East and South Asia. At the end of the year, the total amount had been fully committed to these activities.

In addition, the FCDO granted the British Council £35 million towards spend on other activities in non-ODA countries which will support British Council in achieving its objects.

The British Council continued to invest in specific committed projects to support digital products, infrastructure and operational efficiency. Included within direct and support costs is revenue expenditure relating to such projects of £28 million (2021–22: £30 million). Capital expenditure also include £18 million (2021–22: £7 million) relating to such projects. These projects involve investments in new technology and processes to support sustainability.

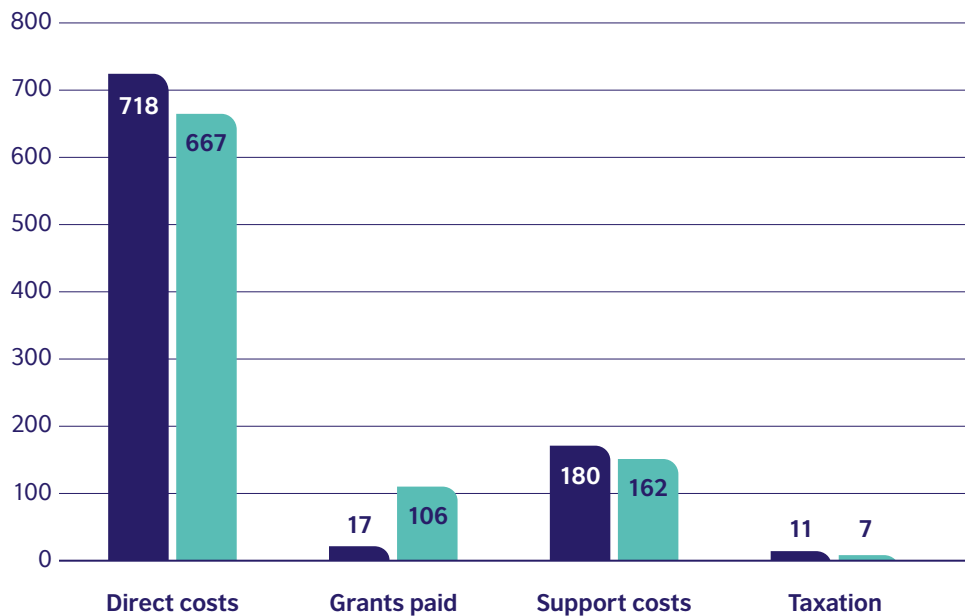
Taxation

The tax charge of £11 million (2021–22: £7 million) includes no exceptional prior period costs (2021–22: nil). The increase in taxation is driven by the increase in commercial activities during the financial year.

Resources expended

● FY 2022–23 (£m)

● FY 2021–22 (£m)

**Revaluation of land and buildings**

The British Council revalued approximately one fifth of its portfolio of land and buildings as of 31 March 2023. A sample of the properties not revalued in the year had a desk valuation. This includes the highest value properties and a sample of others sufficient to ensure the value of the portfolio is materially correct. The revaluation was carried out by its external surveyors, CBRE, a commercial property consultancy firm. The valuation considered prevailing market conditions and restrictions on the British Council's right to use the property.

The revaluation exercise gave rise to a net increase in property value of £2 million, which has been recognised within the revaluation reserve.

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

Fair competition

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

Fraud prevention and detection

The British Council is committed to its policy of zero tolerance to fraud and to being transparent in its management of counter-fraud. During 2022–23, 126 instances (2021–22: 130 instances) of fraud were recorded with gross losses of £0.14 million (2021–22: £0.21 million).

Further information including details on sanctions applied to cases can be obtained in the *British Council Counter Fraud Cases Report 2022–23* which can be accessed on the British Council's website:

www.britishcouncil.org/about-us/how-we-work/finance/counter-fraud-reports

The British Council continues to make progress in detecting fraud across all areas of its operation as well as improving the counter-fraud culture and helping to keep further fraud to an absolute minimum.

Treasury

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

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

a. Currency management

The treasury team monitors cash flow forecasts to determine future surpluses and requirements in foreign currencies. The treasury team uses forward foreign exchange contracts for periods not exceeding 12 months where these cash flows are considered highly likely. The British Council does not hedge account for these contracts and on 31 March 2023 had a liability of £0.04 million arising from open contracts (31 March 2022: £1 million). Other foreign exchange needs are met by spot transactions as they are required. Further details on how the British Council manages its exposure to foreign currency risk are set out in note 24 of the accounts.

b. Cash management

The British Council's cash management policy is to hold sufficient funds in each country of operation to meet anticipated payment requirements for approximately one month. Surplus funds are remitted back to the UK, except in those cases where there are restrictions on their remittance. The balance of all trapped and restricted cash at 31 March 2023 is £77 million. Further details on how the British Council manages liquidity risk are set out in note 24 of the accounts.

c. Short-term investments

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

Information on payment policy

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

During the financial year, 92% (2021–22: 95%) of valid invoices relating to UK activity were paid within this target period. This figure includes payments of grants and stipends. The total number of UK payment transactions processed in 2022–23 was 17,099 (2021–22: 14,942).

Trade creditor days for the British Council's UK activity for the year ended 31 March 2023 were 17 days (2021–22: 14 days).

Reserves

The British Council Group has £402 million total reserves (2021–22: £447 million), of which £107 million is restricted (2021–22: £106 million). Restricted funds are those that are held for specific purposes and relate primarily to the British Council's arts collection and amounts held in trusts. Unrestricted reserves comprise the capital, revaluation, and unrestricted heritage asset reserves, together with the General Account, Risk Reserve, Limited Access Reserve and Investment Fund. The capital account, revaluation account and unrestricted heritage asset reserve, which amount to £260 million, can only be released through the sale of those assets (2021–22: £248 million).

The British Council's free reserves of £35 million (2021–22: £93 million) is represented by the balance in the General Account, Limited Access Reserve and Risk Reserve.

The Limited Access Reserve is designated to cover funds that are not readily available for use, including trapped cash, the non-distributable reserves of subsidiaries (for the group accounts) and bank bonds and guarantees. On 31 March 2023, this account had no balance.

The purpose of the risk reserve is to protect the British Council from the financial impact of specific risks where that impact can be estimated; and ensure that it can manage the impact of general economic or operating risks on its operations and strategy. The target level for the risk reserve is set each financial year and includes a balance to cover economic and operating risk, and tax and indemnity risks that do not meet the threshold for creating a provision in the annual accounts. The Board of Trustees conclude that the Risk Reserve target should be equivalent to three months of business expenditure, balancing that against investment requirements and our charitable objectives, with the aim of rebuilding the Risk Reserve to an appropriate level over the next five to ten years.

Going concern

The Trustees are required to confirm that it is appropriate for the British Council to adopt the going concern principle in preparing its accounts.

The British Council continues to recover well from the Pandemic, especially in exams revenues, however the volatility caused by geopolitical events, high inflation, rising interest rates and fluctuating foreign exchange markets continue to have an adverse impact on the British Council's activities and income. Trustees and management are regularly monitoring cash flow and commercial performance. This includes modelling different assumptions based on the estimated potential impact of changing market conditions and regulations and other potential adverse events in individual countries, along with proposed mitigations.

The British Council has received a £200 million loan facility, made available to 31 March 2024 on commercial terms by the FCDO, to support solvency and to fund investment in commercial growth and efficiencies. To continue that support, a term loan of £197 million from the FCDO has now been put in place for a further year, repayable on 31 March 2025, although the contract includes the option for the FCDO to extend the loan on the same terms to 31 March 2026. The British Council has projected its cash requirements to 31 March 2025, which shows that with the loan facility in place, the British Council can meet its financial commitments as they fall due for the next financial year. Alongside this the British Council has put in place a conservative cash management process to ensure we hold sufficient funding and cash reserves to support our subsidiaries and working capital requirements as we move forward.

On this basis, the Trustees assess that the British Council will continue to operate for the 12 months from the date that the accounts are approved and that it is appropriate to prepare the 2022-23 accounts on a going concern basis.

The free reserves position at 31 March 2023 now stands at £34.5 million. Cashflow projections indicate the British Council will require this reserve to support activities and it is recognised that it will take a number of years to achieve the free reserves target which equates to three months business expenditure. In the absence of adequate reserves, the British Council remains reliant on loan financing provided by the FCDO on commercial terms.

The trustees recognise that the impact the pandemic had on reserves, combined with current geopolitical political events, global inflation and exchange rate volatility makes the longer-term outlook less certain. However, trading in 2023-24 has been strong and the Trustees will continue to prioritise rebuilding commercial income, while seeking a more secure long term-funding model through constructive dialogue with the FCDO. Within this context, given that further longer-term support has not yet been agreed past 31 March 2025, a material uncertainty remains over the organisation's ability to continue in its current form in the longer term should those risks materialise.

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

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

Opinion on financial statements

I have audited the financial statements of the British Council and its Group for the year ended 31 March 2023.

The financial statements comprise: The British Council and its Group's:

- The Consolidated and British Council Balance Sheets as at 31 March 2023;
- The Consolidated Statement of Financial Activities, The Consolidated Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom accounting standards including Financial Reporting Standards (FRS) 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion, the financial statements:

- give a true and fair view of the state of the British Council and its Group's affairs as at 31 March 2023 and its net expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Charity (Accounts and Reports) Regulations 2008, Charities and Trustee investment (Scotland) Act 2005 and regulations [6 and 8] of the Charities Accounts (Scotland) Regulations 2006, the Charities Act 2009 and the Charities Act 2011.

Opinion on regularity

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

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the British Council and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

In auditing the financial statements, I have concluded that the British Council and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

I draw attention to Note 27 of the financial statements, which describes material uncertainties that may cast significant doubt over the British Council's ability to continue as a going concern in the future, in relation to the level of longer-term support that would be needed from their sponsor department, the FCDO.

My responsibilities and the responsibilities of the Trustees and Accounting Officer with respect to going concern are described in the relevant sections of this certificate/report.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's report. The Trustees and Accounting Officer are responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Senior Leadership Remuneration Report to be audited have been properly prepared in accordance with the Accounts Direction issued by Secretary of State for the Foreign, Commonwealth & Development Office; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the British Council and its Group and its environment obtained in the course of the audit, I have not identified material misstatements in the Annual Report.

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 by the British Council or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Annual Report, subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by the Charities Act 2011 have not been made or parts of the Senior Leadership Remuneration Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Trustees and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Trustees and the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the British Council and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- ensuring that the financial statements give a true and fair view and are prepared in accordance with the Charity (Accounts and Reports) Regulations 2008, Charities and Trustee investment (Scotland) Act 2005 and regulations [6 and 8] of the Charities Accounts (Scotland) Regulations 2006, the Charities Act 2009 and the Charities Act 2011;
- ensuring that the Trustees' Report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury's Government Financial Reporting Manual.; and
- assessing the British Council and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees and the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with the section 151 of the Charities Act 2011, the section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, the Charities (Accounts and Reports) Regulations 2008, the Charities Accounts (Scotland) Regulations 2006 and section 50 of the Charities Act 2009.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the British Council and its Group's accounting policies, key performance indicators and performance incentives.
- inquired of management, The British Council's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the British Council and its Group's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the British Council and its Group's controls relating to the British Council's compliance with Managing Public Money;
- inquired of management, the British Council and its Group's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud;
- discussing with the engagement team and involving relevant internal and external specialists, including Overseas Tax support, Heritage assets, Land and Buildings Valuations regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the British Council and its Group's for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the British Council and its Group's framework of authority as well as other legal and regulatory frameworks in which the British Council and its Group's operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the British Council and its Group. The key laws and regulations I considered in this context included the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities Act 2009, Managing Public Money and relevant employment law and tax legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.

Use of our report

This report is made solely to the Trustees, in accordance with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities Act 2009 and my letter of engagement dated 31 January 2022.

My audit work has been undertaken so that I might state to you those matters I am required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Trustees and those set out under these Acts, for my audit work, for this report or for the opinions I have formed.

Gareth Davies

Comptroller and Auditor General

13 March 2024

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

Accounts

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Accounts

Consolidated Statement of Financial Activities for the year ended 31 March 2023

		Continuing operations Unrestricted	Discontinued operations Unrestricted	Continuing operations Restricted	2022–23 Total	Continuing operations Unrestricted	¹⁵ Discontinued operations Unrestricted	Continuing operations Restricted	2021–22 Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from:									
Donations and legacies	3	35,000	–	130,299	165,299	35,196	–	148,245	183,441
Charitable activities									
Developing a wider knowledge of the English language		622,101	–	10,492	632,593	525,054	10,219	12,954	548,227
Encouraging educational co-operation and promoting the advancement of education		24,241	–	30,079	54,320	35,959	–	111,847	147,806
Encouraging cultural, scientific and technological co-operation		1,141	–	7,051	8,192	1,515	–	8,581	10,096
Total income received to promote cultural relationships and the understanding of different cultures	4	647,483	–	47,622	695,105	562,528	10,219	133,382	706,129
Other trading activities		366	–	–	366	287	–	–	287
Investments		5,145	–	–	5,145	1,486	–	–	1,486
Profit on disposal of fixed assets		122	–	–	122	146	–	–	146
Foreign exchange gains		7,298	–	–	7,298	5,167	–	–	5,167
Total income		695,414	–	177,921	873,335	604,810	10,219	281,627	896,656
Expenditure on:									
Raising funds		37	–	–	37	44	–	–	44
Charitable activities									
Developing a wider knowledge of the English language		716,451	–	35,733	752,184	592,270	7,676	35,696	635,642
Encouraging educational co-operation and promoting the advancement of education		9,237	–	98,960	108,197	45,079	–	190,852	235,931
Encouraging cultural, scientific and technological co-operation		10,048	–	43,670	53,718	11,157	–	52,499	63,656
Total resources expended to promote cultural relationships and the understanding of different cultures	5(a)	735,736	–	178,363	914,099	648,506	7,676	279,047	935,229
Taxation	8	11,023	–	–	11,023	6,687	351	–	7,038
Total expenditure		746,796	–	178,363	925,159	655,237	8,027	279,047	942,311

Consolidated Statement of Financial Activities for the year ended 31 March 2023 (continued)

		Continuing operations Unrestricted	Discontinued operations Unrestricted	Continuing operations Restricted	2022–23 Total	Continuing operations Unrestricted	Discontinued operations Unrestricted	Continuing operations Restricted	2021–22 Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure on:									
Profit on sale of discontinued operations		–	–	–	–	–	128,910	–	128,910
Losses on equity investments	12(b)	(2,053)	–	–	(2,053)	(705)	–	–	(705)
Net (expenditure)/income		(53,435)	–	(442)	(53,877)	(51,132)	131,102	2,580	82,550
Transfers between funds:									
Transfer of unrestricted heritage asset reserve to restricted funds	18(a), 18(b)	(3,631)	–	3,631	–	(12,434)	–	12,434	–
Other recognised gains/ (losses):									
Funds spent from restricted reserves	18(a)	2,578	–	(2,578)	–	1,562	–	(1,562)	–
Gains on revaluation of tangible assets	18(a)	2,251	–	–	2,251	1,767	–	–	1,767
Gains on revaluation of intangible fixed assets	18(a)	985	–	–	985	230	–	–	230
Gains on revaluation of heritage assets	18(a)	6,282	–	–	6,282	29,010	–	–	29,010
Transfer between unrestricted reserves	18(a)	–	–	–	–	131,102	(131,102)	–	–
Foreign exchange differences arising on consolidation of foreign operations	18(a)	(1,358)	–	–	(1,358)	1,343	–	–	1,343
Net movement in funds		(46,328)	–	611	(45,717)	101,448	–	13,452	114,900
Total funds brought forward		341,099		106,371	447,470	239,651	–	92,919	332,570
Total funds carried forward		294,771	–	106,982	401,753	341,099	–	106,371	447,470

The British Council's non-consolidated total incoming resources for 2022–23 were £943 million (2021–22: £921.2 million); total resources expended were £998 million (2021–22: £823.5 million); and total net outgoing resources were £55 million (2021–22: net outgoing resources of £97.7 million).

Restricted activity includes £29.8 million (2021–22: £37.6 million) of income and expenditure relating to projects carried out on behalf of the European Commission.

Unrestricted fees and gross income from services and other sources includes £6.3 million (2021–22: £14.4 million) received in relation to European Commission projects.

There were no other recognised gains and losses other than those passing through the Consolidated Statement of Financial Activities. All activities are continuing. The notes on pages 92 to 138 form part of these accounts.

¹⁵This column represents the income and expenses of the sale of British Council English and Examinations Services India Private Limited and the net sale proceeds of the non-compete arrangement with IDP which concluded in the financial year 2021–22.

Consolidated and British Council Balance Sheet at 31 March 2023

	Notes	Group		British Council	
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible fixed assets	9	23,718	15,061	23,507	14,963
Tangible fixed assets	10	155,375	154,922	149,469	148,730
Heritage assets	11	188,436	182,154	188,436	182,154
Investments	12(a)	114	120	541	547
Investments in joint venture	12(b)	1,117	1,429	1,117	1,429
Total non-current assets		368,760	353,686	363,070	347,823
Current assets					
Loans to subsidiaries	12(f)	–	–	986	1,139
Loans to joint ventures	12(c)	30	227	–	–
Stock	–	290	509	260	466
Debtors	13	172,912	171,368	218,157	202,374
Short-term investments	14(b)	134,497	116,643	128,791	109,711
Cash at bank	14(a)	310,303	376,169	224,989	311,809
Total current assets		618,032	664,916	573,183	625,499
Liabilities: amounts falling due within one year					
Creditors (amounts falling due within one year)	15(a)	(536,496)	(457,612)	(527,856)	(447,930)
Short-term provision for liabilities and charges	16(a)	(19,063)	(27,434)	(18,524)	(26,670)
Net current assets		62,473	179,870	26,803	150,899
Total assets less current liabilities		431,233	533,556	389,873	498,722
Liabilities: amounts falling due after more than one year					
Creditors (amounts falling due after more than one year)	15(c)	–	(56,800)	–	(56,800)
Long-term provision for liabilities and charges	16(b)	(264)	–	(264)	–
Terminal gratuity	17	(29,216)	(29,286)	(25,209)	(25,391)
Net assets		401,753	447,470	364,400	416,531

Consolidated and British Council Balance Sheet at 31 March 2023 (continued)

		Group		British Council	
		2023	2022	2023	2022
	Notes	£'000	£'000	£'000	£'000
Funds and reserves					
Unrestricted funds					
General account	18(a)	34,520	–	3,285	–
Limited access reserve	18(a)	–	53,600	–	29,800
Risk reserve	18(a)	–	39,009	–	38,161
Capital account	18(a)	87,479	81,605	84,293	77,938
Revaluation account	18(a)	91,614	88,378	88,683	85,755
Heritage asset reserve – unrestricted	18(a)	81,157	78,506	81,157	78,506
Total unrestricted funds		294,770	341,098	257,418	310,160
Restricted funds					
Income reserve – restricted	18(b)	(443)	2,578	(443)	2,578
Expendable endowment reserve	18(b)	146	145	146	145
Heritage asset reserve – restricted	18(b)	107,279	103,648	107,279	103,648
Total restricted funds		106,982	106,371	106,982	106,371
Total charity funds		401,752	447,469	364,400	416,531
Minority interest	18(a)	1	1	–	–
Total funds		401,753	447,470	364,400	416,531

Approved by the Board of Trustees and signed on its behalf on 11 March 2024

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

Scott McDonald
Chief Executive and Accounting Officer,
British Council

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

	Notes	2022–23		2021–22	
		£'000	£'000	£'000	£'000
Net income/(expenditure) (as per the Consolidated Statement of Financial Activities)			(53,877)		82,550
Adjustments for:					
Interest receivable		(5,145)		(1,486)	
Interest and commitment fees on FCDO loan		3,419		939	
Depreciation charges including impairments	10	9,196		9,358	
Amortisation charges including impairments	9	3,407		3,674	
Loss/(gain) on the sale of tangible fixed assets		252		(1)	
Gain on the sale of non-current investments		(6)		(3)	
Loss on equity investment	12(b)	2,053		705	
Interest on loan to joint venture		–		(22)	
Taxation charge	8	11,023		7,038	
Decrease in stock		219		124	
Increase in debtors excluding foreign exchange translation		(28,293)		(30,790)	
Decrease in creditors excluding overseas corporation tax creditors, loan from FCDO and foreign exchange translation		(30,564)		(17,704)	
Increase in provisions excluding foreign exchange translation		8,092		12,963	
Revenue from sale of discontinued operations		–		(133,746)	
Total adjustments			(26,347)		(148,951)
Net cash flow from operating activities			(80,224)		(66,401)

Consolidated cash flow statement for the year ended 31 March 2023

		2022–23		2021–22	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities:					
Net cash flow from operating activities		(80,224)		(66,401)	
Overseas corporation tax paid		(7,614)		(1,933)	
Net cash provided by/(used in) operating activities			(87,838)		(68,334)
Cash flows from investing activities:					
Interest receivable		5,145		1,486	
Purchase of intangible fixed assets	9	(11,089)		(4,268)	
Purchase of tangible fixed assets	10	(5,318)		(4,804)	
Proceeds from the sale of of tangible fixed assets		99		541	
Purchase of non-current investments	12(b)	(8)		(796)	
Proceeds from sale of non-current investments		20		3	
Proceeds from discontinued operations		–		133,746	
Net payments into short-term deposits	14(b)	(17,854)		(54,049)	
Net cash provided by/(used in) investing activities			(29,005)		71,859
Cash flows from financing activities:					
Loan impaired/(to) joint venture	12(c)	197		797	
Loan from FCDO (net)	15	56,290		4,475	
Interest and commitment fees on FCDO loan		(3,419)		(939)	
Net cash provided by/(used in) financing activities			53,068		4,333
Movements in cash and cash equivalents in the year			(63,775)		7,858
Change in cash and cash equivalents due to foreign exchange rate movements			(2,091)		453
Cash and cash equivalents at start of year	14(a)		376,169		367,858
Cash and cash equivalents at end of year	14(a)		310,303		376,169

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

1 Basis of preparation and consolidation

a) Basis of preparation

The accounts have been prepared in accordance with: FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102); Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (second edition - October 2019) (the SORP); the Charities Act 2011; the Charities and Trustee Investment (Scotland) Act 2005; the Charities Act 2009; the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs; and the Government Financial Reporting Manual 2022–23 (the FReM), where this exceeds but does not conflict with the SORP.

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

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

The British Council applies the requirements of section 5 of FRS 102 in accounting for and disclosing discontinued operations.

(b) Consolidation

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

Details of the British Council's subsidiaries, joint ventures and special trusts are listed in note 12(d), 12(b) and note 18(b) respectively.

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

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

(c) Going concern

The accounts for the year ended 31 March 2023 have been prepared on a going concern basis: both the Board of Trustees and management believe that this is an appropriate basis of preparation. Note 27 details how the British Council has reached this assessment.

(d) Foreign exchange

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

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

that the transaction took place. Exchange differences arising on consolidation are taken to reserves and shown in 'Other recognised gains or losses'.

(e) Key accounting estimates and judgements

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

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

(i) Valuation of property

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

(ii) Heritage assets

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

(iii) Provisions

Taxation

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

Redundancy

As part of its transformation programme, the British Council is making redundancy payments to staff who leave the organisation because their role no longer exists. The British Council recognises these costs and provides for them; when the obligation to make payment arises; it is probable that the redundancy payment will be made; and the amount of the obligation can be estimated reliably. The British Council considers that the obligation to make the payment arises at the point that it informs specific staff that their role is at risk. At this stage, the number of roles being made redundant is known but it is not known which individual staff will be made redundant. The provision is therefore based on the average salary and average length of service for the roles being made redundant. Where the roles are performed in different countries and it is not known which countries the roles will be lost from, a weighted average of the rates in the different countries is used. When the individuals that are going to be made redundant are identified and the amount of their redundancy is calculated, the provision is updated to reflect the actual amount of the redundancy that will be paid.

2 Accounting policies

(a) Fund accounting

Funds are classified as either unrestricted or restricted.

(i) Unrestricted funds

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

Unrestricted funds include designated funds which are set aside at the discretion of the Trustees for a specific purpose, or where funds are effectively constrained by their application in operational fixed assets. The purpose and any application of designated funds are set out in note 18 to the accounts.

(ii) Restricted funds

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

(iii) Transfer between funds

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

(b) Income

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

The British Council has not received any funds from the EU for which it acts as agent. It accounts for funds received from the EU as income in accordance with paragraphs 11.1.7 and 11.1.9 of the FReM.

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

(i) Income from donations

Income from donations comprises:

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

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

(ii) Income from charitable activities

Income from charitable activities comprises:

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

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

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

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

Income from charitable activities is analysed by activity. The British Council's charitable objects changed in December 2021 and the analysis of income and expenditure by activity has been updated to reflect the new charitable objects. Further disclosures have been included in Notes 4, 5 and 6 to highlight the impact of this change.

The value of time given by volunteers is excluded from the accounts as their contribution to the charity cannot be reasonably quantified in financial terms. During 2022–23, the British Council used volunteers to provide logistical and administration support, for example at some British Council events in the UK and overseas.

(c) Recognition of expenditure

All expenditure is accounted for on an accruals basis.

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

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

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

(d) Classification of expenditure

Expenditure in the Consolidated Statement of Financial Activities is classified as Expenditure on raising funds or Expenditure on charitable activities.

(i) Expenditure on charitable activities

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

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

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

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

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

(e) Taxation

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

(i) Income tax

The British Council as a registered charity is exempt from UK Corporation Tax on its income and gains falling within Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objects. Accordingly, no UK Corporation Tax has been incurred by the Charity during 2022–23.

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

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

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

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

(ii) Value added tax

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

(f) Intangible fixed assets

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

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

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

(g) Tangible fixed assets

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

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

(i) Depreciation

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

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.

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

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

(ii) Valuation basis

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

Land and buildings are valued by an external valuer CBRE, a commercial property consultancy firm, in accordance with the guidelines issued by the Royal Institution of Chartered Surveyors. All freehold and long leasehold land and buildings were revalued by CBRE as at 31 March 2021. Approximately one fifth of the portfolio has a full valuation involving a physical inspection each year so that the whole portfolio has a full physical valuation on a rolling five-year basis. In addition, a sample of the properties not fully valued in the year have a desk valuation. This includes the highest value properties and a sample of others sufficient to ensure that the value of the portfolio is materially correct.

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

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

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

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

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

(h) Heritage assets

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

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

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

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

Approximately 80% of the total value of the whole collection represent works whose value tend to fluctuate over time. These works of art are valued each year. The remainder of the collection is made up of works of art whose value remain stable over time. The Head of Collection and Collection Manager review these valuations periodically and use an external valuer where needed to revalue this over time so that the whole collection is valued on a rolling basis.

In 2022–23, the top 100 items by value and a sample of other items in other categories were revalued. Please see note 11 for details of work revalued during the financial year.

The valuations are either by a professional external valuer or by the Head of Collection and Collection Manager, who make the valuations by reference to sales of comparable items at auction. A professional external valuer was used in 2022–23.

The professional external valuer used is Coram James, an independent art advisory and valuation business. Their qualifications and expertise are available at: www.coramjames.com/meet-the-team

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

Any gains on the revaluation of heritage assets are recognised in the Heritage Asset Reserves.

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

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

(i) Non-current investments

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

(j) Current assets and liabilities

(i) Assets and liabilities

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

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

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

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

Loans are initially recognised at transaction price less transaction costs, where material. They are subsequently valued at amortised cost using the effective interest method. Interest is charged to the Consolidated Statement of Financial Activities and is included in expenditure on charitable activities.

Loans are initially recognised at transaction price less transaction costs, where material. They are subsequently valued at amortised cost using the effective interest method. Interest is charged to the Consolidated Statement of Financial Activities and is included in expenditure on charitable activities.

(ii) Financial instruments

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

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

Basic financial liabilities consist of creditors and loans from third parties. They are initially recognised at transaction price, and subsequently valued at amortised cost using the effective interest rate method for amounts due in more than one year.

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

(k) Leases

(i) Operating leases

Rentals payable under operating leases are charged to the Consolidated Statement of Financial Activities on a straight-line basis over the term of the lease. Rent-free periods and other lease incentives are accounted for as a reduction to the lease expense over the lease term on a straight-line basis. Temporary rent concessions as a result of the Covid-19 pandemic are recognised on a straight-line basis over the periods that the change in lease payments is intended to compensate.

The British Council does not have any finance leases.

(l) Pension schemes and other post-employment benefits

(i) Civil Service pension arrangements

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

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

Early retirement in the Civil Service pension arrangements

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

(ii) Other pension schemes

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

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

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

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

(iii) Terminal gratuities

In many overseas offices the British Council operates terminal gratuity schemes for its locally engaged employees. The value of the final payment is based on final salary and length of employment. The terminal gratuity is paid as a lump sum to the employee when their employment ends. Full provision is made in the accounts for the British Council's liability on the basis of service accrued as at the Balance Sheet date. There are no plan assets and payments are made out of the cash held as at the time the terminal gratuity is paid. Terminal gratuities are post-employment benefits but are accounted for as provisions. The impact of this is not considered material.

(m) Redundancy costs

Redundancy and other departure costs for UK-appointed staff are paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year that the departure is agreed. Where the British Council agrees 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 note 7(c).

Redundancy and other departure costs for overseas-appointed staff are calculated in accordance with the relevant Terms and Contract of Service and applicable local regulations. They are recognised when the obligation to make the payment arises, it is probable that the payment will be made and the amount of the obligation can be estimated reliably. The British Council considers that the obligation to make redundancy payments arises at the point that it informs specific staff that their role is at risk.

(n) Contingent liabilities

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

3 Donations and legacies

	2022–23			2021–22		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Grant-in-aid – revenue	35,000	130,299	165,299	35,190	148,245	183,435
Donated services, goods and facilities	–	–	–	6	–	6
Total donations	35,000	130,299	165,299	35,196	148,245	183,441

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

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

4 Income from charitable activities

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

	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	2022–23 Total
	£'000	£'000	£'000	£'000
Unrestricted				
Contract income	10,535	20,318	627	31,480
Teaching and exams	601,235	20	–	601,255
Other income	10,331	3,903	514	14,748
Total unrestricted income	622,101	24,241	1,141	647,483
Restricted				
Contract income	6,692	11,800	340	18,832
Grants for delivering specific charitable activities	3,800	18,279	6,711	28,790
Total restricted income	10,492	30,079	7,051	47,622
Total				
Contract income	17,227	32,118	967	50,312
Grants for delivering specific charitable activities	3,800	18,279	6,711	28,790
Teaching and exams	601,235	20	–	601,255
Other income	10,331	3,903	514	14,748
Total income received to promote cultural relationships and the understanding of different cultures	632,593	54,320	8,192	695,105

	Developing a wider knowledge of the English language	¹⁶ Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	2021–22 Total
	£'000	£'000	£'000	£'000
Unrestricted				
Contract income	9,658	31,684	708	42,050
Teaching and exams	512,789	185	–	512,974
Other income	12,826	4,090	807	17,723
Total unrestricted income	535,273	35,959	1,515	572,747
Restricted				
Contract income	6,961	89,483	3,130	99,574
Grants for delivering specific charitable activities	5,993	22,364	5,451	33,808
Total restricted income	12,954	111,847	8,581	133,382
Total				
Contract income	16,619	121,167	3,838	141,624
Grants for delivering specific charitable activities	5,993	22,364	5,451	33,808
Teaching and exams	512,789	185	–	512,974
Other income	12,826	4,090	807	17,723
Total income received to promote cultural relationships and the understanding of different cultures	548,227	147,806	10,096	706,129

¹⁶The British Council changed its objects from 15 December 2021. As a result of this change, the charitable object “Building capacity for social change” as previously reported has been merged with the charitable object; “Encouraging educational co-operation and promoting the advancement of education”. The unrestricted charitable income balances before the impact of this change for “Encouraging educational co-operation and promoting the advancement of education” and “Building capacity for social change” are £13 million (2021–22: £26 million) and £11.2 million (2021–22: £10 million) respectively. The corresponding restricted charitable income balances are £1.5 million (net outflow) (2021–22: £73 million) and £31.6 million (2021–22: £38.8 million) respectively.

5 Expenditure on charitable activities

(a) Total expenditure on charitable activities

	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	2022–23 Total
	£'000	£'000	£'000	£'000
Grants payable	1,650	954	14,030	16,634
Direct costs	604,115	86,213	27,249	717,577
Support costs	146,419	21,030	12,439	179,888
Total resources expended to promote cultural relationships and the understanding of different cultures	752,184	108,197	53,718	914,099

	Developing a wider knowledge of the English language	¹⁷ Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	2021–22 Total
	£'000	£'000	£'000	£'000
Grants payable	3,328	83,117	19,778	106,223
Direct costs	516,209	120,490	30,410	667,109
Support costs	116,105	32,324	13,468	161,897
Total resources expended to promote cultural relationships and the understanding of different cultures	635,642	235,931	63,656	935,229

Included in the above resources expended are costs of £180 million (2021–22: £282 million) relating to restricted expenditure. Also included are costs of £2.7 million (2021–22: £1.2 million) relating to finance charges on the loan received from the FCDO.

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

An equivalent amount of expenditure is included in the above direct costs for donated services, goods and facilities. The related income is shown in note 3.

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

Included in the above support costs are foreign exchange losses of £14.6 million (2021–22: £11.8 million).

¹⁷The British Council changed its objects from 15 December 2021. As a result of this change, the charitable object “Building capacity for social change” as previously reported has been merged with the charitable object; “Encouraging educational co-operation and promoting the advancement of education”. The unrestricted charitable expenditure balances before the impact of this change for “Encouraging educational co-operation and promoting the advancement of education” and “Building capacity for social change” are £12.7 million (net inflow) (2021–22: £37.2 million) and £22.6 million (2021–22: £7.9 million) respectively. The corresponding restricted charitable expenditure balances are £58.6 million (2021–22: £137.8 million) and £40.4 million (2021–22: £53 million) respectively. The comparatives for the financial year 2021–22 have been restated to reflect the updated objects of the Consolidated Statement of Financial Activities for the financial year 2022–23.

(b) Audit and non-audit fees

Included in direct costs and support costs are fees of £0.53 million payable to the National Audit Office for the audit of the Consolidated and British Council 2022–23 Annual Report and Accounts (2021–22: £0.42 million). There were no fees payable to the National Audit Office in respect of non-audit work.

In addition, total audit fees of £0.55 million (2021–22: £0.48 million) were payable to the auditors of the Group's component audits. These comprise the audits of the Group's subsidiaries and the British Council's overseas branches where an audit is required by local regulations.

The following fees in respect of non-audit services were payable to the auditors of the Group's subsidiaries and British Council's overseas branches where an audit is required by local regulations:

	2022–23	2021–22
	£'000	£'000
Assurance	71	20
Tax advisory	198	220
Other advisory or accountancy	398	291
Total	667	531

(c) Analysis of support costs

	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	2022–23 Total
	£'000	£'000	£'000	£'000
Property and related costs	39,067	5,611	3,319	47,997
IT	36,863	5,295	3,132	45,290
Finance	21,289	3,057	1,809	26,155
General administration	16,016	2,300	1,361	19,677
Human resources	13,805	1,983	1,173	16,961
Governance	6,258	899	532	7,689
Other	13,121	1,885	1,113	16,119
Total support costs	146,419	21,030	12,439	179,888

	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	2021–22 Total
	£'000	£'000	£'000	£'000
Property and related costs	32,836	9,142	3,809	45,787
IT	28,216	7,856	3,273	39,345
Finance	14,028	3,905	1,627	19,560
General administration	12,899	3,590	1,496	17,985
Human resources	10,403	2,896	1,207	14,506
Governance	5,501	1,532	638	7,671
Other	12,222	3,403	1,418	17,043
Total support costs	116,105	32,324	13,468	161,897

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

Included in the above table are support costs in relation to grant-making activities of £3.4 million (2021–22: £19.1 million)

6 Grants payable

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

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

	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	2022–23 Total
	£'000	£'000	£'000	£'000
Types of institutions				
Universities	–	749	915	1,664
Other bodies	1,587	7,894	–	9,482
Charities, NGOs and social enterprises	25	1,801	1,527	3,353
Colleges	–	(9,121)	–	(9,121)
Schools	3	(3,014)	66	(2,945)
Arts bodies	–	917	10,465	11,382
Local government bodies	–	(737)	74	(663)
National and international government bodies	–	215	25	240
Environmental groups	–	121	–	121
Total grants to institutions	1,615	(1,175)	13,072	13,513
Grants to individuals	35	2,128	958	3,121
Total grants payable to promote cultural relationships and the understanding of different cultures	1,650	954	14,030	16,634

Grants paid out by the British Council are usually unconditional grants therefore the full grant amount is recognised in the year of the award even though payments may be spread across several years. During the financial year, approximately £21.8 million (2021–22: £23.8 million) of mobility grants previously awarded were paid back by recipients. Recipients of mobility grants are required to travel to a particular location for the engagement specified in the grant agreement. However, most of this travel could not take place primarily due to Covid-19 related travel restrictions in place at the time. The grant term for these have ended or are coming to an end. The £21.8 million represents actual grants paid back for closed projects.

The decrease in the grants payable is mainly due to the Erasmus+ grant activities coming to an end.

	Developing a wider knowledge of the English language	¹⁸ Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	2021–22 Total
	£'000	£'000	£'000	£'000
Types of institutions				
Universities	29	44,863	5,406	50,298
Charities, NGOs and social enterprises	–	22,422	648	23,070
Colleges	–	5,745	170	5,915
Schools	–	2,223	22	2,245
Other bodies	3,280	1,576	–	4,856
Local government bodies	–	2,669	263	2,932
Arts bodies	–	2,383	11,951	14,334
Environmental groups	–	146	–	146
National and international government bodies	–	–	59	59
Total grants to institutions	3,309	82,027	18,519	103,855
Grants to individuals	19	1,090	1,259	2,368
Total grants payable to promote cultural relationships and the understanding of different cultures	3,328	83,117	19,778	106,223

The following institutions received £750,000 or more of grants from the British Council during 2022–23, together these grant awards account for a total of £3.8 million (2021–22: £32.8 million):

HEVA Fund LLP
University of Birmingham
University of Nottingham

¹⁸ The British Council changed its objects from 15 December 2021. As a result of this change, the charitable object “Building capacity for social change” as previously reported has been merged with the charitable object; “Encouraging educational co-operation and promoting the advancement of education”. The total grant payable under “Encouraging education co-operation and promoting the advancement of education” as reported in the financial statements in 2021–22 is £67.9 million. The corresponding grants payable under “Building capacity for social change” is £15.2 million.

7 Staff emoluments and related costs

(a) Total staff costs

	2022–23	2021–22
	£'000	£'000
Wages and salaries – permanent staff	268,333	256,585
Wages and salaries – non-permanent staff	78,946	66,308
Social security costs	13,316	11,554
Other pension costs	23,528	34,997
Early retirement costs	863	6,187
Total staff costs	384,986	375,631

Included in non-permanent wages and salaries was £64 million (2021–22: £56 million) relating to English language oral examiners, examination markers and invigilators who are paid on an hourly/daily rate. The remaining costs for non-permanent wages and salaries relate to contracted staff who are filling vacant roles.

(b) The average number of employees by headcount

	2022–23	2021–22
	Average no. of staff	Average no. of staff
United Kingdom		
Management and administrative (senior managers – 309 (2021–22: 297))	940	1,059
Overseas		
Management and administrative (senior managers – 250 (2021–22: 239))	6,487	6,814
Teachers	1,782	1,988
Total employees	9,209	9,861

(c) Redundancy and other departure costs

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

	2022–23	2021–22	2022–23	2021–22	2022–23	2021–22
	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages by cost band	
<£10,000	1	2	5	5	6	7
£10,000 – £25,000	4	1	30	7	34	8
£25,000 – £50,000	3	–	28	14	31	14
£50,000 – £100,000	–	–	40	6	40	6
£100,000 – £150,000	–	–	8	–	8	–
£150,000 – £200,000	–	–	2	–	2	–
Total number of exit packages	8	3	113	32	121	35
Total resource cost (£)	181,561	25,988	5,868,957	1,140,218	6,050,518	1,166,206

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

	2022–23	2021–22	2022–23	2021–22	2022–23	2021–22
	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages by cost band	
<£10,000	436	154	320	88	756	242
£10,000 – £25,000	34	38	17	10	51	48
£25,000 – £50,000	13	55	11	3	24	58
£50,000 – £100,000	8	13	13	1	21	14
£100,000 – £150,000	2	–	–	–	2	–
£150,000 – £200,000	1	–	–	–	1	–
Total number of exit packages	494	260	361	102	855	362
Total resource cost (£)	2,393,429	3,935,218	1,808,284	499,539	4,201,713	4,434,757

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

Redundancy and other departure costs for overseas appointed staff have been paid in accordance with the relevant Terms and Contract of Service and applicable local regulations.

(d) The current Chief Executive's full time equivalent emoluments for the financial year 2022–23 was £325,750 (2021–22: £325,750) comprising salary of £250,000 (2021–22: £250,000), plus pension contributions of £75,750 (2021–22: £75,750).

(e) The number of staff that received total employee benefits falling within the following ranges:

	2022–23	2021–22
	No. of staff	No. of staff
£60,000 - £70,000	208	175
£70,001 - £80,000	144	117
£80,001 - £90,000	91	89
£90,001 - £100,000	62	40
£100,001 - £110,000	43	44
£110,001 - £120,000	36	27
£120,001 - £130,000	18	16
£130,001 - £140,000	15	5
£140,001 - £150,000	8	6
£150,001 - £160,000	7	5
£160,001 - £170,000	6	2
£170,001 - £180,000	3	4
£180,001 - £190,000	5	–
£190,001 - £200,000	1	1
£210,001 - £220,000	1	–
£240,001 - £250,000	2	–
Total number of employees	650	531

(f) Off-payroll engagements

Highly paid off-payroll worker engagements as at 31 March 2023, earning £245 per day or greater

No. of engagements that have existed for:	No. of engagements
Less than one year at time of reporting	35
Between one and two years at time of reporting	7
Between two and three years at time of reporting	2
Between three and four years at time of reporting	1
Four or more years at time of reporting	2
Total no. of existing engagements as at 31 March 2023	47

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater

	No. of engagements
Total number of new engagements, or those that reached six months in duration between 1 April 2022 and 31 March 2023	66
Of which:	
Number assessed as within the scope of IR35	39
Number assessed as outside the scope of IR35	27

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023

	No. of engagements
No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	–
No. of individuals that have been deemed “board members, and/or senior officials with significant financial responsibility”, during the financial year. This figure includes both off-payroll and on-payroll engagements	42

(g) Travel expenses reimbursed to ten members (2021–22: seven members) of the Board of Trustees amounted to 15,972 (2021–22: £6,400).

No Trustees or any persons connected with them received any remuneration for their services during the year ended 31 March 2023 (2021–22: nil).

(h) The Principal Civil Service Pension Scheme (PCSPS) and the Civil Service and Other Pension Scheme (CSOPS) - known as alpha - are 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 PCSPS as at 31 March 2012.

For 2022–23, employers' contributions of £13,516,692 were payable to the PCSPS (2021–22: £14,608,280) at one of four rates in the range 26.6% per cent to 30.3% per cent of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022–23 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 £130,185 (2021–22: £146,126) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8.0% to 14.75% of pensionable earning. Employers also match employee contributions up to 3.0% of pensionable earnings. In addition, employer contributions of £3,841: 0.5% (2021–22: £5,136: 0.5%) 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 £9,265 (2021–22: £12,644). Contributions prepaid at that date were nil (2021–22: nil). Employer contributions of £152 were also payable to the National Employment Savings Scheme (NEST) for employees auto-enrolled in that scheme (2021–22: £152).

(i) Defined benefit scheme

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

The Scheme is closed to new entrants and active members of the Scheme ceased to accrue benefits in respect of pensionable service from 31 January 2013. A full actuarial valuation was carried out at 1 April 2014 and updated to 31 March 2023 by a qualified actuary, independent of the Scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

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

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

	2023	2022
	£'000	£'000
Fair value of scheme assets	31,254	17,662
Present value of scheme liabilities	20,203	8,064
Surplus/(deficit) in scheme	11,051	9,598
Unrecognised surplus/(deficit)	11,051	9,598
Asset/(liability) to be recognised	–	–

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

	2023	2022
	£'000	£'000
Scheme liabilities at 1 April	8,064	8,772
Interest cost	203	171
Inclusion of insured annuities	14,219	–
Actuarial (gains)/losses	(1,769)	(469)
Benefits paid and death in service insurance premiums	(514)	(410)
Past service cost	–	–
Scheme liabilities at 31 March	20,203	8,064

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

	2023	2022
	£'000	£'000
Fair value of scheme assets at 1 April	17,662	17,193
Interest income	451	338
Inclusion of insured annuities	14,009	–
Administration fee paid from scheme assets	(107)	(146)
Actuarial gains/(losses)	(247)	687
Benefits paid and death in service insurance premiums	(514)	(410)
Fair value of scheme assets at 31 March	31,254	17,662

The actual return on the scheme assets over the year ending 31 March 2023 was a loss of £0.2 million (2021–22: £1.03 million).

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

	2023	2022
	£'000	£'000
Interest cost	203	171
Interest income	(203)	(171)
Total (income)/expense recognised in the Consolidated Statement of Financial Activities	–	–

Statement of total recognised gains and losses

	2023	2022
	£'000	£'000
Actual return less expected return on pension scheme assets gain/(loss)	(247)	687
Experience gains and losses arising on the scheme liabilities gain/(loss)	1,769	469
Changes in the assumptions underlying the defined benefit obligation gain/(loss)	1,205	(1,010)
Total actuarial gain/(loss) before restriction due to some of the surplus not being recognisable	2,727	146
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable gain/(loss)	(2,727)	(146)
Total amount recognised in the statement of total recognised gains and losses	–	–

Assets

	2023	2022
	£'000	£'000
Equity	8,813	9,391
Bonds	4,268	3,707
Property	4,010	3,777
Cash	154	787
Annuities	14,009	–
Total assets	31,254	17,662

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

	2023	2022
	% per annum	% per annum
Inflation	3.25%	4.3%
Salary increases	n/a	n/a
Rate of discount	4.8%	2.6%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.35%	3.4%
Allowance for commutation of pension for cash at retirement	25%	25%

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

	2023	2022
	No. of years	No. of years
Male retiring today at age 65	22.1	22.1
Female retiring today at age 65	24.3	24.5
Male retiring in 20 years at age 65	23.4	23.4
Female retiring in 20 years at age 65	25.7	25.9

Expected long-term rates of return

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

Amounts for the current and previous year

	2023	2022
	£'000	£'000
Fair value of scheme assets	31,254	17,662
Present value of scheme liabilities	20,203	8,064
Surplus/(deficit) in scheme	11,051	9,598
Experience adjustment on scheme assets	(247)	687
Experience adjustment on scheme liabilities	1,769	469

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.

The British Council does not have an unconditional right to a refund of the surplus on the gradual settlement of the plan liabilities over time until all members have left the plan as the material uncertainty referenced in Note 27 means that the British Council's ability to support the Scheme over the longer term is dependent upon certain future events not wholly within its control. In considering whether the British Council can recognise a surplus following the full settlement of the plan liabilities in a single event through winding up the scheme, no surplus is expected to remain. This is because the British Council's estimate of the Scheme liabilities will increase, as a result of member benefits being increased to the Inland Revenue's limits as specified in the rules of the Trust Deed. To this effect, no surplus has been recognised in the Consolidated and British Council Balance Sheets.

Trustees

Apex Group Ltd as independent Trustee to the Scheme, was paid fees amounting to £30,778 excluding VAT (2021–22: £44,543 excluding VAT) during the year. One other Trustee was paid fees totalling £2,310 excluding VAT (2021–22: two trustees paid £3,937) during the year. Travel expenses totalling £46.60 were reimbursed to one Trustee during the year (2021–22: nil).

(j) Union officials

Total number of employees who were union officials

	2022–23	2021–22	2022–23	2021–22
	Number of employees who were relevant union officials during the relevant period		Full-time equivalent employee number	
Employees who were union officials	14	14	14	14

The number of employees that spent the following on facility time

	2022–23	2021–22
	No. of staff	No. of staff
1% – 50%	13	13
51% – 99%	1	–
100%	–	1

Percentage of the pay bill spent on facility time

	2022–23	2021–22
	£'000	£'000
Total cost of facility time	152	160
Total pay bill	81,518	81,105
Percentage of the total pay bill spent on facility time	0.19%	0.20%

Paid trade union activities

	2022–23	2021–22
	%	%
Time spent on paid trade union activities as a percentage of total paid facility time hours	–	–

8 Taxation

(a) Charge/(credit) for the year

	2023	2022
	£'000	£'000
Tax charge for the current year		
Overseas tax	9,753	7,008
Total current year tax	9,753	7,008
Tax under provided in previous years		
Overseas tax	1,270	30
Total prior year tax	1,270	30
Total tax charge	11,023	7,038

No deferred tax has been recognised for the year (2021–22: nil).

(b) Factors affecting the current tax charge

	2023	2022
	£'000	£'000
Net (expenditure)/income after tax	(53,877)	82,550
Total tax charge	11,023	7,038
Net (expenditure)/income before taxation	(42,854)	89,588
Tax charge at standard UK corporation tax rate of 19% (2021–22: 19%)	(8,142)	17,022
Losses not relieviable against current income	13,086	2,652
Expenses not deductible for tax purposes	290	2,240
Irrecoverable withholding tax on repatriated funds	339	1,393
Tax under provided in previous years	1,270	30
Net (income)/expenditure not subject to tax (primarily due to charitable exemptions)	2,753	(14,175)
Higher taxes on overseas taxable surpluses	1,427	(2,124)
Current tax charge for year	11,023	7,038

(c) Factors that may affect future tax charges

The group has no unrecognised deferred tax assets (2021–22: nil).

9 Intangible fixed assets

	2023	2022
	£'000	£'000
Modified cost or valuation		
At 1 April	28,268	24,580
Exchange rate differences	30	8
Additions	23,172	4,268
Transfers of completed assets from assets under construction	(12,083)	–
Disposals	(51)	–
Revaluations	188	(588)
At 31 March	39,524	28,268
Amortisation		
At 1 April	(13,207)	(10,346)
Exchange rate differences	(26)	(5)
Charge for the year	(3,407)	(3,674)
Disposals	37	–
Revaluations/backlog amortisation	797	818
At 31 March	(15,806)	(13,207)
Net book value		
At 31 March	23,718	15,061
At 1 April	15,061	14,234

Included in the above are the following amounts for assets under construction

	2023	2022
	£'000	£'000
AUC cost at 1 April	7,549	3,284
Transfers of completed assets to additions	(12,083)	–
Additions to AUC	11,047	4,265
Total AUC cost at 31 March	6,513	7,549

Intangible fixed assets (software licences) are included at their value to the business by reference to current costs and are amortised at rates calculated to write off the assets on a straight-line basis over the period of the licence, or the period over which the British Council anticipates using the asset if shorter. These revaluations take place annually in line with market value. The effective date of the revaluation is 31 March 2023.

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

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

10 Tangible fixed assets

	Freehold land and property	Leasehold land and property	Furniture and equipment	Information technology	Vehicles and plant	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Modified cost or valuation						
At 1 April 2022	86,964	105,589	9,595	9,023	10,157	221,328
Exchange rate differences	1,768	1,120	(52)	94	147	3,077
Additions	40	7,599	312	998	424	9,373
Transfers of completed assets from AUC	(3,970)	–	(43)	(29)	(13)	(4,055)
Disposals	(239)	(9,602)	(1,235)	(1,629)	(1,385)	(14,090)
Impairment	(935)	–	–	–	–	(935)
Reclassification	–	–	–	–	–	–
Revaluations	(2,333)	856	–	–	–	(1,477)
At 31 March 2023	81,295	105,562	8,577	8,457	9,330	213,221
Depreciation						
At 1 April 2022	(5,019)	(38,497)	(8,161)	(5,851)	(8,878)	(66,406)
Exchange rate differences	1,248	(1,748)	(12)	(5)	(129)	(646)
Charge for the year	(2,982)	(3,737)	(663)	(828)	(430)	(8,640)
Disposals	239	9,293	1,221	1,608	1,378	13,739
Impairment	379	–	–	–	–	379
Reclassification	–	–	–	–	–	–
Revaluations	1,967	1,761	–	–	–	3,728
At 31 March 2023	(4,168)	(32,928)	(7,615)	(5,076)	(8,059)	(57,846)
Net book value						
At 31 March 2023	77,127	72,634	962	3,381	1,271	155,375
At 1 April 2022	81,945	67,092	1,434	3,172	1,279	154,922

Included in the above are the following amounts for assets under construction

	Freehold land and property	Leasehold land and property	Furniture and equipment	Information technology	Vehicles and plant	Total
	£'000	£'000	£'000	£'000	£'000	£'000
AUC cost at 1 April 2022	–	2,412	–	1,283	23	3,718
Exchange rate differences	–	10	(61)	82	(1)	30
Transfers of completed assets to additions	–	(3,970)	(43)	(29)	(13)	(4,055)
Additions to AUC	–	3,455	104	309	117	3,985
Total AUC cost at 31 March 2023	–	1,907	–	1,645	126	3,678

Included in tangible fixed assets are assets to the value of £43.1 million (2021–22: £47.5 million) which have been fully depreciated. These assets are still in use and provide value to the business.

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

Approximately one fifth of the portfolio has a full valuation involving a physical inspection each year so that the whole portfolio has a full physical valuation on a rolling five-year basis. In addition, a sample of the properties not fully valued in the year have a desk valuation. This includes the highest value properties and a sample of others sufficient to ensure that the value of the portfolio is materially correct. This resulted in an impairment charge to the Consolidated Statement of Financial Activities of £0.56 million (2021–22: nil). The effective date of the revaluation is 31 March 2023.

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

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

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

The British Council undertook a full review of title to all properties in the financial year 2020–21 as part of the revaluation exercise. 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% of sale proceeds.

There is one property where the British Council is entitled to use the whole property, but would only be entitled to a portion of the proceeds of sale if the building were sold. The existing use value represents use of the whole property and exceeds the amount the British Council would be entitled to on sale by £9.4 million (2021–22: £9.7 million).

Within the freehold land and properties category, there is one building allocated a useful life of 60 years in 2009 that will expire in 2069. The current book value is £0.8 million (2021–22: £0.78 million). This is the only property where treatment deviates from the accounting policy.

The British Council sublets properties that are temporarily surplus to requirements. These are not classed as investment properties. The British Council also owns properties with a current net book value of £0.02 million (2021–22: £0.03 million), which are occupied by subsidiaries.

	Freehold land and property	Leasehold land and property	Furniture and equipment	Information technology	Vehicles and plant	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Modified cost or valuation						
At 1 April 2021	88,136	108,763	10,171	10,430	11,147	228,647
Exchange rate differences	(1,111)	505	(412)	(1,136)	(377)	(2,531)
Additions	3,488	351	315	532	118	4,804
Transfers of completed assets from AUC	(933)	–	(23)	(210)	(12)	(1,178)
Disposals	(156)	(5,966)	(456)	(593)	(719)	(7,890)
Reclassification	(2,410)	2,410	–	–	–	–
Revaluations	(50)	(474)	–	–	–	(524)
At 31 March 2022	86,964	105,589	9,595	9,023	10,157	221,328
Depreciation						
At 1 April 2021	(3,998)	(40,450)	(8,238)	(6,820)	(9,262)	(68,768)
Exchange rate differences	27	76	382	1,202	392	2,079
Charge for the year	(3,068)	(4,161)	(744)	(825)	(560)	(9,358)
Disposals	117	5,650	439	592	552	7,350
Reclassification	264	(264)	–	–	–	–
Revaluations	1,639	652	–	–	–	2,291
At 31 March 2022	(5,019)	(38,497)	(8,161)	(5,851)	(8,878)	(66,406)
Net book value						
At 31 March 2022	81,945	67,092	1,434	3,172	1,279	154,922
At 1 April 2021	84,138	68,313	1,933	3,610	1,885	159,879

Included in the above are the following amounts for assets under construction

	Freehold land and property	Leasehold land and property	Furniture and equipment	Information technology	Vehicles and plant	Total
	£'000	£'000	£'000	£'000	£'000	£'000
AUC cost at 1 April 2021	–	495	–	1,299	16	1,810
Exchange rate differences	–	(39)	(49)	41	1	(46)
Transfers of completed assets to additions	–	(933)	(23)	(210)	(12)	(1,178)
Additions to AUC	–	2,889	72	153	18	3,132
Total AUC cost at 31 March 2022	–	2,412	–	1,283	23	3,718

11 Heritage assets

	2023	2022	2021	2020	2019
	£'000	£'000	£'000	£'000	£'000
Modified cost or valuation					
At 1 April – cost	3,513	3,513	3,513	3,465	3,275
At 1 April – valuation	178,641	149,631	140,453	129,757	131,139
Total value at 1 April	182,154	153,144	143,966	133,222	134,414
Additions – purchased	–	–	–	48	191
Additions – donated	–	–	–	28	–
(Decrease)/increase in valuation	6,282	29,010	9,178	10,668	(1,383)
At 31 March	188,436	182,154	153,144	143,966	133,222
Unrestricted	81,157	78,506	61,930	53,254	46,859
Restricted	107,279	103,648	91,214	90,712	86,363
Total heritage assets	188,436	182,154	153,144	143,966	133,222

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

The following were reviewed and valued externally at 31 March 2023 by the Coram James - an independent arts and antique valuation firm and are included in the valuations above:

- a sample of sculptures and paintings some of which were in the top 100.

Factors considered by the external valuer in their valuations include but are not limited to physical inspection of works, provenance and available transactions of similar or comparable works.

The following were reviewed and valued internally at 31 March 2023 by the Head of Collection and Collection Manager and are included at the valuations above:

- the remaining works in the top 100 not revalued externally in the year and a sample of works on paper.

Factors considered by the Head of Collection and Collection Manager in the valuations include but are not limited to physical inspection of works and available transactions of similar or comparable works on the open market.

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

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

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

The increase in valuation figure is a net amount and includes disposals of nil (2021–22: nil).

12 Investments

(a) Total investments

	Group		British Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Quoted investments	114	120	114	120
Investment in subsidiaries	–	–	–	427
Total investments	114	120	114	547

(b) Investments in joint ventures

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

	Group		British Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Opening balance	1,429	1,277	1,429	1,277
Investment during the year	1,639	796	–	–
Share of profit/(loss)	(2,053)	(705)	(414)	91
Exchange rate differences	102	61	102	61
Total investment in joint ventures	1,117	1,429	1,117	1,429

(1) Investment in IELTS Inc.

	Group		British Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Opening balance	1,429	1,277	1,429	1,277
Investment during the year	–	–	–	–
Share of profit/(loss)	(414)	91	(414)	91
Exchange rate differences	102	61	102	61
Total investment in joint venture	1,117	1,429	1,117	1,429

IELTS Inc. is a not-for-profit organisation registered in Delaware in the United States with the charitable and educational purposes of supporting and improving the teaching of English. The British Council has a long-term interest in the joint venture, over which it exercises joint control with two other equal members, Oxford and Cambridge International Assessment Services Limited and IDP Education Australia Limited.

(2) Investment in BC EnglishScore Limited

	Group		British Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Investment during the year	1,639	796	–	–
Share of profit/(loss)	(1,639)	(796)	–	–
Total investment in joint venture	–	–	–	–

BC EnglishScore Limited is a private limited company incorporated in England and Wales. The company has been established to develop, launch and operate software to help people develop their English language skills. The British Council's wholly owned subsidiary BC Holdings (United Kingdom) Ltd holds 39% of the shares in BC EnglishScore Limited. The other shareholders are BIC Finance Nominee Limited (Blenheim Chalcot) with 58% shares and UK FF Nominees Limited with 3% shares.

(3) Investment in IELTS UK Services Ltd

	Group		British Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Opening balance	–	–	–	–
Investment during the year	–	–	–	–
Share of profit/(loss)	–	–	–	–
Exchange rate differences	–	–	–	–
Total investment in joint venture	–	–	–	–

IELTS UK Services Ltd is a private limited company incorporated in England and Wales. The company was established to support a more collaborative model of operation between the IELTS partners. The British Council shares ownership with the University of Cambridge Local Examinations Syndicate and IELTS Australia Pty Ltd and holds one third of the shares. IELTS UK Services Ltd is funded by a service charge levied equally on each partner.

(c) Loans to joint ventures

	Group		British Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Joint venture				
BC EnglishScore Limited	30	227	–	–
IELTS UK Services Ltd	–	–	–	–
Total loans to joint ventures	30	227	–	–

The loan to BC EnglishScore Limited was a convertible loan agreement and during the year the principal amount was converted into equity.

(d) Subsidiary undertakings

Registered name	Country of incorporation	Principal activity	Share class	Year end date
BC Trading International Ltd	England and Wales	Raising funds through trading activities	Ordinary/100%	31 March
BC Holdings (United Kingdom) Limited	England and Wales	Holding company	Ordinary/100%	31 March
BC Services Bangladesh Limited	Bangladesh	Carrying out charitable objectives of the British Council	Ordinary/100%	30 June
British Council Association in Brazil (registered name: Associação Conselho Britânico)	Brazil	Carrying out charitable objectives of the British Council	–	31 December
BC Education Consulting (Beijing) Co Ltd (registered name: BC教育咨询(北京)有限公司)	China	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
British Council English Training (Jiangsu) Co. Ltd. (registered name: 英协英语培训 (江苏) 有限公司)	China	Teaching	Ordinary/100%	31 December
Ying He Advertising (Beijing) Co. Ltd (registered name: 英合广告 (北京) 有限公司)	China	Raising funds through trading activities	Ordinary/100%	31 December
British Council in France (Société par actions simplifiée unipersonnelle)	France	Carrying out charitable objectives of the British Council	Ordinary/100%	31 March
BC English Services Trans-National Limited	Hong Kong	Established to carry out the charitable objectives of the British Council but not currently operational	Ordinary/100%	31 March
BC Management Services Private Limited	India	Provision of support services to the British Council	Ordinary/100%	31 March
BC Education India Private Limited	India	Carrying out charitable objectives of the British Council	Ordinary/100%	31 March
British Council Indonesian Foundation (registered name: Yayasan Dewan Inggris Indonesia)	Indonesia	Carrying out charitable objectives of the British Council	–	31 March
British Council (Kazakhstan) LLP	Kazakhstan	Carrying out charitable objectives of the British Council	–	31 December
British Council Associated Civil Association (registered name: British Council Asociados)	Mexico	Raising funds through trading activities	–	31 December
British Council Civil Association (registered name: British Council Asociación Civil)	Mexico	Carrying out charitable objectives of the British Council	–	31 December
British Council (Myanmar) Ltd	Myanmar	Carrying out charitable objectives of the British Council	Ordinary/100%	31 March
British Council Services Nepal Private Limited	Nepal	Carrying out charitable objectives of the British Council	Ordinary/100%	Mid July
British Council Programmes (Nigeria) Ltd/GTE	Nigeria	Carrying out charitable objectives of the British Council	–	31 March
British Council Trading Services (Nigeria) Limited	Nigeria	Carrying out charitable objectives of the British Council	Ordinary/100%	31 March
British Council Services (Philippines) incorporated	Philippines	Carrying out charitable objectives of the British Council	Ordinary/100%	31 March
British Council Foundation in Poland (registered name: Fundacja British Council)	Poland	Carrying out charitable objectives of the British Council	–	31 March

(d) Subsidiary undertakings (continued)

Registered name	Country of incorporation	Principal activity	Share class	Year end date
Smart Education, Culture and Language Services Limited Liability Company (registered name: Умные культурно-образовательные и языковые услуги")	Russia	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
British Council (Singapore) Limited	Singapore	Carrying out charitable objectives of the British Council	–	31 March
British Council (Taiwan) Limited (registered name: 英協文教有限公司)	Taiwan	Teaching and Exams	Ordinary/100%	31 March
BC Holdings (Thailand) Limited	Thailand	Holding company	Ordinary/100%	31 March
BC Language Teaching (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	Ordinary/74%	31 March
BC Operations (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	Ordinary/74%	31 March
BC Foundation (registered name: มูลนิธิบีซี)	Thailand	Carrying out charitable objectives of the British Council	–	31 March
British Council Tunisia	Tunisia	Carrying out charitable objectives of the British Council	–	31 March
British Council Education Services Company (registered name: British Council Eğitim Hizmetleri Limited Şirketi)	Turkey	Carrying out charitable objectives of the British Council	Ordinary/100%	31 March
Private Extra-Curricular Educational Institution 'British Council (Ukraine)' (registered name: Приватний позашкільний навчальний заклад «Британська Рада (Україна)»)	Ukraine	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
Limited Liability Company 'British Council (Ukraine)' (registered name: Товариство з обмеженою відповідальністю «Британська Рада (Україна)»)	Ukraine	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
Friends of British Council	USA	Fundraising and carrying out charitable objectives of the British Council	–	31 March
British Council (Viet Nam) LLC (registered name: Công ty TNHH British Council (Việt Nam))	Vietnam	Teaching and Exams	Ordinary/100%	31 March

In the year to 31 March 2023, no new subsidiary was incorporated.

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

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

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

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

(e) Financial results of subsidiaries

Entity name	BC Holdings (United Kingdom) Limited	BC Education Consulting (Beijing) Co. Ltd	BC Management Services Private Limited	British Council (Singapore) Limited	British Council (Vietnam) LLC	Other subsidiaries
Registration number	07108783	911101050953537000	U74140UP2010FTC100142	201202363R	0107581903	
	£	£	£	£	£	£
Investment at 1 April 2021	1	3,360,000	961,855	–	53,000	5,638,015
Additions	–	–	–	–	–	3,862,642
¹⁹ Disposal	–	–	–	–	–	(1,739)
²⁰ Impairment	–	–	–	–	–	(2,142,624)
Investment at 31 March 2022	1	3,360,000	961,855	–	53,000	7,356,294
Investment at 1 April 2022	1	3,360,000	961,855	–	53,000	7,356,294
Additions	–	–	–	–	–	–
Disposal	–	–	–	–	–	–
Impairment	–	–	–	–	–	–
Investment at 31 March 2023	1	3,360,000	961,855	–	53,000	7,356,294

Entity name	BC Holdings (United Kingdom) Limited	BC Education Consulting (Beijing) Co. Ltd	BC Management Services Private Limited	British Council (Singapore) Limited	British Council (Vietnam) LLC	Other subsidiaries
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2023						
Assets	15,804	40,645	6,300	17,570	15,139	92,639
Liabilities	(19)	(13,748)	(4,634)	(12,955)	(15,278)	(90,227)
Reserves	15,785	26,897	1,666	4,615	(139)	2,412
At 31 March 2022						
Assets	17,436	48,150	6,054	17,315	13,243	67,497
Liabilities	(16)	(28,958)	(4,336)	(12,281)	(14,021)	(68,341)
Reserves	17,420	19,192	1,718	5,034	(778)	(844)
2022–23						
Income	7,408	65,390	8,697	15,306	20,753	124,492
Expenditure	(9,043)	(56,896)	(8,695)	(16,120)	(20,041)	(118,918)
Net income/(expenditure)	(1,635)	8,494	2	(814)	712	5,574
Donation of profits to the British Council	–	–	–	–	–	122
2021–22						
Income	63,361	60,887	7,219	16,212	12,665	129,379
Expenditure	(62,577)	(68,322)	(8,062)	(17,771)	(14,644)	(139,118)
Net income/(expenditure)	784	(7,435)	(843)	(1,559)	(1,979)	(9,739)
Donation of profits to the British Council	–	–	–	–	–	53

¹⁹The Disposal relates to the investment held in BC English and Examinations Services India Private Limited.

²⁰The Impairment relates to the capital reduction in British Council in France.

(f) Loans to subsidiaries

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

	Interest charged		Loan balance	
	2022–23	2021–22	2022–23	2021–22
Subsidiary	£	£	£	£
British Council in France	–	–	985,607	1,138,758
BC Holdings (United Kingdom) Limited	–	–	1	1
Total loans from the British Council to subsidiaries	–	–	985,608	1,138,759

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

	Interest charged		Loan balance	
	2022–23	2021–22	2022–23	2021–22
Subsidiary	£	£	£	£
BC Operations (Thailand) Limited	19,516	–	819,516	–
British Council Trading Services (Nigeria) Limited	7,587	5,105	142,160	206,965
British Council Indonesia Foundation	–	5,703	–	24,515
Total loans between subsidiaries	27,103	10,808	961,676	231,480

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

Of the loans outlined above, loans to subsidiaries held on the British Council Balance Sheet include only those loans to BC Holdings (United Kingdom) Limited and British Council in France with a total value of £1m (2021–22: £1.1 million).

13 Debtors (amounts falling due within one year)

Analysis by type

	Group		British Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade debtors	52,228	38,191	40,899	33,191
Balances resulting from activity under contracts and agreements	58,622	67,520	58,324	66,991
Other debtors	1,523	8,704	3,650	5,599
VAT debtor	1,510	2,165	742	1,136
Prepayments and accrued income	59,029	54,788	46,000	44,686
Amounts due from subsidiary undertakings	–	–	68,542	50,771
Total debtors	172,912	171,368	218,157	202,374

14 Cash at bank and short-term investments

(a) Cash at bank

	Group		British Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents held in:				
Sterling	80,278	154,088	66,003	142,608
Euros	64,724	99,316	64,049	98,719
US dollars	15,479	8,133	14,909	7,395
Other currencies	149,822	114,632	80,028	63,087
Total cash at bank	310,303	376,169	224,989	311,809

The total cash at bank balance includes cash held overseas of £35.3 million (2021–22: £27.1 million) that is considered to be trapped due to foreign exchange controls. The British Council is actively seeking ways to manage and limit the effect of foreign exchange gains and losses on cash balances held in those currencies

(b) Short-term investments

	Group		British Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Short-term deposits maturing in under one year held in:				
Sterling	105,000	76,037	105,000	76,037
Euros	23,791	22,689	23,791	22,689
Other currencies	5,706	17,917	–	10,985
Total short-term investments	134,497	116,643	128,791	109,711

Included in the cash and bank and short-term investment above is £73.1 million (2021:22: £80.6 million) which can only be spent on Erasmus+ grant making activities. The British Council holds non-restricted funds on short-term deposit accounts or money market deposits with a maturity of less than one year at market rates.

15 Creditors

(a) Amounts falling due within one year

Analysis by type

	Group		British Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade creditors	40,951	38,651	37,142	34,751
Balances resulting from activity under contracts and agreements	120,048	105,184	126,783	110,541
Other creditors	16,622	21,769	15,540	21,690
Taxation and social security	3,119	7,292	5,555	6,255
VAT creditor	2,070	3,522	1,271	1,505
Deferred income	134,243	125,681	103,722	101,074
Accruals - grants payable	28,838	92,286	28,838	92,286
Accruals - other	77,515	63,227	60,828	48,486
Amounts due to subsidiary undertakings	–	–	35,087	31,342
Loan	113,090	–	113,090	–
Total creditors falling due within one year	536,496	457,612	527,856	447,930

The loan relates to the credit facility with FCDO for £200 million which is in two tranches with a final repayment date of 31 March 2024:

- The first tranche is a revolving credit facility of £100 million, which had a balance of £53 million at year end. The revolving credit facility is unsecured with a repayment date of 31 March 2024. Interest has been charged at SONIA (the Sterling Overnight Index Average administered by the Bank of England) plus 1.5% per annum. The commitment fee on the undrawn portion of the loan has been charged at 0.525% per annum.
- The second tranche is a loan of £100 million, available until 31 March 2023 (after which any balance owed is added to the revolving credit facility with a repayment date of 31 March 2024). This tranche had a balance of £60.1 million at year end. The loan is unsecured. Interest has been charged at SONIA plus 1.5% per annum and the commitment fee on the undrawn portion of the loan has been charged at 0.525% per annum.

(b) Analysis of deferred income

	Group		British Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
At 1 April	125,681	126,257	101,074	109,133
Unrealised loss on exchange rate	(342)	515	(15)	181
Income recognised during the year	(125,149)	(125,707)	(100,889)	(109,124)
Income deferred during the year	134,053	124,616	103,552	100,884
At 31 March	134,243	125,681	103,722	101,074

(c) Amounts falling due after more than one year

Analysis by type

	Group		British Council	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Loans	–	56,800	–	56,800
Total creditors falling due after more than one year	–	56,800	–	56,800

16 Provisions for liabilities and charges

(a) Amounts falling due within one year

	Early retirement	Other staff	Legal	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	45	11,416	240	15,733	27,434
Exchange rate differences	18	(2)	28	518	562
Net amounts utilised or reversed	(23)	(11,407)	(131)	(987)	(12,548)
Charged to expenditure	481	865	669	1,600	3,615
At 31 March 2023	521	872	806	16,864	19,063

The provision for early retirement relates to costs to service the number of early retirement schemes offered by the PCSPS. Other provisions include amounts for contract activity losses and taxes. These are not disclosed separately in detail as to do so could impact the probability of the liability materialising.

(b) Amounts falling due after one year

	Other	Total
	£'000	£'000
Charged to expenditure	264	264
At 31 March 2023	264	264

17 Terminal gratuity

Amounts falling due after one year

	2023	2022
	£'000	£'000
At 1 April	29,286	28,517
Exchange rate differences	(136)	109
Net amounts utilised or reversed	(6,698)	(4,016)
Charged to expenditure	6,764	4,676
At 31 March	29,216	29,286

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

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

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

18 Movements on funds and reserves

(a) Movement in unrestricted funds

	General account	Limited access reserve	Risk reserve	Investment fund	Capital account	Revaluation account	Heritage asset reserve	Total unrestricted funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2022	–	53,600	39,009	–	81,605	88,378	78,506	341,098
Net income	(53,435)	–	–	–	–	–	–	(53,435)
Revaluation account movement on land and buildings	–	–	–	–	–	2,251	–	2,251
Revaluation account movement on intangible fixed assets	–	–	–	–	–	985	–	985
Revaluation of heritage assets	–	–	–	–	–	–	6,282	6,282
Foreign exchange differences arising on consolidation of foreign operations	(3,793)	–	–	–	2,435	–	–	(1,358)
Transfer to/from limited access reserve	53,600	(53,600)	–	–	–	–	–	–
Transfer to/from risk reserve	39,009	–	(39,009)	–	–	–	–	–
Transfer to/from restricted heritage asset reserve	–	–	–	–	–	–	(3,631)	(3,631)
Transfer to/from restricted grant reserve	2,578	–	–	–	–	–	–	2,578
Transfer to/from capital account	(3,439)	–	–	–	3,439	–	–	–
At 31 March 2023	34,520	–	–	–	87,479	91,614	81,157	294,770
Minority interest	–	–	–	–	–	–	–	1
Total capital employed	34,520	–	–	–	87,479	91,614	81,157	294,771

Cumulative foreign exchange losses of £11.4 million (2021–22: £11.8 million) and foreign exchange gains of £10.4 million (2021–22: £7.9 million) respectively are included in the General Account and Capital Reserve above. Such amounts relate to the re-translation of the net assets of foreign entities and will fluctuate in accordance with the relative exchange rates ruling at future Balance Sheet dates.

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

Reserves policy

The British Council's unrestricted reserves include reserves representing fixed assets: the capital account, revaluation reserve and heritage asset reserve. These represent funds that are not available for other purposes, until the assets are sold. The British Council also has a limited access reserve that is designated to cover other funds that are not readily available for use.

The British Council's remaining unrestricted reserves are available for use on any of its charitable objects. The British Council's Reserves policy was approved by the Board of Trustees in March 2022. The policy is to allocate funds to the limited access and risk reserves, then to the investment fund with the balance, if any, held in the general account. If there is unspent non-ODA grant-in-aid at the year end, this is held in the general account because the conditions of the funding are that it is spent rather than saved in reserves.

Limited Access Reserve

The limited access reserve is designated to cover funds that are not readily available for use, including trapped cash, the non-distributable reserves of subsidiaries (for the group accounts) and bank bonds and guarantees. There was no balance on this reserve at 31 March 2023.

Risk Reserve

The purpose of the risk reserve is to protect the British Council from the financial impact of specific risks where that impact can be estimated; and ensure that it can manage the impact of general economic or operating risks on its operations and strategy. The target level for the risk reserve is set each financial year and includes a balance to cover economic and operating risk, and tax and indemnity risks that do not meet the threshold for creating a provision in the annual accounts.

The Board of Trustees conclude that the Risk Reserve target should be equivalent to three months of business expenditure, balancing that against investment requirements and our charitable objectives, with the aim of rebuilding the Risk Reserve to an appropriate level over the next five to ten years.

Investment Fund

The purpose of the investment fund is to fund change programmes that support the British Council's strategic objectives, for example developments in products, systems or infrastructure. The balance at 31 March 2023 was nil (2021–22: nil). Investment activity carried out during the next financial year will be met from trading surpluses generated during the year and the FCDO term loan (see note 24 for more information about the term loan).

General Account

At 31 March 2023, the balance on the general account was £34.5 million (2021–22: nil)

(b) Movement in restricted funds

	Income (restricted grants) reserve	Expendable endowment reserve	Heritage asset reserve	Total restricted funds
	£'000	£'000	£'000	£'000
At 1 April 2022	2,578	145	103,648	106,371
Transfer from unrestricted funds; heritage assets	(2,578)	–	3,631	1,053
Funds spent from reserves	–	–	–	–
Net income	(443)	1	–	(442)
At 31 March 2023	(443)	146	107,279	106,982

Expendable endowment reserve

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

- Lefèvre Trust – To promote understanding between the UK and France, and the mutual learning of customs and language through an exchange programme for French and British boys and girls between the ages of 11 and 19.
- The Sir Shiu Kin Tang Educational Trust – To advance the education of postgraduate students from Hong Kong in the UK.
- Dame Nancy Parkinson Bequest – To assist Commonwealth students to purchase books, attend conferences or consult specialist advisers in Britain when this cost could not be met from public funds.

(c) Analysis of group net assets between funds

	Unrestricted funds	Restricted funds	Total funds
	£'000	£'000	£'000
Fixed assets	260,250	107,279	367,529
Investments	1,129	102	1,231
Current assets	498,383	119,649	618,032
Current liabilities	(435,511)	(120,048)	(555,559)
Amounts falling due after more than one year	(29,480)	–	(29,480)
Total net assets as at 31 March 2023	294,771	106,982	401,753

	Unrestricted funds	Restricted funds	Total funds
	£'000	£'000	£'000
Fixed assets	248,489	103,648	352,137
Investments	1,434	115	1,549
Current assets	557,124	107,792	664,916
Current liabilities	(436,662)	(105,184)	(541,846)
Amounts falling due after more than one year	(29,286)	–	(29,286)
Total net assets as at 31 March 2022	341,099	106,371	447,470

19 Commitments**(a) Capital commitments**

	2023	2022
	£'000	£'000
Contracted expenditure	280	1,238

Contracted expenditure includes £0.015 million (2021–22: £0.45 million) relating to subsidiary capital commitments.

(b) Specific charitable projects (grants)

	2023	2022
To be undertaken:	£'000	£'000
In one year or less	2,317	4,091
Between one and five years	163	1,560
In five years or more	–	–
Total future minimum payments for charitable projects (grants)	2,480	5,651

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

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

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

Grants to be undertaken in the following year include nil (2021–22: £0.99 million) relating to subsidiary charitable commitments.

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

	2023			2022		
	Land and buildings	Other	Total	Land and buildings	Other	Total
Payments to be made:	£'000	£'000	£'000	£'000	£'000	£'000
In one year or less	13,888	972	14,860	16,025	1,999	18,024
Between one and five years	23,415	1,343	24,758	26,138	3,498	29,636
In five years or more	51,553	29	51,582	56,194	–	56,194
Total future minimum lease payments	88,856	2,344	91,200	98,357	5,497	103,854

The total amount of lease payments recognised as an expense in the Consolidated Statement of Financial Activities is £26.8 million (2021–22: £26.3 million).

20 Analysis of changes in net debt

	At 1 April 2022	Cash flows	Foreign exchange movements	At 31 March 2023
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash at bank	376,169	(63,775)	(2,091)	310,303
	376,169	(63,775)	(2,091)	310,303
Borrowings:				
Due within one year	(56,800)	(56,290)	–	(113,090)
	(56,800)	(56,290)	–	(113,090)
Total	319,369	(120,065)	(2,091)	197,213

21 Losses and special payments

During the year ended 31 March 2023, there were 356 losses totaling £2,558,173 as defined in *Managing Public Money* (2021–22: 270 cases totaling £1,062,863). This includes fraudulent and non-fraudulent business losses.

There were two losses that exceeded the disclosure threshold of £300,000. One was an impairment of £1,028,254 on a loan to a joint venture entity in China that is not recoverable. The other was a forfeiture of income of £443,102 on a contract in Sub Saharan Africa. Following an audit, the funder classified the related expenditure as ineligible for refund.

There were 10 cases totaling £32,762 that falls within the category of special payments as defined by *Managing Public Money* (2021–22: 8 cases totaling £140,974). Where required, they were approved by HM Treasury on a value for money basis.

The British Council incurred realised foreign exchange losses of £6,206,100 (2021–22: £6,998,000).

22 Related party transactions

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

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

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

- Department for Business, Energy and Industrial Strategy
- Department for Education.

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

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

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

Organisation	Trustee/Board member	Relationship	Grants provided and funds disbursed under contracts/ agreements	Debtor balance	Creditor balance
			2022–23 £'000	2023 £'000	2023 £'000
The Foreign, Commonwealth & Development Office (FCDO)	Mr Thomas Drew	Director General Defence and Intelligence	2,627	–	–
Edtech Lab (Imperial College, UK)	Mr David John Lefevre	Director	774	22	–
Manchester Metropolitan University	Mr Malcolm Press	Vice Chancellor	134	35	–
Edinburgh International Cultural Summit Foundation (UK)	Ms Seona Elizabeth Reid	Trustee	28	–	–
Universities and Colleges Admissions Service	Mr Malcolm Press	Trustee	4	–	–
Universities UK	Mr Malcolm Press	Trustee	5	–	(135)
University of the Arts, London	Ms Joanna Pearson	Partner works for university of Arts	516	54	–
Science Museum Group	Ms Sarah Louise Sands	Trustee	4	–	(4)
Lucy Cavendish College Cambridge	Ms Sarah Louise Sands	Honorary Fellow	27	–	–
Goldsmiths University of London	Ms Sarah Louise Sands	Honorary Fellow	102	–	–
University of Dundee	Ms Wendy Alexander	Vice Principal	3	–	–
Studyportals	Ms Wendy Alexander	Advisory Board member	129	–	(8)

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

Organisation	Trustee/Board member	Relationship	Grants provided and funds disbursed under contracts/agreements	Debtor balance	Creditor balance
			2021–22 £'000	2022 £'000	2022 £'000
The Foreign, Commonwealth & Development Office (FCDO)	Mr Thomas Drew	Director General, Defence and Intelligence	1,129	809	143
University of Brighton	Ms Maddalaine Ansell	Governor	432	22	–
De Montfort University	Ms Sara Pierson	Trustee	276	53	–
Manchester Metropolitan University	Mr Malcolm Press	Vice-Chancellor	162	–	5
University of Greenwich	Mr Shushil Saluja	Trustee	111	118	–
Edinburgh International Cultural Summit Foundation (UK)	Ms Seona Reid	Trustee	60	–	–
National Theatre of Scotland (UK)	Ms Seona Reid	Chairman	52	–	–
Watershed	Ms Clare Reddington	CEO	35	–	–
UCAS (Universities and Colleges Admissions Service)	Mr Malcolm Press	Trustee	17	–	–
Royal United Services Institute (RUSI)	Mr Rageh Omaar	Trustee	13	–	–
Mind	Ms Stevie Spring	Chairman	8	–	–
Mayk	Ms Clare Reddington	Connected party is the Chair and Director	4	–	–
British Chamber of Commerce Singapore	Ms Lucy Watkins	Board Member	3	–	–
Universities UK	Mr Malcolm Press	Trustee	–	–	5

23 Contingent liabilities

The British Council and its subsidiaries are currently involved in a number of legal proceedings in respect of employment and contract disputes, copyright and other legal claims. These claims include disputes with former employees with a maximum value of £3.1 million (2021–22: £2.9 million). The British Council believes that no significant losses will arise from these proceedings. The British Council has £1.6 million (2021–22: £1.5 million) relating to bank guarantees issued under various contracts, which may be called if the British Council does not meet its contractual obligations. No losses are expected to arise under these arrangements.

As the activities of the British Council overseas have developed over time and the regulatory environment has evolved, the organisation has faced uncertainties over its legal and tax status in particular countries. In recent years steps have been taken to resolve the status position in the key territories in which the British Council operates, but there are potential taxation and other liabilities in certain territories associated with status changes or uncertainties over the interpretation of tax laws and regulations as applied to past activities. Full disclosure has not been made in relation to these potential liabilities as none is individually material and there is a high degree of uncertainty as to the amounts at risk and the timing of any potential settlements. The British Council also believes that disclosure would seriously prejudice the probability of any liability at settlement.

The British Council has a composite facility with respect to foreign bills/cheques for negotiation and/or engagements for a combined amount of US\$15.5 million with HSBC to cash foreign currency cheques that we receive or to issue bank bonds and guarantees on our behalf. There are no bonds or guarantees under this facility outstanding at 31 March 2023.

24 Financial instruments

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

Credit risk

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

Liquidity risk

Liquidity risk is still high as the British Council is not operating at full capacity globally. To mitigate this risk, the British Council has successfully negotiated a financial support package with the FCDO to ensure it is able to further its objectives.

The FCDO provided the British Council with a £100 million revolving credit facility (RCF) with a maturity date of 31 March 2024 (with FCDO option to extend by one year). The purpose of the RCF is to provide liquidity to the British Council for working capital purposes. As at the Balance Sheet date, the British Council had drawn down £53 million of this facility.

The FCDO also provided the British Council with a £100 million term loan. The term loan is for the specific investment purposes set out in the Investment Plan agreed with FCDO. As at the Balance Sheet date, the British Council had drawn down £60.1 million of this facility.

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

Currency risk

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

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

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

The British Council operates a foreign exchange forward programme to cover up to 80% of Indian rupee exposure, 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 2023 (2021–22: nil). At 31 March 2023, the fair value of the forward foreign exchange contracts held in Indian rupees was an unrealised loss of £0.04 million (2021–22: £1.0 million).

25 Contract activity as an agent

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

The resources from these contracts are analysed as follows:

	2022–23	2021–22
	£'000	£'000
Contract income	153	6,229
Contract expenditure	153	6,229

26 Post-Balance Sheet events

Dr Paul Thompson was appointed as the new Chair of the British Council from 4 January 2024. He replaces Ms Sarah Sands who has been the acting Chair since 1 January 2023.

On 16 June 2023, in the case *Virgin Media v NTL Pension Trustees II Limited* (and others), the High Court ruled on the correct interpretation of historic legislation governing the amendment of contracted-out Defined Benefit schemes. An appeal against this ruling is ongoing and it is unclear what the eventual impact will be on individual pension schemes. This case is not expected to have an impact on the scheme disclosed in Note 7(i), however, the Trustees are working with their advisers to confirm this is the case.

In accordance with the requirements of FRS 102, events after the end of the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

27 Going concern

The Trustees are required to confirm that it is appropriate for the British Council to adopt the going concern principle in preparing its accounts.

The British Council continues to recover well from the Pandemic, especially in exams revenues, however the volatility caused by geopolitical events, high inflation, rising interest rates and fluctuating foreign exchange markets continue to have an adverse impact on the British Council's activities and income. Trustees and management are regularly monitoring cash flow and commercial performance. This includes modelling different assumptions based on the estimated potential impact of changing market conditions and regulations and other potential adverse events in individual countries, along with proposed mitigations.

The British Council has received a £200 million loan facility, made available to 31 March 2024 on commercial terms by the FCDO, to support solvency and to fund investment in commercial growth and efficiencies. To continue that support, a term loan of £197 million from the FCDO has now been put in place for a further year, repayable on 31 March 2025, although the contract includes the option for the FCDO to extend the loan on the same terms to 31 March 2026. The British Council has projected its cash requirements to 31 March 2025, which shows that with the loan facility in place, the British Council can meet its financial commitments as they fall due for the next financial year. Alongside this the British Council has put in place a conservative cash management process to ensure we hold sufficient funding and cash reserves to support our subsidiaries and working capital requirements as we move forward.

On this basis, the Trustees assess that the British Council will continue to operate for the 12 months from the date that the accounts are approved and that it is appropriate to prepare the 2022-23 accounts on a going concern basis.

The free reserves position at 31 March 2023 now stands at £34.5 million. Cashflow projections indicate the British Council will require this reserve to support activities and it is recognised that it will take a number of years to achieve the free reserves target which equates to three months business expenditure. In the absence of adequate reserves, the British Council remains reliant on loan financing provided by the FCDO on commercial terms.

The trustees recognise that the impact the pandemic had on reserves, combined with current geopolitical political events, global inflation and exchange rate volatility makes the longer-term outlook less certain. However, trading in 2023-24 has been strong and the Trustees will continue to prioritise rebuilding commercial income, while seeking a more secure long term-funding model through constructive dialogue with the FCDO. Within this context, given that further longer-term support has not yet been agreed past 31 March 2025, a material uncertainty remains over the organisation's ability to continue in its current form in the longer term should those risks materialise.

Our global network

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

Contact details for our offices can be found on our country websites.

The list of offices below is as of 31 March 2023.

For more information, please look on our corporate website, www.britishcouncil.org or telephone +44 (0)161 957 7755.

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