
Annual Report and Accounts 2015–16

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Introduction from the Chair and Chief Executive

The British Council makes a difference to the lives of hundreds of millions of people around the world each year.

Sometimes that difference is small though important. At other times we transform lives, communities and institutions. This year, through our work in education, English language, the arts, civil society, sport, science, and social enterprise, and with the support of our many valued partners, we have reached 646 million people globally. Our work at policy level will directly and sustainably help to improve the lives of millions more.

Working with the UK's cultural and educational sectors, our aim is to create a basis of what our founders described as a 'friendly knowledge and understanding' between the people of the UK and other countries.

We do this by making a positive contribution to the people, institutions and governments of the countries we work with – creating international opportunities for them and building connections with and trust in the UK. We help to make a lasting difference to the security, prosperity and influence of the UK by contributing to stability, development and a greater understanding of the UK in the places where we work.

In support of this mission, we have continued to grow our overall income this year, exceeding the target set in our 2015–17 Corporate Plan. Our English language teaching and examinations work has once again made up our single largest income stream.

The income that we receive as grant-in-aid from the UK's Foreign and Commonwealth Office (FCO) remains vital to our global impact. This year we have been able to show that our financial contribution to the UK economy vastly exceeds that grant. We are therefore pleased that the UK government has recognised the value of our work, both overseas and in the UK, by committing to increase support to us in its 2015 Spending Review.

In response to the UK government's 2014 review of our work we continue to improve how we do things. Increased transparency and accountability, improved financial processes, closer collaboration with UK partners and easier processes to challenge and complain have been priorities for 2015–16. We remain committed to delivering financial stability and good governance, not just as an end in themselves but as an essential foundation for creating greater impact.

And examples of that impact can be seen throughout this report. Our work this year has helped tens of thousands of Syrian refugees to access education, supported new international research links, strengthened relationships between the UK and major emerging economies, helped to improve the quality of English teaching across whole education systems, supported the development of civil society in fragile states – and much more besides.

The programmes we deliver with our many partners also feature throughout this report and we thank them for their support. We also thank our partners in the FCO and in its embassies for their support. Other government departments have helped equally and again our thanks are due.

We are especially grateful to our staff in over 100 countries for their work this year, often delivered in challenging and difficult environments. They have used their outstanding skills, experience and dedication to help the world and the UK become a better, safer and more prosperous place. We hope they are proud of their achievements and look forward to supporting them as they continue to make a positive and lasting difference to the lives of those we work with and for.



'I am delighted and honoured to have joined the British Council team at a time in international affairs when our work to create a lasting and positive difference around the world is more crucial than ever.'

Christopher Rodrigues CBE
Chair

'I am extremely pleased to have welcomed Christopher Rodrigues as our new Chair and look forward to working with him. I would like to thank our Board of Trustees for their ongoing support and our previous Chair, Sir Vernon Ellis, for his tireless and dedicated work on behalf of the British Council.'

Sir Ciarán Devane
Chief Executive



About the British Council

The British Council is the UK's international organisation for cultural relations and educational opportunities.

How we work

Through our work teaching English, administering examinations, promoting the arts, supporting education and helping to build stronger societies, we create international opportunities for hundreds of millions of people around the world every year.

We create friendly knowledge and understanding between the people of the UK and other countries. We do this by making a positive contribution to the UK and the countries we work with – changing lives by creating opportunities, building connections and engendering trust.

This makes a lasting difference to the security, prosperity and influence of the UK and contributes to stability, development and a greater understanding of the UK in the places where we work.

Our work helps to make the UK safer and more secure by supporting stability in strategically important areas of the world and through programmes to address the causes of extremism and provide alternative pathways for young people.

We contribute to the UK's prosperity by building trust as a basis for increased trade, investment and tourism and by promoting the UK's cultural and education sectors internationally.

We help to increase the UK's international standing and influence by connecting the UK with the world's important decision makers, influencers and potential future leaders. Through digital channels we are also making millions more people aware of what the UK has to offer as a world leader in culture, education and language.

We work in over 100 countries worldwide, building trust through our long-term commitment to benefiting those countries and our emphasis on people-to-people engagement. Our reputation is built on our local knowledge and expertise, our work with partners, and our relationships with a wide range of contacts in the UK and overseas. We have been sharing the best of what the UK has to offer around the world and learning from other countries and cultures for over 80 years.

We have operations in places of strategic importance to the UK, including China, India, Brazil and Russia, the Middle East and North Africa, the European Union, the Commonwealth and North America. Our programmes in some of the world's poorest countries and in rapidly developing and conflict-affected environments contribute to the UK's international development objectives. We also provide international opportunities for people living in isolated countries and those emerging from isolation.

Our status and funding

The British Council is a UK charity governed by Royal Charter and a public corporation sponsored by the FCO.

The British Council supports the UK's national interests and priorities but is operationally independent from the UK government. We receive grant-in-aid funding from the government which this year accounted for 16.5 per cent of our total income.

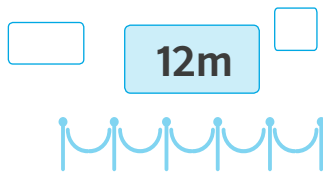
We earn our own income by charging people and governments who are able to pay for our services, delivering contracts for UK and overseas governments and developing partnerships with private sector organisations. Our income earning activities serve our core charitable purpose. They also generate surpluses, some of which we use to fund more cultural relations work in more countries.

Performance headlines

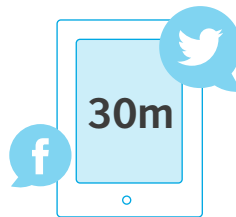
We worked with 646 million people



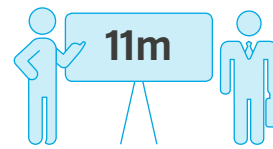
53m direct interactions



Visitors to exhibitions, festivals and fairs.

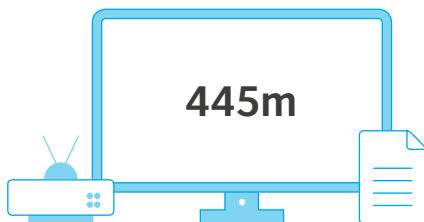


Users of digital social media and learning.

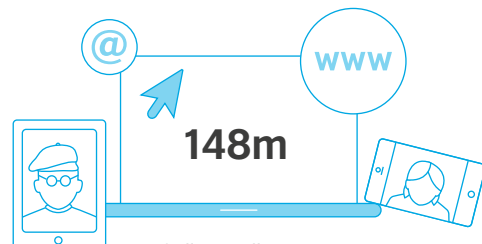


Face-to-face participants including young learners, teachers, exam candidates, young professionals and future leaders.

plus

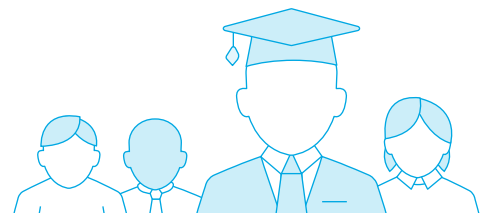


Publication and broadcast audience.



Online audience.

Our work was high quality



A significant majority of our customers agree our programmes are of high quality.

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



Total income reached £980 million, of which 83 per cent is earned income.



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

Events from the year

May 2015 | Free access to English

Our third massive open online course (MOOC), hosted on the UK's leading social learning platform FutureLearn, becomes the world's most popular MOOC. Through this free course we help 441,000 learners improve their English and prepare for English language tests.



Grayson Perry Small Differences exhibition © The Pera Museum

May 2015 | 75 years and counting

Marking the 75th anniversary of our presence in Turkey, we bring two major exhibitions of works by UK Turner Prize winning artist Grayson Perry to Istanbul and Ankara. These form the centrepiece of a cultural programme celebrating the strong ties between our two countries.

June 2015 | Supporting English in Rwanda

Our project, Supporting Teachers' English through Mentoring, wins a Commonwealth Education Good Practice Award at the Commonwealth Education Ministers Conference. Funded by the Department for International Development (DFID) and delivered with local partners the project helps improve the quality of teaching and learning in Rwanda.



2015 中英文化交流年
UK-CHINA YEAR
OF CULTURAL EXCHANGE

August 2015 | Cultural exchange with China

Following our programme to showcase the best of British culture in China as part of the UK-China Year of Cultural Exchange, the best of Chinese culture comes to the UK. The season will strengthen creative industries in both countries through new cultural partnerships and collaborations.



© Orange Culture

August 2015 | New connections with Nigeria

Launch of UK/Nigeria 2015-16. The year will see us delivering a programme of over 80 events across Nigeria to build new audiences for the UK, strengthen the creative industries in both countries and support new UK-Nigeria collaborations and relationships, particularly between young people.

September 2015 | Helping young people

With HSBC Bank Middle East Ltd and UK charity Spark+Mettle we launch a programme to help young people in the Middle East and North Africa develop soft skills for employment. The programme aims to help address widespread youth unemployment in the region.



October 2015 | Supporting social change in Iraq

We run our social leadership programme, Active Citizens, in Iraq for the first time. Working with local partners, we help give young people the skills to develop social action projects which will improve community cohesion and support the increased participation of women in society.

November 2015 | Protecting cultural sites

The Department for Culture, Media and Sport announces the UK's Cultural Protection Fund. The British Council will manage the £30 million fund, working with partners in conflict-affected parts of the Middle East and North Africa region to help people gain skills to protect cultural heritage.

November 2015 | Celebrating ties with India

The UK and Indian Prime Ministers announce the UK/India Year of Education, Research and Innovation 2016 and Year of Culture 2017. We will support major programmes of events to celebrate the traditional ties between our two countries and create new educational and cultural partnerships.



November 2015 | Supporting stable communities

At the Peace and Sport Awards, we win the Adapted Programme of the Year award for our programme to unite and strengthen communities in Pakistan through football. Delivered with local partners, the programme uses sport to promote social inclusion, especially among young people.

November 2015 | Science and innovation partnerships

The UK government announces that the Newton Fund, managed by the Department for Business, Innovation and Skills (BIS) and launched in 2014 to promote science and innovation partnerships with 16 emerging economies, is extended to 2021. Through the fund we support a total of 200 new and ongoing collaborations between the UK and partner countries this year.



© Candoco Dance Company

December 2015 | Strengthening links with Mexico

The Dual Year UK–Mexico 2015, the most ambitious bilateral programme ever between our two countries, comes to a close. Leading on the arts and education strand of the programme, we helped to introduce the best of UK culture to millions of people across Mexico.



January 2016 | Connecting through Shakespeare

Launch of Shakespeare Lives, a global programme of events marking the 400th anniversary of Shakespeare's death. Working with UK partners, including the GREAT Britain campaign, we will help strengthen the UK's relationships with countries around the world through the work of its greatest cultural icon.

February 2016 | Cultural links with Russia

Start of the UK–Russia Year of Language and Literature 2016. The British Council will lead on showcasing the best of the UK's written and spoken word at events across Russia, building on the 2014 UK–Russia Year of Culture.



© Mat Wright

March 2016 | Improving lives through sport

Our programme with partner Premier League kicks off in Sierra Leone, using football to help young people integrate into their communities, develop skills for employment and increase their self-esteem. The programme will encourage women to participate more fully in society by supporting them to train as coaches and run community projects.

Progress towards our main goals

This Annual Report details the results we achieved in 2015–16 against the priorities and targets set for that year in our 2015–17 Corporate Plan.

Our main goals

Meet the huge global demand for English, internationally recognised qualifications, educational opportunities and the arts by increasing our digital reach and developing new products and services.

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

Engage hundreds of millions of people in the UK and overseas in our work while maintaining high quality.

Generate total income of £971 million in 2015–16 in line with the 2015–17 Corporate Plan's projections.

Our progress

Digital channels are crucial to meeting the increasing demand for our work. We reached 178 million people digitally this year, 28 million more than last year, helped by new products such as our third English MOOC and a digital showcase for the work of British cultural organisations. We helped millions more people to research UK study opportunities and to teach and learn English online.

Other new products and services this year included cultural skills courses to support the global creative economy, new English teaching centres in six countries, and a skills for employability programme in the Middle East and North Africa.

We have built on our work with partners such as Aardman and the Premier League and established new partnerships, for example with Tata Consultancy Services (TCS), the East African Development Bank and the Royal College of Physicians. We have continued to support the UK government's GREAT Britain campaign, working with GREAT and over 40 UK cultural partners on the global programme marking the anniversary of Shakespeare's death.

Major contracts, mainly with the EU and DFID, continue to help us increase our impact. These include a new EU contract to help develop higher education across South East Asia and an ongoing DFID contract to deliver one of the largest civil society programmes in Africa.

We reached a total of 646 million people this year, 54 million more than our overall target, although we missed targets in some areas within that overall total. Our customers continue to recommend our services and report a high level of satisfaction, as set out on page 25.

Our total 2015–16 income of £980 million exceeds the 2015–17 Corporate Plan's projections for the year by nearly £9 million.

Our main goals

Create value for the UK through international links and opportunities for its people and organisations.

Our progress

We promoted the UK as a world leader in education at exhibitions in 56 countries this year and as a leading destination for English language learners in nearly 60. Our cultural seasons with China, Mexico, Nigeria and Brazil led to new international commercial and partnership opportunities for the UK and strengthened its links with significant emerging economies. Through the UK government's Newton Fund this year we helped establish over 70 research collaborations between the UK and partner countries. Eighty-seven per cent of UK students who spent time abroad as part of Erasmus+, our international mobility programme run with Ecorys, said that the experience had increased their employability.

Contribute more to the UK's aid effort, spending an increased proportion (69 per cent by 2015–16) of our FCO grant-in-aid on aid-eligible countries.

Helping the UK to meet its official development assistance (ODA) priorities, we deployed more of our government grant-in-aid to ODA eligible countries. We spent £113 million on activities that qualify as ODA in 2015–16, 70 per cent of the grant-in-aid we received.

Maintain our worldwide network of presence and expertise for the UK, including in countries of strategic importance to the UK.

We have maintained our network of offices in over 100 countries. In South Asia, we have continued to revitalise our library network and will re-open libraries in Lahore and Karachi next year to create new spaces for cultural exchange. We also work with countries where we do not have a physical presence, including through digital services, broadcast media channels and special projects. Although we no longer have an office in Sweden, for example, we supported UK artists to perform there at the Stockholm Culture Festival this year.

Reduce the cost of our platform (premises, infrastructure and support staff) costs to 15 per cent of our total spend in 2015–16.

Through efficiency savings we further reduced our worldwide platform costs to 11 per cent of our total expenditure.

Priorities to 2020

Our Corporate Plan 2016–20 sets out our aims, activities and outcomes for the period to 2020.

As stated in our Corporate Plan 2016–20, we will extend our impact in over 100 countries, providing benefits to the places where we work, and responding to UK policy aims.

Key areas of work are shown below and respond to need on the ground, meet UK priorities and deliver lasting benefits. We will build on successful projects and extend these to other places, as well as developing new offers.

Priority activities to 2020

Direct outcomes

Wider outcomes

Voice and opportunity for young Muslims and Arabs	Alternative pathways for young people at risk	Understanding, relationships, co-operation	Security and stability
English for peacekeeping	Addressing the causes and effects of migration		
Changing lives and life chances through sport	Relations with Russia and its neighbours		
'Golden thread': civil society and access to justice	English, education, science and skills for growth	Change lives through education, skills, qualifications, culture and stronger societies	Prosperity and development
Art for prosperity	Culture and development		
Skills, confidence, chances for women and girls	Social enterprise and investment	Attract people to engage with the UK's culture, arts, education and society	
English as the world's preferred language	Promoting UK professional standards and qualifications		Influence and attraction
Global networks and digital spaces connecting to the UK	Supporting future global leaders		
Connecting global cities: UK and overseas	Sharing what's GREAT about the UK		

Targets for 2020

Effective performance management and indicators are crucial to understand and communicate progress towards our goals.

Our Corporate Plan 2016–20 set high level targets for our reach and impact in 2020, as set out below. These targets will be developed further as part of our detailed delivery plans for the period to 2020.

They will help us inform delivery and evaluate the contribution our work makes for the people we work with. The [Corporate Plan 2016–20](#), with further details of our future plans, is available on the British Council's website.

	Impact in 2015	Impact in 2020
Financial	£1 billion of delivery. ¹	Over £1.5 billion of delivery including over £400 million of ODA delivery.
Scale	Working directly with 50 million people: improving opportunities for young people and building capacity of future leaders to deliver positive change and partnership with the UK.	Working directly with 100 million people and a wider cascade of over half a billion people. Supporting the UK's security, prosperity and long-term influence in the world.
	People who have participated in our cultural relations activities trust the UK on average 24 percentage points more. This is directly associated with an increased interest in doing business with the UK, visiting and studying in the UK. One in four countries in the world has a leader who was educated in the UK.	
Value to UK	Gross value added for UK economy of £1.8 billion. £1.3 billion direct higher education exports and indirect contribution to higher education exports of £5.5 billion.	Gross value added for UK economy of over £2.7 billion. £2.5 billion direct higher education exports and indirect contribution to higher education exports of £8.5 billion.

1. Total group income in 2015–16 is £980 million as disclosed in the accounts at page 60.

Working for the UK

In everything we do we seek to create value for the UK, making a lasting difference to its security, prosperity and influence around the world.

Globalisation is affecting every part of the UK, changing communities and shaping our economic future, making it crucial for the UK to maintain an international outlook. We help to broaden the global horizons of the people and institutions of the UK by creating international opportunities for them in over 100 different countries. Supporting the international policy objectives of the four countries of the UK, we aim to make a lasting difference to the UK by:

- Helping to make the UK safer and more secure by supporting people in areas of the world affected by conflict to build more stable societies.
- Increasing the UK's prosperity by creating international connections and relationships that boost trade and investment.
- Enhancing the UK's international influence and its attractiveness to people and institutions around the world.

How we created value for the UK in 2015–16

We promoted the best of the UK's education, culture and arts around the world

Working with the GREAT Britain campaign, we helped promote UK excellence and led on the campaign's overseas student recruitment. Supporting the UK government's international education strategy and the strategies of the devolved administrations, we **promoted the UK as a study destination** in over 100 countries, including priority markets such as China, India and the USA. International students' expenditure attributable to our work is estimated to generate £1.3 billion per annum for the UK economy.¹

We worked with UK government partners to deliver a major programme of events marking the 400th anniversary of Shakespeare's death, **celebrating a great cultural asset for the UK** whose work remains globally relevant today. We partnered with over 40 UK organisations, including Voluntary Service Overseas (VSO), the BBC, the British Film Institute, the National Theatre, the Royal Shakespeare Company and Shakespeare's Globe.

As part of the UK/Nigeria 2015–16 season, we worked in Northern Nigeria with Belfast's Kabosh Theatre to share **Northern Irish expertise in using arts for conflict resolution**. During the first ever bilateral UK–China Year of Cultural Exchange we **showcased contemporary art from Scotland**, supporting a major exhibition in Shanghai.

Promoting Welsh culture in Argentina and the wider region, we worked with the Welsh government on a series of events to mark the 150th anniversary of the Welsh settlement in Patagonia. Highlights included a tour of South America by the BBC National Orchestra of Wales and a new theatre production from National Theatre Wales and Theatr Genedlaethol Cymru.

With the Association of Colleges and Find a Future we **showcased the best of the UK's skills sector** in Birmingham this year. A total of 116 delegates from more than 20 countries attended the Skills Show 2015 – the UK's largest skills and careers event – and met world class employers such as Jaguar Land Rover and Rolls Royce.

Using the UK's experience to promote the growth of social enterprise around the world, we worked with the UK government to develop a new international social investment strategy. It aims to create opportunities for the UK social enterprise sector globally, develop the capacity of social entrepreneurs and share lessons from successful innovations and practices in the UK and overseas.

In partnership with English UK, we continued to manage Accreditation UK, the largest quality assurance scheme for English language teaching organisations in the UK with over 540 accredited providers, which we connected to 59 countries. This supports the **promotion of the UK as a leading destination for English language learners**, a market worth £1.2 billion a year to the UK.²

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

2. Capital Economics for English UK (2015) *Supporting the British economy through teaching English as a foreign language*.

We connected UK organisations and professionals with overseas bodies and new markets

Our support to the UK's higher and further education institutions to grow their international partnerships included our Services for International Education Marketing, which enabled **502 UK colleges, schools and universities to access opportunities in 58 countries around the world.**

In Wales, we partnered with Universities Wales, the Welsh Government, the Higher Education Funding Council for Wales and all nine Welsh universities to **promote Welsh higher education overseas.**

We helped **open new markets for the UK's performing arts.** At the Edinburgh Showcase we presented 65 drama and dance companies to international programmers. So far, half of those have confirmed international engagements in 36 countries. We also **promoted the best of Scottish music** by bringing delegates from Iran, Brazil and India to Scotland, helping artists secure international opportunities.

Our Artists' International Development funds, delivered with the Arts Councils in England, Northern Ireland and Wales offer **emerging artists opportunities to develop their international networks.** This year's evaluation of the fund we deliver with the Arts Council England found that 97 per cent of beneficiaries agreed the grants they received contributed to their artistic development.

We provided international experiences and skills for people in the UK, particularly the young

We worked with UK schools and the education departments of the UK's four countries to **develop pupils' global citizenship.** Over the last three years our Connecting Classrooms programme, run in partnership with DFID, has reached 3,400 UK schools.

To boost **foreign language learning as an essential international skill,** we provided UK schools with over 1,600 overseas language assistants and with our partner HSBC we supported Mandarin learning in schools.

With our partner Ecorys UK, we awarded over **€118m of funding to over 900 UK education, training and youth institutions** through Erasmus+, the European Commission's programme supporting education, training, youth and sport collaboration. Eighty-seven per cent of students who took part in Erasmus+ last year said they believed their chances of gaining a new or better job had been increased.

Supporting the **international mobility of young people and professionals,** we helped over 2,000 UK graduates work as English language assistants in schools and universities overseas and offered opportunities to over 1,400 UK early career researchers to engage with their counterparts from other countries, including Peru, Uruguay and Qatar this year.

As part of our Generation UK–India initiative, we launched a new partnership with Tata Consultancy Services. The partnership will support 1,000 UK graduates to undertake 12-month internships in India at TCS locations, helping them to gain the digital skills and overseas experience needed to succeed in a globalised economy. Generation UK–India aims to help 25,000 young people from the UK to gain **professional and academic experience in India** by 2020.

UK performance headlines

UK PARTICIPATION (MILLIONS)	2014–15	2015–16
Face-to-face	1.6	1.3
Digital social media and learning	6.9	8.5
Exhibitions, fairs and festivals	1.5	0.3
Digital online audience	10.3	10.5
Publication and broadcast	1.3	5.1

Working with partners

Our partners help us to do more than we could do alone and bring valuable new insights to our work.



Our partnership with Aardman, the world-famous animation studio, had another successful year. Combining UK expertise on early years learning with the appeal of Aardman's globally popular characters Shaun the Sheep and Timmy, the partnership helps children under six learn English in a new and exciting way. Highlights this year included a Chartered Institute of Marketing product innovation award for our *Learning Time with Shaun & Timmy* portfolio and the opening of our third learning centre in Mexico.



Generation UK–India aims to give 25,000 people from the UK work experience in India by 2020. As part of this programme, we have formed a new partnership with TCS, one of the world's largest technology consultancy organisations. The five-year partnership will support 1,000 UK graduates to undertake 12-month internships in India at TCS locations, helping them to gain the digital skills and overseas experience needed to succeed in a globalised economy.



Working with UK government partners we support the GREAT Britain campaign. The campaign, which includes the FCO, UK Trade and Investment (UKTI), BIS, the Cabinet Office, the Department for Culture Media and Sport and VisitBritain, as well as the British Council, helps to promote UK excellence internationally, attracting people to do business with, study in and visit the UK.



Marking the 400th anniversary of Shakespeare's death, the British Council and UK government partners launched Shakespeare Lives, a global programme to strengthen international links for the UK through the work of its greatest cultural icon. With VSO, we are using the anniversary to run a social media campaign, encouraging donations to VSO in support of their work to educate children in some of the world's poorest communities.



We entered a new partnership this year with the East African Development Bank (EADB) and the UK's Royal College of Physicians to run a new EADB Medical Fellowship Programme over the next four years. Targeting four EADB member states – Kenya, Uganda, Tanzania and Rwanda – the programme will train 600 East African doctors through a combination of intensive in-country training and two years of specialised training in oncology and neurology in the UK.



Try Rugby, our partnership programme with Premiership Rugby, uses rugby to develop young people and to deliver educational, social and health benefits to them and their communities. The programme was launched originally in Brazil with local partner SESI São Paulo as part of the lead up to Rio 2016. This year it ran showcase events and pilots in a number of new countries, including South Africa and the USA.

BILL & MELINDA GATES foundation

With generous support from the Bill & Melinda Gates Foundation, we launched a libraries programme in Bangladesh, a country where 90 per cent of the population has no access to computers, books or the internet. The programme, run in partnership with the Government of Bangladesh, aims to improve people's access to information and knowledge by modernising the country's library network and improving the skills of government officers and library staff.



We continued our partnership with the Palestine telecommunications company Paltel Group and their mobile phone subsidiary Jawwal. Together we provide digital opportunities for young Palestinians to learn English, a skill identified by those young people as essential in helping them to access further education and to improve their employment prospects. This year one of our apps has been downloaded more than 22,000 times making it the most popular app ever offered by Jawwal.



Our programme with the Premier League, Premier Skills, uses football to support the development of young people, helping them to integrate into their communities, to develop skills for employability and to increase their self-esteem. Since it first began the programme has helped to create a brighter future for over a million young people in 29 countries. This year we launched Premier Skills in Sierra Leone, supporting the country to return to normal after being declared free from the Ebola virus.



We were pleased to announce this year that BP will be a founder partner for the UK–Russia Year of Language and Literature 2016. This joint celebration of the written and spoken word will build on the success of the UK–Russia Year of Culture in 2014, also supported by BP. The programme of events in both countries will aim to strengthen UK–Russia cultural relationships during challenging times for the wider relationship between our two countries.



In partnership with the Vodafone Ghana Foundation, we are now in the second year of our three-year partnership to help increase the participation of Ghanaian women in science and technology. This year the Vodafone Ghana Foundation Scholar Project has continued to support 100 academically able but poorly resourced girls to study maths, science and technology courses at secondary school and ten women to study at the University of Education, Winneba in Ghana.



We are working with Virgin Atlantic to help people gain the skills they need to develop start-up businesses in South Africa, Nigeria, Sudan and Senegal. Over the past three years, young entrepreneurs have seen significant growth in their businesses as a direct result of the funding support, resources and opportunities provided by taking part in this programme.

Changing lives – English and examinations

We promote more widespread and better quality teaching, learning and assessment of English and help people gain trusted UK qualifications as a gateway to international opportunities.

The international context

Learning English, the world's shared language, and gaining globally accepted qualifications changes people's lives, allowing them to study, work and live around the world. It supports stability and development by helping millions of potentially disenfranchised young people in areas like the Middle East, Africa and South Asia to find an economic future and to be part of the international community. As the home of English, the UK has a unique opportunity to share its culture and values with the world through the teaching and learning of its language.

What we do

We help millions of people to access English by supporting the teaching and learning of English in public education systems, and through self-access materials and courses. We teach learners and teachers of English face-to-face and online. With English UK we manage the largest quality assurance scheme for UK English language teaching organisations. With partners, we also manage the world's leading English language test¹ as well as examinations for internationally recognised UK qualifications. Our paid for services provide public benefit and also generate income to fund our wider cultural relations work.

Our work around the world in 2015–16 included:

Responding to the huge demand for English across Latin America, and with partners Plan Ceibal, we taught around 80,000 children across Uruguay using remote teachers based in Montevideo, Buenos Aires, London and the Philippines. The 3,300 classes a week we supported this year accounted for over two thirds of all English being taught to 9 to 11 year olds. Evaluation showed their English improving at the same rate as – or faster than – the English of children taught face-to-face.

In the second year of our co-funded project with DFID to **support the development of Burma's education system**, English trainers helped improve the language skills of over 2,200 of Burma's teacher educators. Of those who were trained during the project's first year, 93 per cent improved their English proficiency and participants overwhelmingly rated their confidence in English as improved.

Supporting Syrian refugees, we began a project to help 3,000 displaced young Syrians in Jordan, Lebanon and Northern Syria gain the language skills they need to access higher education. We also continued to support over 60,000 Syrian refugee children in Lebanon, using English as a link language to help them integrate into the Lebanese education system and wider community.

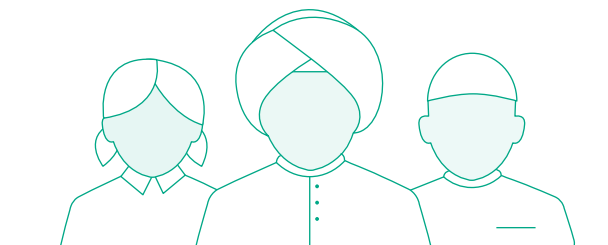
Using the power of the UK's creative industry our partnership with Aardman and their Shaun the Sheep and Timmy characters continued to give **children aged six and under a unique learning opportunity**. Highlights this year included the opening of our third early years' English language centre in Mexico City and winning a Chartered Institute of Marketing product innovation award for our Learning Time with Shaun & Timmy portfolio of learning materials.

In Ethiopia, the world's second largest contributor of personnel to United Nations missions, our 12 English centres have now given over 3,000 personnel the language skills they need to take part in multinational peacekeeping missions. **Supporting security in the region**, 85 per cent have been deployed on United Nations and African Union peace support missions. Worldwide we have now helped 50 countries to develop the English language skills needed to contribute to peacekeeping.

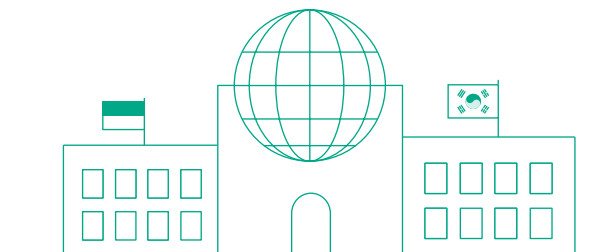
Working with FutureLearn, the UK's leading MOOCs platform provider, we launched our third MOOC. Sharing techniques for passing IELTS, our globally recognised English proficiency test, it became the **world's most popular free online course**, helping to improve the life chances of the 441,000 people who signed up.

1. IELTS (International English Language Testing System), jointly owned by the British Council, IDP: IELTS Australia, and Cambridge English Language Assessment.

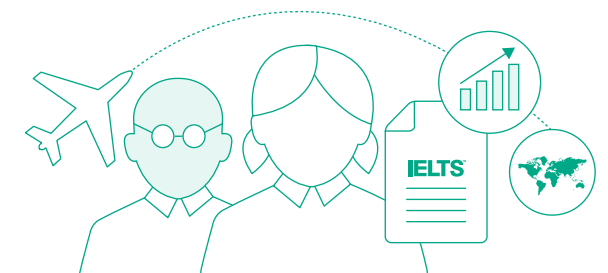
Through our work in English and examinations this year we engaged with:



0.9 million policymakers and government ministers, teachers and learners face-to-face. Our work to improve English in public education systems supports thousands of education leaders and teachers globally, helping them to benefit millions of learners. Through just two of our projects in Pakistan and India this year, we supported the training of over 190,000 education managers, teacher educators and teachers, **improving the quality of learning and life chances** of around seven million students.



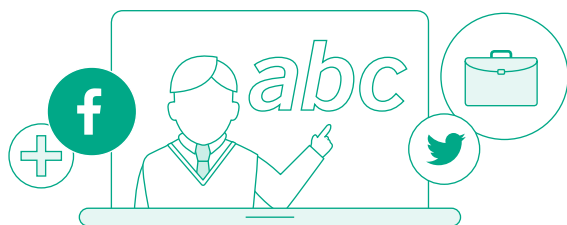
0.4 million learners in teaching centre classes. We added new teaching centres in Mexico, Colombia, Taiwan, South Korea, Indonesia and Algeria to our network of over 80 centres around the world this year. Our new MyClass programme is one example of how we are **adapting our teaching to the changing needs of our students**. MyClass, which we have now extended to 13 countries, allows students to create their own tailored programme, choosing lessons to suit their interests and schedule.



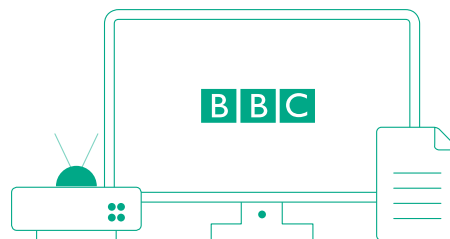
Three million examinations candidates. With our IELTS partners, **we helped students to study overseas**, including in the UK, by delivering over 2.7 million IELTS tests this year. We also supported UK examination boards to deliver their examinations in over 100 countries, increasing access around the world to UK-based qualifications.



111.7 million digital online audiences. The 111.7 million people we reached through our online presence this year represented an increase of 18 per cent on last year. Our LearnEnglish Teens website was particularly successful in **supporting young people around the world to learn English**, seeing a rise of 80 per cent in the number of users visiting the site.



17.7 million teachers and learners in online communities through digital and social media. We supported 17.7 million teachers and learners of English this year, four million more than last year. This includes a community of nearly six million on our TeachingEnglish and LearnEnglish Facebook pages. Over 1.2 million people benefited from our online courses, including people who had **free access to learning** through our record breaking MOOCs.



110 million viewers, listeners and readers of broadcast and publication material. Our television series with the BBC, *Word on the Street* and our radio programmes give **free access to people who may not otherwise have the chance to learn English**. *Word on the Street* was broadcast in Thailand, Vietnam and Ukraine, and through BBC Arabic and BBC Persian TV, to nearly 23 million people this year. Our LearnEnglish print inserts for newspapers and magazines supported the English language learning of nearly 30 million people.

Connecting through the arts

We find new ways of connecting with and understanding each other through the arts, supporting stronger creative sectors around the world and strengthening their links with the UK.

The international context

International cultural exchange supports economic and social development and helps create mutual understanding. Cultural links lead to new trading relationships and the sharing of expertise helps develop the creative industries that are increasingly important to global development and prosperity. In isolated and conflict affected areas, the arts help people to build resilience and maintain international contact. By presenting different world views they help and encourage the debate and free expression essential to building open and inclusive societies.

What we do

We work with experts to showcase the best of the UK's vibrant and innovative creative sectors globally and to bring international art and culture to the UK. Our work supports the creative industries to contribute to development, equips people to build better civil societies and gives a voice to the marginalised. We support creative professionals to collaborate internationally, access funding and continue working in times of conflict. We share the UK's expertise as a world leader in the skills needed to grow the global creative economy.

Our work around the world in 2015–16 included:

Supporting an **important year for UK–China relations**, we helped showcase the best of British culture in China and of Chinese culture in the UK through the first ever bilateral UK–China Year of Cultural Exchange. Over 100 new relationships were formed between UK and Chinese cultural institutions, and over £20 million worth of UK–China creative industry commercial agreements were signed as a result.

Our exhibition of the work of leading UK designer Thomas Heatherwick continued to **promote the strength of British design** across Asia. Developed with the GREAT Britain campaign, UKTI and VisitBritain, the exhibition was visited by 140,000 people in Beijing, Shanghai, Hong Kong and Taiwan this year.

Bringing the Dual Year UK–Mexico 2015 to a close, the UK was guest of honour at Mexico's Guadalajara International Book Fair, an important gateway into the Latin American market. Presenting top UK writers alongside other UK artists, the biggest cultural programme we have ever organised brought **the best of UK creativity to a new audience of over 800,000** people.

At a time of political and social change, we have expanded our work to help Ukraine's cultural sectors support **freedom of expression and economic growth through the arts**.

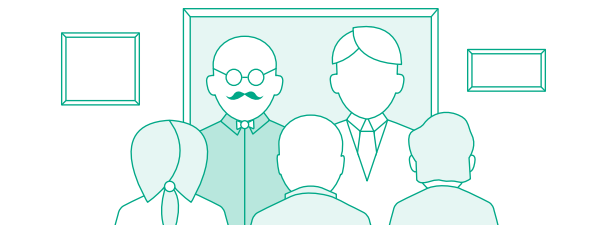
Strengthening links with the UK cultural community, we helped senior UK arts professionals share their expertise with Ukrainian arts organisations and planned a series of British–Ukrainian co-productions to support the development of Ukrainian theatre.

With digital art commissioner, The Space, we continued to **give a voice to displaced Syrian artists** through new online works exploring the conflict in Syria and the plight of those affected. As part of our Artists in Recovery programme, we highlight the role of artists in supporting resilience, recovery and transition in conflict-affected areas through their creative interventions.

We are working internationally with more disabled artists than ever before and helping arts organisations to develop skills and policies to support those artists. This year, for example, we worked with the UK's Graeae Theatre and the Dhaka Theatre to create a **training programme for disabled young adults in Bangladesh**.

We launched new cultural skills courses in areas such as museum management and digital arts strategies this year. Using UK skills to **support the development of the global creative economy**, the courses will also connect UK cultural professionals with their counterparts overseas.

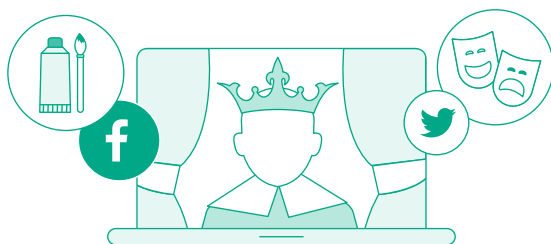
Through our arts work this year we engaged with:



0.4 million artists, art lovers, cultural leaders and ministers face-to-face. Working directly with thousands of cultural leaders and artists, we help run major cultural seasons between the UK and the world's emerging economies which reach millions of people worldwide. This year **our cultural seasons strengthened relationships** between the UK and Brazil, Nigeria, Mexico and China and we started work on future seasons with India, South Korea, Indonesia and the United Arab Emirates.



2.9 million artists and participants in online communities through digital social media. The number of creative professionals and artists from the UK and around the world that we brought together through digital channels **increased by nearly three quarters of a million this year.**

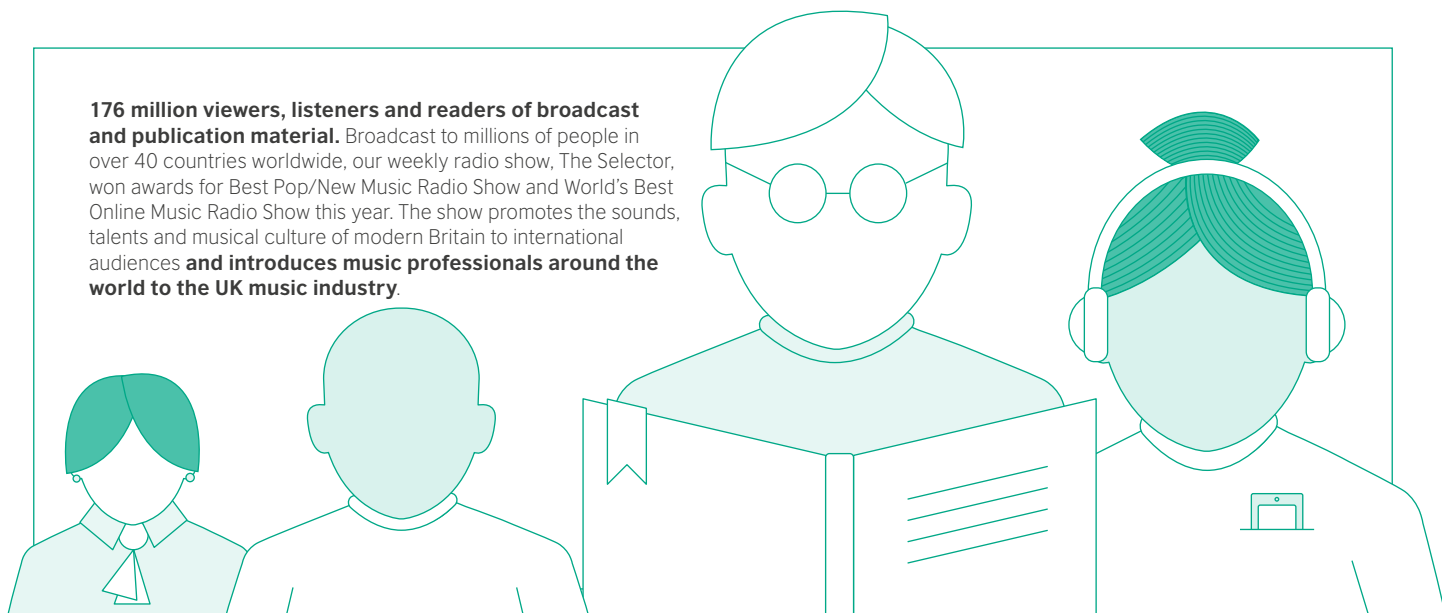


7.2 million websites, mobile devices and applications. Our new programme to introduce people digitally to the work of top British cultural organisations began with a pilot in China which reached over a million people this year. The long-term aim of the programme is to showcase digital content from UK cultural institutions such as the British Film Institute, the Victoria and Albert Museum, and National Galleries of Scotland to millions more people around the world.



10.5 million exhibition, festival, event and performance attendees. Over one and a half million people attended cultural events across Mexico as part of the Dual Year UK–Mexico 2015 this year. We **showcased the best of British art** at the Venice Art Biennale, attracting three quarters of all Biennale attendees to see the work of Sarah Lucas in the critically acclaimed British Pavilion. We introduced tens of thousands of people to top contemporary British artists such as Grayson Perry and Anthony Gormley.

176 million viewers, listeners and readers of broadcast and publication material. Broadcast to millions of people in over 40 countries worldwide, our weekly radio show, The Selector, won awards for Best Pop/New Music Radio Show and World's Best Online Music Radio Show this year. The show promotes the sounds, talents and musical culture of modern Britain to international audiences **and introduces music professionals around the world to the UK music industry.**



Supporting education around the world

We promote UK expertise in, and shared learning from, international education and help people develop new skills.

The international context

Accessing education and developing new skills improves people's economic opportunities, helping them to participate more fully in society both locally and globally, and leading to more prosperous and stable communities and nations. Demand for education continues to rise, in particular from fast-growing populations of young people around the world, and imaginative new approaches are needed to meet that demand. International collaboration in science and innovation is crucial to supporting economic development and social welfare and to addressing the major global challenges of our time.

What we do

Our higher education work contributes to global education policy development, supports international mobility and collaboration, and promotes the UK as a world leader in education and research and a top destination for higher education. We work with institutions to help people gain skills for employability. We support science and innovation by creating international opportunities for individuals and institutions to work together. With teachers and policymakers, we help to improve the education of millions of young people around the world by creating international links between individual schools and whole education systems.

Our work around the world in 2015–16 included:

Leading a consortium of partners, we began work on a European Union-funded programme to help develop higher education in countries belonging to the Association of Southeast Asian Nations (ASEAN). Over the next four years we will work with ASEAN to share UK and EU experience on how to **improve the quality, international outlook and competitiveness of higher education** in the region.

With UK and Indian government partners we run and co-fund the UK–India Education and Research Initiative (UKIERI). By the end of UKIERI's second phase this year we had helped **enhance UK–India educational links** by supporting over 540 higher education and skills partnerships. A third of these partnerships are now collaborating with industry and over half are exploring new funding opportunities.

With HSBC and UK charity Spark+Mettle we launched a programme to support the development of life skills in 15 to 16 year olds across the Middle East and North Africa. The programme aims to help **address the problem of widespread youth unemployment in the region** by giving young people the soft skills increasingly needed to succeed in today's workplace.

Improving employment prospects for young people we supported 43 skills partnerships between organisations from the UK and nine countries around the world this year.

In Vietnam UK expertise helped to bring about a substantial improvement in the teaching and learning of skills for employment through the introduction of UK quality assurance models.

We continued to deliver projects under the Newton Fund, the UK government's initiative to **support the economic and social development** of 16 countries through science and innovation partnerships. Our work this year included initiating over 70 research collaborations between the UK and partner countries to address global development challenges.

Building on **improved relations between the UK and Iran**, we organised and led academic workshops which brought together over 80 Iranian and UK researchers from across the sciences, arts, and social sciences for the first time in seven years.

Our schools' programme Connecting Classrooms, co-funded by DFID, **builds global awareness and cross-cultural learning among young people**. Evaluation of the programme this year showed that of the 18,000 schools that have taken part in the past three years, 75 per cent reported an enhanced global citizenship provision in the curriculum and a more global ethos across the whole school.

Helping to build stronger societies

We help people worldwide to gain the skills needed to create more inclusive, open and prosperous societies.

The international context

Good governance, active citizenship and the rule of law are essential to creating stable communities and nations which can flourish economically and socially. Many countries are now exploring how social enterprise models can support their economic and social development. Individuals and communities around the world need the skills and confidence to address conflict, tackle corruption and influence the policies that affect their lives. Through the Sustainable Development Goals the international community has set an agenda for change which includes initiatives to develop those skills between now and 2030.

What we do

Our programmes help individuals and institutions gain the skills needed to build more accountable institutions, strengthen civil society, widen access to justice and promote the rule of law. Sharing the UK's expertise in social enterprise, we help social entrepreneurs to create growth and employment. Through our sports programmes we give people the skills to improve community cohesion. We help to develop the confidence and skills of women and girls, allowing them to participate more fully in their societies. Our work supports the cultural and educational ambitions of the Sustainable Development Goals.

Our work around the world in 2015–16 included:

With partners, we continued to deliver the Ethiopia Civil Society Support Programme, one of Africa's largest programmes giving people the skills to **strengthen civil society**. Over 6.5 million people affected by issues such as social marginalisation and geographic remoteness have now been helped by the programme, which won a British Expertise International award for the Best International Development Project (non-infrastructure) this year.

Through a DFID-funded programme we are **supporting people working to develop the justice and security sectors** in Nigeria. This has led to the successful introduction of community-based policing through the establishment of over 70 modern police stations and the setting up of five centres for victims of sexual assault. We are also supporting policymakers to instigate justice sector reform across 21 of Nigeria's 36 states.

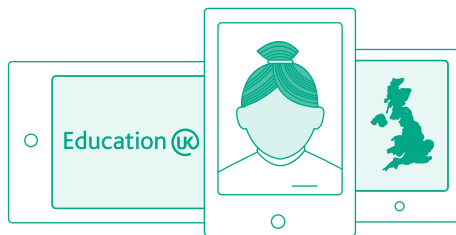
Our Young Arab Voices programme, run with the FCO and the Anna Lindh Foundation, has helped over 100,000 young people across the Middle East and North Africa to develop **skills for social and political debate**. This year we signed a Memorandum of Understanding to embed the programme into the Tunisian national curriculum, supporting more young people to address significant issues affecting their lives.

Supporting the **role of social enterprise in creating growth and employment**, we trained over 6,800 social entrepreneurs around the world this year and delivered social enterprise programmes in countries including Kenya, India and Pakistan. We also launched a new schools programme which will support employment for young people by introducing learning about social enterprise into the classroom.

Our programme in Pakistan to help people **unite and strengthen their communities** through football won the award for the Adapted Programme of the Year at the Peace and Sport Awards this year. Recognised for its success in using sport to help young people gain confidence, interact in diverse groups and overcome social barriers, the programme is now expanding in Pakistan and running pilots in Afghanistan, India and Sri Lanka.

The **empowerment of women and girls** In the Middle East and North Africa is a strand of our social leadership programme, Active Citizens. In Jordan this year the programme supported 900 youth and community members and eight social action projects to campaign for the empowerment of women in political life. The campaign aims to increase women's enrolment in parliament by the next local elections.

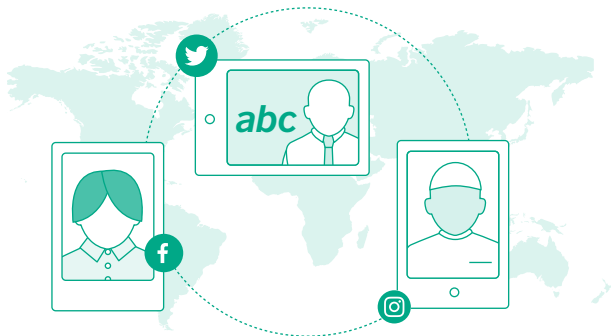
Through our work in education and society this year we engaged with:



20 million digital online audiences. The number of people connecting with us digitally has grown by three million since last year. There was a 30 per cent increase, for example, in visitors to our Education UK website, which provides people around the world with a first port of call for **information about studying in the UK.**



6.2 million ministers, teachers, academics, education and youth sector leaders and young people face-to-face. We support the **development of education and civil society** by bringing together world experts in these fields. This year we again ran Going Global, the world's largest open international higher education conference, where education ministers, policymakers and practitioners met to discuss the future of the sector. We also convened senior policy leaders and practitioners in countries including India, Pakistan and Bangladesh, to explore the economic value of social enterprise.

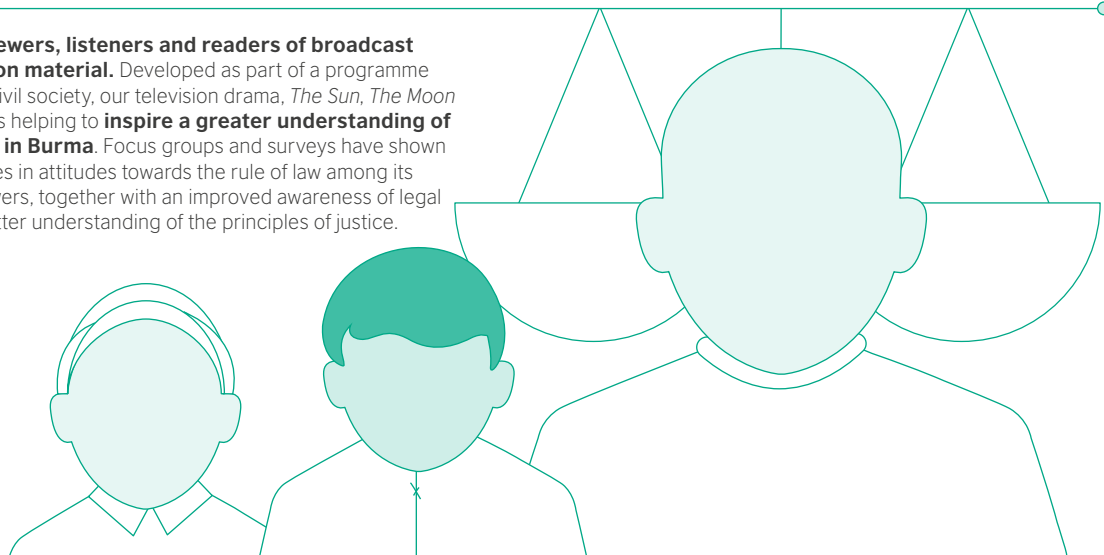


5.8 million teachers, academics, college and higher education leaders in online communities through digital social media and learning. Our Schools Online programme allows schools around the world to work virtually with each other, bringing an international dimension to their classroom and **increasing the global awareness of their pupils.** This year nearly 800 schools worldwide worked together on projects, with Sri Lanka, India, Pakistan and the UK being the main collaborating countries.



1.2 million education and citizenship exhibition and fair attendees. Through our Services for International Education Marketing programme we **support the international ambitions of UK educational institutions.** This includes promoting the UK as a world leader in education through our international exhibitions. Over a quarter of a million visitors and prospective students in 56 countries came along this year to learn about what UK education has to offer, with Services for International Education Marketing holding exhibitions for the first time in Kenya, Lebanon and Uganda.

159 million viewers, listeners and readers of broadcast and publication material. Developed as part of a programme to strengthen civil society, our television drama, *The Sun, The Moon and The Truth*, is helping to **inspire a greater understanding of justice issues in Burma.** Focus groups and surveys have shown positive changes in attitudes towards the rule of law among its five million viewers, together with an improved awareness of legal rights and a better understanding of the principles of justice.



Our staff

Our success relies
on the quality, skills and expertise
of our people.

This year we continued to improve our ways of working to make a positive contribution in the places we work.

During 2015–16 we have:

- Reviewed our performance management system and processes, agreeing a new people management cycle to better align performance and talent management.
- Increased the flexibility of our international mobility policies and processes to maximise the diversity of our workforce. By removing some restrictions on staff moves and appointments, we have widened our talent pool for critical roles and opened opportunities for a broader group of staff to move into senior level roles.
- Introduced modular training to develop our senior leaders, encouraging them to gain personal insight, challenge one another and work collaboratively.
- Redesigned our intern and graduate programmes to attract a broader and more diverse pool of candidates. We are delighted to be in the top 40 of the 2015–16 Guardian UK 300, the most recognised employer guide for graduates.

Engaging our people

We want to make the British Council a great place to work for all our staff, no matter their role or location. We have been researching our colleagues' perceptions and expectations of working here. This research is helping us prioritise how we develop our offer to employees, define how we brand ourselves internally and externally and support future recruitment by enabling us to reach, recruit and retain the best talent in the market. The work will also help us to clearly articulate what working here means and what people can expect as a British Council employee.

Staff survey

We conducted a 'pulse' survey of almost 2,000 members of staff in May 2015. Results showed strong levels of employee engagement, broadly consistent with last year's survey. We aim to increase this next year, so are considering how we can best use the survey, supplement and add value to the engagement we already do, and how technology might be better harnessed.

The 2015 survey included a new section on health and well-being. The data and insight we gathered is informing the development of new global well-being standards. Colleagues discussed the survey findings and ways to improve their well-being at work during our 'Time to talk about us' event. We also held our second 'Time to talk about mental health' event and produced a new guide for managers on mental health issues.

Future focus

Our future ambition is to support our people to develop, build their skills, and to make it easier for them to spend their time on activities which have an ever growing impact.

As part of this we will:

- Ensure colleagues have access to opportunities to build the skills they need and are empowered to take control of their personal and professional development while they work with us.
- Equip our leaders with skills and knowledge to lead the organisation for the future.
- Develop more flexible policies and processes to allocate people and resources most effectively to the parts of the organisation where the need is greatest and/or where we can deliver the greatest impact.
- Implement a global approach to recruitment to enable us to attract, select, and retain the talent that we need more efficiently and effectively across the organisation.
- Commission a review of our international mobility policies and processes to ensure they support our ambition to increase opportunities for colleagues, maximise the use of our talent and build a truly diverse workforce.

Our performance in 2015–16

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

Our 2015–17 Corporate Plan set performance targets for 2015–16 in the following areas:

- **Activity:** how many people are taking part in our programmes and using our products and services?
- **Quality:** are we maintaining or improving the quality of our services as we work with more people and in new ways?
- **Impact:** does what we do make a difference to people we work with, their communities and nations, and generate value for the UK?

We also set organisational goals for how well we support equality, diversity and inclusion and manage our impact on the environment.

This section presents our performance in 2015–16 against the Corporate Plan targets for the year. We provide commentary on performance against our financial plans in the financial review section of this document. As explained in our 2016–20 Corporate Plan, we are currently reviewing and refining how we measure our performance. In future years we will use a balanced scorecard approach to manage and report on performance, including on delivery to customers, financial performance, and innovation.

Activity indicators

Each year we measure the number of people who take part in our programmes and use our products and services. As well as showing the scale of our activity this also helps us see if we are reaching a critical mass of people in particular markets or locations.

This year 646 million people took part in our programmes and used our products and services, exceeding our target for the year by 54 million. This remained broadly consistent with the previous year (2014–15: 647 million).

Reflecting the wider shift towards digital, the number of people we connected with through digital social media and learning increased by five million, exceeding our target for the year by 30 per cent. We fell slightly (one per cent) short of our target for attendance at exhibitions, fairs and festivals. Face-to-face participation in 2015–16 was seven per cent below our target for the year.

We exceeded our targets for both traditional broadcast and publications and for digital online audiences, enabling us to reach beyond our physical presence and traditional audiences.

PARTICIPANTS IN OUR ACTIVITIES	2014–15 RESULT	2015–16 TARGET ¹	2015–16 RESULT	MET TARGET
Digital social media and learning People participating through digital professional, educational and English learner communities on social networks.	24.9 million	23 million	30 million	✓
Exhibitions, festivals and fairs and performances People attending exhibitions, live arts performances, arts and education fairs and festivals.	12.7 million	12 million	11.9 million	X
Face-to-face People participating in activity where they come into face-to-face contact with others, including teaching centre students, examination candidates, teachers and learners.	11.4 million	11.8 million	11 million	X
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.	473 million	427 million	445 million	✓
Digital online audience Audiences for British Council digital arts, education and English (including teaching and examinations) content reached through websites, mobile devices and applications.	125 million	118 million	148 million	✓

The quality of our work

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

- Scores from a customer satisfaction survey distributed at face-to-face events and online.
- A net recommendation score, which is a measure of the willingness of participants to recommend others to work with us or use our services. The net score is calculated from advocates minus detractors, in line with standard international practice.
- Responses to a question asked mainly of teaching centre students and examinations candidates to find out the extent to which they feel they have acquired new knowledge and/or skills.

We broke down our targets for customer satisfaction and net recommendation for the first time this year into two categories – customers who receive our services for free and those who pay. This gives us greater insight into how different groups of customers value our work.

Our **customer satisfaction** scores showed that a significant majority of our customers fall within the range where they agree or strongly agree that our programmes are of high quality. We met our targets for customer satisfaction both for paid for services and free services.

Our **net recommendation** scores reflect the extent to which our customers would recommend our work to others. Overall our results continue to benchmark well against industry averages.² We met our net recommendation target for paid for services. While a score of 50 or more using this methodology is considered to be excellent, nonetheless we missed our net recommendation target for free services.

Last year we published feedback from the users of a selection of our services for the first time. This year 84 per cent of those surveyed again reported that working with us had helped them to acquire new knowledge and/or skills.

Results for 2015–16

QUALITY ³	2014–15 RESULT	2015–16 TARGET ¹	2015–16 RESULT	MET TARGET
Customer satisfaction: paid for services	81%	80%	81%	✓
Customer satisfaction: free services	86%	85%	85%	✓
Net recommendation: paid for services	47	47	47	✓
Net recommendation: free services	64	65	63	X
Learning of new knowledge and/or skills	84%	-	84%	No target

1. 2015–16 targets were set before 2014–15 results were known.

2. SatMetrix Net Promoter © US Consumer Benchmarks 2015: 17 for health insurance, 30 for travel websites, 35 for online entertainment, 28 for airlines.

3. Sample size 309,000 respondents for customer satisfaction, 251,000 for net recommendation, and 299,000 for learning.

The impact of our work

We measure our impact to demonstrate the value of our work and improve our products and services. In line with good practice we use a range of evidence including surveys of those taking part in our programmes and evaluations of our programmes.

Annual impact survey

Between 2011–12 and 2013–14 we conducted annual impact surveys of a sample of influential people who took part in our programmes, such as teachers, community leaders and policymakers. During 2015–16, working with Ipsos MORI, we have been running three pilots to help us further improve the quality, use and value of the survey.

The two pilots we have now completed surveyed students in our English language teaching centre in Singapore, and UK authors, poets, publishers and translators participating in our literature programmes. We are currently implementing the last pilot surveying those engaged in our education and society work in Pakistan. We will use the results from all three pilots to refine our approach to measuring our impact, which will help to inform our strategic plans.

Heads of Mission survey

In previous years we have reported results from a survey which gathers feedback from FCO Heads of Mission on the impact of the British Council's work. The survey has not been carried out for the past three years, in part due to the extensive consultation during the 2014 Triennial Review. The FCO expects to conduct the survey again later in 2016.

Programme evaluations

We use external evaluations to assess the impact of our larger programmes and those we deliver on behalf of others.

Programmes evaluated in 2015–16 included:

- **The Civil Society Support Programme (CSSP): giving millions of people the skills needed to develop civil society in Ethiopia.** We deliver this multi-donor programme, one of the largest of its kind in Africa, with a range of partners. Rated A++ (significantly exceeding expected results) in DFID's annual review process last year, the programme has recently won an award for Best International Development Project (non-infrastructure) at the British Expertise International Awards.
- **Connecting Classrooms 2: building global awareness and cross-cultural learning among young people.** The second phase of our international schools programme, co-funded with DFID, ended in 2015. Rated A+ (exceeding expectations) in DFID's annual review process, the programme reached over 18,000 schools. Of those, over 70 per cent reported improvements in the teaching skills of their staff and 75 per cent reported enhanced global citizenship content in the curriculum and the development of a more global ethos across the school.
- **English for Education College Trainers (EfECT): supporting Burma's education system** through improved English language proficiency and teacher training. Funded by DFID and the British Council, this project supports the professional development of over 2,200 teacher educators in 24 different educational institutions. An external evaluation completed this year confirmed that it had met all of its targets to date. Of the teachers who were trained during the project's first year, 93 per cent improved their English proficiency, as measured by the British Council's Aptis test, and participants overwhelmingly rated their confidence in English as improved.

Equality, diversity and inclusion

The British Council is committed to equality, diversity and inclusion. Our work is centred on building meaningful, enduring and respectful relationships across different cultures.

We display the ‘positive about disabled people’ double-tick symbol on our recruitment material, use a guaranteed interview scheme and make reasonable adjustments to support the participation of disabled people, both as employees and as participants in our programmes and activities.

We use an externally validated diversity assessment framework to assess how well we are supporting equality, diversity and inclusion in everything we do worldwide. The framework consists of ten indicators which show good practice in supporting and promoting diversity, equality and inclusion. We report our performance against the framework every two years.

In 2015–16 we achieved 7 of the 10 indicators globally, an improvement on the previous result but short of our Corporate Plan target, as shown in the table below.

Environmental performance

We use an environmental management system to improve our environmental performance in the UK. In 2015–16 our six UK premises all succeeded, for a fourth year, in maintaining the International Standard for Environmental Management (ISO 14001).

We use our environmental framework tool to manage and mitigate the environmental impact of our activities outside the UK. This framework assesses our progress on a five-level scale, from level 1 ‘making a commitment’ to level 5 ‘global sustainability leader’. Our target for 2015–16 was for all of our seven regions to reach level 4 ‘the path towards sustainability excellence’. Regions are marked at level 4 if they have an environmental plan in place to mitigate and reduce our environmental impact. Four of our seven regions reached this level as shown below.

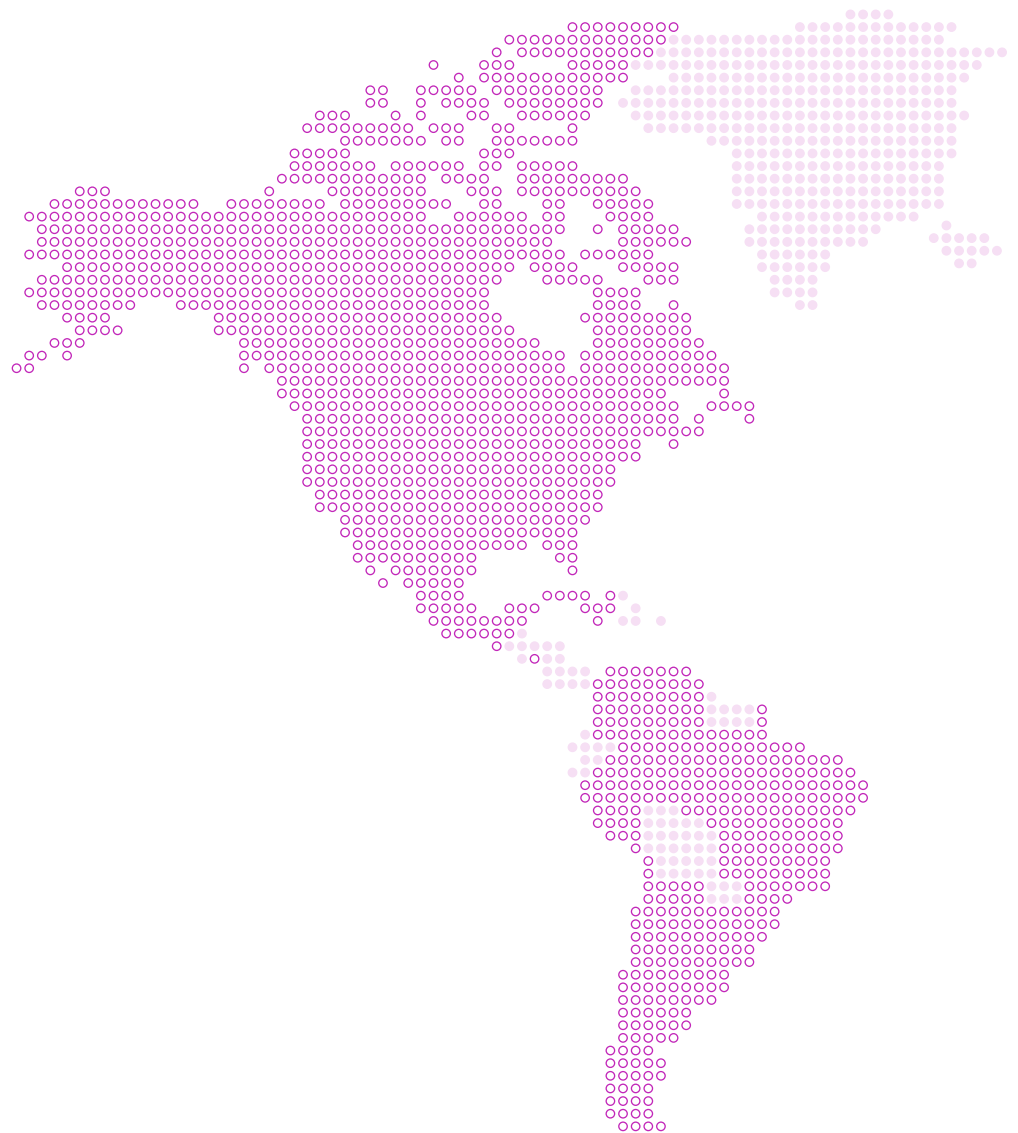
	2013–14* RESULT	2015–16 TARGET	2015–16 RESULT	MET TARGET
Diversity assessment framework: scores out of 10	6	8	7	X

* The 2013–14 results are provided as a comparator as this is measured every two years.

	2014–15 RESULT	2015–16 TARGET	2015–16 RESULT	MET TARGET
Environmental framework tool: a scale from level 1 ‘making a commitment’ to level 5 ‘global sustainability leader’	Four regions at level 4. Three regions below level 4.	All regions reach level 4.	Five regions at level 4. Two regions below level 4.	X

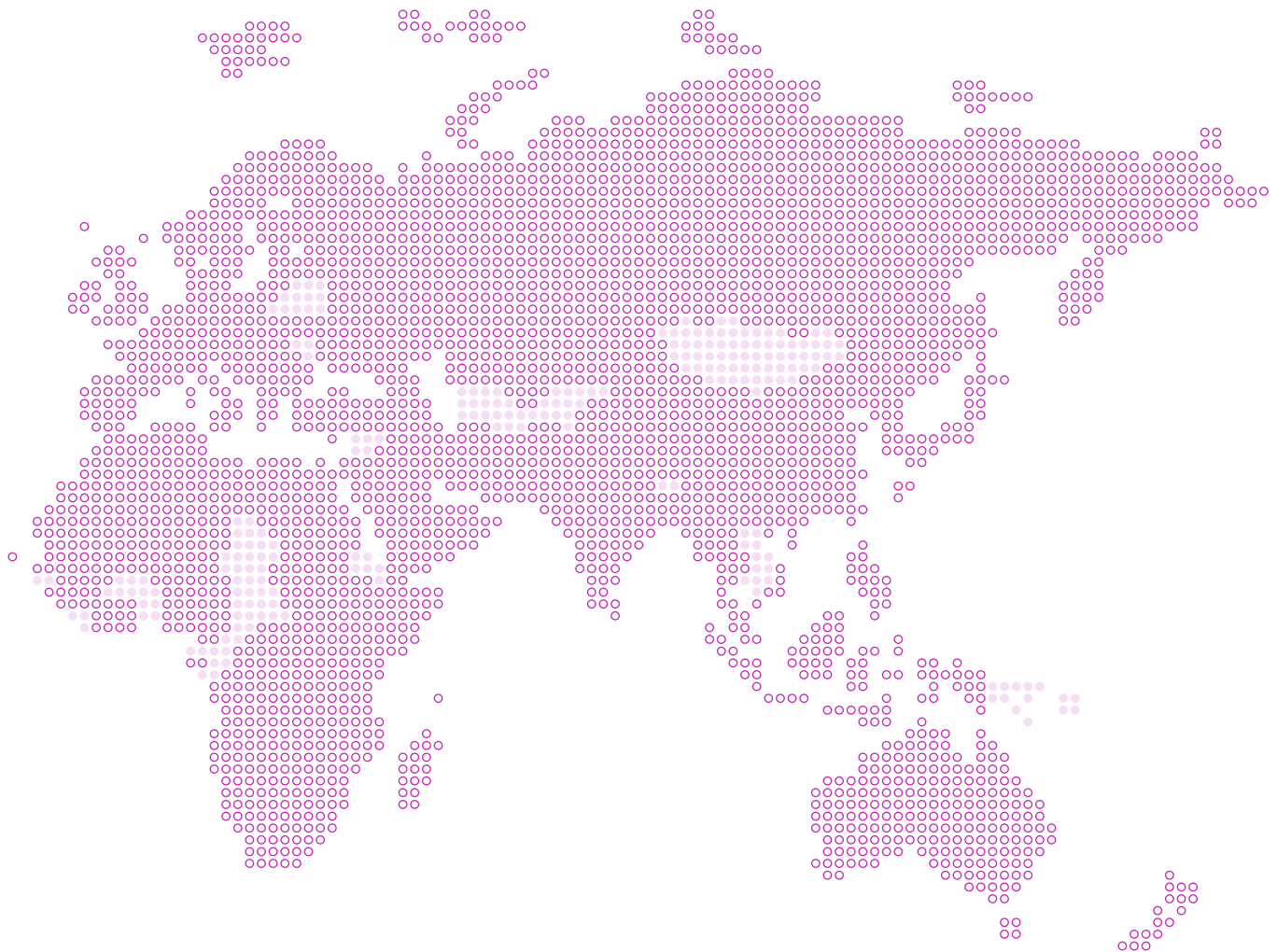
Our work around the world

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



Key

Countries that the British Council works in and with



Overseas network

We have an extensive overseas network with offices and centres in over 100 countries and remote working in even more.

We work in a wide range of countries – developed, developing, fragile and conflict states and those which are emerging powers. Where we work is determined by an assessment of UK priorities and our ability to make a difference in each location.

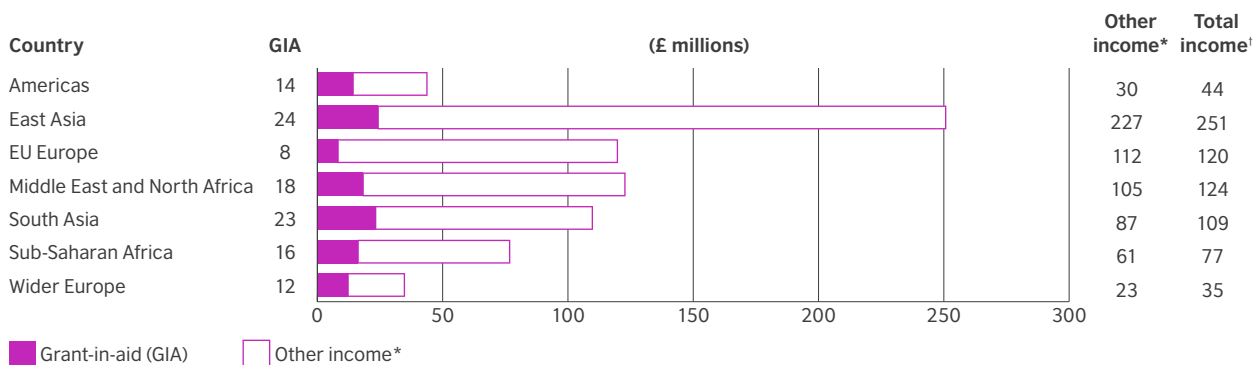
This year we have maintained our network overall, opening new teaching centres in six countries and closing our office in Recife, Brazil.

Highlights from the year include cultural seasons in China, Nigeria and Mexico, expanded work with civil society and in skills and education in response to geopolitical challenges, and expansion of English in public education systems.

We have to consider security wherever we are in the world. We remain committed in particular to finding ways to maintain operations in some of the world's most challenging environments, such as in Yemen where we have continued to work in the midst of conflict. We have reviewed our security measures across all operations, seeking to balance security requirements with the need to give an open and welcoming experience of the UK to those we work with.

We organise our work overseas into seven regions and the following pages give a flavour of some of our activity and achievements in 2015–16. The chart below and those in the following pages provide a snapshot of our income across the seven regions.

2015–16 income by region (£ millions)



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

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

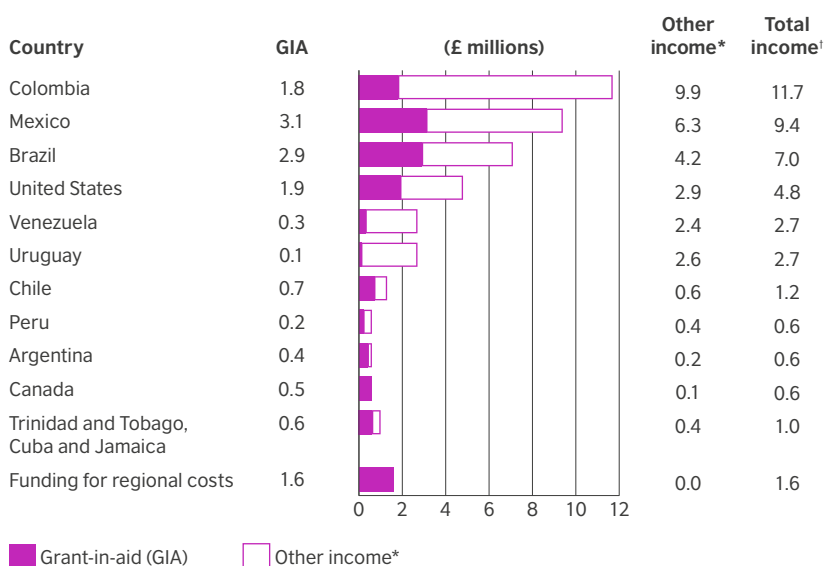
Americas

We create and strengthen relationships between the UK and countries across the Americas which help to transform education, promote inclusion and develop solutions to shared challenges.

The growing desire across Latin America for international collaboration and exchange in the arts, education and English language learning continues to present opportunities for cultural and economic partnerships with the UK, as does Britain's renewed commitment to the Caribbean. Maintaining the UK's special relationships with North America remains a priority.

Our work this year included: a major UK–Mexico cultural and educational season; support for new partnerships between UK cultural institutions and their Brazilian counterparts; promoting disability arts across the Americas; helping hundreds of thousands of children learn English through our work with Colombian education ministries and our remote teaching project in Uruguay.

2015–16 funding data (£ millions)



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

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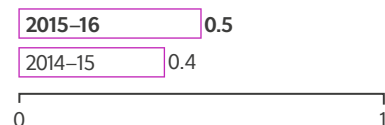
Customer satisfaction

Score from 0–100

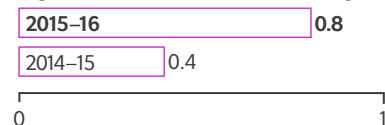


Participation (millions)

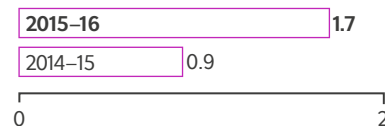
Face-to-face



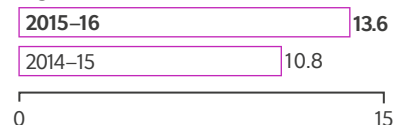
Digital social media and learning



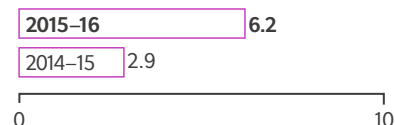
Exhibitions, fairs and festivals



Digital online audience



Publication and broadcast



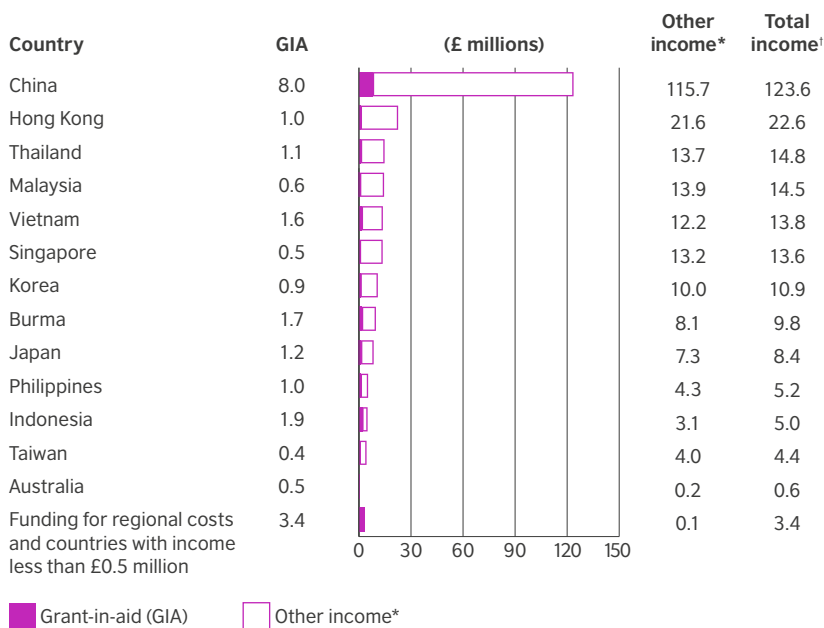
East Asia

Demand across East Asia for education, skills and the English language remains high, creating opportunities for us to strengthen links between the UK and countries in the region.

Our East Asia region includes some of the world's fastest growing economies such as China and Vietnam, important developed partners such as Japan and Australia and societies in transition such as Burma and Indonesia. Our work helps to meet the diverse needs of these countries, connecting them more closely with the UK.

Our work this year included: the UK–China Year of Cultural Exchange; brokering new UK–East Asia research links; supporting access to justice in Burma and the Philippines; opening English teaching centres in South Korea and Indonesia; helping a million candidates gain access to UK qualifications; delivering teacher training programmes across Burma and Malaysia.

2015–16 funding data (£ millions)



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

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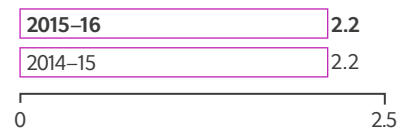
Customer satisfaction

Score from 0–100

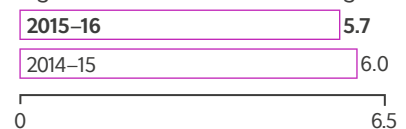


Participation (millions)

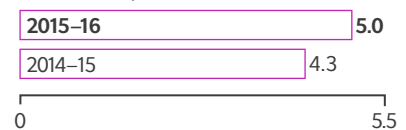
Face-to-face



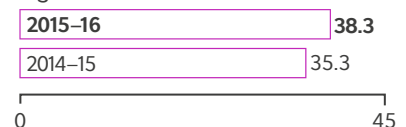
Digital social media and learning



Exhibitions, fairs and festivals



Digital online audience



Publication and broadcast



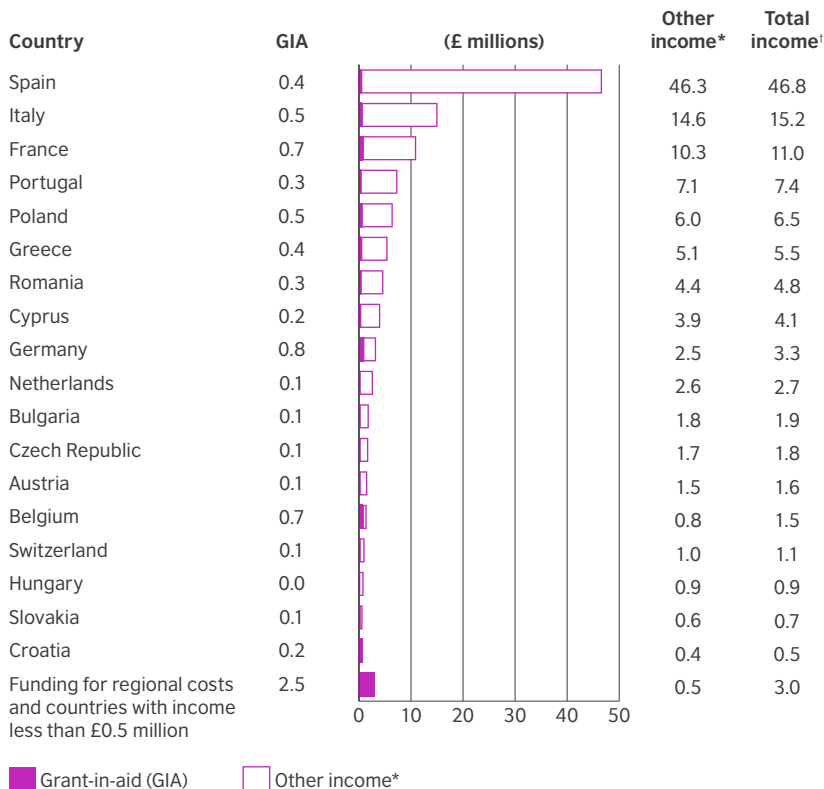
EU Europe

The UK shares cultural roots with hundreds of millions of people across Europe and the countries of the European Union are important political, economic and social partners for the UK.

Our work strengthens the cultural ties which support the wider relationship between the UK and countries across the region. We help to position the UK as a preferred partner for the organisations and institutions within Europe's vibrant cultural and educational sectors.

Our work this year included: Attracting large audiences to Shakespeare Lives events in 30 countries; streaming the best of contemporary British theatre to audiences across Poland; working with the Spanish ministry of education to support English teaching across much of Spain; winning a major EU contract to support the development of the creative economy across the region.

2015–16 funding data (£ millions)



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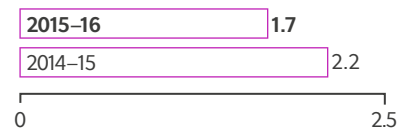
Customer satisfaction

Score from 0–100

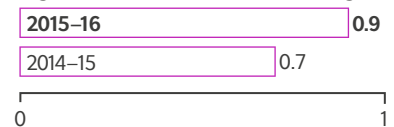


Participation (millions)

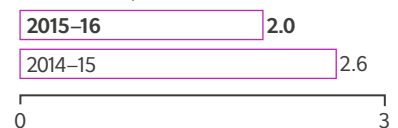
Face-to-face



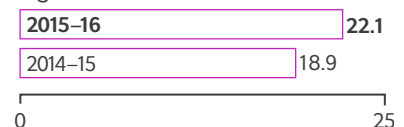
Digital social media and learning



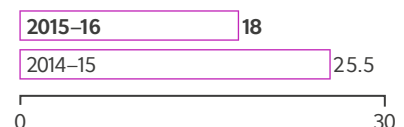
Exhibitions, fairs and festivals



Digital online audience



Publication and broadcast



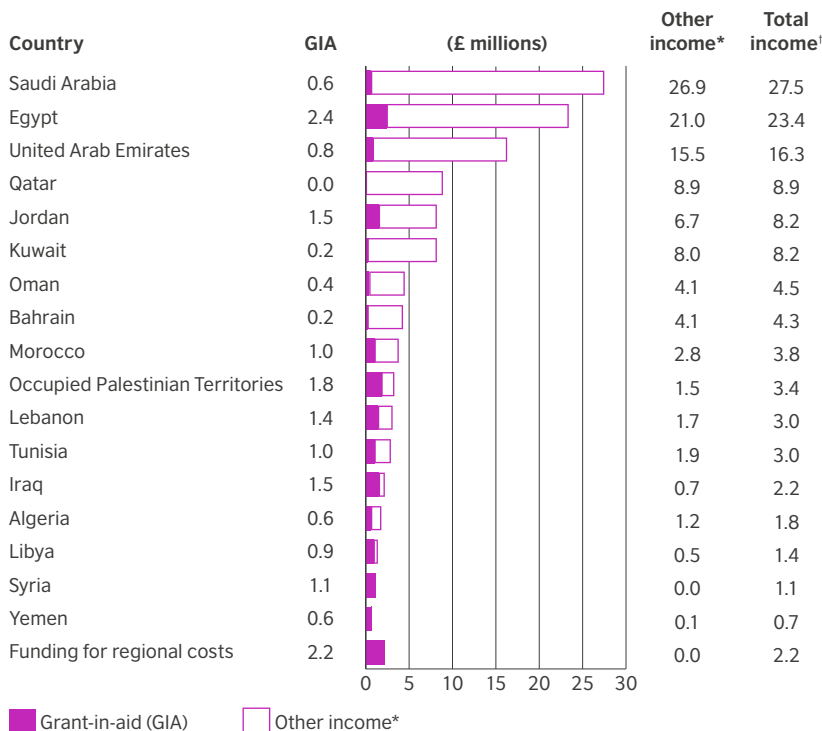
Middle East and North Africa

This region remains of huge strategic importance, both internationally and to the UK, as it continues to face conflict, instability and the challenge of the worst refugee crisis for decades.

Political, economic and social structures are under great strain across much of the region; youth unemployment is chronic, political participation stifled and graduates lack the necessary skills for employment. Our work helps to develop education and civil society, promote inclusion and tolerance, and give people skills for employment and for life.

Our work this year included: helping young Syrian refugees access quality education; giving millions access to English; supporting national education reform in Iraq; launching a youth skills for employment programme with HSBC; supporting women's rights in Egypt; strengthening the UK's relationships with young Gulf nationals through arts and education programming.

2015–16 funding data (£ millions)



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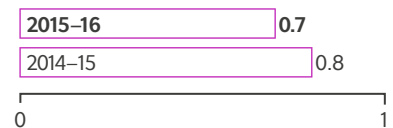
Customer satisfaction

Score from 0–100

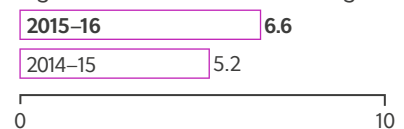


Participation (millions)

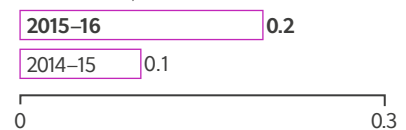
Face-to-face



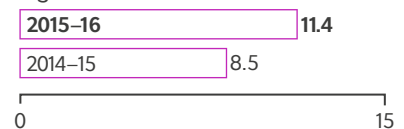
Digital social media and learning



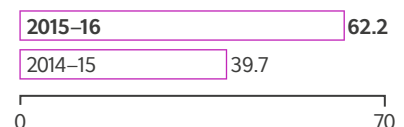
Exhibitions, fairs and festivals



Digital online audience



Publication and broadcast



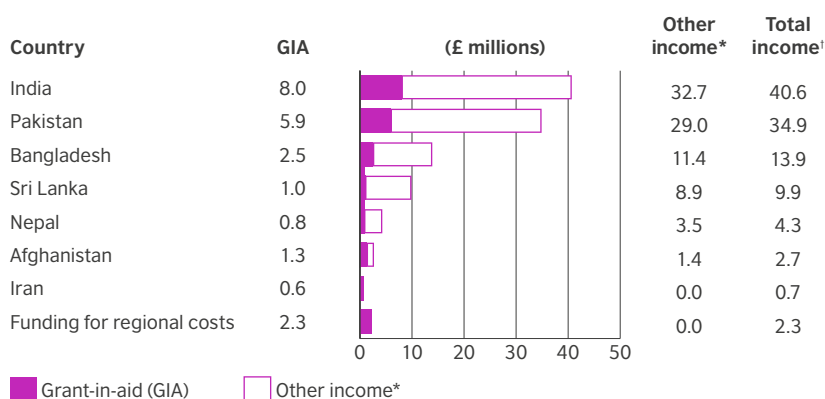
South Asia

The changing nature of global power is putting South Asia at the heart of emerging networks of power and influence, making it increasingly important to the UK's security and prosperity.

South Asia's population of 1.7 billion includes a rapidly growing middle class and over a billion people under 30. Our work builds on the UK's traditional connections with the region, helping to meet the aspirations of its people for English, education and skills for employment against a background of complex developmental and security challenges.

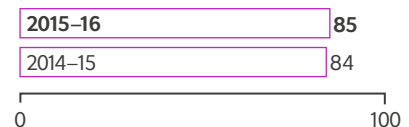
Our work this year included: improving the quality of English teaching for nearly four million students in Pakistan; supporting Afghanistan's Ministry of Education to deliver school leadership training; helping 700,000 examinations candidates gain access to internationally recognised UK qualifications; supporting post-war reconciliation in Sri Lanka; strengthening the UK's links with India.

2015–16 funding data (£ millions)



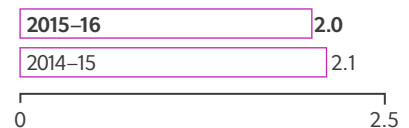
Customer satisfaction

Score from 0–100

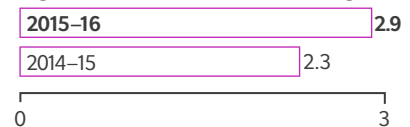


Participation (millions)

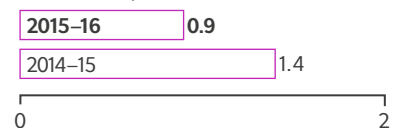
Face-to-face



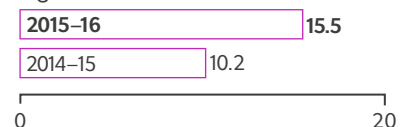
Digital social media and learning



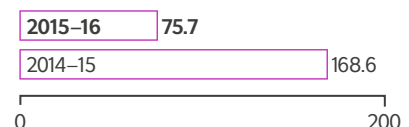
Exhibitions, fairs and festivals



Digital online audience



Publication and broadcast



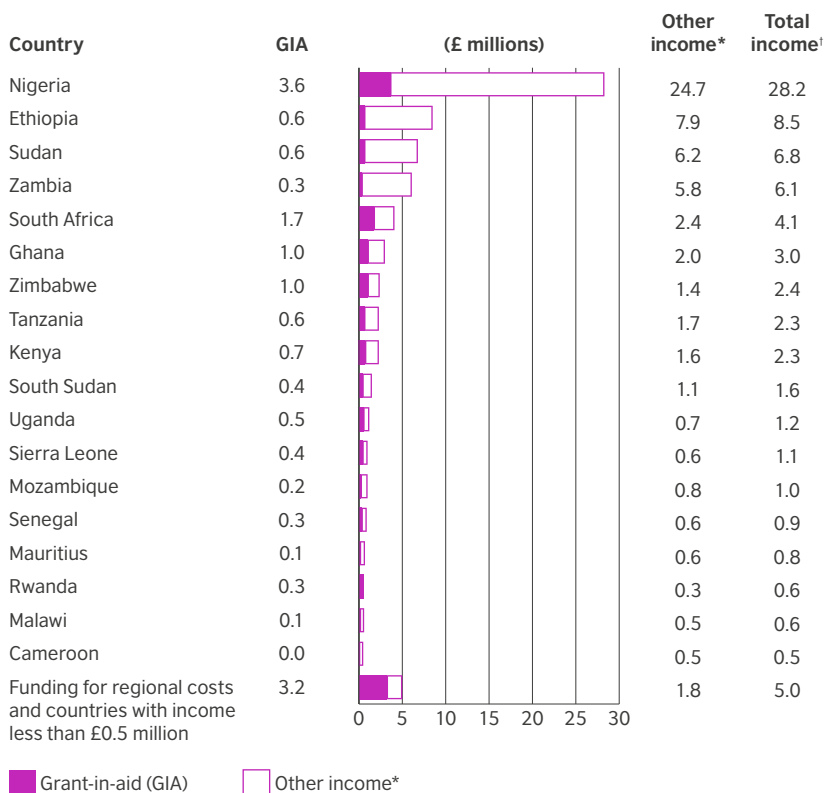
Sub-Saharan Africa

Despite ongoing challenges, countries across Sub-Saharan Africa have great potential for economic growth and development, giving the UK partnership opportunities in the region both now and for the future.

Sub-Saharan Africa continues to face serious challenges which affect its social stability and economic growth. A quarter of its young people are unemployed or not in education. Our work helps countries across the region to address these challenges, creating and strengthening relationships for the UK with both new and long-term partners.

Our work this year included: helping over 250,000 examinations candidates gain access to internationally recognised UK qualifications; supporting young entrepreneurs; an award winning project to introduce English medium education across Rwanda; strengthening UK–Nigeria links through a major cultural season; restarting activity in Sierra Leone; supporting the development of social enterprise in Ghana.

2015–16 funding data (£ millions)



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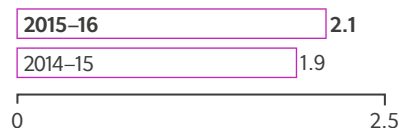
Customer satisfaction

Score from 0–100

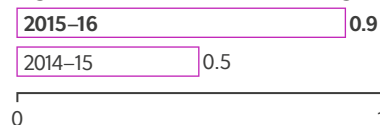


Participation (millions)

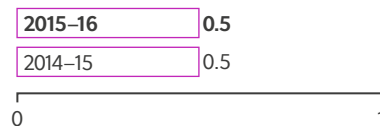
Face-to-face



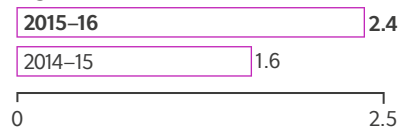
Digital social media and learning



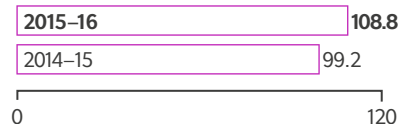
Exhibitions, fairs and festivals



Digital online audience



Publication and broadcast



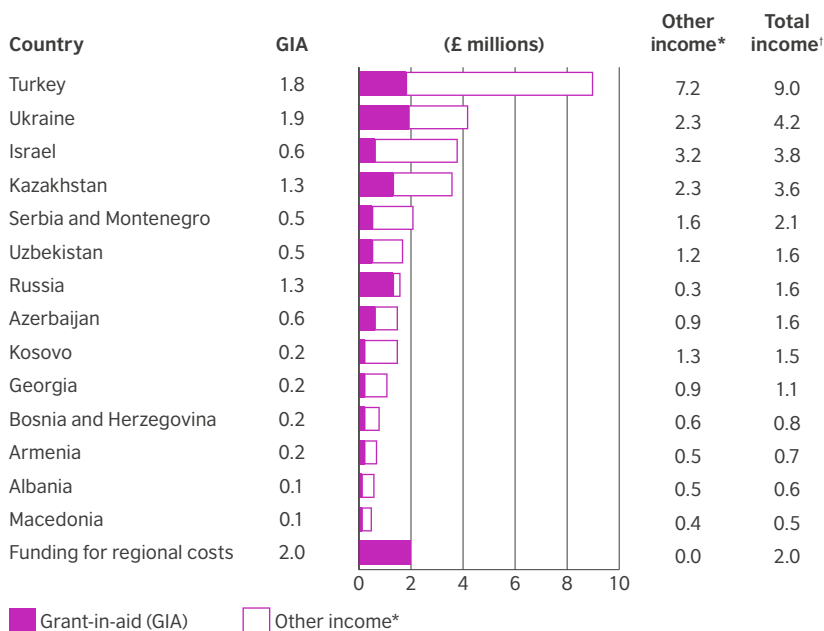
Wider Europe

Threatened by economic uncertainties, political upheavals, conflict and the refugee crisis, the stability of countries in Wider Europe is crucially important to the UK and the international community.

Relationships between Russia and other countries in its neighbourhood, including Ukraine, remain difficult as does Russia's relationship with the West. We support stability and growth in Wider Europe by equipping young people with skills and international qualifications, supporting governments with education reform and EU accession and strengthening institutions through creative and research partnerships.

Our work this year included: Strengthening the UK–Russia cultural relationship by helping to bring the major Cosmonauts exhibition to London; helping Ukraine to raise levels of English, develop its creative industries and strengthen the active citizenship of its young people; supporting the reform agendas of Western Balkan governments; developing UK–Israel research links to tackle degenerative diseases.

2015–16 funding data (£ millions)



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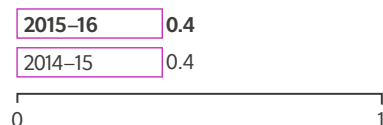
Customer satisfaction

Score from 0–100

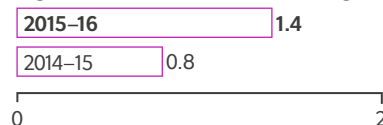


Participation (millions)

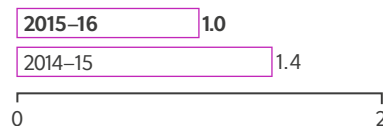
Face-to-face



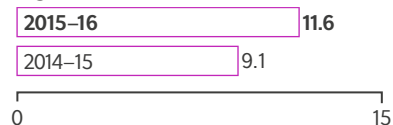
Digital social media and learning



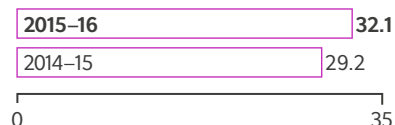
Exhibitions, fairs and festivals



Digital online audience



Publication and broadcast



Governance statement

This explains the British Council's legal status, governance arrangements and how, during 2015–16, we managed the major risks to the achievement of our strategic objectives.

Corporate governance

Constitution and charitable purpose

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

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

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

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

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

Group structure

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

Connected charities and organisations

As at 31 March 2016 the British Council was a corporate trustee of eight charitable trusts. The British Council was the sole corporate trustee of three of these trusts: the Sir Shiu Kin Tang Educational Trust, The United Kingdom 9/11 Scholarships Fund and the Lefèvre Trust, each separately registered with the Charity Commission. Our involvement with these charitable trusts is consistent with, and contributes to, the achievement of the British Council's cultural relations goals.

As at 31 March 2016, the British Council had no linked charities. The British Council Benevolent Fund which was formerly linked to the British Council became separately registered under Charity Commission registration number 1161805 on 22 May 2015.

Relationship with government

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

As well as its legal status as a charity incorporated by Royal Charter, the British Council is classified by the Office of National Statistics as a public corporation.

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

Governance codes

The British Council has robust governance arrangements and has given consideration to the governance codes issued by the Cabinet Office. The *Corporate governance code for central government departments* is intended for the boards of government departments but the British Council complies with the principles in paragraphs 1.2, 2.1, 3.1, 4.1 and 5.2. The code's other principles are less directly applicable as the British Council is not a ministerial department and its Board's role is defined in the Royal Charter and charity law.

The British Council also applies the principles in *Executive NDPBs: Principles of Good Corporate Governance*, to the extent that those principles apply to the British Council as a charity.

Board of Trustees

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

Sir Vernon Ellis served as Chair of the Board of Trustees until 24 March 2016. Christopher Rodrigues CBE was elected to be a Trustee and the new Chair by the Board of Trustees on 22 March 2016 and took up the appointment on 23 May 2016.

Rt Hon. Baroness Prashar of Runnymede CBE served as Deputy Chair throughout the year.

The Trustees are not remunerated but may be reimbursed for the expenses they incur on British Council business. The Royal Charter requires Trustees to declare any interest that may conflict with their responsibilities as Board members and requires that a register of Trustees' interests is maintained. This is updated annually and is published on the British Council's website.

An external review of the Board's effectiveness was undertaken during 2014–15. A further external review, incorporating a review of the effectiveness of its sub-committees, is planned for the autumn of 2016. The 2014–15 Board effectiveness report was positive, recognising the British Council's strong and engaged Board, and noting strengths including the range of relevant skills and experience, effective leadership and the work of the committees. The report made a range of recommendations for building further engagement and improving the content of meetings. As a result, during 2015–16, we have revised guidance on the preparation of Board papers to ensure the papers are more strategic, one Board meeting was held in Edinburgh, and Trustee induction has been strengthened.

The Board's work during 2015–16

As well as receiving regular reports from the Board's sub-committees, the Trustees considered:

- the potential outcomes of the government's 2015 Spending Review and its implications for British Council strategy, finance and people
- the British Council's strategies for its people and its work in the arts, education, exams and society
- opportunities to sustain and increase the British Council's impact over time
- regional overviews of the British Council's work in the Americas, South Asia and Sub-Saharan Africa.

The Trustees approved the British Council's Corporate Plan for the period 2016–20 at their March 2016 meeting. They received financial updates during the year, including the management accounts, and were briefed on a project to improve the consistency and timeliness of management information across the organisation. The British Council's 2015–16 Annual Report and Accounts will be submitted for approval at the Board's July 2016 meeting.

Further details of the Board of Trustees' work during the year are available in the minutes published on the British Council website.

Trustee recruitment and induction

Trustees are appointed in three ways.

- Under the terms of the Royal Charter the Foreign Secretary has the right to nominate one Trustee to the Board. Currently this post is filled by Deborah Bronnert CMG, the FCO's Director General Economic and Consular.
- One Trustee post is filled by the Chair of the Wales, Scotland or Northern Ireland country committees (explained further below), co-opted on a rotating basis for a two-year period. Rosemary Kelly OBE, then Chair of the Northern Ireland Committee, held this post until 16 September 2015 when she resigned from the Committee. It was then taken up by Alan Shannon, the newly appointed Chair of the Northern Ireland Committee, on 9 February 2016.

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

Up to two non-British citizens may sit on the Board. We have an induction and training programme for new Trustees. This includes a comprehensive induction pack and a programme of briefings from senior managers.

The Nominations Committee reviews the composition of the Board, including its expertise and diversity, and acts as the selection panel for the appointment of Trustees. The Deputy Chair leads the recruitment of a new Chair. Trustee appointments made during the year strengthened the Board in the areas of financial, commercial and digital expertise.

The Board of Trustees and its sub-committees

Board of Trustees

Approves the British Council's strategy and has independent control over, and legal responsibility for, the British Council's management and administration. Supported by five sub-committees (below).

Ten to 15 trustees including one nominated by the Foreign Secretary and one co-opted. None are paid.

Six meetings in 2015–16.

Audit and Finance

Reviews internal controls and finances.

Four members: three Trustees, one external.

Four meetings in 2015–16.

Contracts

Reviews the British Council's contracts and partnerships portfolio.

Four members: three Trustees, one external.

Two meetings in 2015–16.

Risk

Reviews top and emerging risks and how they are managed.

Three members, all are Trustees.

Two meetings in 2015–16.

Remuneration

Leads on Executive Board performance evaluation and remuneration.

Four members, all are Trustees.

Two meetings in 2015–16.

Nominations

Reviews the Board's composition and leads the recruitment of the Trustees and Chief Executive.

Four members, all are Trustees.

Two meetings in 2015–16.

The Board's sub-committees

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

The Board reviewed its sub-committees in July 2015. A new risk committee was formed, the Audit and Finance Committee was given responsibility for the review and challenge of financial plans and performance, and its name was changed to the Audit and Finance Committee.

UP TO JULY 2015	FROM JULY 2015
Audit	Audit and Finance
Finance and Contracts	Contracts
Remuneration	Risk
Nominations	Remuneration
	Nominations

The terms of reference of each sub-committee were reviewed during the year and new protocols implemented to support the effective and consistent operation of the committees. These documents are available on the British Council's website. The members of the sub-committees are listed on page 46.

Audit and Finance Committee

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

During the year the Audit and Finance Committee received regular reports on losses, fraud, whistleblowing arrangements, the internal audit programme and preparations for the production of the year end accounts.

It received updates from the Chair of the Risk Committee and on risk management. As well as receiving the management accounts, the Committee reviewed the year-end accounts, areas of significant accounting judgement, and associated disclosures. It also considered reports from the external auditors, and approved their remuneration.

Contracts Committee

The Contracts Committee reviews the scale and nature of the British Council's global full cost recovery and partnership portfolios and the pipeline of high value contract and partnership opportunities. It also advises on the organisation's strategies in these areas.

The Chair of the British Council chairs the Contracts Committee.

Risk Committee

The Risk Committee was formed during 2015–16 and is chaired by Tom Thomson OBE. It analyses the organisation's top and emerging risks, with the exception of those related to financial plans, performance and related management processes and reporting, which are reviewed by the Audit and Finance Committee. The Risk Committee holds the executive to account for identifying and managing its risks in line with the risk appetite articulated by the Board.

Remuneration Committee

The Remuneration Committee sets annual performance measures and policy for total remuneration and benefits for the Chief Executive and agrees his annual performance evaluation. It also sets policy for remuneration of members of the Executive Board and reviews and agrees their performance evaluation reports, ratings and eligibility for bonuses. The full Executive Board remuneration report is on pages 50 to 53.

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

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

Nominations Committee

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

UK country advisory committees

The Board of Trustees, the Chief Executive and the British Council's country teams in Northern Ireland, Scotland and Wales draw on the professional advice and external perspective of the British Council's UK country advisory committees for Scotland, Wales and Northern Ireland.

During 2015–16 we developed guidance to ensure consistency across the committees and meet expectations about transparency. Members of the country committees who served during 2015–16 are listed on pages 47 and 48 and further information about each committee is available on the British Council website.

Delegation of authority and matters reserved to the Board

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

- the British Council's overall strategic direction, as expressed in the Corporate Plan
- the annual budget for the organisation
- the formation or disbandment of advisory committees
- the opening or closure of overseas directorates
- any proposal for the British Council to become a corporate trustee of another charity.

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

The Chief Executive delegates authority to staff through a scheme of delegation which sets out: who may approve specific actions, transactions and contracts; the limits that apply; and any other conditions. This scheme of delegation, and the related policy, were reviewed and updated during 2015–16.

Executive Board

The British Council's Executive Board comprises the Chief Executive and nine Executive Directors. The members who served during 2015–16 are listed in the remuneration report on page 52.

Executive Board members are responsible for the management and performance of the organisation and for delivering the strategy that has been agreed by the Board of Trustees.

Executive Board appointments are normally filled through open recruitment. New members are given induction briefings which include our governance arrangements. At 31 March 2016, five of the ten members of the Executive Board were female.

Disclosure of information to auditors

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

External audit

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

At the date of signature of this statement by the Chair and Chief Executive, the fee for the external audit of the British Council's charity and group accounts is £175,000 (2014–15: £168,500). In addition to this fee, total audit fees of £265,300 (2014–15: £191,000) were payable to the auditors of the group's component audits. Further disclosures are given on page 48 and in note 6 to the accounts.

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

Internal audit

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

The Audit and Finance Committee reviews and approves internal audit's annual risk-based work plan and receives reports on delivery against that plan and emerging audit findings. Following year end the Audit and Finance Committee receives a summary of the results from internal audit's work during the year. Based on work undertaken in 2015–16 Internal Audit reported: 'reasonable assurance that the British Council has an adequate and effective system of governance, internal control and risk management for the year ended 31 March 2016'.

Whistleblowing

The British Council operates a Speaking Up policy. The policy encourages staff to raise concerns about malpractice or wrongdoing and sets out how they should do so. It includes named contact points, and highlights the external agencies to whom staff can report concerns. The effectiveness of the policy is under continual review and, where considered appropriate, additional reporting channels are made available to staff.

Personal data

During 2015–16 the British Council did not suffer any protected personal data incident that required a report to the Information Commissioner's Office.

The British Council suffered three data protection breaches during the year as outlined below:

- 300 email addresses were inappropriately shared with a distribution group as the recipients were copied rather than blind copied on an email
- a small number of exam registration candidate personal details were inappropriately exposed through a webpage which was indexing inappropriately
- one of our teachers lost their bag, containing student attendance lists giving 108 students' names and unique student numbers but no other personal data, on the train home from work. The bag was recovered a few days later with full contents.

Risk management and control

Approach to risk management

As a global organisation working in some of the most difficult places in the world, the risks we face are significant and complex. Understanding the extent of the risks and managing them effectively is crucial. The Board of Trustees has ultimate accountability, including responsibility for determining our risk appetite. In 2013–14, the Board of Trustees approved a revised Statement of Risk Appetite. This will be reviewed in 2016–17. The Board of Trustees maintains oversight of the top risks facing the British Council through an annual review, to satisfy itself that the risks are being adequately mitigated. The Risk Committee provides a healthy challenge to management on whether all the top risks are indeed being raised and how we can improve our approach to managing them. The Audit and Finance Committee provides assurance that the process of risk management is effective.

Overall strategic direction on risk management is set centrally, with the Executive Board responsible for directing the management of the risks facing the British Council. The Executive Board revises the top risks register at least twice a year. A member of the Executive Board is accountable for ensuring that there is effective mitigation for each risk. The Executive Board sets risk tolerances for each risk based on the Statement of Risk Appetite. The Management Board provides senior managers with a forum to challenge each other and share best practices on risk management across risk areas.

The Risk Team co-ordinates a twice-yearly top risks conversation, in which regions, strategic business units and UK professional functions report on their top risks. We have improved the process over the past year to make it more integrated within strategic conversations and less a separate reporting process. Regions, strategic business units, and UK professional functions present their view of the top risks to our strategy through a consultation with countries and departments. Reporting on compliance with financial control, child protection, information governance and other key risk management areas is used to make this consultation holistic. This has led to a deeper and more useful approach to risk management.

Risk profile

The following areas of risk have the greatest potential impact on the achievement of our strategic objectives.

Next to each risk we highlight actions undertaken to mitigate them over the course of the reporting year.

RISK AREA	KEY MITIGATIONS IN 2015–16
Ensuring that our strategy is clear to both staff and external stakeholders	<ul style="list-style-type: none"> Developed a new corporate narrative. Spending Review narrative and outline financial model to 2020 developed. Corporate Plan published with three-year targets and view to 2020.
Maintaining a strong relationship with UK government and the devolved administrations	<ul style="list-style-type: none"> Changes in executive leadership to increase capacity for key UK stakeholder relationship management. Developed an updated and consistent core narrative underlining our contribution to the UK's security, stability and influence. Extensive consultation on the Corporate Plan with devolved administrations and government departments. Reported to the Government Engagement Group on actions taken in response to the 2014 Triennial Review.
Competition in the global, and increasingly digital, English and exams market could threaten our financial sustainability and erode our impact	<ul style="list-style-type: none"> Secured a major exams contract with the UK Home Office's Visas and Immigration division, confirming our products' competitiveness. Appointed a Director of Digital and Partnerships to lead our globally distributed digital team and build a strong digital product strategy across our business areas. Put in place a best-in-class content management system. Conducted an in-depth analysis of the future of teaching and learning to better inform our understanding of growth and trends in the learning market.
Income generation concentrated in certain countries and particularly in East Asia	<ul style="list-style-type: none"> Establishing separate legal entities to provide a stable platform for the business. Investment planning taking account of need to grow surpluses elsewhere to diversify income and reduce dependency on key locations. Increased attention given to external relations.
Staff skills, recruitment of talent and reward	<ul style="list-style-type: none"> Senior leadership development training commenced with personal development modules; commercial acumen and digital modules to follow. New approach to career pathways developed and rolled out in time for mid-year performance review conversations. External review of our recruitment process conducted with plans to improve it to be more supportive of the resourcing we need to deliver our Corporate Plan.
Managing our legal structure effectively across the world, often facing complicated tax regulations in each country	<ul style="list-style-type: none"> Refreshed our regularisation strategy for country operations based on prioritisation factors including risks, geopolitical factors, and business importance. Enhanced training on corporate governance for subsidiary entities.
Protecting the children in our care from abuse	<ul style="list-style-type: none"> External audit by Keeping Children Safe (KCS) awarded our organisation Level 1 'child safe' certification. They found that we have effective structures in place for the implementation, support and accountability of child protection. Systems in place for staff to prevent and respond to child abuse incidents; work in progress to address critical gaps in safer recruitment measures, safer partnership working and e-safety. Internal steering group established and recruitment of a senior legal adviser to advise and co-ordinate our support for the Goddard Inquiry.

RISK AREA	KEY MITIGATIONS IN 2015–16
Geopolitical instability that threatens the security and well-being of our staff and those with whom we work.	<ul style="list-style-type: none"> • Security management plans rolled out in high-risk locations. • Global review of incident response and crisis management. • Review and response to regional health emergencies (e.g. Ebola) to enable the safe delivery of business activities. • Extensive review of fire safety management across all our properties worldwide.
Fraud and financial crime	<ul style="list-style-type: none"> • New counter-fraud policy, response plan, reporting tool and case management process. • Enhanced supplier selection procedures in high-risk locations. • Relationship-building with other public bodies and the Charities Commission to share best practice.
Information security and governance	<ul style="list-style-type: none"> • Organisational capability strengthened through implementation of new structures and through increased technical specialist capacity.
Change management	<ul style="list-style-type: none"> • Creation of a pool of staff to deploy flexibly as programme/project managers. • Piloted a new method we developed to manage change across our global operations.

Review of effectiveness

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

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

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

- the Audit and Finance Committee, which provides oversight and guidance on the work of Finance and Internal Audit, and considers reports from the National Audit Office and other external auditors.

Based on the above, the Chief Executive considers the framework of internal controls and risk management in place during 2015–16 to have been effective.

Christopher Rodrigues CBE

Chair, British Council

Date: 5 July 2016

Sir Ciarán Devane

Chief Executive, British Council

Date: 5 July 2016

Reference and administrative details

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

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

Patron: Her Majesty the Queen

Vice Patron: His Royal Highness the Prince of Wales

Principal address: 10 Spring Gardens, London SW1A 2BN

Membership of the Board of Trustees and its sub-committees

TRUSTEES DURING 2015–16	START OR END DATE IF THE TRUSTEE DID NOT SERVE FOR THE WHOLE YEAR	MEMBERSHIP OF SUB-COMMITTEES					
		ATTENDANCE	AUDIT AND FINANCE	RISK	CONTRACTS	NOMINATIONS	REMUNERATION
Sir Vernon Ellis (Chair)	Until 24 March 2016	6/6			✓	✓	✓
Rt Hon. Baroness Prashar of Runnymede CBE (Deputy Chair)		5/6				✓	✓
Professor Janet Beer		5/6		✓			
Deborah Bronnert CMG	From 7 July 2015	3/5					
Gareth Bullock		5/6		✓	✓		
James Cronin	From 22 September 2015	4/4					
Rohan Gunatillake		4/6				✓	
Howell James CBE		5/6				✓	✓
Rosemary Kelly OBE	Until 16 September 2015	2/2					
Oliver Laird	From 1 December 2015	3/3	✓				
Kirsty Lang		6/6					✓
Rosamund Marshall		4/6			✓		
Martin Roth		4/6					
Alan Shannon	From 9 February 2016	2/2					
Tom Thomson OBE		6/6	✓	✓			
Sir David Verey CBE		6/6	✓				

Christopher Rodrigues CBE was appointed as a Trustee and Chair of Board the British Council on 23 May 2016 and was serving on the date this report was approved.

Two of the Board's sub-committees include external members. These are Cameron Cartmell (Audit and Finance Committee) and John Downie (Contracts Committee).

Further information about the members of the Board, the register of Trustees' interests and minutes of the Board's meetings are available on the British Council's website.

Membership of country committees

COMMITTEE	MEMBERS DURING 2015–16	START OR END DATE IF THE MEMBER DID NOT SERVE FOR THE WHOLE YEAR
Northern Ireland	Alan Shannon (Chair)	From 9 February 2016
	Dr Norman Apsley	
	Derek Baker	
	Gavin Boyd	
	Dr Mark Browne	
	Bob Collins	
	Colette Fitzgerald	
	Katrina Godfrey	
	Isabel Jennings	
	Henry Johnston	From 10 June 2015
	Dr Vicky Kell	
	Rosemary Kelly OBE	Until 16 September 2015
	Professor Richard Millar	
	Judge Geoffrey Miller QC	
	Duncan Morrow	
	Cynthia Smith	From 10 June 2015
Scotland	John Stewart	
	Noel Thompson	
	Kathryn Thomson	Until 9 December 2015
	Willy Roe CBE (Chair)	
	Professor Anne H Anderson	From 1 September 2015
	Professor Graham Caie	From 1 September 2015
	Professor Sir Ian Diamond	
	Dawn Ellis	
	Hala El Ousta	From 1 September 2015
	Owen Kelly OBE	
	Ruth MacFarlane	From 1 September 2015
	Cindy Sughrue	From 1 September 2015
	James Tough	
	Professor Petra Wend	
	Karen Watt	

Membership of country committees (continued)

COMMITTEE	MEMBERS DURING 2015–16	START OR END DATE IF THE MEMBER DID NOT SERVE FOR THE WHOLE YEAR
Wales	Aled Eirug (Chair) ¹	Until 31 December 2015
	Ashok Ahir	
	David Anderson OBE	
	Phillip Cooper	
	Gary Davies	
	Professor Richard B Davies	
	Eluned Hâf	Until 23 April 2015
	Natasha Hale	From 23 April 2015
	Rhiannon Wyn Hughes MBE	
	Efa Gruffudd Jones MBE	
	Professor Laura McAllister	
	Nicola Morgan	From 24 April 2015
	Berwyn Rolands	
	Lleucu Siencyn	
	Emma Williams	From 23 April 2015

External auditors:

- Auditor of the British Council charity and group:
Comptroller and Auditor General, National Audit Office,
157–197 Buckingham Palace Road, Victoria, London
SW1W 9SP
- Subsidiaries auditor²: PricewaterhouseCoopers LLP,
1 Embankment Place, London WC2N 6RH

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

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

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

1. The position of Chair of the Wales Advisory Committee was under recruitment as at 31 March 2016.

2. PricewaterhouseCoopers (PwC) audits most of, but not all, the separate legal entities below the British Council in the British Council group. The specific local auditors are disclosed as required in each entity's financial statements.

Statements of the Trustees' and Accounting Officer's responsibilities

Statement of the Trustees' responsibilities

Under the Charities Act 2011 the Trustees are responsible for the preparation of financial statements for each financial year in the form and on the basis prescribed by regulations made by the Minister for the Cabinet Office. Under the Charities and Trustee Investment (Scotland) Act 2005 the Trustees are responsible for the preparation of financial statements for each financial year in the form and on the basis prescribed by Charities Accounts (Scotland) Regulations 2006.

The accounts are prepared on an accruals basis and give a true and fair view of the British Council's, and of the group's, income and expenditure during 2015–16, and of the assets and liabilities held at the end of the year. In preparing those financial statements the Trustees are required to:

- observe the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs, including the relevant accounting and disclosure requirements
- state whether applicable accounting standards as set out in the
 - 2015–16 Government Financial Reporting Manual and in
 - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)
 have been followed, and disclose and explain any material departures in the accounts
- select suitable accounting policies and apply them consistently
- make judgements and estimates on a reasonable basis
- prepare the accounts on a going concern basis.

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

Christopher Rodrigues CBE

Chair, British Council

Date: 5 July 2016

Statement of the Accounting Officer's responsibilities

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

Sir Ciarán Devane

Chief Executive, British Council

Date: 5 July 2016

Executive Board remuneration report

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

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

In 2015–16, Executive Board members received an increase to salary in accordance with the rules on Senior Civil Service pay for that year. Members of the Executive Board can also be eligible for a non-consolidated performance related payment, as part of their total remuneration, if they are successful in meeting a number of targets and objectives. Any bonuses issued to the Executive Board are solely related to performance. Bonuses are based on performance levels attained and are made as part of the appraisal process.

The bonuses reported in 2015–16 relate to performance in 2014–15.

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

An overview of retirement benefits is given below.

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

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

Employee contributions are salary-related and range between 3.00 per cent and 8.05 per cent of pensionable earnings for classic and 4.60 per cent and 8.05 per cent for 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 and alpha 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 2.30 per cent of their pensionable earnings for nuvos and 2.32 per cent for alpha in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

(ii) Partnership pension account

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8.00 per cent and 14.75 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3.00 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.80 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Executive remuneration

NAME AND POSITION	SALARY 2015–16 (IN BANDS OF £5,000)	SALARY 2014–15 (IN BANDS OF £5,000)	BONUS PAYMENTS 2015–16 (IN BANDS OF £5,000)	BONUS PAYMENTS 2014–15 (IN BANDS OF £5,000)	VALUE OF PENSION BENEFITS FOR SINGLE TOTAL FIGURE OF REMUNERATION FOR 2015–16	VALUE OF PENSION BENEFITS FOR SINGLE TOTAL FIGURE OF REMUNERATION FOR 2014–15 ⁸
Devane, C, Chief Executive Full year equivalent	185–190	45–50 185–190	N/A	N/A	71,420	17,182
Greer, A, Chief Operating Officer	140–145	135–140	10–15	10–15	79,908	130,536
Robson, M, Director English	145–150	140–145	15–20	15–20	57,485	53,616
Worne, J ¹ , Director Strategy Full year equivalent	60–65 125–130	120–125	10–15	15–20	32,998	37,287
Sheffield, G, Director Arts	120–125	120–125	10–15	10–15	47,943	45,326
Beall, J, Director Education and Society	120–125	120–125	10–15	10–15	48,099	45,626
Walton, R ² , Director Partnerships and Business Development Full year equivalent	50–55 120–125	120–125	10–15	10–15	45,389	83,529
Murley, H, Director Global Human Resources	125–130	125–130	10–15	10–15	55,597	52,657
Stockmann, C, Chief Financial Officer Full year equivalent	140–145	130–135 140–145	N/A	10–15 ⁷	55,821	43,961
Ewart-Biggs, K ³ , Director Global Network	95–100	80–85	5–10	5–10	120,161	N/A
Cross, H ⁴ , Director Strategy and Engagement Full year equivalent	25–30 115–120	N/A	N/A	N/A	10,020	N/A
Horton, A ⁵ , Director of Digital, Partnerships and Innovations Full year equivalent	5–10 115–120	N/A	N/A	N/A	3,018	N/A
Highest paid	185–190	185–190				
Median ⁶	37,979	32,519				
Remuneration ratio	4.90:1	5.7:1				

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

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

highest-paid director in the British Council in the financial year 2015–16 was £185,000–£190,000 (2014–15: £185,000–£190,000). This was five times the median remuneration of the workforce, which was £37,979 (2014–15: £32,519). The basis for the median pay calculation for both years is based on the requirements specified in the Hutton Review of Fair Pay – Implementation guidance. The guidance requires the calculation to be based on the pay of full-time equivalent staff of the British Council, at the reporting end date, on an annualised basis.

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

1. Mr J Worne left on 17 September 2015.

2. Ms R Walton left her position on 1 September 2015.

3. Ms K Ewart-Biggs became an Executive Board Member with effect from 1 June 2015.

4. Ms H Cross started on 11 January 2016.

5. Mr A Horton started on 7 March 2016.

6. These figures are calculated using FTE salary and allowance costs for 2015–16, and FTE salary costs for 2014–15.

7. This figure has been restated to include a guaranteed bonus for 2014–15 of £15,000.

8. Pension benefit values at 31 March 2015 recalculated by MyCSP.

9. CETV values at 31 March 2015 recalculated by MyCSP.

ACCRUED PENSION AT PENSION AGE AS AT 31 MARCH 2016 (IN BANDS OF £5,000)	ACCRUED LUMP SUM AT PENSION AGE AS AT 31 MARCH 2016 (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 2016 (TO NEAREST £1,000)	CETV AT 31 MARCH 2015 (TO NEAREST £1,000) ⁹	REAL INCREASE (DECREASE) IN CETV FUNDED BY EMPLOYER (TO NEAREST £1,000)	TOTAL SALARY BENEFITS 2015–16 (IN BANDS OF £5,000)	TOTAL SALARY BENEFITS 2014–15 (IN BANDS OF £5,000)
5–10	N/A	0–2.5	N/A	66	N/A	36	255–260	60–65
60–65	190–195	2.5–5	10–12.5	1,456	1,285	78	235–240	280–285
30–35	N/A	2.5–5	N/A	433	356	27	220–225	210–215
40–45	N/A	0–2.5	N/A	603	557	16	105–110	175–180
10–15	N/A	2.5–5	N/A	255	189	38	185–190	175–180
10–15	N/A	2.5–5	N/A	251	183	39	180–185	180–185
45–50	145–150	0–2.5	5–7.5	1,085	969	42	180–185	215–220
5–10	N/A	2.5–5	N/A	143	84	27	195–200	185–190
5–10	N/A	2.5–5	N/A	79	N/A	30	195–200	185–190
20–25	60–65	5–7.5	10–12.5	382	278	78	225–230	85–90
0–5	N/A	0–2.5	N/A	8	N/A	6	35–40	N/A
0–5	N/A	0–2.5	N/A	2	N/A	1	10–15	N/A

Annual incentives for Chief Executive Officer and Executive Board members

Purpose and link to strategy

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

Operation

- Annual incentive is delivered entirely in cash and does not form part of pensionable earnings.
- Individual personal objectives are set each year. These may be specific short-term goals or milestones towards medium or long-term objectives, but are closely aligned to the overall strategy of the British Council.
- Measures and performance targets for the Executive Board are set by the Chief Executive Officer and by the British Council Chair for the Chief Executive Officer, at the start of the year.

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

Opportunity

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

Sir Ciarán Devane

Chief Executive, British Council

Date: 5 July 2016

Financial review

Summary of results

For every £1 of government grant-in-aid from the FCO we generated an additional £5.06 from other sources (£5.28 in 2015–16).

Grant-in-aid increased by £6.8 million, comprising 17 per cent of total income in 2015–16 (16 per cent in 2014–15).

We achieved a three per cent (£28 million) increase in total income compared with last year (note – last year's total was adjusted to remove £21 million of income in kind). The total income of £980 million is £9 million ahead of our income target set in the 2014–16 Corporate Plan.

We made savings through increased efficiency as our worldwide platform costs went down to 11.0 per cent of total expenditure from 13.8 per cent last year.

We achieved our target of £112.7 million programme spend on official development assistance.

Income earned and funding received

Our total income in 2015–16 was £980 million, up from £973 million in 2014–15 (or £952 million for last year when adjusted to remove income in kind of £21 million). Of this, our grant-in-aid income increased by £7 million (four per cent) from £155 million in 2014–15 to £162 million, and our earned income increased by £21 million (three per cent).

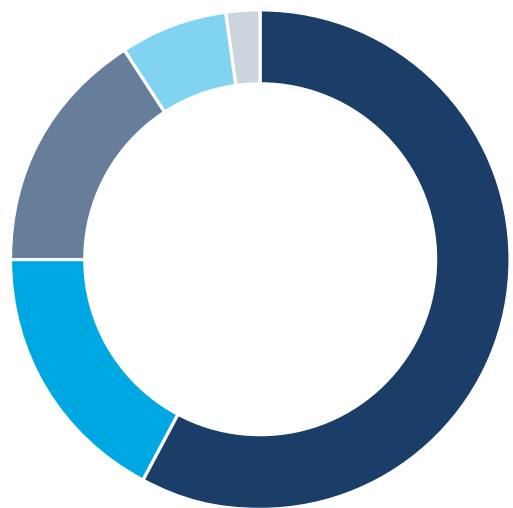
The most significant increase by value was in our earned income, notably through our English and exams business. The £568 million teaching and examinations income generated in 2015–16 was four per cent (£24 million) higher than the previous year.

In 2015–16, the income earned from partnerships totalled £85 million (2014–15: £111 million). In 2014–15, we recognised £21 million of income in-kind, representing the value of gifts and donated services. In 2015–16, the value of these could not be measured reliably so has not been included in the accounts.

Our Erasmus+ programme, reported within Funding for contract activity/Partnership income on the Statement of financial activities, contributed income of £106 million in 2015–16, a change of £4 million from £102 million in 2014–15. Our Corporate Plan target for partnership income, excluding income in-kind, was £61 million for the financial year.

Taken together, our non-grant income from funding for contract activity and contract management fee income decreased by ten per cent to £172 million compared with the previous year (£189 million).

Sources of income



58%	£568 million Developing a wider knowledge of the English language
17%	£162 million Grant-in-aid
16%	£157 million Encouraging educational co-operation and promoting the advancement of education
7%	£73 million Building capacity for social change
2%	£20 million Other income

Expenditure

Our total pre-tax expenditure in 2015–16 was £982 million, an increase of one per cent from 2014–15. Of this, £279 million was restricted, down £2 million from £281 million in 2014–15.

The British Council supports particular programmes and activities through the provision of grant funding to individuals and organisations to facilitate their participation in events, schemes or programmes set up to achieve our objectives. In 2015–16 £146 million was provided to individuals and institutions, a change of £19 million from £165 million in 2014–15.

This increase in our total expenditure reflects the growth in income generating activities, and £40 million having been invested in 2015–16 in projects for growth, infrastructure and operational efficiency.

2015–16 saw the development of several investment projects specifically aimed at improving our efficiency and effectiveness, such as the Teaching Centre Management System and the Global New Operating Model for Exams. We also continue to focus investment spend on our estate so as to maximise the productivity of our staff through their working environment. These funds invested in product development and supporting operational efficiencies will move the organisation towards greater technical stability and provide essential business protection.

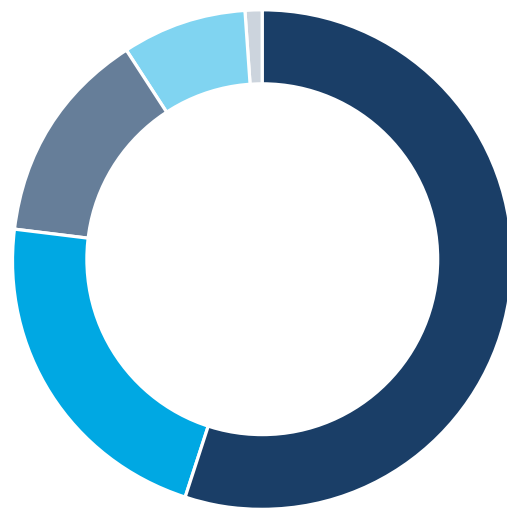
Our staff numbers reflect the growth in our business and total income. We generated £89,281 of non-grant-in-aid income per employee in 2015–16 (£93,936 in 2014–15).

During the year the British Council suffered net exchange losses of £18 million (2014–15: £0.5 million) resulting from the impact of the strengthening of sterling on our overseas activities.

As part of the UK's commitment to ODA, we achieved our target and spent £113.0 million of our 2015–16 FCO grant-in aid on development activity in ODA eligible countries, particularly India, Pakistan and China. ODA countries are defined by the Organisation for Economic Co-operation and Development.

We achieved savings and efficiencies on our grant costs in 2015–16. One way in which we track our efficiency is by looking at the percentage of our total expenditure that relates to our worldwide platform of buildings, infrastructure and support staff. We have steadily reduced this percentage over the past six years from 18 per cent in 2010–11 to 11 per cent in 2015–16.

Resources expended



55%	£541 million	Developing a wider knowledge of the English language
22%	£222 million	Encouraging educational co-operation and promoting the advancement of education
14%	£139 million	Building capacity for social change
8%	£74 million	Encouraging cultural, scientific and technological co-operation
1%	£6 million	Other expenses

Revaluation of land and buildings

In accordance with our accounting policy, the British Council re-valued approximately 20 per cent of its land and buildings as at 31 March 2016. This revaluation was carried out by the British Council's surveyors, CBRE, a commercial property consultancy firm. The valuation took into account prevailing market conditions and restrictions on the British Council's right to use the property. The revaluation gave rise to a net upward adjustment of £0.3 million. This has been applied by increasing the revaluation reserve.

Fair competition

We have a fair competition policy to ensure that our trading activities are at all times conducted fairly and in accordance with relevant legal requirements. We maintain an accounting firewall to ensure that our use of grant-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.

Reserves policy

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

The British Council has £349 million total reserves, of which £71 million is restricted. Restricted funds are those that are held for specific purposes and relate primarily to our arts collection and amounts held in trusts.

Our unrestricted reserves comprise capital, revaluation and unrestricted heritage asset reserves, which are tied into our tangible and intangible assets, and our general account. Those reserves tied to fixed, intangible and heritage assets, which amount to £217 million, can only be released through the sale of those assets.

Our general account is split at year end into a risk reserve and investment fund. The risk reserve represents the minimal level of funds required to cover business and tax-related risks. These risks are of uncertain amounts and it is highly unlikely that they will all crystallise in the next 12 months. The risk reserve totals £35 million in 2015–16.

The British Council must manage its affairs to ensure that the level of reserves and associated cash balances remain sufficient such that the British Council will continue to operate on a sustainable basis for the foreseeable future. When considering the levels of these reserves, we also assess our current and future cash levels and liquidity.

Going concern

The British Council has reviewed its financial position, taking into account its budgeted plan for 2016–17 and longer-term projections made by its management together with its current levels of reserves, cash (including short-term investments) and concluded that the British Council has sufficient access to resources to remain sustainable.

These forecasts take into account; our recent CSR settlement and the continuation and growth in profitability of our non-government funded operations (mainly our English and examinations businesses).

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

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

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

Treasury

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

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

a. Currency management

Our treasury team monitor predicted future cash flows which require settlement in another currency and obtains certainty of these by entering into forward foreign exchange deals where these cash flows are either known or highly likely. The British Council does not hedge account for these deals and therefore the gain/loss arising at the Balance Sheet date (realised or otherwise) is taken to the Statement of Financial Activities at that time. Other foreign exchange needs are met by the exercise of spot exchanges as they arise.

b. Cash management

The British Council's cash management policy is that it retains in country sufficient funds so that these countries can meet their payment requirements for approximately one month. Surplus funds are brought back to the UK, except in those cases where there are restrictions on their remittance.

c. Short-term investments

Surplus cash is invested in money market deposits in the UK. Our policy allows us 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 2015–16, 98 per cent (2014–15: 98 per cent) of valid invoices were paid within this target period. This figure includes payments of grants and stipends. The total number of payment transactions processed in 2015–16 was 114,325 (2014–15: 145,835).

These figures relate only to UK activity.

Trade creditor days for the British Council for the year ended 31 March 2016 were 19 days (2014–15: 17 days) based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by the trade creditors. These figures relate only to UK activity.

Estates management

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

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

The British Council's overseas estate comprises 290 commercial properties in 113 countries plus a small number of residences. The majority of the overseas properties are leased rather than owned to keep fixed costs low and to give greater flexibility. In the UK, we have large premises in London and Manchester, together with smaller regional offices in Cardiff, Edinburgh and Belfast. All the UK properties are leased. The British Council also co-locates with the FCO or other One HMG Partners at approximately 30 locations overseas. Together these properties comprise the British Council's global estate.

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

I have audited the financial statements of the British Council for the year ended 31 March 2016. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and British Council Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, Accounting Officer and auditor

As explained more fully in the Statement of Trustee's Responsibilities and the Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Charities Act 2011 and Trustee Investment (Scotland) Act 2005. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the British Council's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the British Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the British Council's affairs as at 31 March 2016 and of its net incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011, section 44 (1) (C) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Account (Scotland) Regulations 2006 (as amended) and directions issued by the Secretary of State for Foreign and Commonwealth Affairs.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Comptroller and Auditor General

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

8 July 2016

Accounts

Statement of Financial Activities for the year ended 31 March 2016

		UNRESTRICTED	RESTRICTED	2015-16 TOTAL	UNRESTRICTED	RESTRICTED	2014-15* TOTAL
	NOTES	£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from:							
Donations and legacies	3	48,950	112,700	161,650	55,280	99,600	154,880
Charitable activities							
Developing a wider knowledge of the English language		566,521	1,573	568,094	542,667	1,329	543,996
Encouraging educational co-operation and promoting the advancement of education		47,163	109,866	157,029	47,872	112,058	159,930
Encouraging cultural scientific and technological co-operation		6,806	355	7,161	12,572	360	12,932
Building capacity for social change		20,391	52,680	73,071	19,826	67,130	86,956
Total income received to promote cultural relationships and the understanding of different cultures	4	640,881	164,474	805,355	622,937	180,877	803,814
Other trading activities		1,753	-	1,753	2,540	-	2,540
Investments		2,282	-	2,282	2,205	-	2,205
Other	5	8,599	-	8,599	9,438	-	9,438
Total		702,465	277,174	979,639	692,400	280,477	972,877
Expenditure on:							
Raising funds		560	-	560	660	-	660
Charitable activities							
Developing a wider knowledge of the English language		516,448	24,835	541,283	462,139	26,606	488,745
Encouraging educational co-operation and promoting the advancement of education		66,737	155,072	221,809	93,664	148,637	242,301
Encouraging cultural scientific and technological co-operation		53,898	20,480	74,378	63,565	16,066	79,631
Building capacity for social change		59,613	79,073	138,686	65,183	89,690	154,873
Governance costs		5,605	-	5,605	6,479	-	6,479
Total resources expended to promote cultural relationships and the understanding of different cultures	6	702,301	279,460	981,761	691,030	280,999	972,029
Taxation		4,617	-	4,617	3,191	-	3,191
Total		707,478	279,460	986,938	694,881	280,999	975,880
Gain on equity investment	12e	850	-	850	-	-	-
Net income/(expenditure)		(4,163)	(2,286)	(6,449)	(2,481)	(522)	(3,003)

		UNRESTRICTED	RESTRICTED	2015–16 TOTAL	UNRESTRICTED	RESTRICTED	2014–15* TOTAL
	NOTES	£'000	£'000	£'000	£'000	£'000	£'000
Transfers between funds:							
Transfer of heritage assets to restricted funds	17	(432)	432	-	(10,511)	10,511	-
Other recognised gains/(losses):							
Funds spent from restricted reserves	17	(368)	368	-	-	314	314
(Losses)/gains on revaluation of tangible fixed assets	17	299	-	299	(4,409)	-	(4,409)
(Losses)/gains on revaluation of intangible fixed assets	17	527	-	527	501	-	501
(Losses)/gains on revaluation of heritage assets	17	(9,890)	-	(9,890)	21,383	-	21,383
Foreign exchange differences arising on consolidations of subsidiaries	17	301	-	301	(209)	-	(209)
Net movement in funds		(13,726)	(1,486)	(15,212)	4,274	10,303	14,577
Total funds brought forward*		291,962	72,193	364,155	287,688	61,890	349,578
Total funds carried forward		278,236	70,707	348,943	291,962	72,193	364,155

*Restated for transition to FRS102. Refer to Note 1 for details of the restatement and a reconciliation to previous Generally Accepted Accounting Practice.

The British Council's non-consolidated total incoming resources for 2015–16 were £872.9 million (2014–15: £901.3 million); total resources expended were £891.6 million (2014–15: £893.7 million); and total net outgoing resources were £18.7 million (2014–15: net outgoing resources of £7.6 million).

Restricted activity includes £93.2 million (2014–15: £95 million) of income and expenditure relating to projects carried out on behalf of the European Commission.

Unrestricted fees and gross income from services and other sources includes £9.8 million (2014–15: £11.1 million) received in relation to European Commission projects.

There are no other recognised gains and losses other than those passing through the Statement of Financial Activities. All activities are continuing. The notes on pages 66 to 101 form part of these accounts.

Balance Sheet at 31 March 2016

		GROUP		BRITISH COUNCIL	
		2016	2015*	2016	2015*
	NOTES	£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets	9	10,249	7,511	10,242	7,499
Tangible fixed assets	10	158,330	165,118	152,070	160,865
Heritage assets	11	119,880	129,387	119,880	129,387
Investments	12(a)	762	1,350	794	1,350
Investment in joint venture	12(e)	850	-	850	-
Total fixed assets		290,071	303,366	283,836	299,101
Current assets					
Stock	-	972	629	937	604
Loans to subsidiaries	12(d)	-	-	8,514	11,454
Debtors	13	124,654	107,577	110,114	98,348
Cash at bank	14(a)	169,646	157,712	145,503	142,244
Short-term investments	14(b)	103,375	91,219	103,375	91,219
Total current assets		398,647	357,137	368,443	343,869
Liabilities: amounts falling due within one year					
Creditors	15	(314,960)	(264,093)	(291,878)	(255,529)
Short-term provision for liabilities and charges	16(a)	(3,869)	(13,025)	(3,441)	(12,860)
Net current assets		79,818	80,019	73,124	75,480
Total assets less current liabilities		369,889	383,385	356,960	374,581
Liabilities: amounts falling due after more than one year					
Long-term provisions for liabilities and charges	16(b)	(20,946)	(19,230)	(20,498)	(18,997)
Net assets		348,943	364,155	336,462	355,584
Funds and reserves					

		GROUP		BRITISH COUNCIL	
		2016	2015*	2016	2015*
	NOTES	£'000	£'000	£'000	£'000
Unrestricted funds					
General account	17	-	2,365	-	2,694
Risk reserve	17	34,600	34,600	34,600	34,600
Investment fund	17	26,323	23,696	20,110	19,061
Capital account	17	93,494	98,369	88,029	94,679
Revaluation account	17	75,085	74,259	74,283	73,685
Heritage asset reserve – unrestricted	17	48,733	58,672	48,733	58,672
Total unrestricted funds		278,235	291,961	265,755	283,391
Restricted funds					
Other restricted funds	17	(1,766)	(368)	(1,429)	(368)
Endowment funds	17	1,326	1,846	989	1,846
Heritage asset reserve – restricted	17	71,147	70,715	71,147	70,715
Total restricted funds		70,707	72,193	70,707	72,193
Total charity funds		348,942	364,154	336,462	355,584
Minority interest	17	1	1	-	-
Total capital employed		348,943	364,155	336,462	355,584

*Restated for transition to FRS102. Refer to Note 1 for details of the restatement and a reconciliation to previous Generally Accepted Accounting Practice. The notes on pages 66 to 101 form part of these accounts.

Approved by the Board of Trustees and signed on its behalf on 5 July 2016

Christopher Rodrigues CBE
Chair, British Council

Sir Ciarán Devane
Chief Executive, Accounting Officer,
British Council

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

	2015-16		2014-15*	
	£'000	£'000	£'000	£'000
Net income/(expenditure) for the reporting period (as per the Statement of Financial Activities)	(6,449)		(3,003)	
		(6,449)		(3,003)
Adjustments for:				
Interest receivable	(2,282)		(2,205)	
Depreciation charges including impairments	10,390		10,890	
Amortisation charges including impairments	1,078		580	
(Gains)/losses on the sale of tangible fixed assets	203		(181)	
(Gains)/losses on the revaluation of land and buildings	-		2,190	
Loss/(profit) on the sale of fixed asset investments	109		(103)	
Taxation charge	4,617		3,191	
Foreign exchange difference arising on consolidation of subsidiaries	301		(209)	
(Increase)/decrease in stocks	(343)		(60)	
(Increase)/decrease in debtors	(17,077)		(30,868)	
Increase/(decrease) in creditors	52,846		29,282	
Increase/(decrease) in provisions including short-term element	(7,440)		2,871	
(Increase)/decrease in investment in joint venture	(850)		-	
Exchange rate differences on intangible fixed assets	2		-	
Exchange rate differences on tangible fixed assets	9,582		-	
Total adjustments		51,136		15,378
Net cash flow from operating activities		44,687		12,375

Cash flow statement for the year ended 31 March 2016

	2015–16		2014–15*	
	£'000	£'000	£'000	£'000
Cash flows from operating activities:				
Net cash flow from operating activities	44,687		12,375	
Overseas corporation tax paid	(6,595)		(3,180)	
Net cash provided by (used in) operating activities		38,092		9,195
Cash flows from investing activities:				
Interest receivable	2,282		2,205	
Proceeds from the sale of tangible fixed assets	289		2,491	
Purchase of intangible fixed assets	(2,659)		(2,953)	
Purchase of tangible fixed assets	(13,977)		(15,430)	
Purchase of heritage assets	(381)		(371)	
Proceeds from sale of investments	565		257	
Purchase of investments	(121)		(93)	
Net (payments into)/withdrawals from short term deposits	(12,156)		(18,913)	
Net cash provided by (used in) investing activities		(26,158)		(32,807)
Cash flows from financing activities:				
Payments out of restricted grant reserve	-		314	
Net cash provided by (used in) financing activities		-		314
Cash and cash equivalents in the year		11,934		(23,298)
Cash and cash equivalents at start of year		157,712		181,010
Cash and cash equivalents at end of year		169,646		157,712

*Restated for transition to FRS102. Refer to Note 1 for details of the restatement and a reconciliation to previous Generally Accepted Accounting Practice.

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

Notes to the accounts

1 Basis of preparation and consolidation

The accounts have been prepared in accordance with: the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102); Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) (the SORP); the Charities Act 2011; the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs; and the 2015–16 Government Financial Reporting Manual (the FReM), where this exceeds but does not conflict with the SORP.

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

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

The Group accounts consolidate the Charity, its subsidiary undertakings listed in note 12(b), and the special trusts controlled by the British Council listed in note 17 under the Expendable Endowment Reserve. All subsidiaries in the British Council Group are consolidated on a line by line basis. Intra group transactions and balances are eliminated on consolidation. A summary of all material subsidiaries' results and balance sheets is provided in note 12(c).

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

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

The accounts for the year ended 31 March 2016 have been prepared on a going concern basis: both the Board of Trustees and management believe that this is an

appropriate basis of preparation. There are no material uncertainties about the British Council's ability to continue as a going concern. The British Council has a budgeted plan for 2016–17 with projected expenditure covered by earned income and the confirmed grant-in-aid from the FCO. The balance on the risk reserve protects the British Council from the potential impact of business and tax and status risks. The British Council has a long-term forecast of its reserve balances and takes this into account in its strategy and planning.

Reconciliation with previous Generally Accepted Accounting Practice

This is the first set of accounts prepared by the British Council in accordance with FRS 102 and the Charities SORP FRS 102. In preparing the accounts, the Trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required.

At the date of transition in applying the requirement to recognise liabilities arising from employee benefits, a liability was recognised for short-term compensated absence arising from employee entitlement to paid annual leave. The initial liability recognised at the date of transition was for the holiday entitlement carried forward and for the entitlement arising in the year which was not taken as at the Balance Sheet date. The initial liability was for £7,118,000 (£6,790,000 for the charity). In 2014–15, this has resulted in staff costs increasing by £17,000 from £340,402,000 to £340,419,000 and net outgoing resources increasing from £2,986,000 to £3,003,000. In 2014–15, for the charity this has resulted in staff costs increasing by £16,000 and net outgoing resources increasing by £16,000.

No other restatements were required. The structure, format and headings of the primary statements and notes have been updated to follow the requirements of FRS 102 and the Charities SORP FRS 102.

Reconciliation of the opening restated balances

	GROUP		BRITISH COUNCIL	
	31 MARCH 2015	1 APRIL 2014	31 MARCH 2015	1 APRIL 2014
	£'000	£'000	£'000	£'000
Fund balances as previously stated	371,290	356,696	362,390	356,092
Short-term compensated absences	(7,135)	(7,118)	(6,806)	(6,790)
Fund balances as restated	364,155	349,578	355,584	349,302

2 Accounting policies

(a) Fund accounting

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

(i) Unrestricted funds

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

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

(ii) Restricted funds

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

(iii) Transfer between funds

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

(b) Income

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

(i) Income from donations

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

Grant-in-aid received from the FCO is recognised in the period in which it is received.

(ii) Income from charitable activities

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

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

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

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

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

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

(iii) Other trading activities

Income from other trading activities includes sponsorship income.

(iv) Donated services, facilities and goods

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

The value of these donated services, facilities and goods is not included in the accounts in 2015–16 as it could not be measured reliably.

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

The value of time given by volunteers is excluded from the accounts as their contribution to the charity cannot be reasonably quantified in financial terms. During 2015–16, the British Council used volunteers to provide logistical and administration support, for example at some British Council events in the UK and overseas.

(v) EU income

The British Council has not received any funds from the EU for which it acts as agent, or which do not meet the criteria for recognition as income in the UK. It therefore accounts for all of its contracts with, or grants from, the European Commission as principal and recognises the income in line with its accounting policy for contractual income and grants respectively.

(c) Recognition of expenditure

All expenditure is accounted for on an accruals basis.

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

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

(i) Expenditure on raising funds

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

(ii) Expenditure on charitable activities

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

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

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

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

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

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

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

(e) Taxation

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

The British Council as a registered charity is exempt from Corporation Tax on its income and gains falling within Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objects. Accordingly, no UK Corporation Tax has been incurred by the charity during 2015–16. Subject to the availability of similar charitable exemption overseas, provision has been made for overseas taxation on the profits of overseas subsidiaries and branches.

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

(f) Intangible fixed assets

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of £3,000 or more is incurred. Software licences are included initially at cost and revalued to reflect their current value in existing use (i.e. market value), where material. Valuation takes place annually as at the Balance Sheet date, using appropriate cost indices.

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

(g) Tangible fixed assets

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

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

(i) Depreciation

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

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

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

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

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

(ii) Valuation basis

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

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

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

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

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

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

(h) Heritage assets

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

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

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

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

The unique works of art (the paintings) were valued by a professional external valuer during the year ended 31 March 2016 and these have been included at the valuations reached. The other works of art have been valued by the Curator as at the Balance Sheet date. The Curator is a member of the British Council's staff. Any gains on the revaluation of heritage assets are recognised in the heritage asset revaluation reserve.

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

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

(i) Fixed asset investments

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

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

(j) Current assets and liabilities

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

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

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

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

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

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

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

(k) Leases

Rentals payable under operating leases are charged to the SOFA on a straight-line basis over the term of the lease. Lease incentives are recognised as a reduction in the lease expense on a straight-line basis over the lease term.

(l) Exchange differences

The functional and presentation currency of the British Council is the British pound (sterling). Transactions in foreign currencies are translated into sterling using the rate at the start of 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. Non-monetary items are translated using the exchange rate at the time of revaluation. The foreign exchange element of revaluations of fixed assets is accounted for as part of the revaluation amount. All exchange differences incurred in the year are taken to the SOFA.

The financial statements of group subsidiaries are translated into sterling prior to consolidation in the British Council group accounts. Income and expense items are translated using the exchange rate on the date of the transaction. 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'.

(m) Pension schemes

(i) PCSPS

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

Early retirement in the PCSPS

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

(ii) Other pension schemes

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

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

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

(n) Terminal gratuities

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

(o) Contingent liabilities

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

3 Donations

	UNRESTRICTED	RESTRICTED	2015-16 TOTAL	UNRESTRICTED	RESTRICTED	2014-15 TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Foreign and Commonwealth Office						
Revenue grant-in-aid	43,950	112,700	156,650	50,700	99,600	150,300
Capital grant-in-aid	5,000	-	5,000	4,580	-	4,580
Total donations	48,950	112,700	161,650	55,280	99,600	154,880

4 Income from charitable activities

	CONTRACT INCOME	GRANTS FOR DELIVERING SPECIFIC CHARITABLE ACTIVITIES	TEACHING AND EXAMS INCOME	PARTNERSHIP INCOME	OTHER INCOME	2015-16 TOTAL	2014-15 TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, sponsorship and other income received from activities in furtherance of the objects							
Unrestricted							
Developing a wider knowledge of the English language	1,014	-	540,558	21,690	3,259	566,521	542,667
Encouraging educational co-operation and promoting the advancement of education	14,003	-	150	30,848	2,162	47,163	47,872
Encouraging cultural, scientific and technological co-operation	688	-	7	6,064	47	6,806	12,572
Building capacity for social change	12,109	-	16	8,125	141	20,391	19,826
Total unrestricted income	27,814	-	540,731	66,727	5,609	640,881	622,937
Restricted							
Developing a wider knowledge of the English language	1,573	-	-	-	-	1,573	1,329
Encouraging educational co-operation and promoting the advancement of education	89,861	1,745	-	18,260	-	109,866	112,058
Encouraging cultural, scientific and technological co-operation	355	-	-	-	-	355	360
Building capacity for social change	52,680	-	-	-	-	52,680	67,130
Total restricted income	144,469	1,745	-	18,260	-	164,474	180,877
Total							
Developing a wider knowledge of the English language	2,587	-	540,558	21,690	3,259	568,094	543,996
Encouraging educational co-operation and promoting the advancement of education	103,864	1,745	150	49,108	2,162	157,029	159,930
Encouraging cultural, scientific and technological co-operation	1,043	-	7	6,064	47	7,161	12,932
Building capacity for social change	64,789	-	16	8,125	141	73,071	86,956
Total income received to promote cultural relationships and the understanding of different cultures	172,283	1,745	540,731	84,987	5,609	805,355	803,814

The value of donated services, facilities and goods (income-in-kind in 2014–15), has not been included in the accounts in 2015–16 as it cannot be measured reliably. Income-in-kind in 2014–15 was £21,179,653.

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

	2015–16	2014–15
	£'000	£'000
Grants for delivering specific charitable activities		
Department for Education	569	568
Welsh Government – Education and Skills	529	529
Department of Education, Northern Ireland	260	346
Scottish Government Schools Directorate	285	300
Commonwealth Secretariat	102	172
Barrick Gold Corporation	-	100
Blavatnik Fellowships	-	97
Luce Foundation/Bridging Voices project	-	93
US State Department	-	62
International Inspirations	-	32
Citi Foundation	-	31
Department for Business, Innovation and Skills	-	26
Fledgling Fund	-	12
Donations from individuals	-	2
Columbia University	-	1
Total	1,745	2,371

5 Other income

	2015–16	2014–15
	£'000	£'000
Profit on disposal of fixed assets	119	354
Foreign exchange gains	8,480	9,084
Total other income	8,599	9,438

6 Expenditure on charitable activities

	GRANTS PAYABLE	STAFF COSTS	OTHER DIRECT COSTS	SUPPORT COSTS	2015-16 TOTAL	2014-15 TOTAL*
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of activities in furtherance of the objects						
Developing a wider knowledge of the English language	503	261,256	231,916	47,608	541,283	488,745
Encouraging educational co-operation and promoting the advancement of education	101,192	46,444	62,683	11,490	221,809	242,301
Encouraging cultural scientific and technological co-operation	4,608	27,596	26,288	15,886	74,378	79,631
Building capacity for social change	40,084	28,040	35,322	35,240	138,686	154,873
Governance costs	-	4,045	-	1,560	5,605	6,479
Total costs to promote cultural relationships and the understanding of different cultures	146,387	367,381	356,209	111,784	981,761	972,029

*Restated for transition to FRS102. Refer to Note 1 for details of the restatement and a reconciliation to previous Generally Accepted Accounting Practice.

Included in the above resources expended are costs of £279,460,051 (2014-15: £280,998,524) relating to restricted expenditure.

The value of donated services, facilities and goods (income-in-kind) has not been included in the accounts in 2015-16 as it cannot be measured reliably. In 2014-15, expenditure relating to income-in-kind of £21,179,653 was included in other direct costs.

Included in governance costs are fees of £175,000 (2014-15: £168,500 original fee plus an additional fee of £16,500) payable to the Charity's auditors for the audit of the Charity's Annual Report and Accounts. In addition to the Charity audit fees, total audit fees of £265,300 (2014-15: £191,000) were payable to the auditors of the Group's component audits.

There were no fees paid to the Charity's auditors in respect of non-audit work.

Fees of £958,000 (2014-15: £51,000) were payable to the auditors of the Group's component audits for non-audit services which comprised fees for the following services:

	2015-16
	£'000
Non audit-fees payable to auditors of the Group's component audits	
Tax advisory	57
Other advisory or accountancy	901
Total	958

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

	2015-16	2014-15
	£'000	£'000
Payments for travel, subsistence, etc.	21,616	18,028
Property rental costs relating to operating leases	23,594	19,818
Depreciation and amortisation charged	11,468	11,470
Provisions charged to expenditure in year	12,977	18,081
Foreign exchange losses	26,314	9,620

7 Staff emoluments and related costs

(a) Total staff costs

	2015–16	2014–15*
	£'000	£'000
Wages and salaries – permanent	274,188	264,351
Wages and salaries – non permanent	66,797	50,356
Social security costs	7,647	9,023
Other pension costs	17,821	16,643
Early retirement costs	928	46
Total staff costs	367,381	340,419

*Restated for transition to FRS102. Refer to Note 1 for details of the restatement and a reconciliation to previous Generally Accepted Accounting Practice.

Included in non-permanent wages and salaries is £48,334,272 (2014–15: £30,945,926) relating to English language oral examiners, examination markers and invigilators who are paid on an hourly/daily rate. The remaining costs for non-permanent wages and salaries relate to contracted staff who are filling vacant roles.

(b) The number of employees, on a full time equivalent (FTE) basis, analysed as follows:

Note: the 2015–16 figures have been based on the average number of employees for the year, and the 2014–15 figures have been based on the actual number of employees as at 31 March 2015.

	2015–16	2014–15
	AVERAGE NO. OF STAFF	AT YEAR END NO. OF STAFF
United Kingdom		
Management and administrative (senior managers: 227 (2014–15: 207))	1,103	992
Overseas		
Management and administrative (senior managers: 184 (2014–15: 294))	5,889	5,128
Teachers	2,632	2,588
Total employees	9,624	8,708

Casual staff are excluded from the above figures.

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

EXIT PACKAGE COST BAND – UK-APPOINTED STAFF	2015–16	2014–15	2015–16	2014–15	2015–16	2014–15
	NO. OF COMPULSORY REDUNDANCIES		NO. OF OTHER DEPARTURES AGREED		TOTAL NO. OF EXIT PACKAGES BY COST BAND	
<£10,000	5	2	1	1	6	3
£10,000–£25,000	3	4	3	4	6	8
£25,000–£50,000	-	1	7	4	7	5
£50,000–£100,000	-	-	2	5	2	5
£100,000–£150,000	-	-	-	1	-	1
£150,000–£200,000	-	-	-	1	-	1
£200,000–£250,000	-	-	-	-	-	-
£250,000–£300,000	-	-	-	-	-	-
£300,000–£350,000	-	-	-	-	-	-
Total number of exit packages	8	7	13	16	21	23
Total resource cost (£)	87,312	109,673	463,577	911,168	550,890	1,020,841

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

EXIT PACKAGE COST BAND – OVERSEAS-APPOINTED STAFF	2015–16	2014–15	2015–16	2014–15	2015–16	2014–15
	NO. OF COMPULSORY REDUNDANCIES		NO. OF OTHER DEPARTURES AGREED		TOTAL NO. OF EXIT PACKAGES BY COST BAND	
<£10,000	74	54	14	11	89	65
£10,000–£25,000	21	20	13	7	34	27
£25,000–£50,000	14	13	3	7	18	20
£50,000–£100,000	1	3	1	1	2	4
£100,000–£150,000	-	-	1	-	1	-
£150,000–£200,000	1	-	-	-	1	-
£200,000–£250,000	-	-	-	-	-	-
£250,000–£300,000	-	-	-	-	-	-
£300,000–£350,000	-	-	-	-	-	-
Total number of exit packages	111	90	32	26	145	116
Total resource cost (£)	1,343,115	1,219,757	597,575	471,708	1,972,965	1,691,465

(d) The current Chief Executive's total actual emoluments plus pension was £231,860 (2014–15: £47,373) comprising salary of £186,233 (2014–15: £46,250), which includes a bonus of £0 (2014–15: £0) and pension contributions of £45,627 (2014–15: £11,239). The Chief Executive is a member of the Principal Civil Service Pension Scheme.

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

	2015–16	2014–15
	NO. OF STAFF	NO. OF STAFF
£60,000–£70,000	79	127
£70,001–£80,000	103	86
£80,001–£90,000	52	54
£90,001–£100,000	40	38
£100,001–£110,000	22	17
£110,001–£120,000	15	9
£120,001–£130,000	9	8
£130,001–£140,000	7	10
£140,001–£150,000	4	5
£150,001–£160,000	3	6
£160,001–£170,000	3	1
£170,001–£180,000	1	2
£180,001–£190,000	-	-
£190,001–£200,000	-	-
£200,001–£210,000	-	-
£210,001–£220,000	-	-
£220,001–£230,000	1	-
Total	339	363

(f) Off-payroll engagements

Table 1: For all off-payroll engagements as at 31 March 2016, for more than £220 per day and that last for longer than six months

	2015–16	2014–15
	NO. OF ENGAGEMENTS	NO. OF ENGAGEMENTS
No. that have existed for less than one year at time of reporting	32	18
No. that have existed for between one and two years at time of reporting	17	11
No. that have existed for between two and three years at time of reporting	5	1
No. that have existed for between three and four years at time of reporting	3	3
No. that have existed for four or more years at time of reporting	2	2
Total No. of existing engagements as at 31 March 2016	59	35

Notes

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

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months

	2015-16	2014-15
	NO. OF ENGAGEMENTS	NO. OF ENGAGEMENTS
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	64	94
No. for whom assurance has been requested	64	94
Of which...		
No. for whom assurance has been received	64	94
No. for whom assurance has not been received	-	-
No. that have been terminated as a result of assurance not being received	-	-
Total no. of new engagements, or those that reached six months in duration, during the period	64	94

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016

	2015-16	2014-15
	NO. OF ENGAGEMENTS	NO. OF ENGAGEMENTS
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-	1
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.	39	33*

*The comparative number for the prior period has been increased by seven to reflect the number of senior officials with financial responsibility who are based overseas, a group not previously included in this analysis.

(g) Travel expenses reimbursed to 15 (2014-15: eight) members of the Board of Trustees amounted to £28,366 (2014-15: £30,119).

No Trustees or any persons connected with them received any remuneration for their services during the year ended 31 March 2016 (2014-15: zero).

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

For 2015-16, employers' contributions of £11,273,159.99 were payable to the PCSPS (2014-15 £9,786,212) at one of four rates in the range 20.0 per cent to 24.5 per cent of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 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 £131,645.64 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from three per cent to 12.5 per cent of pensionable earnings up to 30 September 2015 and from eight per cent to 14.75 per cent of pensionable earnings from 1 October 2015. Employers also match employee contributions up to three per cent of pensionable earnings. In addition, employer contributions of £5,270.01, 0.8 per cent of pensionable pay up to 30 September 2015 and 0.5 per cent of pensionable pay from 1 October 2015, 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 £13,141.03. Contributions prepaid at that date were £nil. Employer contributions of £1,371.16 were also payable to the National Employment Savings Scheme (NEST) for employees auto-enrolled in that scheme.

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

(j) The British Council operate a defined benefit scheme for UK-appointed employees formerly employed by the Central Bureau for Educational Visits and Exchanges (CBEVE). 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 2016 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 scheme 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 Balance Sheet.

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

	2016	2015
	£'000	£'000
Fair value of scheme assets	16,953	18,808
Present value of scheme liabilities	8,940	15,239
Surplus/(deficit) in scheme	8,013	3,569
Unrecognised surplus	8,013	3,569
Asset/(liability) to be recognised	-	-

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

	2016	2015
	£'000	£'000
Scheme liabilities at start of period	15,239	15,394
Current service cost	-	5
Interest cost	431	619
Past service cost	-	(2,108)
Actuarial (gains)/losses	(4,042)	2,746
Benefits paid and death in service insurance premiums	(2,688)	(1,417)
Scheme liabilities at end of period	8,940	15,239

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

	2016	2015
	£'000	£'000
Fair value of scheme assets at start of period	18,808	18,707
Expected return on scheme assets	431	624
Actuarial gains/(losses)	402	894
Benefits paid and death in service insurance premiums	(2,688)	(1,417)
Fair value of scheme assets at end of period	16,953	18,808

The actual return on the scheme assets over the period ending 31 March 2016 was £942,000 (2014–15: £1,518,000).

Total expense recognised in the Statement of Financial Activities

	2016	2015
	£'000	£'000
Current service cost	-	5
Interest cost	431	619
Past service cost	-	(2,108)
Expected return on scheme assets	(431)	(624)
Previously unrecognised surplus deducted from the past service cost	-	2,108
Total (income)/expense recognise in the Statement of Financial Activities	-	-

Statement of total recognised gains and losses

	2016	2015
	£'000	£'000
Actual return less expected return on pension scheme assets Amount: gain/(loss)	402	894
Experience gains and losses arising on the scheme liabilities Amount: gain/(loss)	145	(203)
Changes in the assumptions underlying the defined benefit obligation Amount: gain/(loss)	3,897	(2,543)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable)	4,444	(1,852)
Amount: gain/(loss)		
Effect of previously not recognising surplus deducted from the past service cost Amount: gain/(loss)	-	2,108
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable Amount: gain/(loss)	(4,444)	(256)
Total amount recognised in statement of total recognised gains and losses	-	-
Amount: gain/(loss)		

Assets

	2016	2015
	£'000	£'000
Equity	8,769	9,900
Bonds	3,727	4,809
Property	3,069	3,369
Cash	1,388	730
Total assets	16,953	18,808

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

	2016	2015
	% PER ANNUM	% PER ANNUM
Inflation	2.30%	3.20%
Salary increases	n/a	n/a
Rate of discount	3.80%	3.10%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	1.50%	5.00%
Allowance for commutation of pension for cash at retirement	25%	None

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

	2016	2015
	NO. OF YEARS	NO. OF YEARS
Male retiring today at age 65	22.8	24.2
Female retiring today at age 65	25.2	26.3
Male retiring in 20 years at age 65	24.1	27.4
Female retiring in 20 years at age 65	26.6	29.5

Expected long-term rates of return

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

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

	2016	2015
	% PER ANNUM	% PER ANNUM
Equity	7.00%	7.00%
Bonds	3.00%	4.00%
Property	5.50%	6.25%
Cash	1.50%	1.50%
Overall for scheme	4.60%	5.82%

Amounts for the current and previous year

	2016	2015
	£'000	£'000
Fair value of scheme assets	16,953	18,808
Present value of scheme liabilities	8,940	15,239
Surplus/(deficit) in scheme	8,013	3,569
Experience adjustment on scheme assets	402	894
Experience adjustment on scheme liabilities	145	(203)

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

Trustees

Capita ATL Pension Trustees Limited, independent Trustee to the Scheme, was paid fees amounting to £56,361.25 (2014–15: £54,640.75) excluding VAT during the year. Two other Trustees were paid nil fees (2014–15: £5,550.00 and £2,075.00 respectively) during the year. Travel expenses totalling £146.35 were reimbursed to one Trustee during the year (2014–15: nil).

8 Grants payable

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

	DEVELOPING A WIDER KNOWLEDGE OF THE ENGLISH LANGUAGE	ENCOURAGING EDUCATIONAL CO-OPERATION AND PROMOTING THE ADVANCEMENT OF EDUCATION	ENCOURAGING CULTURAL, SCIENTIFIC AND TECHNOLOGICAL CO-OPERATION	BUILDING CAPACITY FOR SOCIAL CHANGE	TOTAL 2015–16	TOTAL 2014–15
TYPE OF INSTITUTION	£'000	£'000	£'000	£'000	£'000	£'000
Universities	270	54,223	43	310	54,846	71,922
Charities, NGOs and social enterprises	178	30,161	3,197	16,829	50,365	40,336
Other bodies	-	3,567	643	22,145	26,355	23,041
Schools	10	6,115	-	66	6,191	13,631
Colleges	-	4,171	1	96	4,268	8,189
Arts bodies	-	1,138	-	40	1,178	1,767
National and international government bodies	-	829	-	147	976	2,754
Local government bodies	-	33	238	177	448	441
Environmental groups	-	67	-	-	67	1,352
Religious bodies	-	-	-	-	-	214
Total grants to institutions	458	100,304	4,122	39,810	144,694	163,647
Grants to individuals	45	888	486	274	1,693	1,619
Total grants payable to promote cultural relationships and the understanding of different cultures	503	101,192	4,608	40,084	146,387	165,266

The following institutions received £750,000 or more of grants from the British Council during 2015–16:

Aston University	University of Bristol
Bangor University	University of Cambridge
Cardiff University	University of Edinburgh
Coventry University IEMS	University of Exeter
Durham University	University of Glasgow
Egyptian Cultural and Education Bureau	University of Leeds
Loughborough University	University of Manchester
Middlesex University	University of Oxford
National Democratic Institute	University of Sheffield
Queen's University Belfast	University of Strathclyde
University College London	University of Ulster
University of Bath	University of Nottingham
University of Birmingham	University of Warwick

9 Intangible fixed assets

SOFTWARE LICENCES	
	£'000
Modified cost or valuation	
At 1 April 2015	8,634
Exchange rate differences	(2)
Additions	5,271
Transfers of completed assets from assets under construction	(2,612)
Reclassifications	8,394
Disposals	(27)
Revaluations	(247)
At 31 March 2016	19,411
Amortisation	
At 1 April 2015	(1,123)
Exchange rate differences	1
Charge for the year	(1,078)
Reclassifications	(7,761)
Disposals	26
Revaluations/backlog amortisation	773
At 31 March 2016	(9,162)
Net book value	
At 31 March 2016	10,249
At 1 April 2015	7,511

Included in the above:

Assets under construction (AUC)

SOFTWARE LICENCES	
	£'000
AUC cost at 1 April 2015	2,612
Transfers of completed assets to additions	(2,612)
Additions to AUC	-
Total AUC cost at 31 March 2016	-

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

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

10 Tangible fixed assets

	FREEHOLD LAND AND PROPERTY – COMMERCIAL	FREEHOLD LAND AND PROPERTY – RESIDENTIAL	LEASEHOLD LAND AND PROPERTY – COMMERCIAL	LEASEHOLD LAND AND PROPERTY – RESIDENTIAL	FURNITURE AND EQUIPMENT	INFORMATION TECHNOLOGY	VEHICLES AND PLANT	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Modified cost or valuation								
At 1 April 2015	89,792	6,042	75,910	15,025	9,357	15,261	14,229	225,616
Exchange rate differences	(4,444)	(299)	(4,109)	(813)	(78)	422	(155)	(9,476)
Additions	8,704	10	7,237	782	2,224	1,802	1,669	22,428
Transfers of completed assets from AUC	(7,107)	-	-	-	(479)	(530)	(336)	(8,452)
Reclassifications	-	-	-	-	-	(8,394)	-	(8,394)
Disposals	(356)	(128)	(3,470)	(16)	(1,111)	(328)	(1,971)	(7,380)
Revaluations	1,252	(42)	(1,932)	-	-	-	-	(722)
At 31 March 2016	87,841	5,583	73,636	14,978	9,913	8,233	13,436	213,620
Depreciation								
At 1 April 2015	(4,264)	(117)	(28,482)	(294)	(6,376)	(11,412)	(9,553)	(60,498)
Exchange rate differences	(109)	(3)	(212)	(2)	70	98	52	(106)
Charge for the year	(1,634)	(55)	(4,574)	(427)	(1,101)	(1,470)	(1,129)	(10,390)
Reclassifications	-	-	-	-	-	7,761	-	7,761
Disposals	295	64	3,322	4	1,058	311	1,869	6,923
Revaluations	450	93	477	-	-	-	-	1,020
At 31 March 2016	(5,262)	(18)	(29,469)	(719)	(6,349)	(4,712)	(8,761)	(55,290)
Net book value								
At 31 March 2016	82,579	5,565	44,167	14,259	3,564	3,521	4,675	158,330
At 1 April 2015	85,528	5,925	47,428	14,731	2,981	3,849	4,676	165,118

Included in the above:

Assets under construction (AUC)

	LAND AND PROPERTY	FURNITURE AND EQUIPMENT	INFORMATION TECHNOLOGY	VEHICLES AND PLANT	TOTAL
	£'000	£'000	£'000	£'000	£'000
AUC cost at 1 April 2015	9,037	756	1,182	750	11,725
Exchange rate differences	(520)	14	558	(31)	21
Transfers of completed assets to additions	(7,107)	(479)	(530)	(336)	(8,452)
Additions to AUC	6,078	746	350	312	7,486
Total AUC cost at 31 March 2016	7,488	1,037	1,560	695	10,780

Included in tangible fixed assets are assets to the value of £34.1 million (2014–15: £32.8 million) which have been fully depreciated. These assets are still in use and provide value to the business.

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

Freehold and long-leasehold land and buildings are revalued during a five-year rolling programme. From 2014–15 20 per cent of the portfolio is revalued every year augmented by annual revaluations of key properties in volatile markets. All freehold and long-leasehold land and buildings, except those earmarked for sale during the year, were valued as at 31 March 2014. They were valued by an independent external valuer, CBRE, a commercial property consultancy, in accordance with the guidelines issued by the Royal Institution of Chartered Surveyors.

There were no impairments to fixed assets in the year to 31 March 2016 resulting from this revaluation.

Non-specialised properties are valued on the basis of existing use value, except where restrictions on the British Councils' 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.

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

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

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

There is one property where the British Council is entitled to use the whole property, but would only be entitled to a portion of the proceeds of sale if the building were sold. The existing use value represents use of the whole property and exceeds the amount the British Council would be entitled to on sale by £11.1 million.

The adjustments for current cost accounting revaluation and backlog depreciation, where material, include the effect of both upward and downward indices. Upwards revaluations are added to the revaluation account as are downwards revaluations to the extent of previous upwards revaluations. Any excess downwards revaluations are taken to the income and expenditure account before being moved to the capital account.

Within the freehold land and properties category, there is one building allocated a useful life of 60 years in 2009 that will expire in 2069. The current book value is £0.6 million (2014–15: £1.4 million), this is the only property where treatment deviates from the accounting policy.

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

The British Council currently has assets with a cost of £605,997 and a net book value of £32,964 in Damascus, Syria. The office in Damascus was closed in February 2012 and at the date of the financial statements remains so without a reopening date confirmed.

The British Council rents out properties that are temporarily surplus to requirements. These are not classed as investment properties. The British Council also owns properties with a current net book value of £5.2m which are occupied by subsidiaries.

11 Heritage assets

	2016	2015	2014	2013	2012
	£'000	£'000	£'000	£'000	£'000
MODIFIED COST OR VALUATION					
At 1 April – cost	2,445	2,073	1,387	1,267	1,192
At 1 April – valuation	126,942	105,559	98,771	83,244	77,189
Total value at 1 April	129,387	107,632	100,158	84,511	78,381
Collection additions – purchased	383	372	686	120	75
Collection additions – donated	-	-	18	450	27
Increase/(decrease) in valuation	(9,890)	21,383	6,770	15,077	6,028
At 31 March	119,880	129,387	107,632	100,158	84,511
Unrestricted	48,733	58,672	47,428	43,629	37,250
Restricted	71,147	70,715	60,204	56,529	47,261
Total	119,880	129,387	107,632	100,158	84,511

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

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

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

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

The 'increase/(decrease) in valuation' figure for 2015–16 is a net amount. There were no disposals in 2015–16.

12 Investments

(a) Total investments

	GROUP		BRITISH COUNCIL	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Quoted investments	762	1,350	762	1,319
Investment in subsidiaries	-	-	32	31
Total	762	1,350	794	1,350

(b) Subsidiary undertakings

REGISTERED NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	SHARE CLASS	YEAR END DATE
BC Trading International Ltd	England and Wales	Raising funds through trading activities	Ordinary/100%	31 March
BC Holdings (United Kingdom) Limited	England and Wales	Holding company	Ordinary/100%	31 March
British Council Association in Brazil (registered name: Associação Conselho Britânico)	Brazil	Carrying out charitable objectives of the British Council	-	31 December
BC Education Consulting (Beijing) Co Ltd (registered name: BC教育咨询(北京)有限公司)	China	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
Ying He Advertising (Beijing) Co. Ltd (registered name: 英合广告(北京)有限公司)	China	Raising funds through trading activities	Ordinary/100%	31 December
BC English Services Trans-National Limited	Hong Kong	Established to carry out the charitable objectives of the British Council but not currently operational	Ordinary/100%	31 March
BC English and Examinations Services India Private Limited	India	Raising funds through trading activities	Ordinary/100%	31 March
BC Management Services Private Limited	India	Provision of support services to the British Council	Ordinary/100%	31 March
Yayasan Dewan Inggris	Indonesia	Carrying out charitable objectives of the British Council	-	31 March
British Council (Kazakhstan) LLP	Kazakhstan	Carrying out charitable objectives of the British Council	-	31 December
British Council Associated Civil Association (registered name: British Council Asociados)	Mexico	Raising funds through trading activities	Ordinary/100%	31 December
British Council Civil Association (registered name: British Council Asociación Civil)	Mexico	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
British Council Foundation in Poland (registered name: Fundacja British Council)	Poland	Carrying out charitable objectives of the British Council	-	31 March
Smart Education, Culture and Language Services Limited Liability Company (registered name: ООО "Умные культурно-образовательные и языковые услуги")	Russia	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
British Council (Singapore) Limited	Singapore	Carrying out charitable objectives of the British Council	-	31 March
British Council (Taiwan) Limited (registered name: 英協文教有限公司)	Taiwan	Not yet operational	Ordinary/100%	31 March
BC Holdings (Thailand) Limited	Thailand	Holding company	Ordinary/100%	31 March
BC Language Teaching (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	Ordinary/74%	31 March
BC Operations (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	Ordinary/74%	31 March
British Council Education Services Company (registered name: British Council Eğitim Hizmetleri Limited Şirketi)	Turkey	Carrying out charitable objectives of the British Council	Ordinary/100%	31 March
Private Extra-Curricular Educational Institution 'British Council (Ukraine)' (registered name: Приватний позашкільний навчальний заклад «Британська Рада (Україна)»)	Ukraine	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
Limited Liability Company 'British Council (Ukraine)' (registered name: Товариство з обмеженою відповідальністю «Британська Рада (Україна)»)	Ukraine	Carrying out charitable objectives of the British Council	Ordinary/100%	31 December
Friends of the British Council, USA	USA	Fundraising and carrying out charitable objectives of the British Council	-	31 March

The entities in China (Ying He Advertising (Beijing) Co Ltd.) and Russia were invested during 2015–16. The Taiwan entity was registered but no trading had taken place at year end. We have also registered and funded an entity in Kazakhstan during 2015–16.

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

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

BC Operations (Thailand) Limited's share capital is made up of 100 per cent ordinary shares, 49 per cent of which are owned by BC Holdings (United Kingdom) Limited and 51 per cent of which is owned by BC Holdings (Thailand) Limited. The Group therefore owns a total of 73.9 per cent of BC Operations (Thailand) Limited's share capital.

BC Language Teaching (Thailand) Limited's share capital is made up of 100 per cent ordinary shares, owned by BC Operations (Thailand) Limited. The Group therefore owns 73.9 per cent of BC Language Teaching (Thailand) Limited's share capital.

The Chinese entities, Mexican entities, Ukrainian entities and the Brazilian, Kazakhstan, Russian entity all have a year end reporting date of 31 December due to their local statutory reporting requirements.

(c) Financial results of subsidiaries

	BC HOLDINGS (UNITED KINGDOM) LIMITED	BC TRADING INTERNATIONAL LTD	BC EDUCATION CONSULTING (BEIJING) CO LTD	BC MANAGEMENT SERVICES PRIVATE LIMITED	BC EXAMINATIONS AND ENGLISH SERVICES INDIA PRIVATE LIMITED	BRITISH COUNCIL FOUNDATION IN POLAND	BRITISH COUNCIL (SINGAPORE) LIMITED	BC OPERATIONS (THAILAND) LIMITED	BC LANGUAGE TEACHING (THAILAND) LIMITED	OTHER SUBSIDIARIES
	£	£	£	£	£	£	£	£	£	£
Investment at 1 April 2015	1	100	3,360,000	961,855	5,750	417	-	1,848,049	1,026,694	717,585
Additions/(disposals)	-	-	-	-	(4,011)	-	-	-	-	106,617
Investment at 31 March 2016	1	100	3,360,000	961,855	1,739	417	-	1,848,049	1,026,694	824,202

2015–16	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets	10,241	3,572	25,618	5,386	2,537	2,071	15,231	4,665	2,840	7,556
Liabilities	(8,180)	(3,411)	(10,056)	(3,646)	(2,854)	(1,959)	(9,544)	(3,901)	(2,576)	(11,182)
Reserves	2,061	161	15,562	1,740	(317)	112	5,687	764	264	(3,626)
Income/turnover	2,731	1,754	56,563	6,346	8,364	5,984	17,916	7,729	5,990	16,804
Resources expended/ expenditure	(414)	(1,754)	(49,514)	(5,756)	(8,650)	(5,837)	(17,079)	(7,636)	(5,730)	(19,615)
Net income/(expenditure)/ profit/(loss)	2,317	-	7,049	590	(286)	147	837	93	260	(2,811)
Donation of profits to the British Council	-	837	-	-	-	-	-	-	-	-

(d) Loans to subsidiaries

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

	INTEREST CHARGED		LOAN BALANCE	
	2015-16	2014-15	2015-16	2014-15
SUBSIDIARY	£	£	£	£
BC English Services Trans-National Limited	7,881	7,854	353,079	345,199
BC Holdings (United Kingdom) Limited	222,492	197,822	8,160,488	9,701,477
British Council Singapore Limited	34,615	36,558	-	1,407,790

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

	INTEREST CHARGED		LOAN BALANCE	
	2015-16	2014-15	2015-16	2014-15
SUBSIDIARY	£	£	£	£
Friends of the British Council, USA	3,588	3,749	165,259	161,497
BC Holdings (Thailand) Limited	31,725	35,448	1,108,117	1,106,506
British Council (Ukraine) LLC	6,801	8,529	256,382	314,437
British Council (Ukraine) Extra Curricular Institution	-	856	-	3,981
British Council Indonesia Foundation	29,621	15,525	2,102,180	1,315,547
Fundacja British Council (Polish Foundation)	9,707	9,942	419,973	409,942
British Council (Kazakhstan) LLP	1,278	-	101,352	-
The Smart Education, Culture and Language Services LLC	81	-	15,079	-

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

Of the loans outlined above, loans to subsidiaries held on the Charity's balance sheet include only those loans to BC Holdings (United Kingdom) Limited and BC English Services Trans-National Limited with a total value of £8,513,567 (2015: £11,454,466).

(e) IELTS Inc.

The British Council has a long-term interest in a joint venture, IELTS Inc., over which it exercises joint control with two other equal partners. The British Council's interest in IELTS is established in a joint venture agreement signed by the partners.

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

IELTS Inc. was originally funded by loans from its founding members, including the British Council. These loans have since been repaid. The British Council's share of the IELTS Inc. unaudited income, expenditure, assets and liabilities for the year ending 31 December 2015 have been consolidated in the accounts this year using the equity method of accounting.

IELTS Inc. has a 31 December year end. The auditor's report for the year end 31 December 2014 was unqualified.

13 Debtors (amounts falling due within one year)

Analysis by type

	GROUP		BRITISH COUNCIL	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade debtors	66,132	53,651	53,191	42,537
VAT debtor	398	817	411	463
Other debtors	7,386	2,657	5,630	1,390
Tax and social security	2,136	-	17	-
Balances resulting from activity under contracts and agreements	18,666	16,915	18,666	16,915
Prepayments and accrued income	29,936	33,537	27,719	32,280
Amounts due from subsidiary undertakings	-	-	4,480	4,763
Total debtors	124,654	107,577	110,114	98,348

14 Cash at bank and short-term investments

(a) Cash at bank:

	GROUP		BRITISH COUNCIL	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
CASH AND CASH EQUIVALENTS HELD IN				
Sterling	21,449	23,295	20,139	22,848
Euros	48,176	50,140	48,176	50,140
US Dollars	5,196	5,958	5,012	5,925
Other currencies	94,825	78,319	72,176	63,331
Total cash at bank	169,646	157,712	145,503	142,244

Cash held overseas and considered to be trapped due to foreign exchange controls amounted to a sterling equivalent of £14 million (2014–15: £17 million) as at 31 March 2016. 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	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
SHORT-TERM DEPOSIT MATURING IN UNDER ONE YEAR				
Sterling	43,000	63,000	43,000	63,000
Euros	23,810	-	23,810	-
Other currencies	36,565	28,219	36,565	28,219
Total short-term investments	103,375	91,219	103,375	91,219

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

15 Creditors (amounts falling due within one year)

Analysis by type

	GROUP		BRITISH COUNCIL	
	2016	2015*	2016	2015*
	£'000	£'000	£'000	£'000
Trade creditors	29,305	17,228	22,811	22,772
Balances resulting from activity under contracts and agreements	31,893	31,399	31,800	31,304
Other creditors	11,354	7,487	9,941	6,430
Taxation and social security	3,749	5,797	2,497	4,495
Accruals	114,791	92,626	102,903	84,578
Deferred income	123,376	109,556	112,253	99,207
Amounts due to subsidiary undertakings	-	-	9,673	6,743
VAT creditor	492	-	-	-
Total creditors	314,960	264,093	291,878	255,529

*Restated for transition to FRS102. Refer to Note 1 for details of the restatement and a reconciliation to previous Generally Accepted Accounting Practice.

Analysis of deferred income

	GROUP		BRITISH COUNCIL	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
At 1 April	109,556	92,610	99,207	85,179
Exchange rate differences	1,649	-	1,390	-
Income recognised during the year	(110,934)	(105,581)	(100,299)	(97,021)
Income deferred during the year	123,105	122,527	111,955	111,049
At 31 March	123,376	109,556	112,253	99,207

16 Provisions for liabilities and charges

(a) Amounts falling due within one year

	EARLY RETIREMENT	TERMINAL GRATUITIES	OTHER STAFF	LEGAL	OTHER	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2015	823	-	2,727	-	9,475	13,025
Unrealised loss on exchange rate	(197)	-	-	-	(52)	(249)
Net amounts utilised or reversed	(1,406)	-	(2,913)	-	(10,377)	(14,696)
Charged to expenditure	81	-	1,864	-	2,654	4,599
Movement between short- and long-term	1,190	-	-	-	-	1,190
At 31 March 2016	491	-	1,678	-	1,700	3,869

(b) Amounts falling after more than one year

	EARLY RETIREMENT	TERMINAL GRATUITIES	OTHER STAFF	LEGAL	OTHER	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2015	1,427	17,803	-	-	-	19,230
Unrealised loss on exchange rate	-	(774)	-	-	-	(774)
Net amounts utilised or reversed	(2)	(4,696)	-	-	-	(4,698)
Charged to expenditure	418	7,960	-	-	-	8,378
Movement between short and long term	(1,190)	-	-	-	-	(1,190)
At 31 March 2016	653	20,293	-	-	-	20,946

The provision for early retirement relates to costs to service the number of early retirement schemes offered by the Principal Civil Service Pension Scheme. This provision has been discounted at a rate of 1.37 per cent as per PES 2015 (08).

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

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

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

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

17 Movements on funds and reserves

Movement in unrestricted funds

	FUNDS DESIGNATED FROM THE GENERAL ACCOUNT						
	GENERAL ACCOUNT	RISK RESERVE	INVESTMENT FUND	CAPITAL ACCOUNT	REVALUATION ACCOUNT	HERITAGE ASSET RESERVE	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2015*	2,365	34,600	23,696	98,369	74,259	58,672	291,961
Net incoming/(outgoing) resources for the year	(4,163)	-	-	-	-	-	(4,163)
Revaluation of heritage assets	-	-	-	-	-	(9,890)	(9,890)
Transfer of purchased heritage assets	(383)	-	-	-	-	383	-
Foreign exchange differences arising on consolidation of subsidiaries	301	-	-	-	-	-	301
Transfer to restricted funds: heritage assets	-	-	-	-	-	(432)	(432)
Valuation account movement on land and buildings	-	-	-	-	299	-	299
Valuation account movement on general fixed assets	-	-	-	-	-	-	-
Valuation account movement on intangible fixed assets	-	-	-	-	527	-	527
Funds transferred to restricted grant reserve	(368)	-	-	-	-	-	(368)
Nominal transfer from capital account	4,875	-	-	(4,875)	-	-	-
Transfer from risk reserve	-	-	-	-	-	-	-
Transfer from/to investment fund	(2,627)	-	2,627	-	-	-	-
Balance as at 31 March 2016	-	34,600	26,323	93,494	75,085	48,733	278,235
Minority interest							1
Total capital employed							278,236

*Restated for transition to FRS102. Refer to Note 1 for details of the restatement and a reconciliation to previous Generally Accepted Accounting Practice.

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

Reserves policy

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

The risk reserve remains unchanged following a review of the maximum potential financial impact of the risks faced by the British Council. This has established a minimum level of funds (£34.6 million with effect from 31 March 2016) to be maintained in the Risk Reserve to protect the British Council from the potential financial impact of business risks and of status and tax risks.

The Trustees designate funds for use in specific planned investment projects during 2016–17.

Designated funds

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

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

Funds held in the Investment Fund will be used for projects during 2016–17 and these funds will be added to from trading surpluses generated during the year.

The resources will be used for:

(i) Growth and impact projects that will result in increased future impact, or revenues and/or surpluses;

(ii) Efficiency and capability projects that reduce cost structure and/or increase capability to deliver the British Council's objectives.

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

Movement in restricted funds

	INCOME (RESTRICTED GRANTS)	EXPENDABLE ENDOWMENT RESERVE	HERITAGE ASSET RESERVE	TOTAL
	£'000	£'000	£'000	£'000
Balance as at 1 April 2015	(368)	1,846	70,715	72,193
Transfer from unrestricted funds; heritage assets	-	-	432	432
Funds spent from reserves	368	-	-	368
Net incoming resources for the year	(1,766)	(520)	-	(2,286)
Balance as at 31 March 2016	(1,766)	1,326	71,147	70,707

Permanent endowment reserve

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

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

The Sir Steven Runciman Prize Trust is not disclosed in a separate Permanent Endowment Reserve as its total reserve balance was less than £500 which does not appear in the accounts when rounded to the nearest thousand.

Expendable endowment reserve

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

- Lefèvre Trust – To promote understanding between UK and France, and the mutual learning of each other's customs and language through an exchange programme for French and British boys and girls between the ages of 11 and 19.
- Hammond Trust – This Trust was closed during the year, and deregistered at the Charity Commission. This Trust provided small grants of up to £500 to students of Asian origin in the UK who are suffering hardship, to help them complete their course of study and return to their country of origin.
- De Souza Trust for Goanese Students – Assist education of men and women living in Goa, or born of Goan parents, by the award of scholarships or grants for study in the UK.
- The Sir Shiu Kin Tang Educational Trust – To advance the education of postgraduate students from Hong Kong in the UK. The Trust funds 1–2 scholarships a year.
- UK 9/11 Scholarship Fund – Provides scholarships to any child or other dependent of any person who has been killed or permanently injured as a result of the terrorist attack on the World Trade Centre in New York and similar tragedies, for higher education study in the UK.
- Dame Nancy Parkinson Bequest – To assist Commonwealth students to purchase books, attend conferences or consult specialist advisers in Britain when this cost could not be met from public funds.
- Charles De Gaulle Bursary Scheme – To provide an opportunity for British and French students aged 17–19 to undertake a specific study project relating to the language or culture of the other country.

	UNRESTRICTED FUNDS	RESTRICTED FUNDS	TOTAL FUNDS
ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS	£'000	£'000	£'000
Fixed assets	217,312	71,147	288,459
Investments	863	749	1,612
Current assets	366,177	32,470	398,647
Current liabilities	(285,170)	(33,659)	(318,829)
Amounts falling due after more than one year	(20,946)	-	(20,946)
Total net assets	278,236	70,707	348,943

18 Commitments

(a) Capital commitments:

	2016	2015
	£'000	£'000
Contracted expenditure	1,748	1,614

Contracted expenditure includes £665,627 (2014–15: £198,993) relating to subsidiary capital commitments.

(b) Specific charitable projects (grants):

	2016	2015
	£'000	£'000
TO BE UNDERTAKEN		
In one year or less	1,909	4
Between one and five years	754	-
In five years or more	-	-
Total	2,663	4

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

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

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

Grants to be undertaken in the following year includes £1,597,319 (2014–15: nil) relating to subsidiary charitable commitments.

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

	2016			2015		
	LAND AND BUILDINGS	OTHER	TOTAL	LAND AND BUILDINGS	OTHER	TOTAL
PAYMENTS TO BE MADE IN	£'000	£'000	£'000	£'000	£'000	£'000
In one year or less	21,553	870	22,423	19,463	1,198	20,661
Between one and five years	25,932	1,305	27,237	30,682	530	31,212
In five years or more	733	-	733	4,168	-	4,168
Total future minimum lease payments	48,218	2,175	50,393	54,313	1,728	56,041

19 Losses and special payments

During the year ended 31 March 2016, there were 117 cases of losses totalling £897,792 as defined in Managing Public Money. This includes fraudulent and non-fraudulent business losses. Six of these losses, totalling £98,059, fall within the category of special payments as defined in Managing Public Money.

The total includes a bookkeeping loss of £400,000 which is a write off of a historic debit balance which predates the introduction of the British Council's current accounting system in 2004. There were no other losses over the threshold for individual disclosure.

20 Related party transactions

The British Council is a public corporation sponsored by the FCO.

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

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

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

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

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

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

ORGANISATION	TRUSTEE/BOARD MEMBER	RELATIONSHIP	SPEND	DEBTOR	CREDITOR
			GRANTS PROVIDED AND FUNDS DISBURSED UNDER CONTRACTS/ AGREEMENTS	RECEIVABLE BALANCE AT THE YEAR END	PAYABLE BALANCE AT YEAR END
			£'000	£'000	£'000
Queens University of Belfast	Alan Shannon	Trustee	1,246	32	(138)
Imperial College London	Martin Roth	Member of Council	852	20	24
Oxford Brookes University	Professor Janet Beer	Vice-Chancellor	213	14	
Institute of Development Studies	Myra Hunt	Non-Executive Director	41		
Trinity College London	Sir David Verey CBE	Member Trinity College, Finance Committee	32		(14)
Cabinet Office	Sir Vernon Ellis, Chair	Chair Arts and Media Honours Committee	29		
Bucerius Education GmbH	Martin Roth	Curating Member	14		
Cumberland Lodge	The Right Hon Baroness Prashar	Trustee	12		
NCUB	Professor Janet Beer	Board Member	10		
Goethe-Institut	Martin Roth	Trustee	9		
Victoria and Albert Museum	Martin Roth	Director	7		(1)
Herald and Times Group (Newsquest media group)	Tom Thomson OBE	Managing Editor	6		
UK Citizens Online Democracy	James Cronin	Director and Trustee	5		
Stroud High School	Rosamund Marshall	Husband is Governor	4		
British Chamber of Commerce	Roland Davies and Sally Goggin	Board Members	4		
UCAS	Professor Janet Beer	Board Member	1		
Universities UK (UUK)	Professor Janet Beer	Vice President	1		
Charity IT Leaders	Laura Dawson	Chair of Trustees	1		
mySociety Ltd	James Cronin	Director	1		
Design Dundee Limited	Martin Roth	Director			(80)
Royal College of Art	Martin Roth	Member of Council		7	

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

21 Contingent liabilities

The British Council is estimated to have contingent liabilities of £0.3 million (2014–15: £0.5 million) in relation to ongoing legal action, £0.2 million (2014–15: £nil) in respect of potential obligations to certain suppliers if various claims for tax exemption are not forthcoming and £0.3 million (2014–15: £0.2 million) relating to bank guarantees issued under various contracts, which may be called if the British Council does not meet its contractual obligations. No losses are expected to arise under these arrangements.

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

Under an agreement reached with HM Revenue & Customs in respect of the taxation of short-term business visitors, the British Council will be due to pay, on or before 31 January 2017, additional employment tax liabilities in respect of staff based overseas who have made working visits to the UK in the period. No provision has been made for this liability at 31 March 2016 since it depends on the relevant individuals' particular circumstances, so until the relevant data has been collected and personal tax returns prepared it cannot be measured with sufficient reliability.

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 2016.

22 Financial instruments

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

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

- Loans and receivables: the British Council values loans and receivables initially at fair value and subsequently at amortised cost. The British Council does not intend to trade loans or receivables.
- Assets available for sale: the only assets that the British Council holds under this category are cash and short-term investments. These are stated in the accounts at fair value.
- Financial liabilities: the British Council's policy is that short-term creditors are recorded at carrying value and long-term creditors are reflected at amortised cost where reasonable timescales exist over which to discount and where this is materially different from carrying value.
- Financial assets and liabilities are valued at fair value through profit or loss: the British Council uses forward foreign exchange contracts to reduce exposure to movements in exchange rates. These contracts are carried at fair value, and any gains or losses in fair value are recognised in the statement of financial activities in accordance with section 11 of FRS102.

Credit risk

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

Liquidity risk

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

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

Currency risk

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

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

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

The British Council operates a foreign exchange forward hedging programme to cover up to 80 per cent of euro and US dollar exposures, the objective being to assist in achieving budget certainty. The British Council's current US dollar and euro exposures are limited by significant natural hedges and as a result, the British Council held no open euro or US dollar forward foreign exchange contracts as at 31 March 2016.

In 2015-16, the British Council also used forward foreign exchange contracts to manage its exposure to the Indian rupee by mitigating the effect of unfavourable exchange rate movements. At 31 March 2016, the fair value of the forward foreign exchange contracts held was £0.1 million (2014–15: 0.1 million). All expire within 12 months of the Balance Sheet date.

23 Contract activity as an agent

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

The resources from these contracts are analysed as follows:

	2015–16	2014–15
	£'000	£'000
Contract income	433	1
Contract expenditure	433	1
Current assets	351	400
Current liabilities	351	400

24 Post Balance Sheet events

In accordance with the requirements of FRS102, events after the end of the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. Apart from the following there are none to report:

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. The British Council holds bank accounts and investments denominated in foreign currencies as well as a considerable number of overseas operational properties, the value of which have changed with the fluctuations in the value of Sterling since the referendum result. A reasonable estimate of the financial effect of this event cannot be made at this time.

Our global network

We are on the ground in...

Afghanistan
Kabul

Albania
Tirana

Algeria
Algiers

Argentina
Buenos Aires

Armenia
Yerevan

Australia
Sydney

Austria
Vienna

Azerbaijan
Baku

Bahrain
Manama

Bangladesh
Dhaka
Chittagong
Sylhet

Belgium
Brussels

Bosnia and Herzegovina
Sarajevo

Botswana
Gaborone

Brazil
Rio de Janeiro
São Paulo

Bulgaria
Sofia

Burma
Mandalay
Rangoon

Canada
Montréal
Toronto

Chile
Santiago

China
Beijing
Chongqing
Guangzhou
Hong Kong
Shanghai
Wuhan

Colombia
Bogotá
Medellin

Croatia
Zagreb

Cuba
Havana

Cyprus
Nicosia

Czech Republic
Prague
Brno

Egypt
Cairo
Alexandria
Heliopolis

Estonia
Tallinn

Ethiopia
Addis Ababa

France
Paris
Lyon
Marseille

Georgia
Tbilisi

Germany
Berlin

Ghana
Accra
Kumasi

Greece
Athens
Thessaloniki

Hungary
Budapest

India
New Delhi
Ahmedabad
Bengaluru
Chandigarh
Chennai
Hyderabad
Kolkata
Mumbai
Pune

Indonesia
Jakarta

Iraq
Baghdad
Basra
Erbil

Ireland
Dublin

Israel
Tel Aviv
Nazareth

Italy
Rome
Milan
Naples

Jamaica
Kingston

Japan
Tokyo

Jordan
Amman

Kazakhstan
Almaty
Astana

Kenya
Nairobi

Korea, Republic of
Seoul

Kosovo
Prishtina

Kuwait
Kuwait City

Latvia
Riga

Lebanon
Beirut

Libya
Tripoli

Lithuania
Vilnius

Macedonia
Skopje

Malawi
Lilongwe
Blantyre

Malaysia
Kuala Lumpur
Kota Kinabalu
Kuching
Penang

Malta
Valletta

Mauritius
Rose Hill

Mexico
Mexico City

Montenegro
Podgorica

Morocco
Rabat
Casablanca

Mozambique
Maputo

Namibia
Windhoek

Nepal
Kathmandu

Netherlands
Amsterdam

New Zealand
Auckland

Nigeria
Abuja
Kano
Lagos
Port Harcourt

Occupied Palestinian Territories
East Jerusalem
Gaza
Hebron
Nablus
Ramallah

Oman
Muscat

Pakistan
Islamabad
Faisalabad
Karachi
Lahore
Multan

Peru
Lima

Philippines
Manila

Poland
Warsaw
Kraków

Portugal
Lisbon
Coimbra
Miraflores
Paredes
Porto

Qatar
Doha

Romania
Bucharest
Cluj
Iasi

Russia
Moscow

Rwanda
Kigali

Saudi Arabia
Riyadh
Jeddah
Al-Khobar

Senegal
Dakar

Serbia
Belgrade

Sierra Leone
Freetown

Singapore

Slovakia
Bratislava

Slovenia
Ljubljana

South Africa
Johannesburg
Cape Town

South Sudan
Juba

Spain
Madrid
Barcelona
Bilbao
Guadalajara
Palma de Mallorca
Segovia
Valencia

Sri Lanka
Colombo
Jaffna
Kandy

Sudan
Khartoum

Switzerland
Bern

Taiwan
Taipei

Tanzania
Dar es Salaam

Thailand
Bangkok
Chiang Mai

Trinidad and Tobago
Port of Spain

Tunisia
Tunis

Turkey
Ankara
Istanbul

Uganda
Kampala

Ukraine
Kyiv
Lviv
Odessa

United Arab Emirates
Abu Dhabi
Dubai
Sharjah

United Kingdom
Belfast
Cardiff
Edinburgh
London
Manchester

United States of America
New York
Los Angeles
Washington DC

Uruguay
Montevideo

Uzbekistan
Tashkent

Venezuela
Caracas

Vietnam
Hanoi
Ho Chi Minh City

Yemen
Sana'a

Zambia
Lusaka

Zimbabwe
Bulawayo
Harare

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

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

If you would like a copy of this publication in an alternative format please email your request to trustees@britishcouncil.org

Details were correct as at 31 March 2016.