

Annual Report

2012–13

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Chair's foreword

2012 was an exceptional year for the UK and one which highlighted the power of shared cultural experiences to break down barriers and connect individuals and nations.

The success of the Olympics, Paralympics, Cultural Olympiad and Diamond Jubilee gave the UK renewed confidence on the world stage. Perceptions of the UK have been refreshed and updated internationally, paving the way for us to engage with others in new ways.

As the UK's cultural relations organisation, the British Council has an important role to play in this. Through our work we share the UK's best and most attractive cultural assets – English, the arts, education and our openness and pluralism as a society – with countries and people around the world. This year we again created new opportunities for the UK's great cultural and educational institutions to share their knowledge and expertise globally and to learn from their counterparts overseas. This exchange builds trust for the UK and strengthens its international relationships and standing.

Speaking at international conferences and symposia this year I have been pleased to note the respect and warmth expressed for the British Council as a world leader in the field of cultural relations. We are recognised as being a great asset for the UK, with the right approach for today's world. But there is also much that we can learn from our international counterparts. And we must not be complacent in the face of changing global dynamics and trends. The governments of emerging and high growth economies, for example, are recognising cultural relations as a vital part of how they engage internationally and are investing in it. We welcome the opportunities this brings, but recognise that we will have to work even harder to stay relevant and to maintain a strong voice for the UK.

To do this we must continually examine the value and impact of our work. We have recently commissioned independent research in ten countries of high economic significance to the UK to explore the relationship between trust and economic benefit. The results show that countries with a higher level of trust in the UK are significantly more likely to want to do business with us. Our research also shows that increased cultural relations activity is strongly associated with building the trust that in turn supports those stronger business links.

We must also challenge ourselves to do more. Once again this year I have returned energised from visits to some of our diverse operations around the world and excited by the huge potential that I saw there. In some places we are already working on a large scale. In Pakistan and India, I saw the significant impact of our English programmes right across school education and teacher development. Attending our major arts festival, UK Now, in China and visiting our extensive examinations operation there, I saw us meeting the challenge of making a difference in a country of over a billion people. But I am ambitious for us to achieve even greater impact on an even larger scale across all of our operations globally.

I am also ambitious for the British Council to do more at home in the UK. We must share our international contacts and insight even more widely with the UK's cultural and educational institutions and open new doors around the world for UK talent, knowledge and creativity. We must also continue to help equip the UK's young people with the language skills, international experiences and confidence that they need to compete in, and contribute to, the global economy.

To ensure that we are on target to achieve these ambitions, I have led the Board of Trustees again this year in a rigorous review of our strategic approach. We have recommitted to being an entrepreneurial public service which will grow faster and create more value for the UK and for everyone who uses our services. We will work on a larger scale through joint projects with like-minded partners and the imaginative use of new technology. We will create more international opportunities for the UK and raise people's awareness that those opportunities exist.

We know that cultural relations work plays an important part in building trust and creating influence for the UK. We are beginning to work on a larger scale. With still more ambition, still more imagination and using the powerful combination of the UK's great cultural assets, I am confident that we can maintain the UK's position as a world-leader for cultural influence into the future.

We share the UK's best and most attractive cultural assets around the world, building trust for the UK and strengthening its international standing.



We showcase the best of contemporary UK art around the world through our investment in works such as Mark Wallinger's stunning new sculpture, *The White Horse*, unveiled at our London headquarters in March this year.

V. J. Ellis

Sir Vernon Ellis
Chair British Council

Chief Executive's introduction

I am proud of the British Council's contribution to an exceptional year for the UK, both at home and around the world.

This year was also significant for us in marking the halfway point of our four-year 2011–15 Corporate Plan. At the heart of this plan is our ambition to grow as an entrepreneurial public service, working innovatively with partners and earning income through paid-for services. By 2015 our government grant will have fallen to less than 20 per cent of our annual turnover compared with 27 per cent in 2010. We aim for turnover itself to increase over the same period by 30 per cent to over £900 million. We have set ourselves these challenging targets for one reason only – to fulfil our core purpose of creating international opportunities for the people of the UK and other countries and building trust between them on a much larger scale than ever before. We know there is huge global demand for English, education and the arts and we intend to do all that we can to ensure that the UK plays its part in meeting that demand.

Our results this year show that we have made good progress towards this aim, although we still have much to do if we are to achieve our goals by 2015. In total, we have involved over 550 million people in our work, exceeding our target and making a significant shift towards working with millions more people digitally. We have expanded our paid-for services, continued to develop new programmes and services tailored to meet demand, and made further savings to live within our reducing government grant. We have made this progress whilst maintaining good results for the quality and impact of our work.

Our financial performance has been strong with turnover at £781 million. We increased our earned income by £52 million, nine per cent up on last year despite the tough economic environment and continuing uncertainty, particularly in the eurozone. We again delivered excellent value for the UK taxpayer with our earned income making up 78 per cent of our total turnover. Worldwide, our teaching and examinations operations together achieved growth of eight per cent compared with last year. This year we exceeded last year's income from partnerships although turnover in our contracts work dropped. We recognise that we need to do more in these areas. Although we did not reach our stretching Corporate Plan target for 2012–13 we remain committed to achieving ambitious growth by 2015. At the same time, recognising the stresses this drive for growth will bring, we will strengthen our control environment and management of risk to ensure they keep pace with the increased scale and complexity of our operations.

As a public service with an entrepreneurial approach, we grow our earned income only through activities which create cultural relations benefit and we ensure that we are trading fairly. We recognise that being entrepreneurial is not just about earning income but also about finding innovative ways to create greater impact on a larger scale. We do this by working with governments to support policy change, with partners whose skills, resources and contacts help us to do more than we could do alone and through digital channels which allow us to reach new and larger audiences.

This year, for example, we helped governments across Latin America develop policies to respond to the massive demand for English in the region. We also reached an agreement with the Thai and Indian governments to provide English language content for tablets being used across their school systems. Our partnership with Microsoft to transform education through technology in Sub-Saharan Africa attracted extra support from Intel® Corporation and global charity World Vision. An extensive range of public and private sector partners were critical in working alongside us to launch our most ambitious and biggest ever arts festivals in China and Brazil. And we have a new partnership with Nokia with whom we aim to bring English learning services to nine million mobile phone users by 2015.

As a public service we also operate on a smaller scale, often supported by our core government grant, to build trust for the UK with countries experiencing difficult times. In Hammamet in Tunisia this year, for example, we brought together leaders from North Africa and the UK to discuss how best to respond to the expectations for change of the region's young people. A small beginning but we hope a step towards something greater for the future. Welcoming Aung San Suu Kyi to a British Council event in London this year, I was reminded that our current position in Burma as a trusted partner delivering large-scale projects owes much to the fact that we stayed in that country, working on a much smaller scale, throughout its years of isolation.

As the UK's body for international cultural relations, we also played our part in realising the educational and cultural ambitions of London 2012 to touch the lives of people around the world. The events of 2012, together with the UK's vibrant culture, have seen the UK recognised as the number one country in the world for cultural influence or soft power. Research we commissioned



This year we brought an international dimension to the work of 10,000 UK schools, supporting the UK's young people to develop the skills they need for success in a globalised world.

from Ipsos MORI has also shown that the UK's international reputation has been enhanced by 2012, creating new interest in visiting, studying and doing business here. Working with UK partners, including through the government's GREAT campaign, we will build on this success to help keep the UK among the world's favourite countries for language, education and culture. We will also continue to lead discussion and thinking on the role of soft power and its importance in today's world.

Understanding the value of international cultural exchange is crucial for the UK's young people, who have again been a priority for our work this year. I am pictured here with some of them on a visit to one of the 10,000 UK primary schools which received education packs on Chinese culture and language as part of our China Week campaign. With partners HSBC, we also ran our tenth Mandarin speaking competition for secondary school pupils. Erasmus, our European Union-funded higher education mobility programme achieved a sixth consecutive year of growth. Through activities like these we continued to raise young people's awareness of the importance of language skills and an international outlook to their future prospects in a global economy.

This year we have recommitted to operating as an entrepreneurial public service. We will find new ways to work on a much larger scale where that is possible and be more imaginative about how we can still create impact where it is not. We will continue to challenge ourselves to grow, earning more income, working with a greater range of UK and overseas partners and exploiting the exciting possibilities of new technology. We will play our part in enhancing the global cultural and educational standing of the UK and, through the lasting value we create for the UK, we will remain an organisation of which the UK can be proud.

Martin Davidson CMG
Chief Executive British Council

There is huge global demand for English, education and the arts and we intend to do all that we can to ensure that the UK plays its part in meeting that demand.

About the British Council



We connect people from the UK with people from around the world.

About the British Council

The British Council is the United Kingdom's organisation for cultural relations and educational opportunities.

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

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

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

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

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

Since 1934, we have been developing our understanding of what the UK has to offer together with an on-the-ground knowledge of other countries. It is this combination which gives us our unique strength as an organisation.

How we work

We are an entrepreneurial public service, earning our own income as well as receiving grant funding from government. By 2015 our grant will be less than 20 per cent of our total turnover.

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

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

We have a strong network across the world, working in 110 countries and territories. Our presence in, and understanding of, so many countries means we can respond effectively and flexibly to meet the UK's long-term international aims.

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

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

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

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

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

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

Our work for the UK

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

Each year we help well over two million people in Scotland, Wales, Northern Ireland and England to improve their skills and to gain international experience.

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

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

This year we have continued working with the UK government, Visit Britain and UK Trade and Investment as part of the GREAT Britain campaign, promoting UK higher education and creativity in important international markets.

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

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

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

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

Our plan through to 2015

The four years covered by our 2011–15 Corporate Plan reflect the four years of our spending review settlement from government. We produce a refreshed version of our Corporate Plan every year but our main goals up to 2015 have remained the same. This Annual Report gives the results we achieved in the second year of our 2011–15 Corporate Plan.

The spending review settlement led to a 26 per cent reduction in our government grant over four years. Whilst some difficult decisions on cuts are inevitable as a result, our overall aim by 2015 is to expand our impact, activity and turnover through income growth.

Up to 2015 we are working towards the following outcomes in our three main business areas:

English	More widespread and better quality teaching, learning and assessment of English worldwide.
Arts	New ways of connecting with and understanding each other through the arts.
Education and society	Enhanced UK leadership of, and shared learning from, international education. Societies whose young people, citizens and institutions contribute to a more inclusive, open and prosperous world.

Each of our individual programmes and services is designed to make a long-term difference which will contribute to the achievement of these outcomes.

How did we perform in 2012–13?

Our work was high impact

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

80 per cent said that it had also meant changes to the organisation they work for.

79 per cent said that their links with the UK were strengthened as a result of taking part and **87 per cent** that their view of the UK's contribution to their sector was improved.

In a survey of 1,000 influential participants in the UK, **94 per cent** said that working with us had led to the strengthening of international links and collaboration.

We worked with more people digitally and through exhibitions

12.7 million people came to exhibitions, fairs and festivals this year – a significant increase on last year's figure of 9.5 million, and way over the target.

Digital participation went up significantly from 73 million to **90 million**. People using online learning and social networks went up from 4.6 to **8.4 million**.

We worked with **10.8 million** people face-to-face compared with 12.5 million last year – a good result compared with the target, even though less than last year.

The quality of our work was high

Customer satisfaction remained high at **82**, meaning that the significant majority of our customers fall within the range where they agree or strongly agree that our programmes are of high quality.

The percentage of customers who would recommend the British Council (net advocacy) was disappointing at **52 per cent** compared with 58 per cent last year, though this still compares well with external benchmarks.

We were good value for money

For every £1 of Foreign and Commonwealth office grant we generated **£3.56** of income from other sources.

We increased our turnover by nearly £43 million to **£781 million** compared with last year, although we missed the tough target we set ourselves in our Corporate Plan by £18 million.

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

We met our efficiency and savings targets of **£14 million** and made cuts which enabled us to live within our means.

The costs of our worldwide 'platform' went down from **17 per cent** of total spend in 2011–12 to **16 per cent** this year.

Progress towards our main 2015 goals

This year marks the half-way point in our four-year 2011–15 Corporate Plan. We have made good progress towards achieving our goals for 2015, but recognise that there is still much to do over the next two years if we are to meet all of our ambitious targets, particularly for income growth.

Our priorities for the next two years are to accelerate the development of new products and services, increase our income and impact and become even better value for money.

Our main goals up to 2015

Respond on a much larger scale to the huge global demand for UK English, qualifications, international education opportunities and the arts, particularly through developing new products and services and increasing our use of digital channels.



We have already developed a number of new products and services, some with UK partners, in areas including higher education research links, arts showcasing, market intelligence and English language teaching, learning and assessment. We have plans for more over the next two years. The number of people we work with through digital channels rose by nearly a quarter to 90 million this year and is on track to meet our target of 100 million by 2015.

Expand our English teaching services and delivery of UK-backed qualifications to young and adult learners.



Our teaching and examinations business grew by £30 million this year, an eight per cent increase on last year. We have now increased our examinations income target for 2014–15. Over the next two years we will develop more new services, providing some of these free of charge to large numbers of teachers and learners through digital and broadcast media.

Do more in partnerships and through contracts with governments, donors, corporations and foundations for a much greater impact than we could achieve alone.



This year we exceeded last year's income from partnerships although turnover in our contracts work dropped. A particularly challenging rate of growth will be required to meet our 2015 targets in these areas. We have grown existing partnerships and developed new ones in 2012–13 and need to build on this up to 2015. Our Board of Trustees has set up a sub-committee this year to support the further development of our contracts work.

Increase our total turnover to over £900 million by 2015 from £693 million in 2010–11, despite the reduction in our UK grant.



Our turnover increased by six per cent this year to £781 million, good progress given the economic climate, although short of our £799 million target. We will need to achieve a very stretching level of growth over the next two years to meet our 2015 target.

Create impact on the teaching and learning of English on a much greater scale by working under contract with governments to transform English teaching across their education systems.



We now have major contracts with governments across the world including in Tanzania, Uruguay, Malaysia, Ukraine, India and South Africa. This work will continue to develop up to 2015 and beyond as we support the growing English language needs of further and higher education across the world.

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



We have exceeded all our participation targets for 2012–13 and are on track to achieve our targets for 2015. At the same time, our results for quality and impact have stayed high. We will review the few instances where results remain good but have come in below target and we will take action as needed.

Our main goals up to 2015

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



We are still operating in 110 countries with no country closures this year. Supporting the UK's commitment to development, we have re-allocated government grant to South Asia, the Middle East and Africa, where we have limited opportunities to fund this work through earned income. As planned, we are growing income to maintain our presence and impact for the UK in other regions, with East Asia and EU Europe on track to be over 90 per cent funded by self-generated income by 2015.

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



Good progress with 55 per cent of FCO grant now spent on development, up from 45 per cent in 2010–11, with increases particularly in Sub-Saharan Africa and expanded programmes in, for example, support for teachers of English and science links.

Make savings and cuts of £70 million on grant-funded work by 2015, increasing our efficiency and re-shaping our overseas network.



On track with £40 million having been achieved up to the end of 2012–13 as planned. We will need to make further savings and cuts of £30 million over the next two years to reach our 2015 target.

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



We are on track to meet this goal. FCO grant fell to 22 per cent of turnover in 2012–13 compared with 24 per cent last year and 27 per cent in 2010–11. Our infrastructure costs reduced further in 2012–13 to 16 per cent of total costs compared with 17 per cent in 2011–12.

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



We have developed professional skills through hiring more external expertise globally, training our existing staff and investing for the long term through new graduate and intern programmes.

Develop global teams as a standard way of working using technology to draw on the expertise of all our staff wherever they are in the world.



Improved technology is now helping global teams to work more effectively. We will continue to invest in this area to support better global team working.

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



Evidence that we have upheld our values this year includes: our success at meeting our equal opportunity and diversity targets globally, the high rates of satisfaction from our customers on their interaction with us and high levels of pride in working for us reported by our staff.

Headlines from the year

APRIL 2012

Digital English

We launch our new LearnEnglish Teens website, adding to our portfolio of English language learning websites which provide high quality, free resources to millions of English teachers and learners worldwide.

LearnEnglish Teens

www.britishcouncil.org/learnenglishteens

Supporting UK education

British Council Services for International Education Marketing begins its inaugural year, offering UK educational institutions a new range of services to help them operate across 46 markets worldwide.



SUPPORTING UK EDUCATION

MAY 2012

Afghanistan at the Globe

We support companies from nine countries to take part in the London 2012 World Shakespeare Festival, including Roy-e-Sabs, a company spearheading the revival of the performing arts in Afghanistan.



ROY-E-SABS AT THE GLOBE

MAY 2012

Offering international opportunities

Erasmus, our EU-funded student mobility programme celebrates its 25th anniversary with alumni speaking of how the programme has changed their lives for the better. The highest ever number of UK students take part this year.



CELEBRATING 25 YEARS

JUNE 2012

Education for Burma

We host a discussion on civil society and democratic culture with Aung San Suu Kyi. The Nobel Peace Laureate speaks of her close personal relationship to the British Council and we announce our new commitment to helping Burma develop its education sector.



AUNG SAN SUU KYI

JULY 2012

London 2012

Using the inspirational power of the Olympic and Paralympic Games, our London 2012 programme helps people all over the world to take part in the Cultural Olympiad, to make new international connections through school links and to learn English through special materials linked to the Games.



Cultural Olympiad

We help artists from the UK and around the world to work together on major Cultural Olympiad events including Unlimited, a ground breaking initiative celebrating Deaf and disabled arts, the Big Dance event and BT River of Music.



REMIX DANCE COMPANY

AUGUST 2012

Medal success

Personal triumph for British Council Programme Manager Susie Rodgers as she wins Bronze medals in three Paralympic swimming events.

Culture summit in Edinburgh

With partners in Scotland, we bring together 90 cultural leaders for the first ever international culture summit to explore the critical role of culture in international relations.

AUGUST 2012

Enhancing English assessment

Our innovative global English assessment test British Council Aptis goes live, giving a range of organisations a flexible new way to assess the English language skills of their people.

SEPTEMBER 2012

UK–Brazil links

Linking London 2012 and Rio 2016, we announce Transform – our most ambitious ever arts and cultural festival which will run for four years, strengthening the UK–Brazil relationship.

Improving lives through sport

As part of our new partnership with Premiership Rugby, UK rugby coaches begin working with children in Brazil to help them develop life skills through sport, and tackle some of the social issues affecting their communities.



TRY RUGBY

NOVEMBER 2012

Supporting change

Our inaugural Hammamet Conference in Tunisia brings together leaders from the UK and North Africa to examine some of the major political, social and cultural issues in the region, including how to respond to the rising expectations of young people.

DECEMBER 2012

UK Now in China

UK Now, our largest ever festival of UK arts in China, comes to an end. For over eight months, at least one event has taken place on every single day with a total of nearly 800 artists presenting the best of the UK's arts to audiences across China.



UK ARTS IN CHINA

FEBRUARY 2013

Indian Jubilee scholars

Indian Jubilee scholars visit Downing Street. Launched by the British Council and the UK government this year as part of the Diamond Jubilee and the GREAT campaign, the Jubilee Scholarship scheme supports young Indians to study in the UK.



JUBILEE SCHOLARSHIP SCHEME

Links with China

Chinese New Year provides the focal point for our China Week campaign in the UK which aims to raise awareness of how we can help foster educational links between the UK and China, including for the UK's young people.



CHINA WEEK UK

MARCH 2013

UK–Russia Year of Culture

The UK Foreign Secretary William Hague and Russian Foreign Minister Sergey Lavrov announce a 2014 UK–Russia Year of Culture. We begin work on a programme of events to deepen cultural ties between both countries.

Turkey at the London Book Fair

We announce that Turkey will be the market focus country for the 2013 London Book Fair. We will help bring the best of contemporary Turkish writing and publishing to the UK, giving UK audiences a rare opportunity to interact with Turkish writers.

Going Global in Dubai

Going Global, our major higher education conference, is held for the first time in Dubai and leads to memorandums of understanding between the UK and the United Arab Emirates and Qatar to develop new education and research partnerships.



GOING GLOBAL CONFERENCE

Working with partners

This year we have again developed innovative initiatives with a range of partners to increase the scale and impact of our work.

NOKIA

The major partnership we established with **NOKIA** this year will bring high quality English language content to young people globally via mobile technology. Nokia Life Learn English is aimed at the next billion people in emerging markets who will connect to the internet via mobile phones.

HSBC

The British Council and **HSBC** have been working together for 14 years to promote the teaching of Mandarin and Chinese culture in UK schools and strengthen UK school partnerships with China. We have also just completed the second year of HSBC Kids Read – a programme helping 35,000 school children across ten countries in the Middle East and North Africa improve their English and literacy through reading and storytelling.



Our partnership with **Tullow Oil** to deliver their US\$6.6 million Tullow Group scholarship scheme began two years ago. So far the scheme has attracted more than 18,000 applicants and awarded over 120 scholarships to students from Sub-Saharan Africa to study at leading UK and European universities.



Our education alliance with **Microsoft** grew this year to include a new initiative in partnership with **Intel® Corporation** and **World Vision**. 'Spark a Child's Digital Future' will combine the resources of all four organisations to bring ICT to schools in rural communities in Africa, helping children to bridge the digital divide and develop the skills needed to enhance their educational and economic prospects.



Qatar–UK 2013, a celebration of the strong relationship between Qatar and the UK, is being co-ordinated by the British Council and **Qatar Museums Authority**. World class events in arts, education, sports, science and innovation, sustainability and community development will take place across both countries, with an accompanying outreach programme for schools and universities. The programme is being sponsored by **Qatargas**, **Shell** and **Vodafone**. HRH the Prince of Wales is the UK Patron of Qatar UK 2013 and the Qatari Patron is the Crown Prince, Sheikh Tamim, the second child of the Emir with Sheikha Moza.



The British Council, together with partners **Goethe-Institut Minsk** and **Alliance Française de Moldavie**, has been awarded a €2 million grant for a project to help 300 young Belarusians deepen their links with, and understanding of, people across the EU through engaging with EU culture, politics and languages.



Building on the British Council's work in Nigeria in schools and teacher training, we have been awarded a US\$476,000 grant by the **MacArthur Foundation** for a two-year research project. The project will look at the effectiveness of in-service teacher training in Nigeria and the impact this has on the educational outcomes of secondary school students, particularly girls.

DIAGEO

Our long-standing relationship with **Diageo** helps to develop employment opportunities in South and East Asia through entrepreneurship training, enterprise development, and policy discussions. This year, Malaysia and India joined existing participating countries China, Indonesia, South Korea and Vietnam. We are also working with Diageo on a new initiative to empower women in Asia.



A new initiative with **Skype** will enhance the web-based services we offer to schools, allowing them to develop more cost effective and wide-reaching online international partnerships. Schools in our programmes will be able to use Skype to run collaborative lessons and projects with 59,000 teachers and classrooms in over 200 countries and connect their pupils face-to-face via Skype video.



The **Henry Luce Foundation** has awarded the British Council US\$450,000 over three years for the Bridging Voices project. This will support a series of transatlantic academic collaborations aimed at supporting policy makers to develop policies reflecting an accurate understanding of religion and its impact on foreign relations.



Our long-running partnership programme with the **Premier League**, Premier Skills, uses football to help young people around the world develop the life skills they need for a brighter future. In 2012–13 the programme trained 510 coaches and referees across 17 countries and reached over 70,000 young people.



The British Council and **Abu Dhabi Music and Arts Foundation (ADMAF)** began a two-year £850,000 programme this year to build skills in cultural management and creative enterprise in the United Arab Emirates with support from the UK's arts sector. High profile performances and exhibitions will contribute to the growth of cultural institutions in Abu Dhabi and give young Emiratis the chance to develop their vocational skills.

Sharing the UK's great cultural assets



We share our culture and we learn from the culture of others.

Sharing the UK's great cultural assets

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

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

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

Working with UK partners, we help people around the world to learn English and to gain UK qualifications, giving them greater access to educational and employment opportunities. With the best of the UK's arts and creative industries, we support prosperity by helping countries to develop their creative economies. Our arts work also helps to give people a voice, especially in times of instability and change. We involve a wide range of UK organisations in our education and society work, supporting the development of education systems and strong civil societies worldwide.

We also look for innovative ways to bring our English, arts, education and society work together to achieve more impact.

Our London 2012 programme, for example, involved all three of our business areas. Using the inspirational power of the Olympic and Paralympic Games as a focal point, this programme helped people all around the world to make international connections through school links, to participate in Cultural Olympiad arts events and to learn English through new materials linked to the Games.

We will build on the experience of London 2012 to involve people from the UK and around the world in cultural and educational activities to mark some of the UK's forthcoming major anniversaries and national events. These will include the Glasgow 2014 Commonwealth Games, the 2014–18 First World War Centenary and the Shakespeare anniversaries in 2014 and 2016.

We support the UK's cultural and educational institutions to share their knowledge and expertise globally, to learn from their counterparts overseas and to develop new international links which create trade and export opportunities.

English

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

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

We do this through face-to-face teaching and blended courses; through supporting English language teaching and learning in public education systems; through providing materials in a wide range of media for self-access learning and by managing English language examinations and other UK qualifications across the world.

Through a combination of our free-access and paid-for services, and by involving UK providers in meeting the demand for English, we benefit teachers and learners worldwide. Our English and examinations activity has doubled in the last five years and continues to grow.

In **face-to-face teaching** we have taught learners at over 82 teaching centres in nearly 50 countries, growing and adapting our services as demand has increased and customer preferences have changed. We also help provide quality assurance for UK providers.

Highlights this year include:

- Opening new branches in **France**, with Marseilles and Lyon the first centres outside Paris. We have also expanded in **Thailand** with new centres opening in Bangkok.
- Starting teaching in the **Palestinian Territories** and **Iraq**. We have adapted to these challenging environments with a more 'local', affordable and sustainable model. In the Palestinian Territories, we are working with a partner university in Ramallah and developing capacity in our East Jerusalem office for launch later in 2013.

- We continued to run **Accreditation UK**, the UK English language teaching sector's quality assurance scheme. This accredits over 550 UK schools, colleges and universities as providers of quality English language learning and links them to education marketing in 37 countries.

English for education systems involves working at policy level with ministries of education worldwide to improve the quality of English teaching in schools, and to support growing demand for English in further and higher education. Working more at this level allows us to create greater impact on an increasingly larger scale.

Highlights this year include:

- In **South Africa**, our project with the Department of Basic Education and ten universities aims to provide training in teaching English to all primary school teachers, as part of the reform of primary education. In **Tanzania**, our Department for International Development (DFID)-funded contract is training 1,650 teacher training college tutors, leading to improved training of 70,000 student primary and secondary school teachers.
- In **India**, our jointly-funded project with DFID in Bihar state is training 40,000 teachers over two years and in Maharashtra State, we are managing a state government-funded project to train over 67,000 primary school teachers by 2014. In **Malaysia**, we are working with the Malaysian Ministry of Education and over 6,000 teachers to improve English skills in schools.
- In **Uruguay**, we are managing a groundbreaking project to provide English lessons for primary school children, using teachers around the world to deliver lessons and teacher support via video conferencing. In **Ukraine**, we are working with the Ministry of Education and 27 regional bodies to train all 27,000 secondary school teachers of English in the country over five years, and provide resource packs for all secondary school English learners.

'I benefit every day from being able to speak English; if you speak English, more doors open every day, even in your own country.'

Bejan Matur, writer, Turkey

In **self-access learning** we continue to build on the success of our English learning websites, including **LearnEnglish** and **TeachingEnglish** and the newly introduced, **LearnEnglish Teens**. Through self-access channels we are now able to work on a much larger scale than before and to reach people who have not traditionally had access to English teaching.

Highlights this year include:

- We have increased our range of mobile phone apps and take up has been high with 2.3 million downloads so far. 13 million more people used our publications this year and our **Word on the Street** television series reached 38 million people. A further 39 million teachers and learners listened to our LearnEnglish and TeachingEnglish radio programmes.
- Our support for the **2012 Olympic Games** reached over 11 million teachers and learners with Games-inspired teaching and learning materials. Our continuing involvement in the GREAT campaign is expected to involve 600,000 English teachers and 40 million learners over three years.
- The **ESOL Nexus project**, financed by the European Integration Fund, is for migrant learners in the UK and their teachers. Since its launch in April 2012, extensive use has been made of the website and more than 1,300 learners and 900 teachers in the UK have registered on the site.

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

Highlights this year include:

- Working with Cambridge Assessment and IDP Education Australia to ensure **IELTS** remains the world's leading English test. We enhanced the security of the test and launched new online support materials for candidates. As well as widespread recognition in other markets, over 3,000 institutions in the USA now accept IELTS scores. Together, the IELTS partners delivered two million IELTS tests.
- **British Council Aptis**, our new global English language assessment service, was a major innovation in 2012. Aptis supports organisations to assess the English language abilities of their people. It has been taken in 26 countries since its launch in August 2012, over half taken through computer-based testing on our UK partner's e-assessment platform.
- We generated £70 million for UK examination boards and renewed agreements with a number of UK boards for distribution of their examinations.

We worked with:



Arts

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

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

The opportunities for **showcasing the best of UK culture** were exceptional in 2012.

Highlights this year include:

- We helped to ensure a truly international dimension to the **Cultural Olympiad** and the London 2012 Festival. We worked with partners to draw artists worldwide into a closer relationship with the UK, generating future international opportunities for those involved. 5,000 UK and international arts professionals participated in our cultural programme for London 2012 and 500,000 people attended British Council supported arts events in the UK. A total of 120 countries around the world took part in arts programmes such as **Big Dance** and **World Stages London**.
- In the UK, our season **Unlimited** was the largest ever celebration of Deaf and disabled arts and a major element within the Cultural Olympiad. Performing to near-capacity crowds, Unlimited brought disability arts to the centre of the world stage, capturing new international audiences and leading to further engagements for many of the artists involved. Unlimited will go on to form a significant part of the Qatar–UK Year of Culture and will be the first ever festival of disability arts in the Middle East.
- High profile collaborations between British musicians and artists from around the world in the **BT River of Music** festival. As part of this, 1,500 musicians entertained people in six venues along the River Thames during the Games. These collaborations, covering all continents, have deepened existing relationships and created new ones. In theatre, the **World Shakespeare Festival** and **World Stages London** reached thousands and forged lasting relationships between organisations in the UK and internationally.
- In China our largest ever showcase of British arts, **UK Now**, took place in 29 cities with 780 UK artists visiting 170 venues and reaching more than four million attendees. It built on the extraordinary boost given to Britain's image in China by the ground-breaking UK Pavilion at the 2010 Shanghai Expo and involved many of the UK's leading companies and institutions, such as the British Museum and English National Ballet. With an education programme running alongside the events, UK Now will nurture cross-cultural exchange and training into the future, creating commercial and artistic opportunities for the UK. China was also the market focus for the **London Book Fair in 2012**.
- In Brazil we launched **Transform**, our four-year programme of arts and creative exchange lasting from the London Olympic Games to Rio 2016. Through the programme we aim to reinvigorate arts work between both countries and create foundations for a permanently strengthened bilateral relationship. So far Transform has reached nearly one million people.
- At the **Venice Architecture Biennale** the exhibition, *Venice Takeaway: Ideas to Change British Architecture* broke new ground. It presented ambitious ideas from around the world with the potential for significant impact on architectural practice in the UK and beyond.

‘British creative industries need to seize the moment. The British Council understands this and has been doing sterling work in China and Brazil.’

Kirsty Lang writing in the *Guardian*, April 2013

Our work to support **cultural policy development** continues to grow.

Highlights this year include:

- Publication of **Voices of the People: Culture, Conflict and Change in North Africa** which examines the relationship between culture and social change. This research highlights the critical role that the UK arts sector can play in supporting people to create and share a fresh image of themselves and their culture. It shows how the sector has worked imaginatively and courageously alongside both new and existing counterparts to stimulate dialogue within and between people in their countries.
- In **Edinburgh**, we worked with the International Festival and Creative Scotland on the first ever International Cultural Summit of cultural leaders from 32 countries to discuss the role of culture in encouraging dialogue between nations.

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

Highlights this year include:

- In partnership with the Southbank Centre we brought together 100 cultural leaders from **Afghanistan** and the UK to explore the potential for the cultural sector in Afghanistan to contribute to future stability and prosperity.
- Initiatives to stimulate the development of the creative economy have included Innovation Labs in Egypt, Lebanon and United Arab Emirates and Culture Shift II, where participants looked for digital solutions to creative challenges in Nigeria, Kenya and Zimbabwe.

Looking to the future, we committed this year to **investing in our art collection** and our **Creative Economy** and **skills building** work, and to strengthening our network of global arts professionals online. We are also increasing support for **young artists from the UK** to work internationally.

Highlights this year include:

- Increased investment in the British Council's art collection including the commission of a stunning new work by Mark Wallinger and a new programme of touring exhibitions following the success of **Out Of Britain**, the first ever exhibition of British art to be shown in Saudi Arabia and Kuwait.
- A new **Creative Economy** programme, working with partner countries to empower local creative talent, boost cultural policy, improve infrastructure development and increase international connections.
- In partnership with Arts Council England, the launch of an **Artists' International Development Fund** to give opportunities to young artists to work internationally. 73 artists took their work overseas this year, making new international connections.

We worked with:

532,000

Artists, art lovers, cultural leaders and ministers

465,000

Artists and participants in online communities

9.5 million

Exhibition, festival, event and performance attendees

6.8 million

Website users

142.3 million

Viewers, listeners and readers

Education and Society

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

How we work: we recognise that providing people around the world with high-quality opportunities for education, skills and engagement in society helps address some of the most pressing issues of our time. Skills and educational attainment bring economic opportunity and enable participation in society leading to more prosperous and stable communities and nations. Working extensively with partners from other institutions, business, charities and governments, our programmes help to improve educational opportunity, build stronger societies and advance UK leadership in education.

Higher education and skills development are strong attractors to the UK. It is vital that we make connections with emerging economies, helping them to develop their education systems as well as encouraging the best international students to choose UK education. This brings economic benefit, strengthens ties with the UK and also enriches our own academic and skills sector. Our work concentrates on the international aspects of higher and skills education.

Highlights this year include:

- Improved promotion of UK education, following increased investment in the **Education UK** website, including from the GREAT campaign. This site aims to attract students to the UK and had over two million unique visitors, 20 per cent more than last year. Resulting course enquiries to UK institutions via the site more than doubled.
- **Erasmus**, the EU's higher education mobility programme which we manage in the UK, had a sixth successive year of growth, giving more of the UK's young people vital international experience. The programme involved over 13,000 periods of study overseas by UK students and over 2,000 staff training assignments.

- **British Council Services for International Education Marketing** supports the international market intelligence needs of UK institutions across 46 overseas markets. In its inaugural year, it served over 300 UK colleges, schools, and universities and reached 250,000 students.
- **Skills for Employability** brought education and industry leaders together to improve skills development and job prospects for young people in over 30 countries. For example, through a partnership we set up between UK and Pakistan institutions, a public sector vocational training institution now offers UK diplomas for the first time in Pakistan's history.

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

Highlights this year include:

- We ran our **Going Global** conference, the world's largest and only open conference for international higher education, in the Middle East for the first time, attracting over 1,300 education ministers, policy makers and practitioners to debate how best to prepare higher education for the future.
- We brought together education experts and policy shapers from East Asia and the UK in a series of **Global Education Dialogues** on higher education challenges. These have enabled UK institutions to seize new opportunities in the region and informed policy in areas such as vocational education.
- We created partnerships between universities in the UK and overseas to increase research productivity, citation rates and innovation. **Partnerships** between the UK and countries across Africa, the Middle East and Asia built networks and helped researchers and institutions to work on global challenges in science, health, engineering and skills.

- **Science** plays a critical role in our work. **FameLab**, run in partnership with Cheltenham Science Festival, supports scientists and engineers to build a global network and engage with international audiences. In 2012, we brought FameLab alumni from all over the world to the UK, involving a further 6,000 more UK participants.

Schools work connects UK schools to others around the world, enriches education, builds trust and increases young people's skills and understanding.

Highlights this year include:

- With the BBC, helping over 5,000 schools to collaborate internationally and over 900,000 students to work together on projects inspired by the Olympic and Paralympic Games.
- Enriching young people's education through **Connecting Classrooms**, co-funded by the Department for International Development, enabling 570 schools to start a new international partnership or benefit from teacher training.
- Through **Badiliko**, run in partnership with Microsoft, establishing 90 solar-powered digital classrooms in six countries across Sub-Saharan Africa, training 3,000 teachers to use IT equipment and helping 100,000 students gain new employment skills. Badiliko is now inspiring successor projects with additional partners.

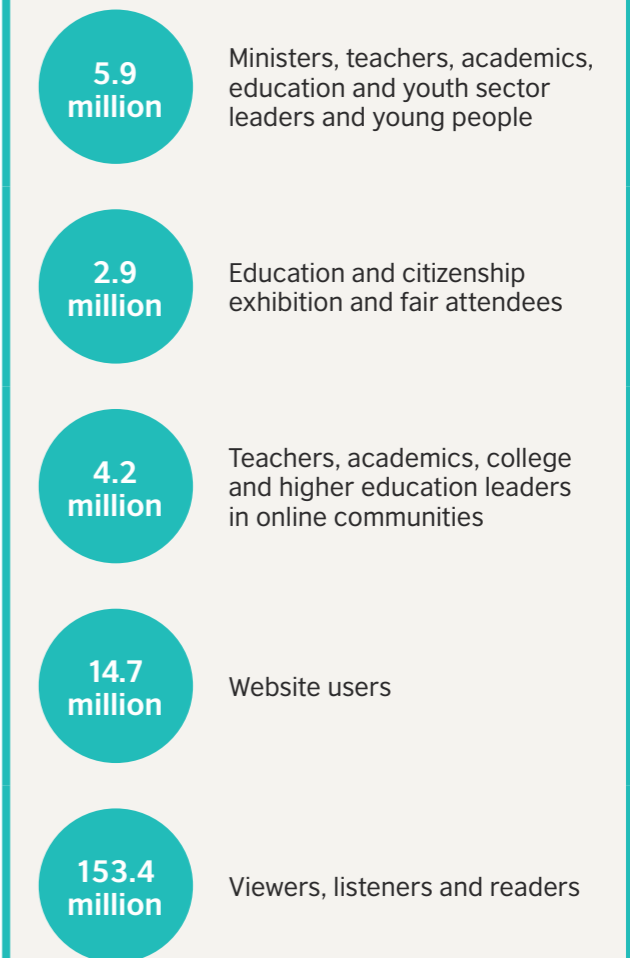
Society programmes aim to strengthen civil society and help young people, in particular, to find a voice and acquire leadership skills.

Highlights this year include:

- The **Hammamet** conference brought together a cross section of leaders from North Africa and the UK to explore the difficulties faced in building greater understanding after the regional uprisings in 2011.
- We led a number of DFID-funded programmes. These include **Pyoe Pin**, in Burma, improving economic opportunity through a network of communities to help farmers, businesses and families access and control natural resources and **Tawanmandi**, which supports civil society in Afghanistan.
- **Active Citizens** builds capacity in civil society leaders, benefiting marginalised communities around the world – from youth in South Sudan, to women in Egypt, to young people in East London. In Birmingham, for example, community leaders created an online television channel to improve local inclusion and involvement.

- Our Olympic legacy programme, **International Inspiration**, reached over 12 million young people in 20 countries, inspiring over 36 policy changes supporting sport education and serving as a model for future host countries to extend their Olympic legacy.
- **Skills for Social Entrepreneurs** uses international networks to support young people in setting up sustainable businesses. In China, we trained over 1,000 social entrepreneurs and reached over 12 million people through social media.

We worked with:



‘Our young people ... have developed and improved the skills necessary to work successfully with people from other countries and cultures and feel better prepared for entering the global jobs market in the future.’

UK teacher, Durham, on our Connecting Classrooms programme

Working in the UK and around the world



We work globally to help the next generation gain crucial skills and knowledge.

Our performance in 2012–13

The story our results tell this year is one of continued income growth, sustained impact and quality, and a shift towards increased participation digitally and through exhibitions and fairs.

Our earned income increased by £52 million or nine per cent compared with 2011–12. Impressive growth in a tough economic climate, though two per cent below the ambitious Corporate Plan target we set ourselves for 2012–13.

We had a significant impact on the lives of many people who took part in our programmes. UK participants continue to report particularly high levels of impact. In our Annual Impact Survey, Ipsos MORI once again reported very high levels of satisfaction with British Council activity.

The quality of our work stayed high. Our customer satisfaction score shows that overall our customers agreed or strongly agreed that our programmes are of high quality. Our 'net promoter' score has fallen this year, although still benchmarks well externally.

We involved more than 550 million people worldwide in our work. The number of people who participated in our activities digitally exceeded our target by 30 million, reflecting a planned shift to working on a much larger scale through digital channels. At the same time we exceeded our face-to-face target by over four million.

What we measure

Each year we set targets for and assess:

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

We set financial targets in our Corporate Plan and also targets for sustainability and diversity. We report on performance against those targets in the Financial Review and Accounts and the Governance and Good Practice sections of this report.

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

The impact of our work

We evaluate our impact through an Annual Impact Survey, evaluations of the success of individual programmes and through the Heads of Mission survey which gives us feedback from the Foreign and Commonwealth Office overseas each year.

Annual Impact Survey (AIS)

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

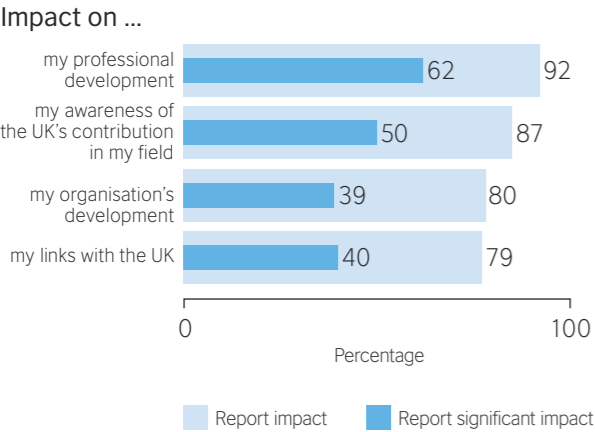
Each year we commission a survey of influential people such as teachers, community leaders and policy makers who have taken part in activities with us both overseas and in the UK. We survey people who were involved in British Council activity six to 18 months ago as we want to measure longer-term impact. This year the survey was again conducted by Ipsos MORI. The number of people surveyed increased and 50 countries were involved. As well as giving numerical data, the survey includes interviews with a sample of participants to give us more in-depth information.

The results of this year's survey are broadly similar to those from last year and tell us that we achieved significant impact both overseas and in the UK. As might be expected, participants have reported the highest level of impact on their professional development – 92 per cent amongst overseas participants and 96 per cent for the UK.

The survey also gives us information about where we need to improve and how we can make a greater impact. This year, for example, it has highlighted particular programmes which appear too ambitious or theoretical and others where we could have achieved more impact by managing networks which have been created, by increasing direct contact with UK citizens or by publicising the work of the programme more widely.

Impact on overseas participants

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

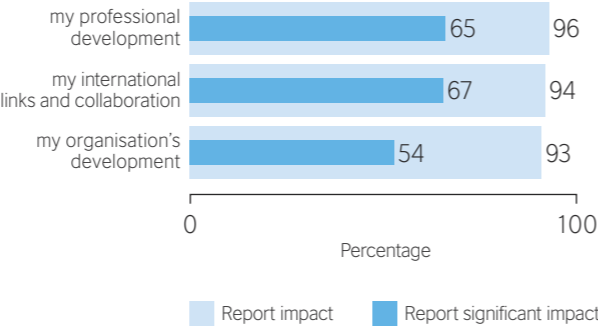


These results show that overall levels of impact have been maintained and that we are on track to meet our 2015 Annual Impact Survey targets. Once again, participants who have worked with us for longer, or been involved in more than one kind of activity, have reported higher levels of impact. Participants from less economically developed regions and countries tended to report higher levels of significant impact than others.

Amongst some of the high growth economies, results have been encouraging. India and Brazil have both scored highly, with participants from Brazil reporting a deep impact on their links with the UK and recognition of the UK's contribution to their sector or industry. Turkey also achieved high scores this year and Colombia increased its rating for impact on organisational development and professional life. Participants from Egypt and Indonesia reported improved scores for impact on their professional life.

Impact on UK participants

We ask UK participants about the impact of their involvement with us in three different areas. This year's results are shown below:



Like last year, the UK scores were higher than those for overseas participants.

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

Programme evaluations

The impact of some of our larger programmes, and of the programmes we deliver on behalf of others, is evaluated externally. Our International Inspiration, Premier Skills and UK Now programmes were evaluated this year and overall the findings illustrate that deep and sustainable change is possible but that it does take time.

International Inspiration, which began in 2007, is the London 2012 Olympic and Paralympic Games' international sports legacy programme. This year's evaluation shows that, as well as involving over 12 million people in sport, the programme has raised awareness of the role of sport in supporting the development of young people, particularly among policy makers. Over time it has also resulted in changes to sports policies and legislation, and led to improvements in school curricula, teaching and coaching resources.

Premier Skills, which we run in partnership with the Premier League, uses football to engage with young people in 20 countries around the world, developing their skills and improving community cohesion, education, health and English language skills for employment. This year's evaluation notes that short-term changes are visible in individual countries but the higher level expected outcomes will not yet be observable.

UK Now ran from April to December 2012 and showcased the diversity and vitality of the UK's arts and creative industries across China. The evaluation noted that it had operated on a far larger scale than originally planned, that the quality was high, and feedback from audiences and participants was overwhelmingly positive with some already planning future work in China as a result of their exposure. It is too soon to assess the longer-term impact.

Programmes run under contract

Five programmes managed by the British Council under contract on behalf of the Department for International Development were evaluated this year. One was assessed as 'outstanding' and one as 'good' with three not yet graded as they are at an earlier stage of implementation. Achieving a 'good' rating is highly regarded by both the evaluators and the donors themselves. 'Outstanding' ratings are rarely achieved.

Heads of Mission Survey

This year embassies and posts in 80 countries where we operate took part in the annual survey of our performance. Heads of Mission rate the impact we have made through our work in English, education and society and the arts, and the extent to which they feel we have offered good value for money. These two ratings are averaged out on a scale where zero indicates strongly negative views and 100 strongly positive views.

2012-13 RESULT	2012-13 TARGET	2011-12 RESULT
81	82	80

The 2012–13 result is one point above last year's result, though just below the Corporate Plan target. This year's score again falls in the range of 'good to excellent'.

We had a significant impact on the lives of many people around the world who took part in our programmes this year, with UK participants continuing to report particularly high levels of impact.

The scale of our work

Each year we measure the number of people we work with. This gives us a picture of the scale of our activity and helps us to see if we are reaching a critical mass of people in particular markets or locations.

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

This year’s results are shown below.

PARTICIPANTS IN OUR ACTIVITIES	2012–13 RESULT	2012–13 TARGET	2011–12 RESULT
Face-to-face People participating in activity where they come into physical face-to-face contact with others. Includes leaders, teachers, examinations candidates and teaching centre students.	10.8 million	6.5 million	12.5 million
Exhibitions, festivals and fairs and performances People attending exhibitions, live arts performances, and arts and education fairs and festivals.	12.7 million	7 million	9.5 million
Digital People participating through digital channels, social networks, online learning communities, websites, and mobile devices and apps.	90 million	60 million	73.3 million
Broadcast and publications People participating by watching, listening to, or reading British Council produced or co-produced content.	440 million	410 million	485 million

This year the number of people attending exhibitions and performances and those participating through digital channels was higher than the previous year, whilst the numbers involved face-to-face and through broadcast and publications went down.

Face-to-face participation was down compared with last year – largely in line with plans but also because of factors such as reduced numbers of language assistants following cutbacks in local authority budgets. The number of people involved in exhibitions, fairs and festivals tends to vary significantly from year to year, given the nature of the activity. The 2012–13 figures were up by just over 33 per cent, boosted in particular by large numbers of visitors to UK Now in China, and London 2012 events.

This year we worked with 90 million people through digital means – an increase of 23 per cent compared with the previous year. We have two broad categories of digital users – those who interact through social networks and online learning communities, and those who use websites or download mobile apps. This year the number of people using social networks and online learning grew to 8.4 million people, compared with 4.6 million last year.

The number of people who participated in our activities digitally exceeded our target by 30 million this year, reflecting a planned shift to working on a much larger scale through digital channels.

The quality of our work

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

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

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

QUALITY	2012–13 RESULT	2012–13 TARGET	2011–12 RESULT
Customer satisfaction	82	83	83
Net recommendation	52 per cent	59 per cent	58 per cent

Customer satisfaction is one point below last year’s high level. Overall this score means that a significant majority of our customers fall within the range where they agree or strongly agree that our programmes are of high quality.

Our net recommendation score for 2012–13 has fallen short of the target and is below last year’s result. The Net Promoter methodology is widely used, and allows us to benchmark our scores externally. Our score of 52 per cent still compares well with that of other high performing organisations and industries such as the computer hardware sector, which has an average score of 38 per cent, with Apple achieving the highest score of 59 per cent*. However, we will look closely at what we can learn from the fall in results this year and decide what action, if any, is needed.

*Source: Satmetrix European Net Promoter Industry Benchmarks 2012

Strategic research

This year we looked at the direct relationship between taking part in UK-related cultural activities and interest in working or doing business with the UK. This extended the analysis of our Trust Pays research, which was carried out by YouGov and Ipsos MORI among educated young people in Brazil, China, India, Pakistan, Poland, Russia, Saudi Arabia, Spain, Thailand and Turkey – important trading partners for the UK as well as being economic competitors. We published the results of this further analysis in *Culture Means Business*.

The critical finding from *Culture Means Business* was that people who have participated in cultural activities with the UK are significantly more likely to work or do business with the UK than those who have not. On average, they also rate the opportunities the UK offers as a place to do business more highly.

For young people, views on the UK’s business opportunities are closely related to wider perceptions about UK society and its cultural assets – notably the quality of its scientific research, its education system and its artistic and creative output.

Those who rate the UK highly as a place to study also tend to rate the UK highly for its opportunities for business and trade. The analysis also showed that, within the group of competitors which includes the UK, France, Germany and the USA, the UK continues to have very strong appeal as a destination for international study. This data is reflected in the UK’s high rankings in international league tables of student flows and educational exports.¹

The research also shows a correlation between the quality of the cultural relations experience and how positively the UK is viewed as a place for business. British Council involvement is, on average, associated with a more significant uplift in interest in, and rating of, UK business opportunities than activities without our involvement.

While cultural engagement has many benefits, the fact is that activity to improve skills, increase exposure to UK arts and culture and improve English starts a chain of impact which, over time, can be reflected in increased trade and business activity with the UK.

The results also indicate that the UK’s openness as a society and the sharing of its cultural assets through international engagement should be regarded as powerful elements in the UK’s plans for future economic growth.

¹ OECD, *Education at a Glance 2012: OECD Indicators*.

This year in the United Kingdom

Creating more international opportunities for our young people, for our world class education and culture sectors and for the UK as the home of the English language has remained at the heart of our work for all four UK countries in 2012–13.

Our role in an exceptional year for the UK

Our London 2012 programme of educational, cultural and sporting activities linked to the Olympic and Paralympic Games helped millions of people around the world to gain a greater awareness of what the UK has to offer this year. Millions of people in the UK also benefited from new international opportunities and experiences.

In total:

- 133 countries participated in our London 2012 programme
- 500,000 people attended British Council supported international arts events in the UK and 5,000 UK and international arts professionals were directly involved in our contribution to the Cultural Olympiad
- over 2,500 UK schools benefited from our programmes to set up new international school links
- 11 million people used our online English language materials inspired by the Games
- over 12 million children from the UK and around the world had their lives enriched through sport by taking part in International Inspiration, the official 2012 Olympics Legacy programme.

Our school linking programmes, run with the BBC, brought together over 900,000 students and 30,500 teachers to share work inspired by the Olympics, creating links which broadened the international outlook of children in the UK and overseas.

As part of Unlimited, a ground-breaking festival celebrating Deaf and disabled arts, we supported five international collaborations between artists from the UK and seven other countries which premiered in Birmingham, Cambridge, Liverpool, Newcastle and Weymouth before being included in a major showcase event in London. These collaborations reached an audience of over 65,000 through websites, exhibitions and performances and created new opportunities for UK Deaf and disabled artists to collaborate internationally.

In partnership with the Scottish and UK governments, the Edinburgh International Festival and the Scottish Parliament we convened the first ever International Culture Summit in Edinburgh. Ministerial delegations from over 30 countries met cultural policy makers and prominent artists to discuss the role of culture in relationships between nations.

Internationalising the UK’s young people

We work with the education departments of all four UK countries to broaden the international outlook of the UK’s young people and help them develop the skills they need to succeed in a globalised world.

This year over 10,000 UK schools were involved in at least one of our 30 different schools programmes. A further 8,000 joined our online schools portal to access information about international opportunities. In total to date we have now helped to give an international dimension to the work of 60 per cent of the UK’s schools and 50 per cent of the UK’s colleges.

We had a successful first year of a three-year programme with the Welsh government to expand international education in schools. In Scotland we have supported over 1,000 school partnerships and begun to develop a strategic partnership with Education Scotland.

Through our European Union-funded programmes, Comenius, Youth in Action and Erasmus we create international opportunities for young people of all ages. Erasmus supports students to study overseas and this year achieved a sixth consecutive year of growth with over 13,600 UK students taking part. In Scotland alone there has been a 34 per cent increase in the numbers of Erasmus students over the last four years.

Through the International Association for Exchange of Students for Technical Experience (IAESTE) programme we help arrange international paid work placements for UK technical students. IAESTE held its global conference for the first time in Northern Ireland this year, where we welcomed 250 delegates from over 70 countries.

Supporting UK higher education and English language providers

We now work with every university in the UK on a range of international education activities. Our support for international student recruitment contributes to bringing more than 350,000 students to the UK each year, creating an estimated export income of £14 billion for the UK. Through a variety of initiatives, we help UK universities to develop overseas partnerships.

Over 75 per cent of UK universities now use our transnational education service which supports UK institutions to develop and market educational programmes overseas and to find local delivery partners.

We promote the UK as an English language learning destination. This supports UK-based English language providers to enrol hundreds of thousands of English language students each year.

Supporting the UK’s arts and cultural sector

This year we made our largest ever arts investment in Northern Ireland in support of Derry–Londonderry as UK City of Culture 2013. As well as supporting artists from Northern Ireland to participate, we are also helping the festival to reach a wider international audience.

We continue to bring an international dimension to the Edinburgh Festivals, creating overseas links for the UK’s arts sector. This year we brought 50 world renowned writers to take part in the Edinburgh World Writers’ Conference. We also helped the National Youth Orchestra of Iraq to play in Scotland and supported a series of South African performances as part of the Edinburgh Festival Fringe.

In Wales we launched a new annual award to recognise emerging young Welsh artists and provide them with access and exposure to new audiences in Wales, the UK and internationally.

Performance headlines this year

- We offered 2.6 million face-to-face opportunities for people in the UK to gain international skills and experience in 2012–13, a ten per cent increase on 2011–12.
- We have achieved a year-on-year increase of 13 per cent in the number of UK schools, colleges, universities, youth organisations and other institutions participating in our programmes. In 2012 we worked with over 10,700 UK organisations on initiatives involving 167 different countries.
- Our interactive digital users doubled last year to nearly 600,000, and our UK website audience is up to over 17 million from 11 million last year.
- Our customer satisfaction score was very strong, up to 97 from 83 last year.
- Of the UK participants in our programmes surveyed for our Annual Impact Survey:
 - 80 per cent felt that our work has an impact on the international outlook of the UK’s arts and culture sectors and that it strengthens the UK’s international reputation in these fields
 - over two thirds in the English, education and society sectors agreed that our work boosts the UK’s reputation as a source of expertise in English language, education and skills development
 - around two-thirds reported an impact on their understanding of other countries, their contacts around the globe, and their professional confidence. More than half said that their experience had led to a more international focus within their organisation.

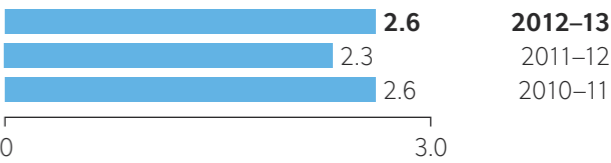
Customer satisfaction*

Score from 0–100

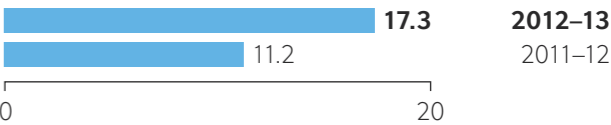


Participation

Total face-to-face (millions)



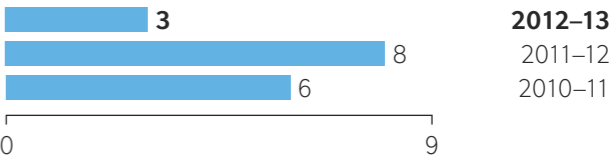
Digital (millions)**



Exhibitions, fairs and festivals (millions)

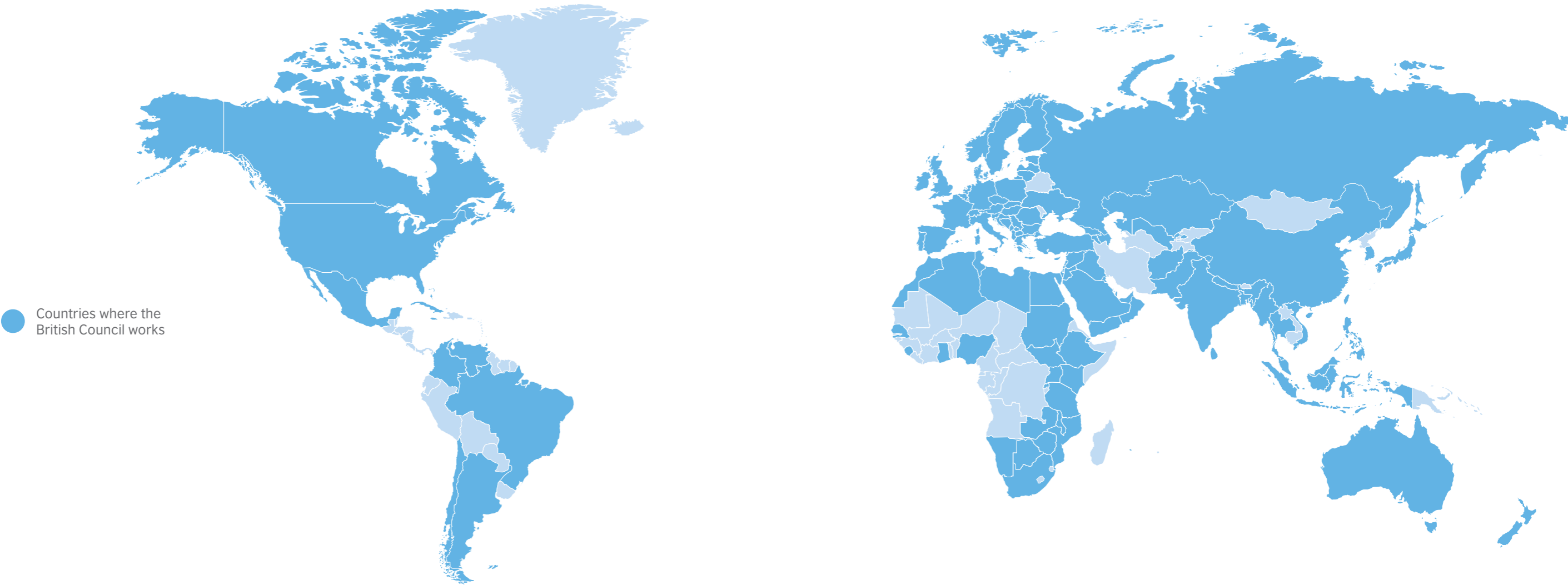


Publication and broadcast (millions)



* Data was collected from 2011–12 onwards.
** Comparable digital results are only available from 2011–12.

Countries where we work



The British Council has a presence in **110 countries and territories.**

Americas

The international importance of high growth economies in Latin America continues to rise, creating awareness in the UK of the need to forge new links with these countries. Through our work we help to build those links and also to maintain the UK's traditional ties with North America.

Strengthening the UK–Brazil relationship this year and linking London 2012 and Rio 2016, we launched *Transform*, the British Council's most ambitious ever four-year arts and culture festival. Artists including Antony Gormley, Brian Eno, Tracy Emin and the Royal Ballet brought British creativity directly to 850,000 people, and via media outlets to 20 million more across Brazil. In total, 25 arts organisations from the UK, and 40 from Brazil took part.

Also in Brazil, we began a partnership with Premiership Rugby to help improve community-centred health, education and social cohesion for young people through sport. Building on the inclusion of rugby sevens as an Olympic sport for the first time in 2016, we aim to double the number of rugby players in Brazil and bring British rugby community coaches to 12 cities in the state of São Paulo for a year.

Across Latin America we are increasingly working at policy level to meet the huge demand for English – our top priority. We returned to Uruguay after 37 years to deliver a ground-breaking contract for remote teaching of English which will provide 5,000 hours of teaching to 100,000 children in every primary school by 2015. In Chile, we will help 60,000 workers improve their English online through a £400,000 project financed by the Ministry of Labour. In Brazil we signed a contract to train 550 English language teachers. We also co-ordinated research across Venezuela into English teaching at every level and launched our English teaching resource pack featuring short films by young British film makers across Mexico. Our examinations business grew by 27 per cent this year.

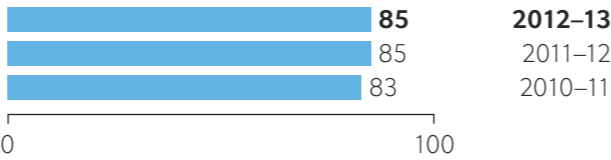
Promoting UK higher education, we drew record numbers of UK education institutions and students to our real and virtual fairs in Brazil, Mexico, the USA and Colombia. In the USA we ran a series of higher education events bringing together participants from 20 of the world's top universities to discuss shared international agendas.

Also in the USA, we secured a three-year \$450,000 grant from the Luce Foundation to support transatlantic policy discussions on religion and international affairs. Our partnership with Microsoft to transform education around the world through information technology continues to grow. New partners, including Intel® Corporation and World Vision, have already brought substantial extra resources to this work and a further 18 countries have expressed interest in the project.

In our Annual Impact Survey 85 per cent of participants in our programmes reported an impact on the strengthening of their links with the UK.

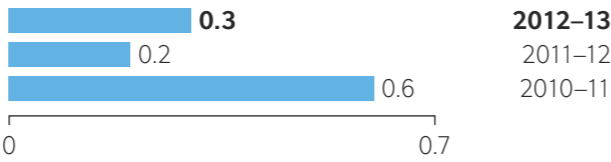
Customer satisfaction

Score from 0–100

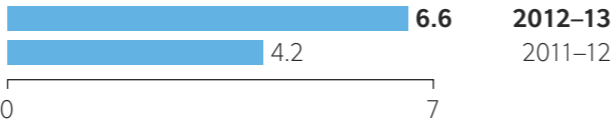


Participation

Total face-to-face (millions)



Digital (millions)*



Exhibitions, fairs and festivals (millions)

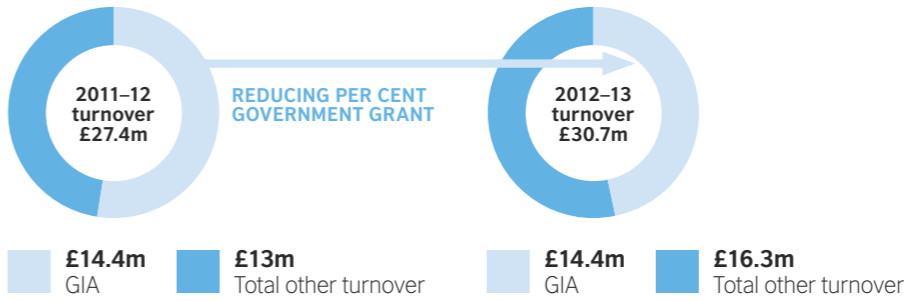
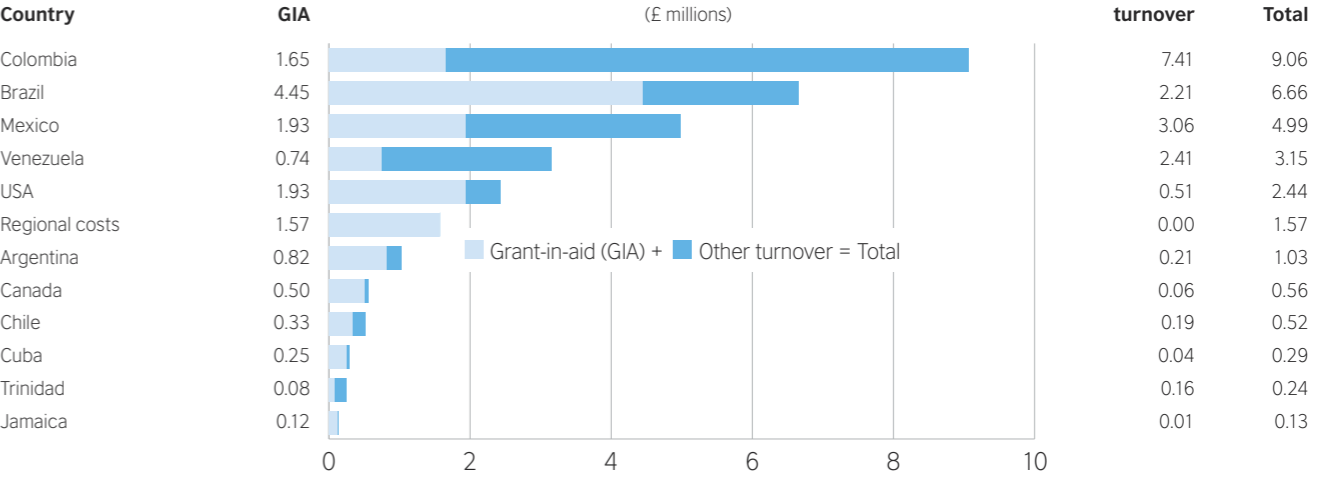


Publication and broadcast (millions)



* Comparable digital results are only available from 2011–12.

Funding data



The Americas includes some of the UK's most important international partners, both historically and for the future. Our work there helps to build new links for the UK with the increasingly important countries of Latin America and to maintain the UK's traditionally strong links with North America.

East Asia

There is enormous demand from the dynamic economies of East Asia for new skills and creativity to feed their dramatic growth. We work with UK private and public sector partners to meet that demand and also support the UK’s educational and cultural organisations to take up new opportunities in the region.

UK schools and universities are opening branches and developing joint courses across East Asia. Supporting this agenda, we involved leading UK academics and educational experts in six specialist policy seminars this year, connecting them with 525 education and industry leaders from all 14 regional markets. In Vietnam, we worked with the Vietnamese government on plans to transform the University of Danang into a joint UK–Vietnamese University, linking them with Aston University as their key partner.

We also provide market intelligence on overseas recruitment to UK educational institutions. This helped contribute to a rise in the number of UK study visas issued to Chinese students in 2012 – up ten per cent from the previous year at nearly 57,000. As well as enriching UK academic life, Chinese students also contribute £2.6 billion annually to the UK economy.

Working with some of the UK’s top artists and creative institutions, and with partners such as UK Trade and Investment, we staged UK Now – the largest, most ambitious festival of UK culture ever to take place in China. The UK’s creative sector has already benefited from follow-up collaborations with China as a result.

We also work with UK government partners to strengthen the UK’s links with the region. Supported by £2.15 million from the Department of Business Innovation and Skills (BIS) and working with BIS, the Department for Education and the UK’s devolved administrations, we developed a new UK–China higher education programme this year. As part of the UK government’s GREAT campaign we launched an arts season in Australia, with an Anish Kapoor exhibition in Sydney. In Burma we managed a £2.3 million Department for International Development (DFID)-funded project to support the development of the non-governmental organisation sector.

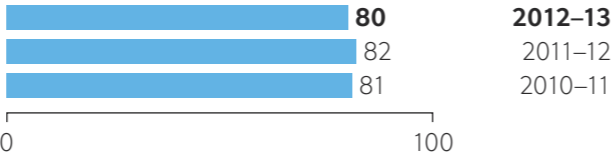
English remains the most sought after skill in East Asia. This year we created openings for UK institutions to train 1,600 Chinese teacher trainers and English teachers. We also trained teachers in Burma, Korea and Vietnam and won a new contract to train 5,000 teachers in Malaysia.

In Thailand we set up a new English language assistant scheme with the Ministry of Education. This will give international work experience to over 700 UK undergraduates next year. We are also providing English learning apps on government issued tablets to 800,000 primary school pupils.

We continue to find innovative ways of providing quality language teaching, opening two new teaching centres in shopping malls in Bangkok and developing a flexible blended learning course in Hong Kong. A total of 900,000 candidates took UK professional and English language examinations with us this year, representing income of over £20 million to UK examination boards.

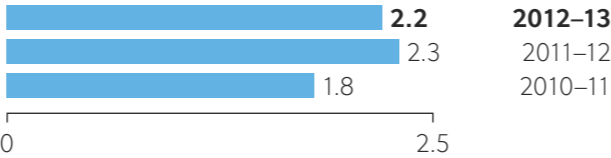
Customer satisfaction

Score from 0–100

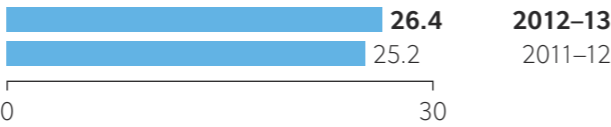


Participation

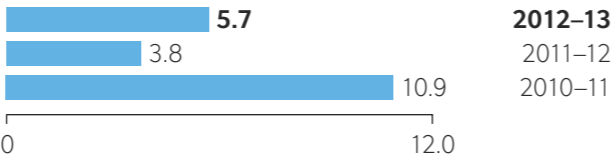
Total face-to-face (millions)



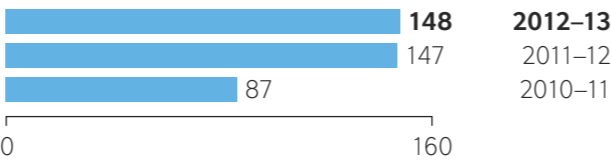
Digital (millions)*



Exhibitions, fairs and festivals (millions)

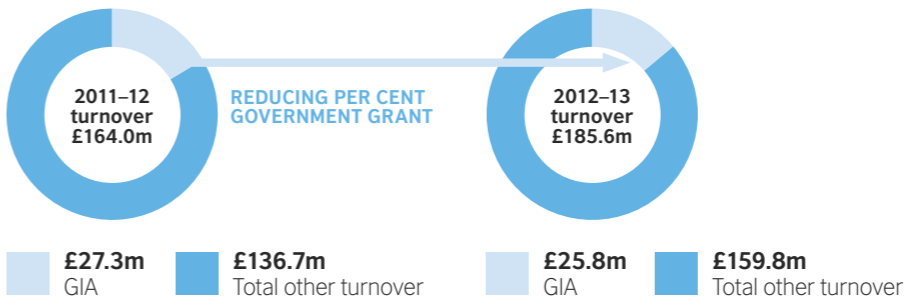
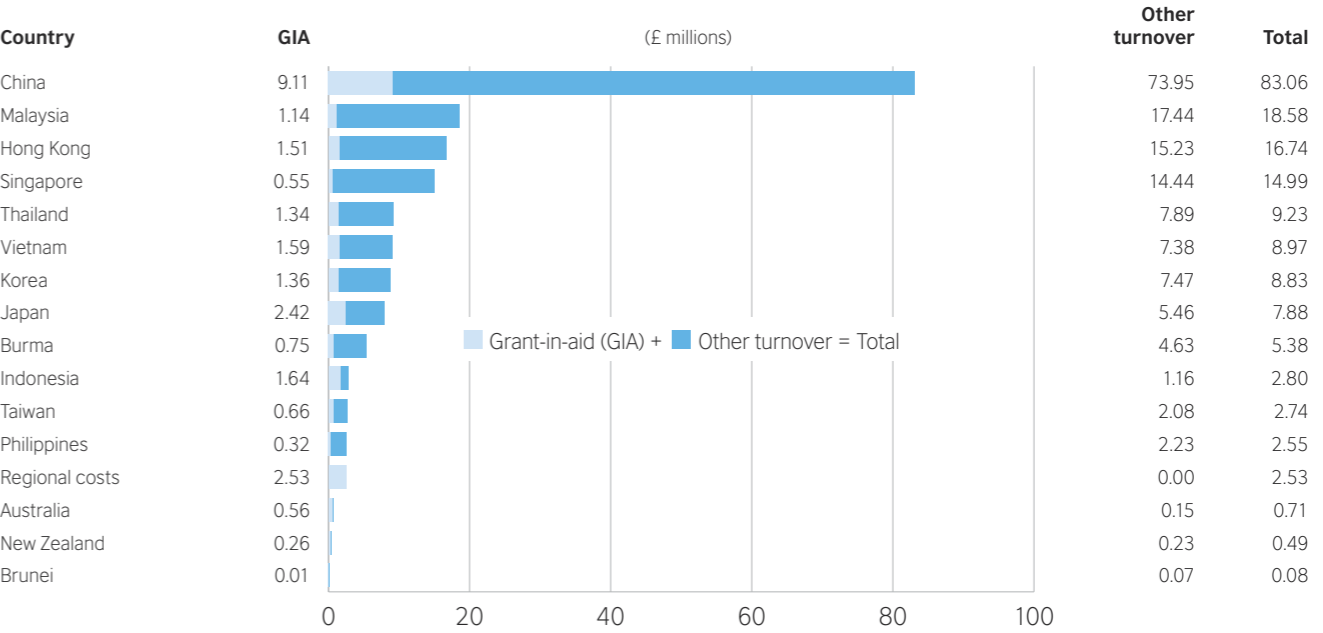


Publication and broadcast (millions)



* Comparable digital results are only available from 2011–12.

Funding data



We work with UK private and public sector partners to meet the huge demand for new skills and creativity from the dynamic economies of East Asia and support the UK’s educational and cultural organisations to take up exciting new opportunities in countries across the region.

EU Europe

Countries in EU Europe continue to face economic challenges, putting political relationships under pressure and so increasing the need for stronger cultural ties to help build trust. This region remains of critical importance to the UK, being home to many of its major governmental, corporate and civil society partners and accounting for around half of its trade and exports.

Despite the difficult financial environment, we have again achieved growth this year. Most of our income, as well as our cultural relations impact, continues to come from our paid-for English and examinations services and our work with the European Commission and European Parliament, winning and helping to deliver contracts globally.

We rely proportionally less on government grant to fund our cultural relations work for the UK than any other region and are the second biggest contributor to the British Council's corporate reserves.

This year our results for teaching, examinations and our bilingual school in Madrid were strong. We grew our teaching and schools income by four per cent and our examinations income by seven per cent. We also opened teaching centres in Lyon and Marseille. Our team in Finland established a major global partnership with Nokia which aims to bring innovative British Council English learning services to nine million mobile phone users worldwide by 2015.

Backed by €1.1 million of EU funding, we signed an agreement with the Ministry of Education of Saxony-Anhalt for a three-year programme to train 1,500 English language teachers. This programme will also create long-term closer links between UK and German language teachers and schools.

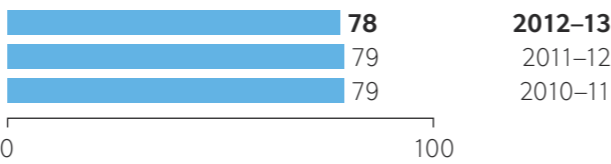
Building on the UK's reputation for excellence in public engagement with science, we helped young people in 17 European countries to improve their scientific communication skills through the FameLab project. This competition challenges participants to engage and entertain an audience on a scientific topic and is nearly 100 per cent funded in our region by sponsors such as Microsoft, Intel® Corporation and BMW.

We also had continued success in securing European Commission co-funded projects, winning five contracts worth a total of over €1 million. These include a large-scale citizenship and language project to help young Belarusians develop their links with people across the EU, and a new scheme to support disability arts.

Overall this year we reduced our grant by £3.5 million and grew our other sources of income by £6.8 million. At the same time we increased the number of people we worked with, involving over two million people in face-to-face activities – up 18 per cent on last year – and nearly 40 million more through other channels. In our Annual Impact Survey, 97 per cent of participants in our programmes expressed satisfaction with the quality of our work.

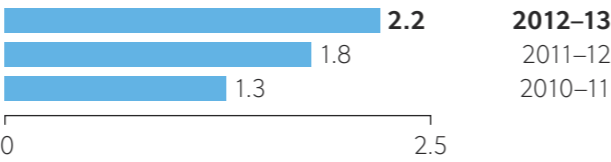
Customer satisfaction

Score from 0–100

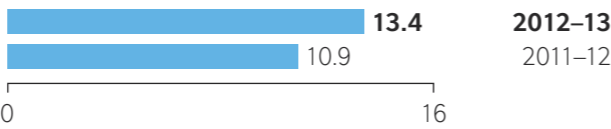


Participation

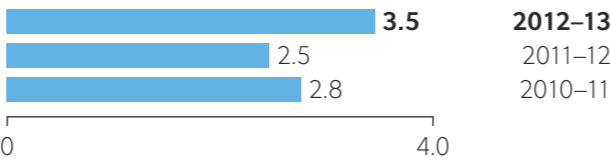
Total face-to-face (millions)



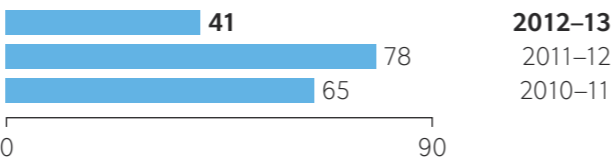
Digital (millions)*



Exhibitions, fairs and festivals (millions)

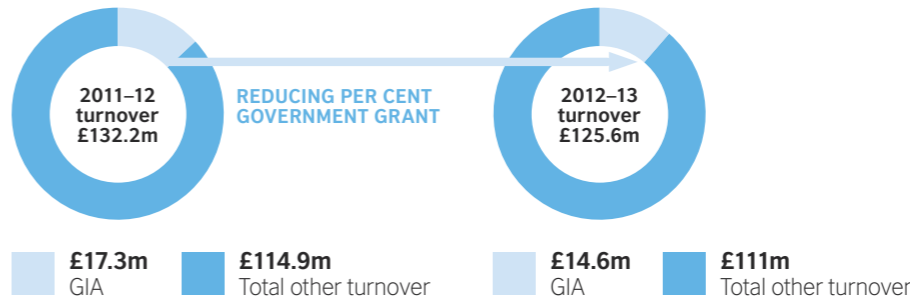
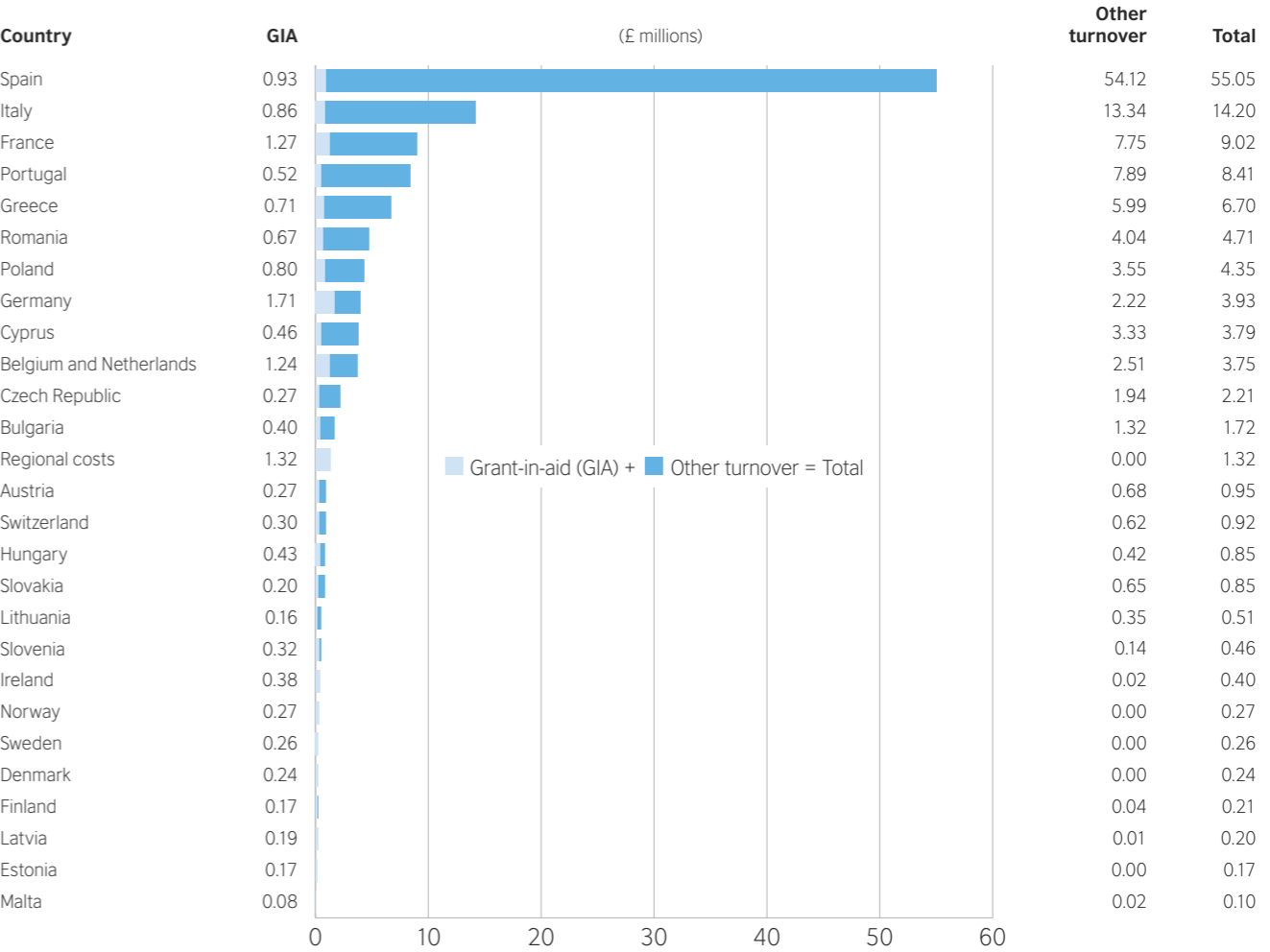


Publication and broadcast (millions)



* Comparable digital results are only available from 2011–12.

Funding data



EU Europe remains of critical importance for the UK, being home to many of its major international partners and accounting for around half of its trade and exports. Our work there helps to maintain and build the trust which underpins crucial political and trading relationships.

Middle East and North Africa

Instability and uncertainty continue to affect the Middle East and North Africa and mistrust of the West remains high. At the same time, the growing demand for new skills and international exchange in the region creates opportunities for us to build trust for the UK there.

Supporting the region's majority youth population to gain skills for employment and a voice in shaping the future remained a priority for us this year.

In Libya our work with the Ministry of Education helped us to win a €6.5 million EU contract to develop vocational education and entrepreneurship amongst young people over the next three years. We have now helped establish 16 skills development partnerships between the UK and eight countries in the region and our Springboard programme has supported the personal and economic development of 10,000 women.

English remains an essential skill for employment. This year we worked with 7.5 million young learners and teachers across 17 countries. Our LearnEnglish Facebook page has over 1.1 million subscribers – an increase of over 50 per cent in one year. We renewed our partnership with HSBC to help 10,000 more children to improve their English and literacy. We also worked with governments to support reform of English teaching in public education, including training 1,500 teachers in Algeria and 9,000 in Yemen.

In Tunisia, our Hammamet Conference brought together established and emerging leaders from North Africa and the UK to debate new leadership challenges. We also expanded our Young Arab Voices programme through our partnership with the Anna Lindh Foundation: 50,000 young people have now participated in face-to-face debates and millions more have been involved in live televised broadcasts between young Egyptians and The Elders, a group of former world leaders. We have also provided new insights into North Africa for UK audiences through our *Voices of the People* study exploring the link between the arts and social change.

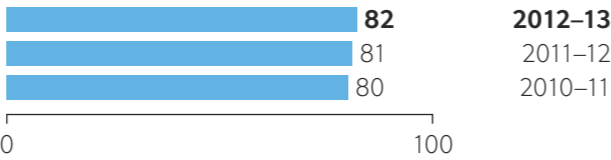
Creating opportunities in the region for the UK's educational and cultural organisations is also a priority. The British Council's higher education conference Going Global took place in Dubai this year, leading to memorandums of understanding between the UK and the United Arab Emirates and Qatar to develop new education and research partnerships. With the Qatar Museums Authority and a wide range of UK government, public and private sector partners we also launched the Qatar–UK 2013 Year of Culture.

Our *Out of Britain* initiative energised ties between the UK and the Gulf through an exhibition of works from the British Council art collection in Saudi Arabia, Kuwait and Oman. This will be followed by an exhibition of Gulf art in the UK in 2015.

We grew our activity this year, involving over 31 million people in our work and increasing our earned income by 18 per cent.

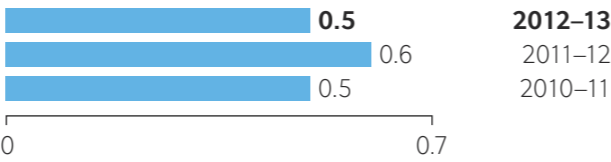
Customer satisfaction

Score from 0–100

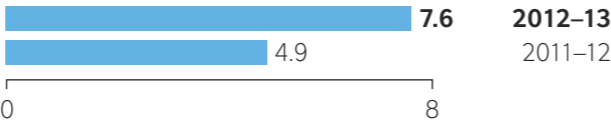


Participation

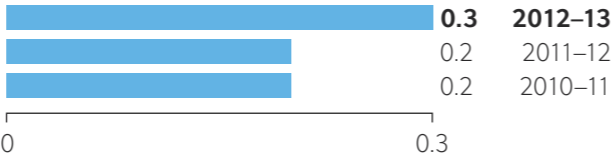
Total face-to-face (millions)



Digital (millions)*



Exhibitions, fairs and festivals (millions)

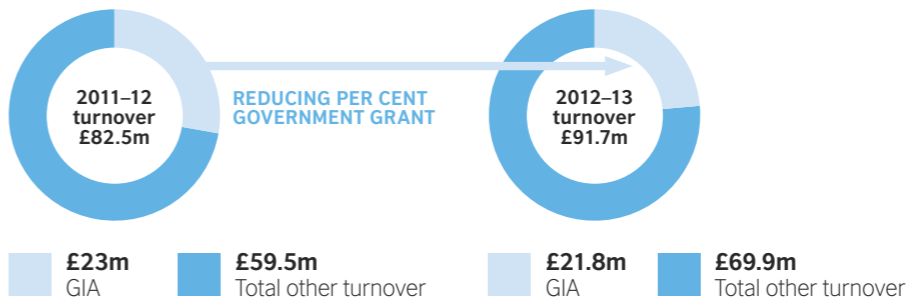
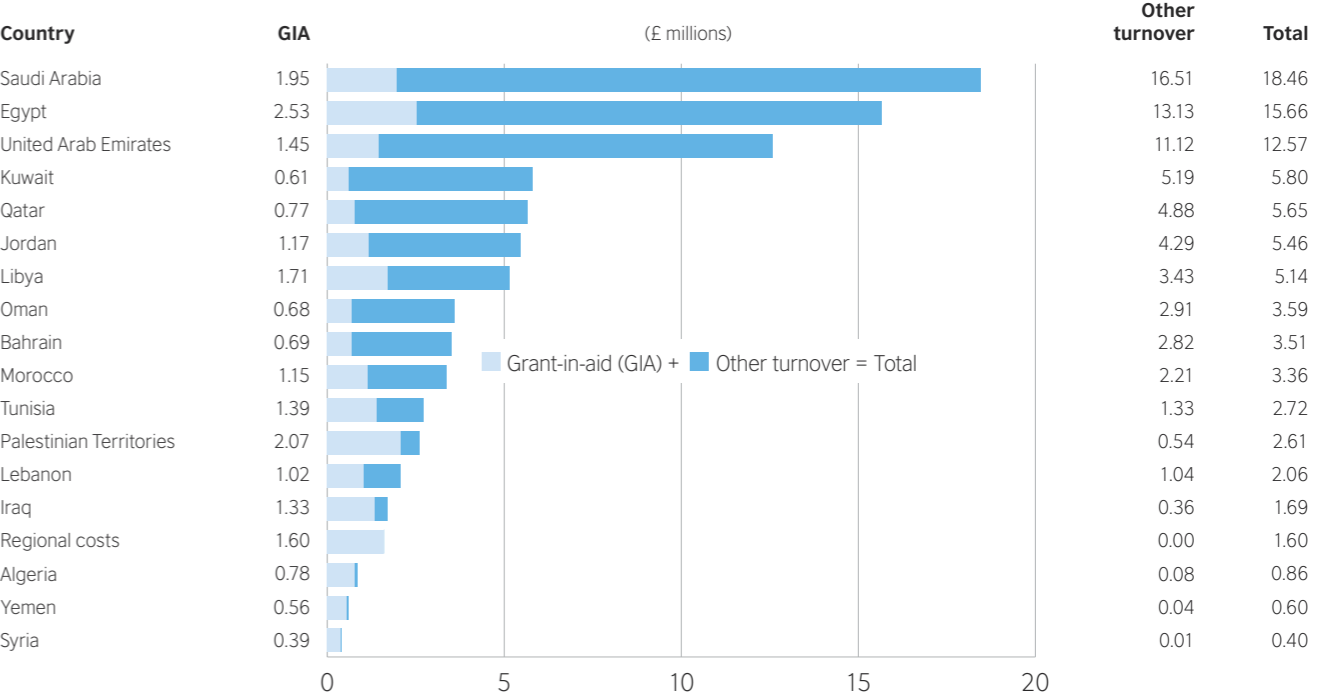


Publication and broadcast (millions)



* Comparable digital results are only available from 2011–12.

Funding data



Despite ongoing challenges, the growing demand for new skills and international exchange in this region creates considerable opportunities for us to build trust for the UK through our work there. Supporting the region's majority youth population to gain skills for employment and a voice in shaping the future remains a priority.

South Asia

This is a region with a fifth of the world’s population, fast-growing economies and a rising middle class, as well as conflict and extremes of poverty. Renewing and strengthening relationships with the diverse countries of South Asia remains vital to the UK’s economic and security interests.

The creation of new business and cultural links with India was a UK priority this year. We have supported this by leading a major project to reshape the UK–India cultural relationship. We have also continued to support the UK’s development agenda in South Asia, including in Pakistan and Afghanistan where major security challenges remain.

In English, our priority is to work with increasingly larger numbers of people, including those who have not traditionally had access to English learning. In India we reached 1.5 million English learners this year through innovative digital products. In partnership with state governments we will increase the number of trained English language teachers in the country to 1.5 million by 2015. In Pakistan we launched a three-year initiative to improve the skills of 350,000 Punjabi English teachers – 25 per cent of the teaching force. Our LearnEnglish radio series has provided a rare English learning opportunity to over one million listeners across Afghanistan, while another radio project in Nepal has reached one million.

We delivered 900,000 examinations on behalf of the UK sector this year, representing income of over £14 million in fee payments to UK examination boards. In Afghanistan, several thousand young people acquired UK qualifications compared to just a few hundred only two years ago.

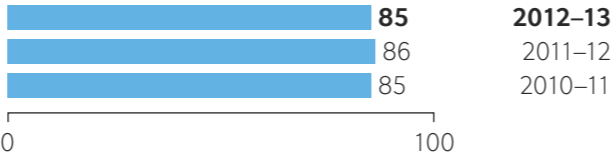
In education, we supported 640 UK education institutions working in South Asia. Two thirds of the UK’s Russell Group universities are now in partnership with universities in Pakistan and we have facilitated the input of UK expertise into the development of India’s five-year higher education plan. We also won a three-year European Commission (EC) co-funded grant of €950,000 to support the development of undergraduate teaching in India.

Our society work supports community change at all levels. In Bangladesh, a group of young people trained through one of our programmes led a project to bring drinkable water to 500 families. In Afghanistan we are running a major Department for International Development funded project to build the confidence and skills of non-governmental organisations on governance issues. We have signed an EC contract worth £4 million over three years to help develop parliamentary skills in Pakistan.

As part of the UK’s GREAT campaign we ran a six-month dance season in India this year. UK companies played to over 25,000 people in seven cities, helping to develop new UK–India creative links. We also worked with the Southbank Centre and over 100 UK and Afghan cultural leaders to explore how the cultural sector in Afghanistan might support future stability and prosperity.

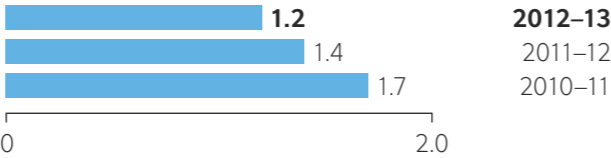
Customer satisfaction

Score from 0–100

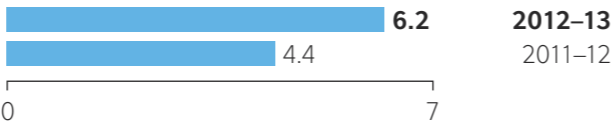


Participation

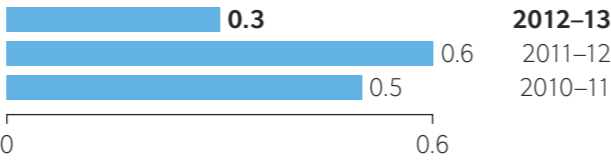
Total face-to-face (millions)



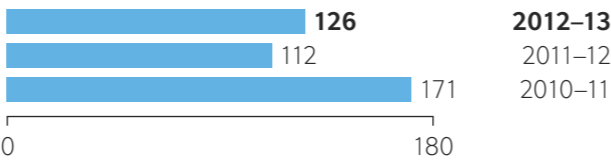
Digital (millions)*



Exhibitions, fairs and festivals (millions)

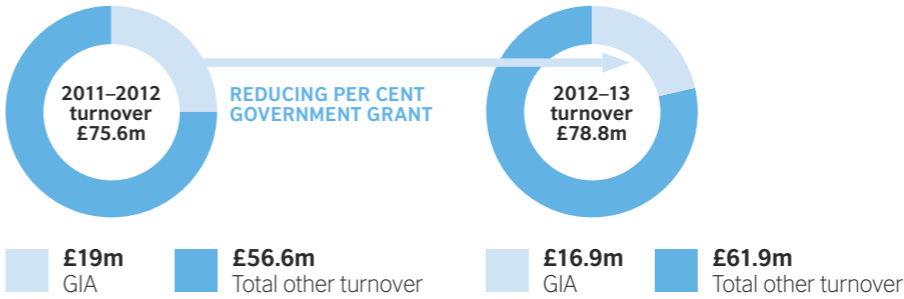
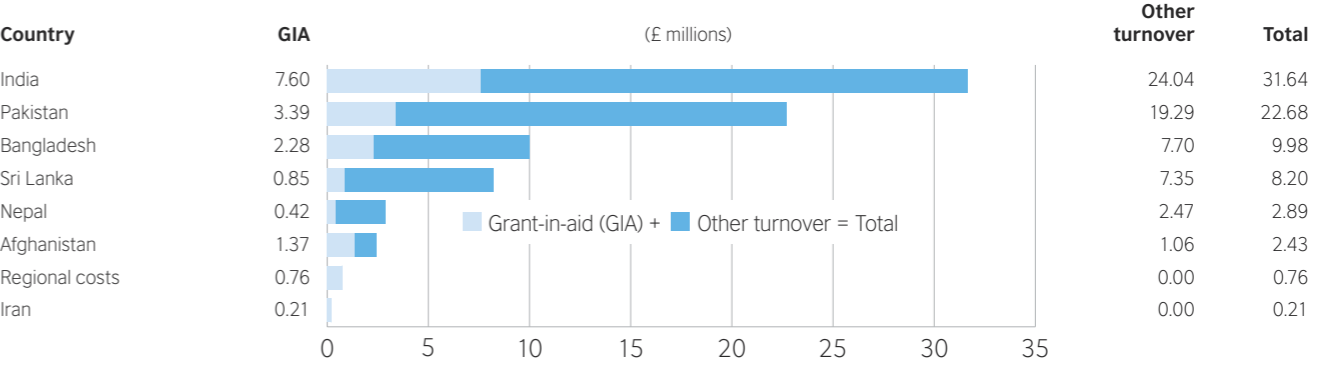


Publication and broadcast (millions)



* Comparable digital results are only available from 2011–12.

Funding data



Renewing and strengthening relationships with the diverse countries of South Asia is vital to the UK’s long-term economic and security interests. We work to create new cultural and business links for the UK with countries across the region and also to support the UK’s development agenda there.

Sub-Saharan Africa

Sub-Saharan Africa continues to attract international investment and to benefit from high economic growth. Significant development and security issues remain, however, and a growing youth population is impatient for access to education and employment. Our work supports skills and governance development in the region and builds new links for the UK, especially with the young people who will drive its future.

This year we continued our project with Microsoft to transform education through ICT. We have now created over 90 digital hubs in six countries and trained over 5,000 teachers and school leaders. By the end of 2013 we will have opened up digital access to new educational resources for over 100,000 learners. Other partners this year have included Barclays Bank, who funded our programme to help Ghanaian graduates develop employment skills and Toyota, who funded a competition inspiring entrepreneurship amongst 6,000 Zambian senior school pupils.

Through our sports work we aim to enrich the lives of children. Working with the UK's Premier League and USAID, we extended our programme to help young people develop life skills through football to 12 states in Sudan, reaching 5,500 children, some in conflict affected areas. As part of the London 2012 legacy programme, we supported the South African government to produce material promoting sport for 27,500 schools.

English is a major skill for development in the region. We worked with the South African government this year to launch a qualification in primary school English teaching as part of a national strategy to teach English as a first additional language. This will support English learning for 25,000 schools, 400,000 teachers and 12 million learners across South Africa.

We also won a £7.6 million Department for International Development grant to run a four-year project across all 34 teacher training colleges in Tanzania to improve the teaching of English and we trained over 500 teachers in Mozambique.

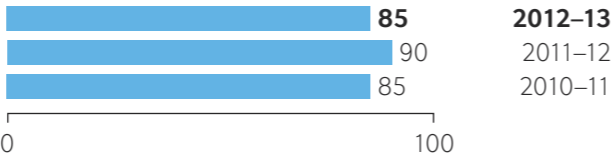
Supporting security in the region, we worked to improve the English language skills of peace keepers and law enforcement officers. In Ethiopia – the world's fifth largest contributor of troops to UN missions – we have provided English language training to more than 1,500 personnel. In Lagos, Nigeria, we helped to establish a model police station with the aim of improving community policing and eradicating human rights abuses, including those related to gender inequality. In its first year of operation, community satisfaction with police response rates rose by over 30 per cent.

Our arts work supports the region's creative industries and forges new links with the UK. This year we brought together creative industry leaders from the UK and Nigeria to discuss ideas for collaboration with policy makers and investors. In 2014 we will run a major UK–South Africa cultural festival.

In our Annual Impact Survey this year, 95 per cent of people who participated in our programmes reported an impact on their professional development and 83 per cent reported an impact on the strengthening of their links with the UK.

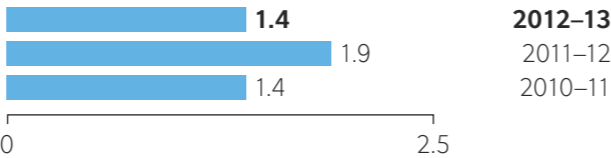
Customer satisfaction

Score from 0–100

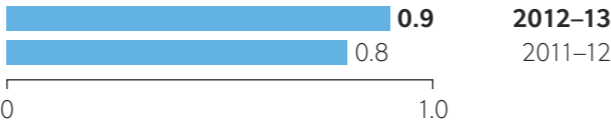


Participation

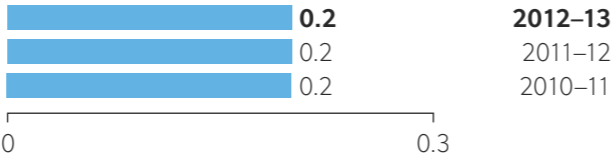
Total face-to-face (millions)



Digital (millions)*



Exhibitions, fairs and festivals (millions)

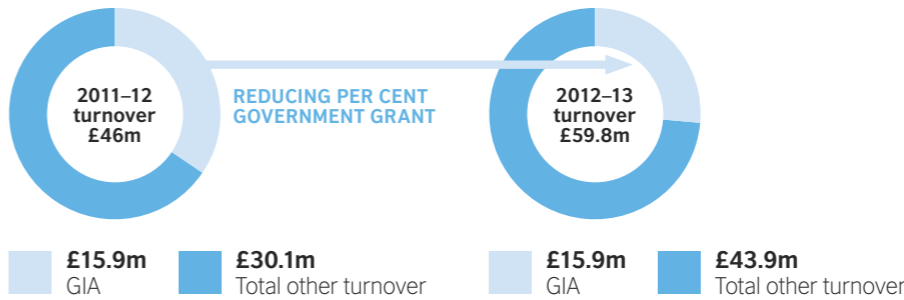
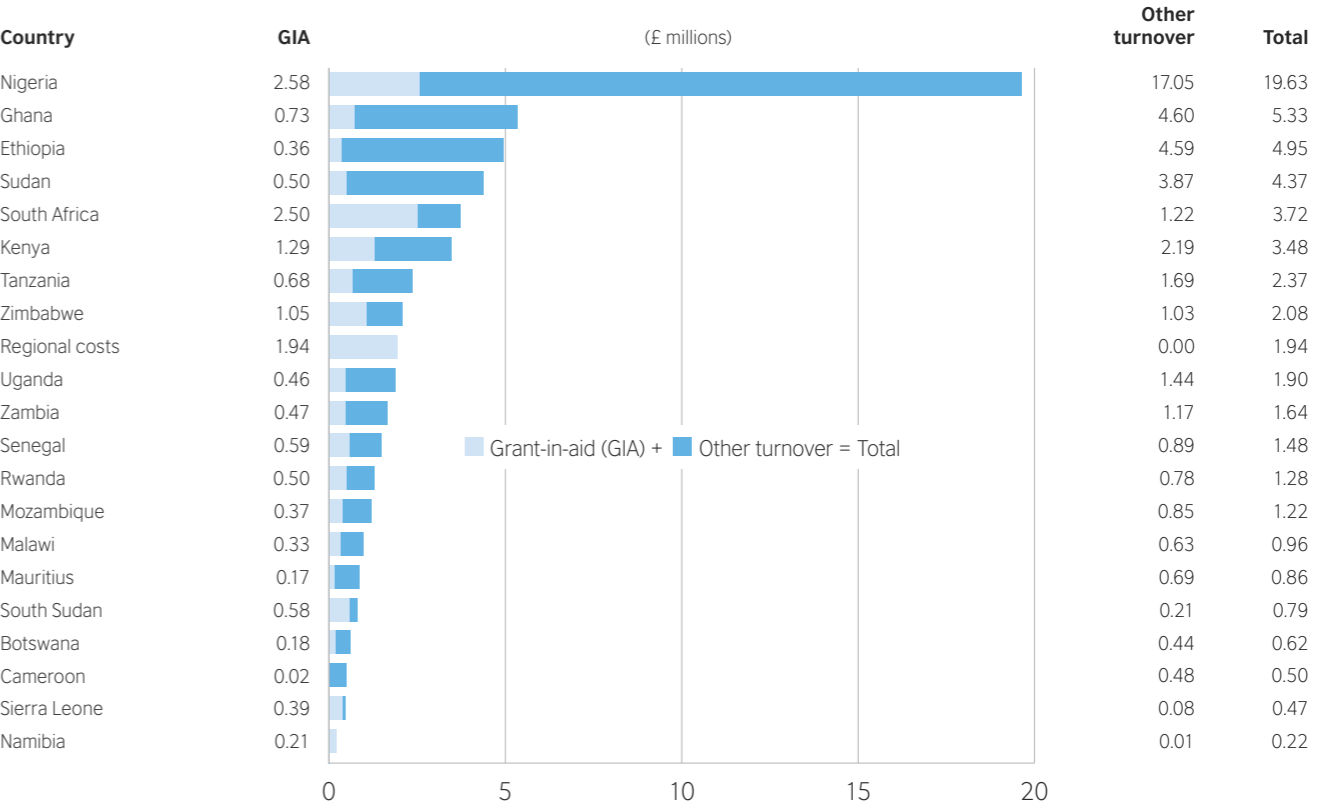


Publication and broadcast (millions)



* Comparable digital results are only available from 2011–12.

Funding data



Our work in Sub-Saharan Africa supports vital skills and governance development and builds new links for the UK, especially with the fast growing population of young people who will drive the region's future.

Wider Europe

This is an exciting and diverse region where countries are re-engaging with the rest of the world after periods of isolation. Our work here helps to meet a rising demand for international educational and cultural exchange, and builds links for the UK with economically important countries such as Turkey and Russia.

The UK–Russia relationship took a significant step forward this year when the UK Foreign Secretary William Hague and Russian Foreign Minister Sergey Lavrov announced a 2014 UK–Russia Year of Culture. This will build on high profile UK–Russia collaborations which we have supported over the last two years and will involve us in a major cultural season aimed at strengthening further the ties between our two countries.

This year we also helped to deepen the UK–Turkey cultural relationship by supporting Turkey as the market focus country at the 2013 London Book Fair. In our Annual Impact Survey, 82 per cent of people who participated in our programmes in Turkey reported an impact on the strengthening of their links with the UK.

To meet the scale of demand for English – our top priority in the region – we work at policy level and digitally, as well as face-to-face. This year we launched our professional development framework for teachers across the Western Balkans, working in partnership with Ministries of Education. In Uzbekistan, we have supported curriculum reform in teacher training institutions which will benefit every trainee teacher by 2014. In Azerbaijan, our English language materials have been embedded in the national curriculum and will be used by 150,000 pupils by 2014.

In Turkey we ran our first major web conference bringing together more than 600 teachers from over 70 Turkish cities and giving many participants their first conference experience.

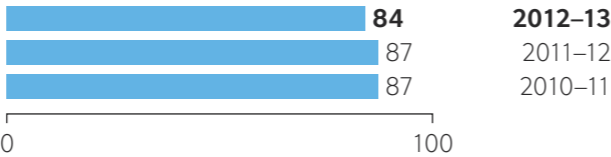
In Georgia we took another step towards re-establishing a regional English teaching business by contracting with Ilia State University to run its entire English teaching operation for over 6,000 students and opening our own teaching centre for 250 English learners. We are also exploring the market for teaching operations in Azerbaijan, Kazakhstan and Turkey.

Our examinations business performed well with Turkey remaining the largest market in Europe for IELTS, the global benchmark test of English language competence. In its first year on the market, we also delivered nearly one third of the global sales of Aptis, the British Council’s new English language test.

Increasing higher education teaching and research collaboration with the UK is also a regional priority. This year, supported by £2.8 million of donor funding, we created seven new UK–Israel links for joint research in cutting-edge science. In Russia, we developed over 20 new UK–Russia higher education partnerships. Through the UK–Turkey Higher Education and Industry Partnership Programme, we brokered over 20 new partnerships which have already brought in additional funding worth over three times our initial investment.

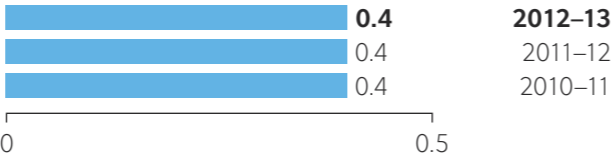
Customer satisfaction

Score from 0–100

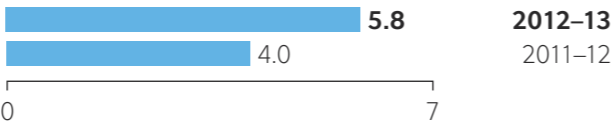


Participation

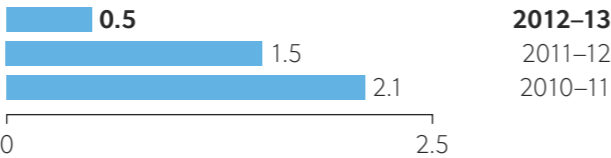
Total face-to-face (millions)



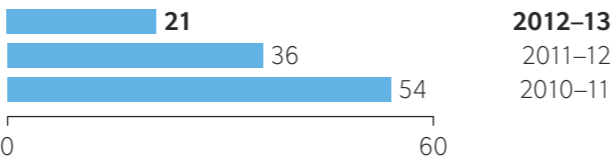
Digital (millions)*



Exhibitions, fairs and festivals (millions)

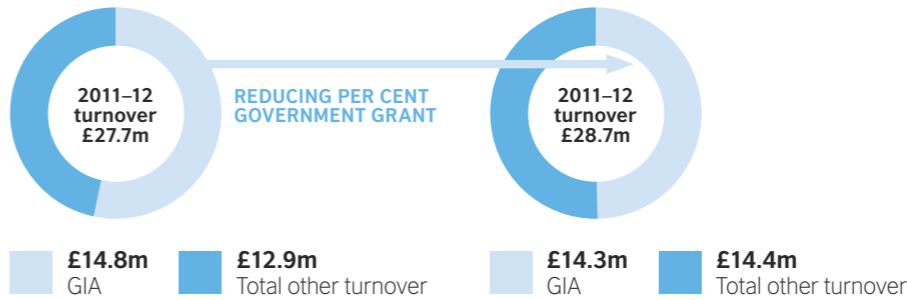
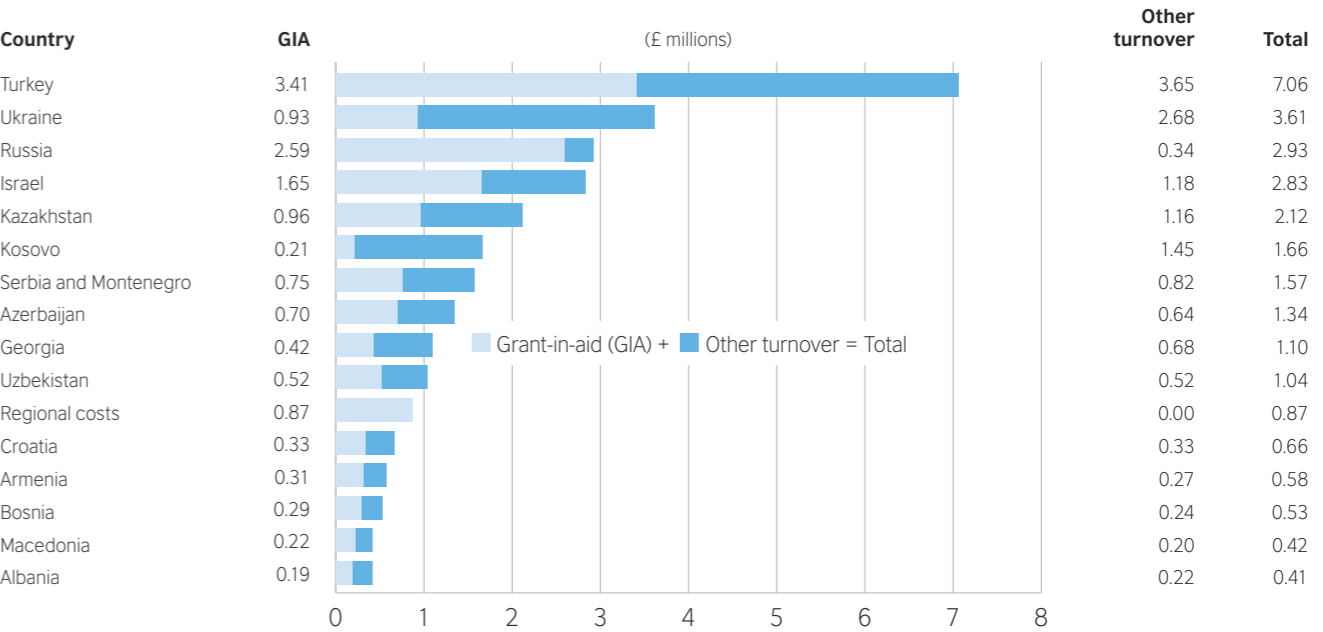


Publication and broadcast (millions)



* Comparable digital results are only available from 2011–12.

Funding data



Our work in Wider Europe helps to meet a rising demand for international educational and cultural exchange and builds new and strengthened links for the UK, including with economically important countries such as Russia and Turkey.

Governance and good practice



We help to broaden the international outlook of young people around the world.

Governance Statement

This Governance Statement sets out the British Council's governance, risk and compliance framework and our management of the major risks to the achievement of our strategic objectives from 1 April 2012 to 31 March 2013.

We ensure that we have robust governance arrangements in place to promote high performance and safeguard propriety and regularity.

We comply with all parts of the Corporate Governance Code as applicable to our status as a charity.

Governance Framework

Purpose

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

Principal Address

10 Spring Gardens
London SW1A 2BN
T +44 (0)20 7930 8466

Legal Status

The British Council is registered as a charity under registration numbers 209131 (England and Wales) and SC037733 (Scotland). The British Council was established in 1934 and incorporated by Royal Charter in 1940. A Supplemental Charter of Incorporation was granted in 1993.

Patron Her Majesty the Queen

Vice-Patron His Royal Highness the Prince of Wales

Charitable Objects

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

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

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

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

Relationship with the Foreign and Commonwealth Office (FCO)

The British Council is a public corporation and an executive non-departmental public body. We are sponsored by the Foreign and Commonwealth Office (FCO), from which we have operational independence. The relationship is set out in the Management Statement and the Financial Memorandum. In 2012–13 we began work with the FCO to review both these documents and updated versions will be issued in 2013–14.

Organisation

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

The overseas subsidiary entities and BC Trading International Ltd report through BC Holdings (United Kingdom), a wholly owned subsidiary of the British Council, which is directly accountable to the Board of Trustees.

Connected charities and organisations

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

We are the sole corporate trustee of a number of small trusts of which the three largest are the United Kingdom 9/11 Scholarships Fund, the Lefèvre Trust and the Sir Shiu Kin Tang Educational Trust.

Board of Trustees

The Royal Charter vests all the powers of the British Council in a Board of Trustees. The Board of Trustees are the guardians of the British Council's purpose and are ultimately accountable for the organisation. Sir Vernon Ellis began a second term of office as Chair of the Board in March 2013.

In accordance with the Royal Charter the Board elects trustees following an open recruitment process. Up to two non-British citizens may sit on the Board. Under the terms of the Royal Charter the Foreign Secretary has the right to nominate one trustee to the Board, currently the Permanent Under-Secretary at the Foreign and Commonwealth Office. One trustee place is filled by the Chair of the Wales, Scotland or Northern Ireland Country Committee, co-opted on a rotating basis for a two-year period. Our induction and training programme for new trustees includes a comprehensive induction pack and a briefing programme with senior managers.

The term of appointment to the Board is three years, with the possibility of re-election for a further three years. The Foreign Secretary approves appointments to the offices of Chair and Deputy Chair. The Chair, Deputy Chair and members of the Board are not remunerated but we reimburse out-of-pocket expenses incurred on British Council business. We may also pay fees if a Board member undertakes work in a professional capacity at the request of the British Council. The Board Code of Practice requires members to declare any interest that may conflict with their responsibilities as Board members. This information is updated annually and is available for inspection.

The Royal Charter, which can be viewed on the British Council's website, gives further detail on membership of the Board. Members of the Board of Trustees and of the British Council Country Committees who have served in 2012–13 are listed on pages 58–59. The role of Country Committees is to provide advice to the Chief Executive and to the country teams in Northern Ireland, Scotland and Wales.

The British Council Board meets six times a year. The Royal Charter establishes a quorum of seven for Board meetings. There is a summary of attendance at this year's Board and Board sub-committee meetings on page 58.

A Board member reviews the effectiveness of the Board annually. Baroness Usha Prashar, the Deputy Chair of the Board, is carrying out this year's review and will present findings to the Board in July 2013. The role of Deputy Chair on our Board is equivalent to that of senior independent director.

Further to last year's review, in appointing a number of new trustees this year we have further strengthened the Board's mix of skills as well as maintaining its diversity. A third of the Board is now female compared to a quarter last year. This year we have also carried out succession planning for the appointment of more new trustees later in 2013.

This year the Board has worked with the Executive to develop a 2013–15 refresh of our 2011–15 Corporate Plan. We have committed to achieving an increase in our annual turnover of over 30 per cent by the end of the four-year period covered by the plan. The Board has also begun work on our strategic objectives up to 2020. There are further details about the Board and its work this year in the Board minutes which are available on the British Council website.

Board delegation and sub-committees

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

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

Audit Committee

Richard Gillingwater currently chairs the Audit Committee, having taken over from Claire Ighodaro in March 2013. On behalf of the Board, the committee maintains an overview of risk, control and governance in the British Council, ensuring that the system of internal controls is adequate to deliver regulatory compliance, financial probity and value for money. The committee reviews and monitors the British Council's risk management processes and its arrangements for ensuring compliance with regulatory and financial reporting requirements. It also agrees a programme for internal audit and considers any other financial or accounting matters that the Board might specify.

This year, in addition to the standing items on its agenda, the committee approved the policy for the engagement of external auditors on non-audit work. It also monitored the management of selected strategic risks, the management of global cash balances, the performance of the Shared Services Centre, and the effectiveness of the Speaking-Up policy.

Remuneration Committee

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

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

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

Nominations Committee

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

This year the committee recruited a new Deputy Chair whose term began in July 2012 and three new trustees whose terms began in October 2012.

Finance and Contracts Committee

The Chair of the British Council chairs the Finance and Contracts Committee. The committee reviews and challenges the organisation's investment plans and the scale and strategy for its global contracts and partnership portfolios. Its role is to provide advice and assurance to the Board in these areas. The committee held its first meeting in January 2013.

Executive Board

The British Council's Executive Board is made up of the Chief Executive and eight Executive Directors and is responsible for the overall strategy, management and performance of the organisation. We fill executive roles through open recruitment and give appointees induction briefings which include our governance arrangements.

There is a list of Executive Board members who have served in 2012–13 on page 61.

Reporting and accounting arrangements

The trustees are responsible for the preparation of financial statements for each financial year and for keeping proper accounting records in accordance with applicable law and regulations. The Chief Executive is the designated Accounting Officer for the British Council. A full account of the responsibilities of the trustees and of the Accounting Officer for reporting and accounting is given in the Statement of the trustees responsibilities and the Statement of the Accounting Officer's responsibilities.

Audit arrangements

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

The audit fee for 2012–13 was £142,500.

Through his staff, the Chief Executive has taken all necessary steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. So far as the Chief Executive is aware, there is no relevant audit information of which the auditors are unaware.

Auditors

Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria, London SW1W 9SP

Bankers

HSBC
129 New Bond Street
London W1A 2JA

Risk assessment

Management of risk

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

An Enterprise Risk Management team of specialists in security, business continuity, health and safety, fire safety and risk management, is responsible for strengthening our capacity to manage risk. Specialist teams provide support for the management of other areas of risk, including information management and child protection.

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

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

Risk and control framework

The risk and control framework comprises two elements:

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

Financial Control Compliance Framework

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

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

We revised the FCCF during 2012–13 to:

- update and clarify minimum control standards against risks identified
- reflect changes within the British Council’s structure
- improve reports to regions, Strategic Business Units and senior management.

Enterprise Risk Management Framework

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

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

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

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

Risk profile

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

Eurozone crisis

During 2012–13, the eurozone crisis began to affect the British Council’s teaching and examinations businesses in EU Europe as austerity measures were felt across the region. Young learner numbers held up, but the demand for adult learner courses fell. We mitigated the impact of these developments through tight cost control and the diversification of the adult learner offer. As a result, although growth was not as strong as originally planned, there was a real terms increase in both teaching and examinations income.

The Treasury team worked with Regional Director EU Europe to review the steps being taken to reduce the British Council’s exposure to financial instability in the eurozone. Particular attention was paid to managing our euro holdings. The normal policy is for countries to keep a maximum of five weeks’ working capital, but since the eurozone crisis, the policy has been to work to a maximum two-week requirement in the region. The monthly cash flow forecasts submitted by each country are consolidated to ensure the combined euro holdings are sufficient to meet the organisation’s requirements. In this way we have minimised the exposure to financial instability in individual countries and maintained the security of euro cash without compromising liquidity. Eurozone bad debts written off during the year amounted to less than £15,000.

Despite these measures, examination board fees held in two banks in Cyprus were affected by the freezing of all Cypriot bank accounts in March 2013. Although we have since repatriated the bulk of these funds, a total of €146,000 was charged as a levy on 29 April 2013. A further €990,000, made up of Cyprus staff Provident Fund individual sub-accounts, may also be liable to a levy, despite the fact that no single account exceeds €100,000.

Security and business continuity

Political instability, conflicts and natural disasters continue to pose a threat in many parts of the world. We maintained operations in Afghanistan and Iraq this year but with restrictions on the movement of staff and visitors. Continuing unrest in Egypt, Bahrain, Libya and Tunisia and the deteriorating security situation in northern Nigeria have required some adjustment to activities, including occasional short-term closures.

To meet the security challenges of operating in high risk countries we are developing security management plans to ensure that we manage all aspects of security appropriately. We successfully piloted this approach in northern Nigeria to support the implementation of a major client-funded contract and will extend it to work in other countries during the coming year.

This year, in response to the increasingly volatile security situation in a number of countries following the Arab Spring, we carried out a review of security in the Middle East and North Africa region. The review made a number of recommendations to strengthen our security management capability, both in the region and in the UK, and to improve the support we give to staff working in high risk countries. We will implement these changes during the first half of 2013–14.

We prioritise the safety of our customers, staff and partners through a combination of risk assessments, briefing, training, and the use of appropriate protective measures. This year we have provided country-specific security training for all staff, including teachers, in Libya and Tunisia.

Security is an intrinsic element of all our premises projects. We renewed a service level agreement with FCO Estates and Security Division for a rolling programme of inspections of all properties globally for three years from April 2013. The Security Committee is responsible for monitoring the effectiveness of security arrangements throughout the overseas network and in the UK.

In January 2013, we rolled out new templates separating crisis management from business continuity plans. We require all countries and business units in the UK to have up-to-date and appropriate crisis and business continuity plans in place. Internal Audit validates business continuity arrangements as part of the audit process and carries out sample audits of plans. In 2012–13, 84 per cent of plans were tested and updated.

Status and tax

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

The status and tax programme is now in the final year of its original implementation phase. However, we still have to undertake regularisation projects in some 30 countries (including those where the solution has had to be revisited). The focus is on countries where risk and/or business potential is high, and we shall determine during the year whether the programme should be extended. In some cases, regularisation has resulted in demands for back tax and we have made provision for further potential back tax payments where necessary.

A specialist team continues to provide advice on international tax issues and to support the development and implementation of governance arrangements for new entities. We have completed work on regularising the employment-related tax status of UK staff working overseas in the EU and are now taking this work forward in other regions. In all cases, the timescale for employment-related tax regulation is linked to progress in regularising the British Council's status, but we will take urgent steps to ensure full compliance wherever legally possible.

Further progress has been made on the development of the British Council's group structure and the financial and legal framework needed to support it. There are 12 subsidiary companies, of which two (BC Holdings (UK) Ltd and BC Trading International Ltd), are based in the UK. A transfer pricing mechanism which provides a transparent means of charging between different entities is in place. In view of the increased complexity of the group structure and the risks associated with it, priority continues to be given to

ensuring the British Council's governance, risk management and control framework is aligned with the new arrangements and remains fit for purpose.

Fraud, bribery and money laundering

The British Council is much more exposed to the likelihood of fraud in some parts of the world than in others, particularly in cash economies, and as a consequence may suffer financial loss. The challenges which impact operations in environments where fraud and corruption are endemic can have a major impact on the organisation's ability to protect its assets. We have a range of safeguards in place to reduce this exposure, including mandatory training for staff. We have rolled out an anti-fraud and corruption e-learning programme across the organisation and we added an anti-bribery e-learning programme to our list of mandatory courses in 2012–13.

However, these provisions in themselves do not entirely eliminate the risk of fraud. Together with other processes and controls, they provide a mechanism to support the prevention and detection of fraud. Where managers fail to use these tools and allow a culture to develop that is resistant to these challenges, the likelihood of fraud increases. This year a significant fraud was uncovered in Nigeria. This incident, extending over a period of seven years, resulted in a loss of £175,000 and a further provision for a loss of £200,000, which is covered by insurance. This fraud arose as a result of collusion which enabled controls to be circumvented and higher level management controls failed to detect this. We have taken action against the individuals responsible for the fraud, notified the relevant authorities and are seeking legal redress.

This incident highlighted the possibility that, in some high risk countries, the control environment may no longer be sufficient to respond to the increasing scale and complexity of the British Council's business. This view has also been reflected in Internal Audit's opinion, which highlighted the impact a challenging external context coupled with significant change is having across the organisation, resulting in vulnerability to the control environment, particularly where we operate in high risk countries. As a result, we have commissioned Grant Thornton to undertake a review of our control framework to identify areas for improvement and strengthen our management of financial risk. The review is focusing particularly on high risk countries and those areas of the British Council's operations with the greatest exposure to financial risk – procurement, examinations and full cost recovery contracts – and is due to report to the Audit Committee in

July 2013. We are also taking a number of other immediate steps, including introducing further controls for examinations and strengthening oversight of procurement in high risk countries, to minimise the recurrence of similar incidents and to ensure that sufficiently robust measures are in place to safeguard the organisation's assets. In addition, we are introducing further training for operational managers to reinforce accountabilities and responsibilities in relation to risk management and control. We will review the effectiveness of these measures in October 2013.

Information management

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

We have improved information management through locating responsibility for it directly with regions and Strategic Business Units. Our new information and knowledge management strategy will build on this approach.

We continue to measure our performance in information management against the standards set out in the government's Information Assurance Maturity Model (IAMM). As a result of work done by our Addressing Information Risk programme, more than 40 overseas directorates achieved Level 1 of the IAMM in 2012–13 and those directorates which achieved this standard last year were able to consolidate their achievement at Levels 1 and 2 of the IAMM. The Shared Services Centre continued to operate at Level 3.

We identified a number of legacy digital platforms as vulnerable to malicious cyber activity this year. In January 2013, one attempt to gain unauthorised access to a British Council system was successful and a major incident investigation was triggered. The investigation found that the site contained limited personal data and that no harm was likely to be caused by the breach.

We have also implemented a significant amount of organisational and technological change this year which has created a range of new IT security vulnerabilities. In particular, we are much more exposed to the negative impacts of cybercrime given our increasing reliance on digital platforms to meet our cultural relations and income generating goals. We have implemented several projects

to respond to the most critical risks and we continue to strengthen our IT security arrangements.

Child protection

The British Council works annually with up to nine million children through a wide range of activities. We are committed to taking all reasonable measures to protect children from abuse and have a zero tolerance of risk in this area. We benchmark policy and practice against international child protection standards identified by Keeping Children Safe, of which we became a full member in October 2012. Key measures taken this year include putting child-safe action plans in place for all countries, completing country level child protection self-audits, providing mandatory child protection basic awareness e-learning training for all staff, the launch of an e-learning course for child protection focal points, the publication of new resources including organisational response plans and safer recruitment guidance, and the launch of a new child protection strategy for 2013–15. In 2012–13, there was one incident involving an allegation made against an employee. This was referred to the police and the Independent Safeguarding Authority, and led to the dismissal of the employee.

Health and safety

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

As we develop our income-generating activities and introduce new ways of working and delivery, our exposure to safety and fire risks will change and is likely to increase. In 2012–13 we introduced mandatory health and safety and fire training through a suite of newly developed e-learning courses. We have also defined and communicated staff responsibilities for health and safety as part of a corporate drive to strengthen the management of health and safety across the organisation. The programme of health and safety audits has identified a number of areas for improvement in overseas operations, including the maintenance of electrical equipment, and has also highlighted the challenges of managing health and safety in partner premises, where we have less control over standards.

A serious injury to a performer participating in a British Council event in Lagos in May 2012 led to widespread media coverage. Following this incident, an external review of the health and safety management of arts events was undertaken which highlighted the challenges faced by overseas operations organising events in countries where local practices differ from UK standards, and may compromise our ability to deliver our duty of care. The recommendations of the review, which advocated raising the skill levels of local delivery teams and increasing their access to technical support, will be implemented as a matter of urgency in 2013–14.

Shared Services Centre

The British Council’s Shared Services Centre (SSC) in Noida, India provides finance transaction, IT support and specialised financial management services to our global operations. In 2012–13, the SSC implemented a number of service improvements to optimise performance and improve customer satisfaction.

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

This year, the SSC successfully piloted new roles on our SAP system aimed at minimising the risk of fraud. The SSC is now working with our Global Finance Change programme to implement the second phase of a project to improve SAP access management and the segregation of duties across the organisation.

The SSC continues to give a high priority to information security. An external re-assessment of the SSC in August 2012 confirmed that it complies with the requirements of ISO 27001. There has been no data loss in the past two years of the SSC’s operations.

Given the business critical nature of its activities, we give particular attention to mitigating the business continuity risks associated with the SSC. In February 2013, following an external review, the SSC’s business continuity management arrangements were certified as being compliant to the requirements of ISO 22301.

Examinations

Following an incident in Egypt involving an examination paper being released prior to the authorised time, the Examinations team commissioned a review of its examinations security processes and controls. Key recommendations, including the roll-out of existing best practices globally and separating examinations security controls from business development and customer service audits, are being implemented in 2013–14.

Managing change

The British Council is going through a significant period of change with funding being released from reserves for investment in major change programmes aimed at growing the business, both in terms of impact and income, and achieving efficiencies. Without appropriate mitigation, there is a risk that the scale and extent of the planned changes over the next 18–24 months could exceed the ability of managers to realise the benefits from the change programmes, and could impact not only on the achievement of business targets, but also on the quality of delivery and the effectiveness of the control environment.

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

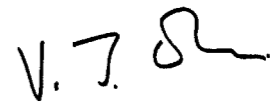
Review of effectiveness

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 giving assurance that the organisation’s accounting procedures have been understood and followed
- the work of Internal Audit, which provides an independent and objective opinion on the adequacy of processes on risk, control, governance and finance systems
- the Audit Committee, which provides oversight and guidance on the work of Finance and Internal Audit, providing an interface between the organisation and the National Audit Office
- the work of the National Audit Office, as external auditor, supported by PricewaterhouseCoopers as auditor of subsidiaries in the British Council’s group structure, in forming an opinion on the financial statements and in reporting the results of their value for money examination.

Based on the above, we are satisfied that this Governance Statement provides an accurate account of the British Council’s governance, risk and compliance framework, and its management of the major risks to the achievement of its strategic objectives during the period 1 April 2012 to 31 March 2013.



Sir Vernon Ellis
Chair of the Board of Trustees
9 July 2013



Martin Davidson CMG
Chief Executive
9 July 2013

The Board of Trustees

At 31 March 2013

Chair

Sir Vernon Ellis ‡ †† ‡‡

Deputy Chair

Rt Hon. Baroness Prashar of Runnymede CBE ‡ ††
(from 11 July 2012)
Independent Member, House of Lords

Members

Martin Bean †
Vice Chancellor, The Open University

Gareth Bullock ††
(from 8 October 2012)
Non-Executive Director

Aled Eirug
(from 8 February 2013)
Chair, Wales Committee

Simon Fraser CMG
Permanent Under-Secretary of State,
Foreign and Commonwealth Office

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

Richard Gillingwater †
(from 8 October 2012)
Non-Executive Chair,
Henderson Global Investors

Sue Hoyle OBE †
Director, Clore Leadership Programme

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

Rosamund Marshall ††
(from 8 October 2012)
Chief Executive Officer, kidsunlimited

Raoul Shah
Founder and Chief Executive, Exposure

Secretary

Alison Coutts
(from 11 February 2013)

Board members who served during part of the year

Alan Buckle ‡ ††
Deputy Chair of the British Council
(until 6 July 2012)
Global Head of Advisory, KPMG

Nihal Arthanayake
(until 2 October 2012)
Musician, broadcaster and DJ

James Boyle (until 7 February 2013)
Chair, Scotland Committee

Lord Hall of Birkenhead CBE
(until 4 December 2012)
Chief Executive, Royal Opera House
(during term of office)

Claire Ighodaro CBE †
(until 19 March 2013)
Independent Director

Professor Steve Jones
(until 12 February 2013)
Professor of Genetics, University
College London

Patrick McKenna †
(until 5 October 2012)
Chief Executive, Ingenious Media plc

Secretary during part of the year

Andy Mackay OBE
(until 8 February 2013)

Attendance at Board of Trustees meetings 2012–13

Board Member	Attendances	Apologies
Sir Vernon Ellis	6	0
Alan Buckle**	0	3
Nihal Arthanayake**	1	2
Martin Bean	5	1
James Boyle**	5	0
Gareth Bullock*	2	1
Aled Eirug*	1	0
Simon Fraser CMG	4	2
Professor Pamela Gillies	6	0
Richard Gillingwater*	2	1
Lord Hall of Birkenhead CBE**	3	2
Sue Hoyle OBE	5	1
Claire Ighodaro CBE**	5	1
Howell James CBE	3	3
Professor Steve Jones**	4	1
Rosamund Marshall*	3	0
Patrick McKenna**	1	2
The Rt Hon. Baroness Prashar of Runnymede CBE*	2	1
Raoul Shah	5	1

* Joined the Board part way through the year
** Left the Board part way through the year

Attendance at Board of Trustees sub-committee meetings 2012–13

Audit*	Attendances	Apologies
6 June	3	1
28 June	3	1
8 October	2	2
18 February	4	0
Remuneration		
18 June	4	0
22 November	4	0
Nominations		
6 July	4	0
Finance and Contracts*		
31 January	4	0
26 February	3	1
19 March	4	0

* Committee includes one independent member

† Member of the Audit Committee
†† Member of the Remuneration Committee
‡ Member of the Nominations Committee
‡‡ Member of the Finance and Contracts Committee

British Council Country Committees

At 31 March 2013

Northern Ireland Committee

Chair

Rosemary Kelly OBE

Members

Rosalie Flanagan
Isabel Jennings
Professor Anne Moran
Alan Shannon
Paul Sweeney
Duncan Morrow
Bob Collins ††
Dr Norman Apsley †††
Gavin Boyd †††
Alan Clarke †††
Colette Fitzgerald †††
Judge Geoffrey Miller QC †††
Tracy Meharg †††
Noel Thompson †††
Dr Denis McMahon †††
John Stewart †††

Secretary

David Alderdice

The Hon. Mr Justice Deeny
left the Northern Ireland Committee
in December 2012

Jim Kitchen left the Northern
Ireland Committee in December 2012

Dr Aideen McGinley OBE
left the Northern Ireland Committee
in December 2012

Seamus McKee left the Northern
Ireland Committee in December 2012

Jonna Monaghan left the Northern
Ireland Committee in December 2012

Trevor Ringland left the Northern
Ireland Committee in December 2012

Professor Gillian Robinson left the
Northern Ireland Committee in
December 2012

† From September 2012
†† From June 2012
††† From January 2013

Scotland Committee

Chair

James Boyle

Members

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

Secretary

Dr Lloyd Anderson

Ken Thomson left the Scotland
Committee in June 2012

Professor Dame Joan Stringer CBE FRSA
left the Scotland Committee in
June 2012

Wales Committee

Chair

Aled Eirug

Members

Gary Davies
Professor Richard B Davies †
John Howells
Berwyn Rowlands
Nicholas Bourne
Professor Laura McAllister
Ashok Ahir
David Anderson †
Philip Cooper †
Professor Elen ap Robert †

Secretary

Simon Dancey †

Euryn Ogwen Williams left the Wales
Committee in August 2012

Richard Davies left the Wales
Committee in August 2012

Professor Peter Robertson joined the
Wales Committee in September 2012
and left in February 2013

Rebecca Matthews finished as
Secretary to the Wales Committee
June 2012

Statement of the trustees’ responsibilities

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

The accounts are prepared on an accruals basis and give a true and fair view of the British Council’s, and of the group’s income and expenditure during 2012–13, and of the assets and liabilities held at the end of the year.

In preparing those financial statements the trustees are required to:

- observe the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs, including the relevant accounting and disclosure requirements
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards as set in the Government Financial Reporting Manual 2012–13 and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the British Council will continue in operation.

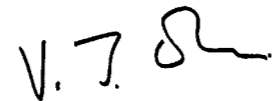
The trustees’ responsibilities include keeping proper accounting records. These disclose with reasonable accuracy at any time the financial position of the British Council and enable it to ensure that the financial statements comply with Accounting and Reporting by Charities: Statement of Recommended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

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

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

Statement of the Accounting Officer’s Responsibilities

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



Sir Vernon Ellis
Chair British Council
9 July 2013

The Executive Board

At 31 March 2013

Martin Davidson CMG
Chief Executive

Dr Jo Beall
Director Education and Society

Adrian Greer CMG
Chief Operating Officer
(Director Global Network until 30 September 2012)

Mark Robson
Director English

Bidesh Sarkar
Chief Financial Officer

Graham Sheffield CBE
Director Arts

Rebecca Walton
Director Partnerships and Business Development

John Worne
Director Corporate Headquarters

Executive Board members who served during the year

Pippa Greenslade
Director Global Human Resources
(until 24 January 2013)

The duties of Director Global Human Resources were covered by senior managers in Human Resources after the departure of Pippa Greenslade.

Executive Board remuneration report 2012–13

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 2012–13, Executive Board members did not receive 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 2012–13 relate to performance in 2011–12.

Executive Board members do not receive non-cash benefits.

Executive Board members are initially appointed on a fixed-term contract of three years. The notice period for termination, for either side, is three months. Early termination, other than for misconduct, may result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Emoluments (salaries, including allowances subject to UK taxation) paid to members of the Executive Board and their pension entitlements are set out below. All those individuals are members of the Principal Civil Service Pension Scheme. An overview of retirement benefits is given below.

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

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

Employee contributions are between 1.5 per cent and 3.9 per cent of pensionable earnings for classic and 3.5 per cent and 5.9 per cent for premium, classic plus and nuvos, depending on full-time pay rates. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

(ii) Partnership pension account

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

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

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

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

Executive remuneration

	SALARY 2012–13 (IN BANDS OF £5,000)	SALARY 2011–12 (IN BANDS OF £5,000)	BONUS PAYMENTS 2012–13 (IN BANDS OF £5,000)	BONUS PAYMENTS 2011–12 (IN BANDS OF £5,000)	ACCRUED PENSION AT PENSION AGE AS AT 31 MARCH 2013 (IN BANDS OF £5,000)
NAME AND POSITION					
Davidson, MS Chief Executive	165–170	165–170	15–20	15–20	60–65
Greer, A ¹ Chief Operating Officer	140–145	170–175	10–15	0–5	45–50
Robson, MW Director English	140–145	140–145	10–15	10–15	20–25
Worne, JP Director, Corporate Headquarters	120–125	120–125	10–15	10–15	35–40
Sarkar, B Chief Financial Officer	115–120	115–120	10–15	10–15	15–20
Sheffield, G ² Director Arts	115–120	105–110 (full year equivalent 115–120)	10–15	0–5	5–10
Beall, J ³ Director Education and Society	115–120	85–90 (full year equivalent 115–120)	10–15	0–5	5–10
Walton, RH Director, Partnerships and Business	110–115	110–115	10–15	10–15	40–45
Greenslade, PJ ⁴ Director, Global Human Resources	95–100 (full year equivalent 110–115)	110–115	10–15	5–10	5–10
Highest paid Director's total remuneration (in bands of £5,000)	185–190	185–190			
Median remuneration of workforce	£34,694	£34,225			
Remuneration ratio	5.4:1	5.5:1			

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 2012–13 was £185,000–£190,000 (2011–12: £185,000–£190,000). This was five times the median remuneration of the workforce, which was £34,694 (2011–12: £34,225).

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

¹ Adrian Greer’s salary banding has been restated for 2011–12 to include an allowance not previously disclosed in this table.
² Appointed 9 May 2011
³ Appointed 1 July 2011
⁴ Left 24 January 2013

ACCRUED LUMP SUM AT PENSION AGE AS AT 31 MARCH 2013 (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 2013 (TO NEAREST £1,000)	CETV AT 31 MARCH 2012 (TO NEAREST £1,000)	REAL INCREASE (DECREASE) IN CETV FUNDED BY EMPLOYER (TO NEAREST £1,000)
185–190	0–2.5	0–2.5	1,319	1,237	10
145–150	2.5–5	10–12.5	990	894	76
N/A	2.5–5	N/A	248	198	26
N/A	2.5–5	N/A	459	399	32
N/A	0–2.5	N/A	155	122	16
N/A	2.5–5	N/A	87	40	36
N/A	2.5–5	N/A	116	67	36
120–125	0–2.5	0–2.5	775	724	6
N/A	0–2.5	N/A	71	45	19


Martin Davidson CMG
Chief Executive British Council
9 July 2013

Equal opportunity and diversity

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

This year we continued working towards the three main objectives of our diversity strategy – to develop capability and leadership, to foster inclusion and to measure our performance, impact and compliance with legal requirements.

Developing capability and leadership

In 2012–13 we updated our equality and diversity training and made learning programmes available online to all staff globally. We developed different programmes to meet different needs, for example making content more easily accessible for staff whose first language is not English. We also ran face-to-face workshops in the UK and overseas.

Fostering inclusion

Operating in 110 countries gives us a particularly rich diversity among our staff, which we captured this year in an online living library of staff profiles. This aims to encourage colleagues from around the world to get in touch and learn more about each other’s different cultures, backgrounds and experiences. Around our global network this year staff have also arranged diversity weeks and other events with a diversity theme, many of which have involved customers and partners.

Measuring performance, impact and legal compliance

We use a Diversity Assessment Framework (DAF) to measure our progress towards embedding equality and diversity into our work. The DAF measures ten significant indicators of good performance.

In 2012–13 we succeeded in meeting our corporate plan target of eight out of ten indicators being met globally. This year individual countries could also apply to be recognised as operating at best practice level and China and Turkey both achieved this. China’s performance was particularly outstanding and involved the opening up of access for disabled candidates to our extensive network of examination centres, accompanied by a big awareness-raising media campaign.

The UK has a good reputation internationally for its approach to equal opportunities and diversity. We look for opportunities to create impact by sharing both that

approach and our own approach as an organisation. This year in Finland, for example, we have worked on equality and diversity issues with contacts in the arts and cultural sector and in Lithuania we have worked at government level to share our approach to gender mainstreaming.

Equality monitoring

We set equality targets for our most senior management group.

Performance over the last three years is as follows:

CATEGORY	AS AT 31 MARCH 2011	AS AT 31 MARCH 2012	AS AT 31 MARCH 2013	2014 TARGET
Minority ethnic	7.7%	7.4%	5.4%	11%
Women	27.8%	28.6%	32.8%	35%
Disabled	0%	0%	0%	2%

Note: These figures are based on 58 staff in our most senior management group, of whom two have not provided ethnicity data.

The mix of UK appointed staff at all grades as at 31 March 2013 is as follows:

CATEGORY	TOTAL NUMBER	% OF WORKFORCE
Minority ethnic	163	14.5%
Women	593	53%
Disabled	33	2.9%

Note: These figures are based on all 1,122 staff, of whom 20 have not provided ethnicity data and seven have not provided disability data.

Disabled employees

We are committed to attracting disabled people to work with us and to supporting disabled employees to progress and develop their careers. We display the ‘positive about disabled people’ double tick symbol on our recruitment advertisements and our web pages. This aims to encourage disabled people to apply to work with us and reflects our commitment to existing employees. We guarantee an interview to all disabled people who meet the required criteria and make reasonable adjustments to help support the full participation of disabled people.

Our internal Disability Working Group and external Disability Advisory Panel are a valuable resource in promoting understanding and awareness, and acting as a sounding board for new initiatives.

Our staff

To meet our ambitious plans for 2015 we must continue to develop the expertise and skills of our staff and to use their talents creatively and flexibly.

We are:

- developing global teams which can draw on the expertise of all staff, wherever they are in the world
- strengthening our talent identification and succession planning
- developing the professional expertise of our staff in the arts, English, education and society and in areas which support growth such as digital working, commercial partnering and business development
- enhancing leadership and management skills.

This year we again ran staff development programmes and delivered targeted training. We recruited talented people to work with us globally, hiring more external expertise and investing for the long term through new graduate and intern programmes. We began succession planning and talent identification amongst senior staff and launched a mentoring initiative for a wider group of staff. Global teams began to work more effectively, supported by improved technology and a new framework which has made lines of accountability and responsibility clearer.

Staff survey

In 2012–13 we carried out a staff survey with a smaller sample size and a more targeted set of questions than our 2011–12 survey. Our aim was to check engagement levels and explore topics of current relevance. We sent the survey to 1,800 randomly selected staff across the organisation and had a 66 per cent response rate. This is a significantly higher return rate than most private and public sector organisations achieve.

Our staff engagement level across all regions and departments was consistent with last year’s and significantly higher than Ipsos MORI’s private and public sector norms.

Particularly strong scores in comparison with both private and public sector norms were:

- understanding of how personal objectives link to organisational success
- support for the overall direction of the organisation
- pride in working for the British Council.

We also explored certain areas in more detail and results from this showed that:

- people feel that the culture is generally supportive of the behaviours needed to be an entrepreneurial public service
- there is dissatisfaction with the speed of change and the extent to which people are involved in change that affects them
- there is continuing dissatisfaction with fairness of pay in comparison to other organisations.

The Executive Board is reviewing the results of the 2013 survey and continuing to look for ways to address the results of the full survey carried out in 2012. In 2014 we will run another full survey.

Consultation and engagement with staff

We recognise the value of staff involvement in trade unions and staff associations. Overseas we consult with staff according to local practice and legislation. In EU countries we discuss transnational European issues through the European Works Council. Managers are responsible for consulting with trades unions, staff associations and individual staff on proposals for change which have significant implications for staff.

We send a quarterly briefing to all managers with updates from the corporate centre and business areas and a weekly email bulletin to all staff globally with news from across the organisation. We also encourage two-way communication and engagement through regular webcasts and online discussions about our work and organisational culture.

Absence monitoring

We monitor sickness absence in the UK through Absence Line and analyse data monthly to assess trends and inform management. In 2012–13, 1.4 per cent of staff days were lost to sickness absence. This is very close to the total of 1.2 per cent of staff days lost in 2011–12 and an improvement on the 2.07 per cent of staff days lost in 2010–11.

Environmental policy

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

We aim to make sustainability – a balance of financial, social and environmental considerations – an integral part of how we manage our premises, our programmes and our staff.

We have a global environment policy and systems for managing and mitigating our effect on the environment both in the UK and overseas. We have set sustainability targets in our 2011–15 Corporate Plan. To help us meet these targets, we provide support and guidance to all staff globally, including through our online environmental awareness course.

Operating more sustainably also helps us to cuts costs, making good business sense and allowing us to provide better value for the UK.

Minimising our impact on the environment in the UK

We use an Environmental Management System (EMS) to improve our environmental performance in the UK. In 2012–13 our six UK premises once again achieved the International Standard for Environmental Management (ISO 14001).

This year we completed major refurbishments of our London and Manchester offices, with the aim of becoming more efficient in our use of space. We used an assessment method called the Ska Rating to ensure that we were taking sustainability into account at every stage of both projects. The Ska Rating is operated by the Royal Institute of Chartered Surveyors and has three assessment levels – gold, silver and bronze. We achieved a gold rating for the refurbishment of our office in London, and a bronze rating for Manchester. We also achieved a reduction in our carbon footprint by refitting our London building to allow us to share it with sub-tenants.

This year our new office in Edinburgh has achieved a significant reduction in carbon dioxide emissions. In our Belfast office, the installation of LED lighting and lighting controls has been cited as best practice by industry specialists.

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

Summary of key areas of UK sustainability performance 2012–13

IMPACT	2009–10* PERFORMANCE	2010–11 PERFORMANCE	2011–12 PERFORMANCE	2012–13*** PERFORMANCE	TARGET FOR 2014–15
Carbon dioxide emissions from energy (electricity and gas) in offices	2,254 tonnes of CO ₂ e	2,041 tonnes of CO ₂ e	1,843 tonnes of CO ₂ e	1,700 tonnes of CO ₂ e	Reduce CO ₂ e by 25 per cent to 1,690 tonnes compared with 2009–10 baseline.
Water consumption**	9,170 cubic metres	8,770 cubic metres	9,515 cubic metres	11,228 cubic metres	Reduce water consumption by 15 per cent to 7,794 cubic metres compared with 2009–10 baseline.
Waste arising	124 tonnes	140 tonnes	130 tonnes	110 tonnes	Reduce overall waste arising (general and recycled) by 25 per cent to 93 tonnes compared with 2009–10 baseline.
Recycling	36 per cent of waste arising	45 per cent of waste arising	36 per cent of waste arising	35 per cent of waste arising	Divert waste from landfill by increasing recycling by 20 per cent to 56 per cent compared with 2009–10 baseline.

Note: CO₂e represents equivalent carbon dioxide.
* The ‘Greening government commitments’ require us to use a 2009–10 baseline, however the first year we could obtain reliable data from all six of our UK premises was 2010–11
** Data for Belfast, Cardiff and Edinburgh (no sub-meters), is based on extrapolated data.
*** Includes deduction of 22.4 per cent pro-rata for new tenant occupancy in London office from December 2012 to March 2013.

Minimising our impact on the environment overseas

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

Our 2012–13 Corporate Plan target was that all offices should reach Level three ‘making a difference’ by the end of the year. We fell short of that target with 50 per cent of our offices succeeding in reaching Level three, an increase on last year’s result of 39 per cent. Good progress has also been made in many areas. The Americas region moved to a strong Level three, for example, and our large network of teaching and examination centres in Spain went up from Level one to Level three.

We achieved significant reductions in our carbon footprint in countries across every region, despite the expansion of existing offices and the opening of new ones. Smaller offices such as Kosovo and the Caribbean cluster led by Cuba also achieved significant reductions.

This year we produced guidance for regions on planning towards achieving EFT Level four, ‘the path towards sustainability excellence’ and set targets for the completion of regional environmental plans. We are also developing our Low Carbon for Cultural Relations initiative further as part of EFT Level five. This initiative encourages regions to work with partners to support local environmental projects.

Sustainability in our global estate

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

In India, for example, we are using a green building rating system, Leadership in Energy and Environmental Design (LEED) to assess the refurbishment of our flagship office in New Delhi. LEED is voluntary and is used worldwide. This project is currently achieving a rating at the high end of ‘gold’ with ‘platinum’ being the highest rating.

Our office in Chittagong, set up last year, has very low electricity consumption and our aim is that new premises projects in Sylhet and Dhaka will help further reduce our total carbon dioxide emissions across Bangladesh.

Environmental considerations were also central this year to the opening and refurbishment of our offices in Lyon and Marseille, Lusaka, Rio de Janeiro, Warsaw, Jaffna, Chandigarh, Shanghai, Islamabad and Medan in Indonesia.

We are committed to reducing our impact on the environment and making sustainability an integral part of how we manage our premises, our programmes and our staff. Operating more sustainably also helps us to cut costs, making good business sense and meaning we provide better value for the UK.

Financial review and accounts



We are reaching millions more people through the innovative use of new technologies.

Financial review

Summary of results

- For every £1 of government grant-in-aid we generated an additional £3.56 from other sources, up from £3.09 the previous year.
- Grant-in-aid reduced by £9 million to just 22 per cent of total income in 2012–13.
- Despite the cut in grant-in-aid, we achieved a six per cent (£43 million) increase in total income compared with last year. However, the total income of £781 million remains £18 million short of the challenging income target set in the 2012–15 Corporate Plan.
- For the first time, the 2012–13 income disclosed in the accounts includes the value of income-in-kind (£9 million). This represents the benefit generated for the British Council from gifts in kind and donated services and facilities.
- We met our efficiency and savings targets of £14 million and our worldwide platform costs went down to 16 per cent of total spend from 17 per cent last year.
- We exceeded the target of spending £93 million (more than half the grant-in-aid received) on Overseas Development Assistance (ODA).

Income earned and funding received

Our government grant from the Foreign and Commonwealth Office (FCO) continues to fall in line with the Spending Review Settlement of October 2010. The £171.5 million grant-in-aid received in 2012–13 was five per cent less than the previous year (2011–12: £180.5 million).

Despite the reduction in the FCO grant, total income increased by six per cent (£43 million) compared with 2011–12 (five per cent and £34 million excluding the value of 2012–13 income-in-kind).

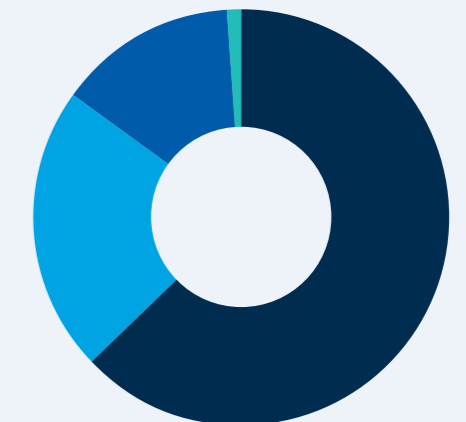
The most significant increase by value was in our teaching and examinations business. The £398 million teaching and examinations income generated in 2012–13 was eight per cent (£30 million) higher than the previous year. Although we achieved income growth in both sectors, examinations income in 2012–13 exceeded the Corporate Plan target.

We generated partnership income of £54 million in 2012–13 (2011–12: £30 million), against the Corporate Plan target of £44 million. £9 million of the total 2012–13 partnership income relates to the value of gifts in kind and

donated services and facilities. These have been included in the 2012–13 accounts for the first time following the development of a methodology to quantify the benefit generated for the British Council, in line with charity accounting requirements.

Taken together, funding for contract activity and contract management fee income reduced by £9 million (seven per cent) compared with the previous year, and fell £37 million short of the Corporate Plan target.

Sources of income¹



63%	£490 million	Fees and income from services
22%	£175 million	Voluntary income (grants receivable)
14%	£106 million	Contract activity
1%	£10 million	Other income

Expenditure

Resources expended across the group increased by nine per cent (£65 million) compared with last year to a total of £785 million. This increase reflects both growth in income generating activities and over £70 million of investment in projects that support the delivery of our ambitious 2015 impact and activity targets, such as investment in our English teaching network, and in our digital services. We also invested in our IT infrastructure and estates, to improve both the effectiveness and efficiency of our global platform.

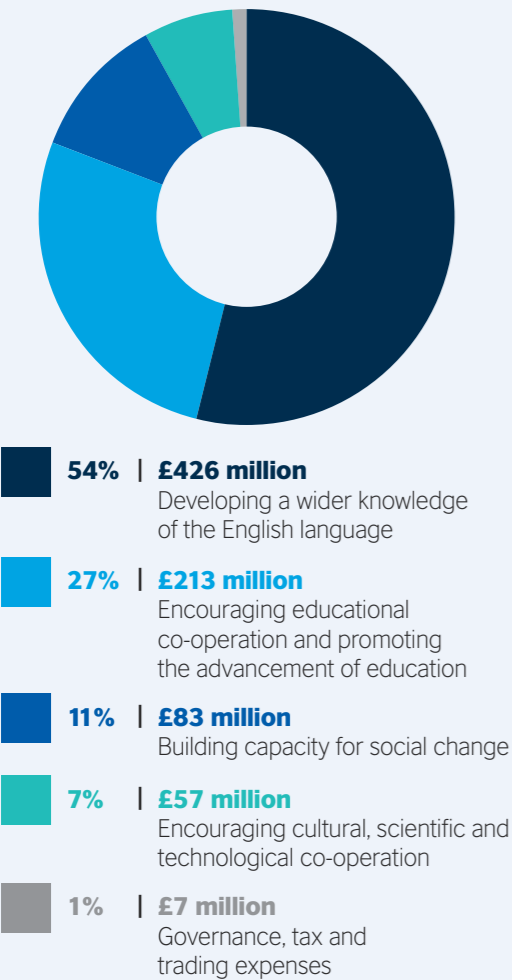
¹ This reflects the categories of incoming resources disclosed in the Statement of Financial Activities at page 76. Other income in the pie chart on this page reflects the sum of investment income, trading income and other incoming resources from the Statement of Financial Activities.

Our increased staff numbers reflect the growth in our business. We have increased the value of non-grant income we have generated, relative to staff numbers, from £81,627 per employee in 2011–12 to £83,145 in 2012–13.

As part of the UK’s commitment to Overseas Development Assistance (ODA) we were required to spend £93 million of our 2012–13 FCO grant on development activity in ODA eligible countries as defined by the Organisation for Economic Co-operation and Development (OECD). We exceeded this target by £1 million, spending more than half the total grant received on development projects.

We achieved our savings target of £14 million on grant costs in 2012–13. One way in which we track our efficiency is by looking at the percentage of our total expenditure that relates to our worldwide platform of buildings, infrastructure and support staff. We have steadily reduced this percentage over the last four years from 19 per cent in 2009–10 to 16 per cent in 2012–13. We aim to reduce it further to 15 per cent by 2014–15.

Resources expended²



Fair trading

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

Reserves policy

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

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

If a balance remains within the General Account after the designation to the Risk Reserve and the Investment Fund, it remains deployable at the discretion of management in line with the British Council’s corporate targets.

Management regularly review funds within the scope of the reserves policy to take account of the latest targets and assessment of risks and opportunities, financial out-turn, and plans and projections for the following year. The risk reserve as at 31 March 2013 has been maintained at the value of £49 million set out in the reserves policy approved by the trustees.

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

² This reflects the categories of resources expended disclosed in the Statement of Financial Activities at page 76.

Grant-making policy

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

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 2012–13, 98 per cent (2011–12: 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 2012–13 was 115,790 (2011–12: 117,142). These figures relate only to UK activity.

Trade creditor days for the British Council for the year ended 31 March 2013 were 25 days (2011–12: 27 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 246 commercial properties in 116 countries plus a small number of residences. The majority of the overseas properties are leased rather than owned to keep fixed costs low and to give greater flexibility. In the UK, we have large premises in London and Manchester, together with smaller regional offices in Cardiff, Edinburgh and Belfast. All the UK properties are leased.

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

I have audited the financial statements of the British Council for the year ended 31 March 2013. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and British Council Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

My responsibility is to audit and express an opinion on the financial statements in accordance with relevant legal and regulatory requirements. 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 trustees; 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. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of British Council's affairs as at 31 March 2013 and of its incoming resources and application of resources for the year then ended
- the financial statements have been properly prepared in accordance with the Charities Act 1993; the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Charities Act 1993 and Secretary of State directions; and
- the information given in 'Our Performance in 2012–13'; 'Governance Statement'; 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:

- proper and 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.

Amyas C E Morse
Comptroller and Auditor General

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

11 July 2013

Accounts

Statement of Financial Activities for the year ended 31 March 2013

		UNRESTRICTED	RESTRICTED	2012-13 TOTAL	2011-12 TOTAL
	NOTES	£'000	£'000	£'000	£'000
Incoming resources					
Incoming resources from generated funds					
Voluntary income	3	171,500	3,499	174,999	184,084
Investment income		2,938	–	2,938	2,884
Trading income		3,103	–	3,103	2,124
Incoming resources from charitable activities					
Fees and gross income from services and other sources	4	488,993	1,017	490,010	432,135
Funding for contract activity		–	105,924	105,924	111,407
Other incoming resources	6	3,865	450	4,315	5,868
Total incoming resources		670,399	110,890	781,289	738,502
Resources expended					
Costs of generating funds					
Trading expenses		500	–	500	205
Cost of activities and grants made in furtherance of the objects:					
Developing a wider knowledge of the English language		424,604	896	425,500	420,011
Encouraging educational co-operation and promoting the advancement of education		140,176	73,273	213,449	159,835
Encouraging cultural, scientific and technological co-operation		56,483	56	56,539	38,138
Building capacity for social change		47,626	34,885	82,511	95,182
Governance costs		6,262	–	6,262	6,673
Total resources expended to promote cultural relationships and the understanding of different cultures	5	675,151	109,110	784,261	719,839
Taxation		572	–	572	369
Total resources expended		676,223	109,110	785,333	720,413
Net incoming/(outgoing) resources		(5,824)	1,780	(4,044)	18,089
Transfers and other recognised gains/(losses)					
Inclusion of 2011–12 donated heritage assets	17	–	27	27	–
Funds spent from restricted reserves	17	–	(118)	(118)	–
Gain on revaluation of fixed assets for charity's own use	17	4,127	–	4,127	(938)
Gain on revaluation of intangible fixed assets for charity's own use	17	1,095	–	1,095	897
Gain on revaluation of fixed assets for charity's own use – heritage assets	17	15,077	–	15,077	6,028
Transfer of heritage assets to restricted funds	17	(8,818)	8,818	–	–
Foreign exchange differences arising on consolidation of subsidiaries	17	195	–	195	239
Actuarial loss recognised in the retirement benefits scheme	17	(1,105)	–	(1,105)	67
Losses on curtailments in the retirements benefits scheme	17	(967)	–	(967)	–
Employer pension contributions	17	72	–	72	118
Net movement in funds		3,852	10,507	14,359	24,500
Funds brought forward at start of year		305,313	51,964	357,277	332,777
Funds carried forward at end of year		309,165	62,471	371,636	357,277

The British Council's non-consolidated total incoming resources for 2012–13 were £756.3 million (2011–12: £734.6 million); total resources expended were £762.2 million (2011–12: £715.2 million); and total net outgoing resources were £5.9 million (2011–12: net incoming resources of £19.4 million). Restricted activity includes £61 million (2011–12: £57 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 £5.4 million (2011–12: £6.7 million) received in relation to European Commission projects. There are no other recognised gains and losses other than those passing through the Statement of Financial Activities. All activities are continuing. The notes on pages 79 to 108 form part of these accounts.

Balance Sheet as at 31 March 2013

		GROUP		BRITISH COUNCIL	
		2013	2012	2013	2012
	NOTES	£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets	9	5,793	5,691	5,760	5,660
Tangible fixed assets	10	177,503	162,243	173,497	161,333
Heritage assets	11	100,158	84,511	100,158	84,511
Investments	12	2,565	3,019	2,595	3,049
Total fixed assets		286,019	255,464	282,010	254,553
Current assets					
Stock		623	396	620	389
Loan to subsidiaries	12(c)	–	–	3,480	3,336
Debtors	13	79,882	67,581	77,352	69,006
Cash at bank and in hand	22	192,463	165,545	185,784	160,903
Short term investments	14	65,482	87,327	65,482	87,327
Total current assets		338,450	320,849	332,718	320,961
Liabilities: amounts falling due within one year					
Creditors	15	(222,683)	(189,297)	(213,502)	(186,886)
Short-term provisions for liabilities and charges	16(a)	(9,256)	(11,000)	(9,187)	(10,984)
Net current assets		106,511	120,552	110,029	123,091
Total assets less current liabilities		392,530	376,016	392,039	377,644
Liabilities: amounts falling due after more than one year					
Long-term provisions for liabilities and charges	16(b)	(20,894)	(20,527)	(20,784)	(20,479)
Net assets excluding retirement benefits scheme asset		371,636	355,489	371,255	357,165
Retirement benefits scheme asset/(deficit)	7(i)	–	1,789	–	1,789
Net assets		371,636	357,278	371,255	358,954
Funds and reserves					
Unrestricted funds					
General account	17	–	–	–	2,660
Risk reserve	17	49,000	49,000	49,000	49,000
Investment fund	17	33,265	49,341	36,885	49,341
Retirement benefits scheme reserve	17	–	1,789	–	1,789
Capital account	17	100,927	90,784	96,889	89,802
Revaluation account	17	82,370	77,149	82,369	77,148
Heritage assets reserve – unrestricted	17	43,629	37,250	43,629	37,250
Total unrestricted funds		309,191	305,313	308,772	306,990
Restricted funds					
Other restricted funds	17	1,930	118	1,969	118
Endowment funds	17	3,985	4,585	3,985	4,585
Heritage assets reserve – restricted	17	56,529	47,261	56,529	47,261
Total restricted funds		62,444	51,964	62,483	51,964
Total charity funds		371,635	357,277	371,255	358,954
Minority interest	1	1	1	–	–
Total capital employed		371,636	357,278	371,255	358,954

Approved by the Board of Trustees and signed on its behalf on 9 July 2013.


Sir Vernon Ellis, Chair Trustee


Martin Davidson cmg, Chief Executive Accounting Officer

The notes on pages 79 to 108 form part of these accounts.

Cashflow statement for the year ended 31 March 2013

	2012–13		2011–12	
	£'000	£'000	£'000	£'000
Net incoming resources for the year	(4,044)		18,089	
Less: contribution made to pension scheme	–		(118)	
		(4,044)		17,971
Add/(deduct):				
Interest receivable	(2,938)		(2,884)	
Depreciation charge including impairments	9,506		10,899	
Amortisation charge including impairments	1,142		–	
(Gain)/loss on sale of tangible fixed assets	75		2,533	
Loss on revaluation of land and buildings	304		–	
Loss on disposal of fixed asset investment	(39)		–	
Transfer of completed fixed assets to additions	2,426		–	
Movement on donated heritage assets	(424)		(27)	
Foreign exchange difference arising on consolidation of subsidiaries	195		239	
Unrealised gain on revaluation of financial assets	–		27	
(Increase)/decrease in stocks	(227)		(50)	
(Increase)/decrease in debtors	(12,301)		(7,069)	
Increase/(decrease) in creditors	33,386		(488)	
Movement in provisions including short-term element	(1,377)		3,038	
Increase in interest receivable on investments	(3)		–	
Movement in pension asset	(211)		–	
Total additions/deductions		29,514		6,218
Net cash inflow from operating activities		25,470		24,189
Returns on investments and servicing of finance				
Interest receivable	2,938		2,884	
Net withdrawals from/(payments into) short-term deposits	21,845		(15,395)	
Total returns on investments and servicing of finance		24,783		(12,511)
Capital expenditure and investments activities				
Receipts from sale of investments	854		551	
Payments to acquire investments	(489)		(593)	
Payments to acquire intangible fixed assets	(153)		–	
Payments to acquire tangible fixed assets	(24,211)		(8,151)	
Payments to acquire heritage assets	(120)		(75)	
Receipts from sales of tangible fixed assets	767		1,152	
Receipts from loan repayments	135		–	
Payments out of restricted grant reserve	(118)		–	
Total capital expenditure and investments activities		(23,335)		(7,116)
Increase/(decrease) in cash		26,918		4,562
Cash at start of year		165,545		160,983
Cash at end of year		192,463		165,545

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.

The notes on pages 79 to 108 form part of these accounts.

Notes

1 Basis of preparation and consolidation

The accounts have been prepared under the historical cost convention modified by the inclusion of certain fixed assets at their current cost. They comply with *Accounting and Reporting by Charities: Statement of Recommended Practice (Revised 2005)* (‘the SORP’) and other applicable accounting standards; the Charities Act 2011; the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs; and with the 2012–13 Government *Financial Reporting Manual* (the FReM) where this exceeds but does not conflict with the SORP.

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

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

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

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

The financial statements for the year ended 31 March 2013 have been prepared on a going concern basis: both the Board of Trustees and management believe that this is an appropriate basis of preparation.

2 Accounting policies

(a) Contractual income

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

(b) Grants and donations receivable

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

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

(c) Resources expended

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

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

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

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

(d) Classification of expenditure

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

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

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

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

The British Council also has an overarching charitable object: to promote cultural relationships and the understanding of different cultures between people and peoples of the United Kingdom and other countries, which encompasses the other four objects of the organisation. There is no activity solely attributable to this charitable object in 2012–13.

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

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

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

(e) Taxation

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

The British Council as a registered charity is exempt from corporation tax on its income and gains falling within Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objects. Accordingly, no UK corporation tax has been incurred during 2012–13. Subject to the availability of similar charitable exemption overseas, provision has been made for overseas taxation on the profits of overseas subsidiaries and branches.

The British Council’s policy is to comply with all relevant tax legislation and regulations in each country in which it operates, and to co-operate fully with relevant tax authorities. The British Council’s tax status, and its liability to tax, varies from country to country according to the activities the 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 at their value to the business by reference to current costs and are amortised at rates calculated to write off the assets on a straight-line basis over ten years or the period of the licence, whichever is shorter. These revaluations take place annually in line with market value.

(g) Tangible fixed assets

Expenditure on tangible fixed assets is capitalised if:

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

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

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

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

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

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

(i) Land and buildings

Land and buildings are recognised at a valuation arrived at by DTZ Real Estate Advisors, an external valuer, in accordance with the guidelines issued by the Royal Institution of Chartered Surveyors. These valuations take place every five years.

It is not practicable to revalue land and buildings on a yearly basis but land and buildings are reviewed on an annual basis for material impairment.

During the year ended 31 March 2009, all freehold and long leasehold land and buildings were revalued by DTZ Real Estate Advisors on the basis of the open market value at 31 March 2009. Subsequent land and building additions have been included at cost.

All upward revaluation adjustments for existing properties are held in the revaluation account. When a property is disposed of, the revaluation account is adjusted and any previous revaluation is released to the capital account.

(ii) Other tangible fixed assets

All other tangible fixed assets are included at their value to the business by reference to current costs and are reviewed on an annual basis for material impairment. The adjustments for current cost accounting revaluation and backlog depreciation include the effect of both upward and downward indices. Upwards revaluations are added to the revaluation 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.

(h) Heritage assets

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

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

The Curator carries out valuations of the collection each year as at 31 March. The Curator is a member of the British Council’s staff and a suitably qualified person as permitted under Financial Reporting Standard 30 – Heritage assets. Any gains or losses on the revaluation of heritage assets are recognised through the heritage asset revaluation reserve.

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

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

(i) Fixed asset investments

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

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

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

(j) Financial assets and liabilities

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

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

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

(k) Stocks

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

(l) Gifts in kind

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

Prior to 2012–13 the value of these gifts in kind was not included in the accounts as it was not considered material.

During 2012–13 the British Council introduced new procedures to quantify the value of these gifts in kind in the British Council accounts. The 2012–13 incoming resources include a reasonable estimate of the gross value of gifts in kind received by the British Council based on an internally developed standard cost model that reflects the types of non-cash contributions the British Council most commonly receives and the British Council’s global distribution.

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

(m) Leases

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

(n) Exchange differences

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

(o) Retirement benefits

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

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

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

(p) Provisions and contingent liabilities

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

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

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

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

(q) Revenue and expenditure under contracts or agreements

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

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

(r) Fund accounting

Funds are classified as either unrestricted or restricted.

(i) Unrestricted funds

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

Unrestricted funds include designated funds where the trustees, at their discretion, have created a fund for a specific purpose, or where funds are effectively constrained by their application in operational fixed assets. The purpose and any application of designated funds are set out in the notes to the financial statements.

(ii) Restricted funds

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

(iii) Transfers between funds

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

3 Voluntary income

	UNRESTRICTED	RESTRICTED	2012–13 TOTAL	2011–12 TOTAL
	£'000	£'000	£'000	£'000
Foreign and Commonwealth Office				
Revenue grant-in-aid	165,500	–	179,370	
Capital grant-in-aid	6,000	–	1,130	
Total grant-in-aid			171,500	180,500
Other grants				
Grants receivable from:				
International Inspirations	–	1,318	1,901	
Department for Education	–	755	794	
Department of Education, Northern Ireland	–	339	336	
Scottish Government Schools Directorate	–	433	325	
Welsh Government – Education and Skills	–	500	228	
Carnegie Corporation of New York	–	123	–	
Department for International Development	–	31	–	
Total other grants			3,499	3,584
Total grants receivable			174,999	184,084

4 Fees and income from services and other income

	CONTRACT MANAGEMENT FEE INCOME	TEACHING AND EXAMS INCOME	PARTNERSHIP INCOME	OTHER INCOME	2012–13 TOTAL	2011–12 TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, sponsorship and other income received from activities in furtherance of the objects:						
Developing a wider knowledge of the English language	1,176	397,533	13,536	21,143	433,388	389,147
Encouraging educational co-operation and promoting the advancement of education	8,139	9	29,564	1,419	39,131	31,276
Encouraging cultural, scientific and technological co-operation	42	–	5,377	33	5,452	2,540
Building capacity for social change	6,259	–	5,738	42	12,039	9,172
Total income received to promote cultural relationships and the understanding of different cultures	15,616	397,542	54,215	22,637	490,010	432,135

Income-in-kind has been included within partnership income in the table above. For 2012–13, total income-in-kind was £8,821,208.

This is the first year that income-in-kind has been included in the accounts. Training on data capture for each region was rolled out at different times during the year, and therefore the figures for 2012–13 are not complete for some regions. The figures do not include any income from the UK region as the process for capturing data was not finalised in the UK until after 31 March 2013.

Included in the above fees and income are restricted resources of £1,017,150.

5 Total resources expended

	GRANTS PAYABLE	STAFF COSTS	OTHER DIRECT COSTS	SUPPORT COSTS	2012–13 TOTAL	2011–12 TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of activities in furtherance of the objects:						
Developing a wider knowledge of the English language	699	203,690	177,876	43,235	425,500	420,011
Encouraging educational co-operation and promoting the advancement of education	70,035	55,381	54,180	33,853	213,449	159,835
Encouraging cultural, scientific and technological co-operation	3,760	21,522	17,274	13,983	56,539	38,138
Building capacity for social change	24,680	19,399	23,289	15,143	82,511	95,182
Governance costs	–	4,311	606	1,345	6,262	6,673
Total costs to promote cultural relationships and the understanding of different cultures	99,174	304,303	273,225	107,559	784,261	719,839

Included in the above resources expended are costs of £109,130,645 relating to restricted expenditure.

Expenditure relating to income-in-kind has been included within other direct costs in the table above. For 2012–13, total income-in-kind was £8,821,208.

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

Included in governance costs are fees of £142,500 (2011–12: £152,500) payable to the Charity’s auditors for the audit of the Charity’s Annual Report.

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

	2012–13	2011–12
	£'000	£'000
Payments for travel, subsistence, etc.	17,187	13,527
Property rental costs relating to operating leases	24,555	24,215
Depreciation and amortisation charged	10,648	10,899
Provisions charged to expenditure in year	6,389	9,167

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

6 Other incoming resources

	2012–13	2011–12
	£'000	£'000
Profit on disposal of fixed assets	348	266
Foreign exchange gains	3,517	5,575
Donated heritage assets	450	27
Total other incoming resources	4,315	5,868

7 Staff emoluments and related costs

(a) Total staff costs:

	2012–13	2011–12
	£'000	£'000
Wages and salaries – permanent	225,509	207,936
Wages and salaries – non permanent	57,364	44,457
Social security costs	5,701	8,911
Other pension costs	13,382	13,008
Early retirement costs	2,347	1,848
Total staff costs	304,303	276,160

Included in non-permanent wages and salaries is £30,349,996 (2011–12: £26,357,398) relating to English language oral examiners, examination markers and invigilators who are paid an hourly/daily rate. The remaining costs for non-permanent wages and salaries relate to contracted staff who are filling vacant roles.

(b) The number of employees at 31 March 2013, on a full time equivalent (FTE) basis, was 7,334 (2011–12: 6,836) analysed as follows:

	2012–13	2011–12
	NUMBER OF STAFF	NUMBER OF STAFF
United Kingdom		
Management and administrative (senior managers – 175 (2011–12: 162))	821	710
Overseas		
Management and administrative (senior managers – 262 (2011–12: 238))	4,731	4,336
Teachers	1,782	1,790
Total employees	7,334	6,836

Casual staff are excluded from the above figures.

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

EXIT PACKAGE COST BAND – UK APPOINTED STAFF	NUMBER OF COMPULSORY REDUNDANCIES		NUMBER OF OTHER DEPARTURES AGREED		TOTAL NUMBER OF EXIT PACKAGES BY COST BAND	
	2012–13	2011–12	2012–13	2011–12 (RESTATED)	2012–13	2011–12 (RESTATED)
<£10,000	–	–	2	–	2	–
£10,000–£25,000	2	2	9	2	11	4
£25,000–£50,000	1	–	15	5	16	5
£50,000–£100,000	–	–	4	1	4	1
£100,000–£150,000	–	–	2	–	2	–
£150,000–£200,000	–	–	1	–	1	–
£200,000–£250,000	–	–	–	–	–	–
£250,000–£300,000	–	–	–	–	–	–
£300,000–£350,000	–	–	–	–	–	–
Total number of exit packages	3	2	33	8	36	10
Total resource cost (£)	69,596	28,633	1,523,388	280,367	1,592,984	309,000

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

2011–12 figures for other departures have been restated to include four cases of voluntary exit that were omitted from last year’s accounts.

EXIT PACKAGE COST BAND – OVERSEAS APPOINTED STAFF	NUMBER OF COMPULSORY REDUNDANCIES		NUMBER OF OTHER DEPARTURES AGREED		TOTAL NUMBER OF EXIT PACKAGES BY COST BAND	
	2012–13	2011–12	2012–13	2011–12	2012–13	2011–12
<£10,000	32	65	100	94	132	159
£10,000–£25,000	21	20	15	19	36	39
£25,000–£50,000	5	10	–	5	5	15
£50,000–£100,000	1	10	–	–	1	10
£100,000–£150,000	–	2	–	4	–	6
£150,000–£200,000	–	1	–	–	–	1
£200,000–£250,000	–	–	–	–	–	–
£250,000–£300,000	–	–	–	–	–	–
£300,000–£350,000	–	–	–	–	–	–
Total number of exit packages	59	108	115	122	174	230
Total resource cost (£)	746,868	1,995,752	477,363	1,232,900	1,224,231	3,228,652

(d) The Chief Executive’s total actual emoluments plus pension was £228,043 (2011–12: £228,043) comprising salary of £186,883 (2011–12: £186,883), which includes a bonus of £17,500 (2011–12: £17,500) and pension contributions of £41,160 (2011–12: £41,160). The Chief Executive is a member of the Principal Civil Service Pension Scheme.

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

	2012–13	2011–12
	NUMBER OF STAFF	NUMBER OF STAFF (RESTATED)
£60,000–£70,000	86	68
£70,001–£80,000	78	73
£80,001–£90,000	48	37
£90,001–£100,000	24	19
£100,001–£110,000	14	12
£110,001–£120,000	7	6
£120,001–£130,000	11	7
£130,001–£140,000	9	7
£140,001–£150,000	2	3
£150,001–£160,000	3	1
£160,001–£170,000	3	0
£170,001–£180,000	0	1
£180,001–£190,000	1	2
Total	286	236

Of staff with remuneration over £60,000, 226 UK appointed staff (2011–12: 198) are members of a defined benefit pension scheme, and none are members of a defined contribution scheme (2011–12: none). Locally appointed overseas staff are subject to a variety of locally agreed arrangements.

The 2011–12 figures for staff in these salary bands have been restated to:

- include staff allowances and bonuses as required by the SORP, leading to 119 additional staff members being included in this disclosure note; and
- include 39 country-appointed staff that were not included in 2011–12.

(f) Travel expenses reimbursed to eight (2011–12: four) members of the Board of Trustees amounted to £21,608 (2011–12: £27,311).
No trustees or any persons connected with them received any remuneration for their services during the year ended 31 March 2013.

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

For 2012–12, employers’ contributions of £8,021,469 (2011–12: £7,454,914), were payable to the PCSPS at one of four rates in the range from 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012–13 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 £80,000 (2011–12: £68,913) were paid to one or more of the panel of three appointed stakeholder pension providers.

Employer contributions are age-related and range from three per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to three per cent of pensionable pay. In addition employer contributions of £5,289 (2011–12: £4,453), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the Balance Sheet date were £8,141 (2011–12: £4,564). Contributions prepaid at that date were £nil (2011–12: £nil).

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

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

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

The British Council currently pays contributions at the rate of 35.4 per cent of pensionable pay. Member contributions are payable in addition at the rate of five per cent of pensionable pay.

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

	2013	2012	2011
	£'000	£'000	£'000
Fair value of scheme assets	18,242	17,177	17,225
Present value of scheme liabilities	17,286	12,996	11,515
Surplus/(deficit) in scheme	956	4,181	5,710
Unrecognised surplus	956	2,392	4,366
Asset/(liability) to be recognised	–	1,789	1,344

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

	2013	2012
	£'000	£'000
Scheme liabilities at start of period	12,996	11,515
Current service cost	119	97
Interest cost	609	623
Contributions by scheme participants	16	15
Actuarial (gains)/losses	2,874	1,232
Losses/(gains) on curtailments	967	–
Benefits paid and death in service insurance premiums	(295)	(486)
Scheme liabilities at end of period	17,286	12,996

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

	2013	2012
	£'000	£'000
Fair value of scheme assets at start of period	17,177	17,225
Expected return on scheme assets	939	980
Actuarial gains/(losses)	333	(675)
Contributions by the British Council	72	118
Contributions by scheme participants	16	15
Benefits paid and death in service insurance premiums	(295)	(486)
Fair value of scheme assets at end of period	18,242	17,177

The actual return on the scheme assets over the period ending 31 March 2013 was £1,272,000 (2011–12: £305,000).

Total expense recognised in the Statement of Financial Activities

	2013	2012
	£'000	£'000
Current service cost	119	97
Interest cost	609	623
Expected return on scheme assets	(939)	(980)
Total (income)/expense recognised in the Statement of Financial Activities:	(211)	(260)

Statement of total recognised gains and losses

	2013	2012
	£'000	£'000
Difference between expected and actual return on scheme assets: Amount: gain/(loss)	333	(675)
Experience gains and losses arising on the scheme liabilities: Amount: gain/(loss)	(88)	(11)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: Amount: gain/(loss)	(2,786)	(1,221)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable): Amount: gain/(loss)	(2,541)	(1,907)
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable: Amount: gain/(loss)	1,436	1,974
Total amount recognised in statement of total recognised gains and losses: Amount: gain/(loss)	(1,105)	67

Assets

	2013	2012	2011
	£'000	£'000	£'000
Equity	8,373	7,798	8,285
Bonds	6,075	5,497	5,357
Property	3,539	3,143	3,204
Cash	255	739	379
Total assets	18,242	17,177	17,225

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

	2013	2012	2011
	% PER ANNUM	% PER ANNUM	% PER ANNUM
Inflation	3.40%	3.30%	3.60%
Salary increases	N/A	3.30%	3.60%
Rate of discount	3.90%	4.70%	5.50%
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	5.00%	5.00%	5.00%
Allowance for commutation of pension for cash at retirement	None	None	None

The mortality assumptions adopted at 31 March 2013 imply the following life expectancies:

Male retiring at age 60 in 2013	24.5
Female retiring at age 60 in 2013	26.4
Male retiring at age 60 in 2033	27.8
Female retiring at age 60 in 2033	29.6

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

	2013	2012
	% PER ANNUM	% PER ANNUM
Equity	8.02%	7.87%
Bonds	4.50%	5.00%
Property	6.25%	6.50%
Cash	3.50%	3.50%
Overall for scheme	6.38%	6.63%

Amounts for the current and previous four years

	2013	2012	2011	2010	2009
	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	18,242	17,177	17,225	16,217	16,032
Present value of scheme liabilities	17,286	12,996	11,515	14,014	11,213
Surplus/(deficit) in scheme	956	4,181	5,710	2,203	4,819
Experience adjustment on scheme assets	333	(675)	687	278	(3,326)
Experience adjustment on scheme liabilities	(88)	(11)	425	116	1,764

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

(j) Trustees

Capita ATL Pension Trustees Limited, independent Trustee to the Scheme, was paid fees amounting to £43,606.75 (2011–12: £18,460.25) excluding VAT during the year. Two other trustees of the Scheme were paid fees amounting to £7,020.00 (2011–12: £5,850.00) excluding VAT and £3,750.00 (2011–12: £1,300.00) respectively during the year. Travel expenses totalling £186.00 (2011–12: £42.55) were reimbursed to one Trustee of the Scheme during the year.

8 Grants payable

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

	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 2012-13	TOTAL 2011-12
TYPE OF INSTITUTION	£'000	£'000	£'000	£'000	£'000	£'000
Universities	233	43,597	91	537	44,458	42,743
Charities, NGOs and social enterprises	20	5,172	63	14,236	19,491	10,610
Other bodies	302	3,111	2,908	9,066	15,387	12,542
Schools	3	13,500	2	100	13,605	10,380
Colleges	5	1,831	–	147	1,983	3,546
Local government bodies	3	894	187	218	1,302	2,121
Arts and culture bodies	36	52	131	110	329	594
National and international government bodies	–	158	25	45	228	–
Environmental groups	–	–	–	58	58	123
Religious bodies	–	–	–	–	–	80
Total grants to institutions	602	68,315	3,407	24,517	96,841	82,739
Grants to individuals	97	1,720	353	163	2,333	2,916
Total grants payable to promote cultural relationships and the understanding of different cultures	699	70,035	3,760	24,680	99,174	85,655

9 Intangible fixed assets

SOFTWARE LICENCES	
£'000	
Modified cost or valuation	
At 1 April 2012	6,486
Additions/transfers	153
Disposals	–
Revaluations	198
At 31 March 2013	6,837
Amortisation	
At 1 April 2012	(795)
Charge for year	(1,142)
Disposals/transfers	(4)
Revaluations/backlog amortisation	897
At 31 March 2013	(1,044)
Net book value	
At 31 March 2013	5,793
At 1 April 2012	5,691

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 2012	97,773	4,085	75,695	6,977	7,172	11,016	9,629	212,347
Additions/transfers	7,033	27	11,433	(208)	1,466	1,601	2,859	24,211
Transfers of completed assets from AUC	(1,405)	–	–	–	(40)	(413)	(568)	(2,426)
Disposals	–	(323)	(794)	(41)	(678)	(185)	(748)	(2,769)
Revaluations (CCA)	–	–	–	–	(2)	457	1,244	1,699
Revaluations	(15,832)	1,858	8,623	1,653	–	–	–	(3,698)
At 31 March 2013	87,569	5,647	94,957	8,381	7,918	12,476	12,416	229,364
Depreciation								
At 1 April 2012	(5,122)	(217)	(23,662)	(675)	(5,892)	(7,380)	(7,156)	(50,104)
Charge for the year	(1,957)	(79)	(4,222)	(172)	(651)	(1,445)	(980)	(9,506)
Disposals/transfers	–	23	447	23	664	158	612	1,927
Backlog depreciation (CCA)	–	–	–	–	28	(344)	(1,103)	(1,419)
Revaluations	5,249	302	941	749	–	–	–	7,241
At 31 March 2013	(1,830)	29	(26,496)	(75)	(5,851)	(9,011)	(8,627)	(51,861)
Net book value								
At 31 March 2013	85,739	5,676	68,461	8,306	2,067	3,465	3,789	177,503
At 1 April 2012	92,651	3,868	52,033	6,302	1,280	3,636	2,473	162,243

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 2012	4,523	115	548	624	5,810
Transfers of completed assets to additions	(1,405)	(40)	(413)	(568)	(2,426)
Additions to AUC	4,163	256	701	507	5,627
Total AUC cost at 31 March 2013	7,281	331	836	563	9,011

Included in tangible fixed assets are assets to the value of £26.7 million (2011–12: £19.2 million) which have been fully depreciated. These assets are still in use and provide value to the business. The British Council considers that the useful lives of its tangible fixed assets remain appropriate.

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

Freehold and long-leasehold land and buildings are revalued every five years. Freehold and long-leasehold land and buildings were valued on the basis of open market value for existing use at 31 March 2009 by DTZ Real Estate Advisers, in accordance with the guidelines issued by the Royal Institution of Chartered Surveyors. The Valuation Office carried out an indicative movement review of the land and buildings portfolio as at 31 March 2013. This review was based on a combination of indices, previous assessments and/or a review of the countries’ economic performance. The outcome of this review indicated that there had been a material change in the value of land and buildings since the valuation which was carried out at 31 March 2009, and as a result the British Council carried out an interim desk-based valuation of all freehold and leasehold property held on the Balance Sheet at 31 March 2013, in advance of the full revaluation due next year. This exercise used indicies provided by the Valuation Office Agency (VOA) to uplift the 2009 figures to the current period. For nine of the highest risk properties, a full valuation was carried out in 2012 for internal purposes and so these figures were used and uplifted to 2013. This interim valuation resulted in a net upward adjustment to the revaluation reserve of £3,447,051 and a loss recognised in the Statement of Financial Activities of £304,095.

The adjustments for current cost accounting revaluation and backlog depreciation include the effect of both upward and downward indices. Upwards revaluations are added to the revaluation 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 £2.1 million (2011–12: £2.0 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 £167,364 in Damascus, Syria. The office in Damascus was closed in February 2012 and at the date of the financial statements remains so without a reopening date confirmed.

11 Heritage assets

	2013	2012	2011	2010
	£'000	£'000	£'000	£'000
Modified cost or valuation	Total	Total	Total	Total
At 1 April – cost	1,267	1,192	1,034	1,034
At 1 April – valuation	83,244	77,189	69,915	49,978
Total value at 1 April 2012	84,511	78,381	70,949	51,012
Collection additions – purchased	120	75	106	21
Collection additions – donated	450	27	52	–
Increase in valuation	15,077	6,028	7,274	19,916
At 31 March 2013	100,158	84,511	78,381	70,949
Unrestricted	43,629	37,250	78,381	70,949
Restricted	56,529	47,261	–	–
Total	100,158	84,511	78,381	70,949

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 collections purpose.

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

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

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

The ‘increase in valuation’ figure for 2012–13 is a net amount including disposals of £22,881.

12 Investments

(a) Subsidiary undertakings

ORGANISATION NAME	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY	CLASS SHARES HELD/% (CHARITY)	CLASS SHARES HELD/% (GROUP)	YEAR END DATE
BC Holdings Limited	England and Wales	Holding company	Ordinary/100%	–	31 March
BC English Services Trans-National Limited	Hong Kong	Holding company	Ordinary/100%	–	31 March
British Council AC	Mexico	Carrying out charitable objectives of the British Council	Ordinary/100%	–	31 December
BC Trading International Ltd	England and Wales	Raising funds through trading activities	–	Ordinary/100%	31 March
BCT Events and Promotions India Private Limited	India	Raising funds through trading activities	Ordinary/0.01%	Ordinary/99.99%	31 March
BC Management Services Private Limited	India	Provision of accounting and IT support to the British Council	Ordinary/0.003%	Ordinary/99.997%	31 March
British Council Asociados AC	Mexico	Raising funds through trading activities	–	Ordinary/100%	31 December
Friends of British Council USA	USA	Fundraising and carrying out charitable objectives of the British Council	–	–	31 March
BC Holdings (Thailand) Limited	Thailand	Holding company	–	Ordinary/100%	31 March
BC Operations (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	–	Ordinary/100%	31 March
BC Language Teaching (Thailand) Limited	Thailand	Carrying out charitable objectives of the British Council	–	Ordinary/100%	31 March
British Council (Singapore) Limited	Singapore	Carrying out charitable objectives of the British Council	–	–	31 March

British Council (Singapore) Limited was incorporated on 1 February 2012, but remained dormant until 1 April 2012 when it started trading.

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

The Mexico subsidiaries have a year end reporting date of 31 December due to local statutory reporting requirements.

(b) Financial results of subsidiaries

	BC HOLDINGS (UNITED KINGDOM) LIMITED	BC ENGLISH SERVICES TRANS- NATIONAL LIMITED	BRITISH COUNCIL AC	BC TRADING INTERNATIONAL LTD	BCT EVENTS AND PROMOTIONS INDIA PRIVATE LIMITED	BC MANAGEMENT SERVICES PRIVATE LIMITED
	£	£	£	£	£	£
Investment at 1 April 2012	1	85	30,371	100	5,750	961,826
Additions	–	–	–	–	–	–
Investment at 31 March 2013	1	85	30,371	100	5,750	961,826

	2012–13	2012–13	2012–13	2012–13	2012–13	2012–13
	£'000	£'000	£'000	£'000	£'000	£'000
Assets	3,163	43	198	2,747	15	35
Liabilities	(3,160)	(355)	(1,254)	(2,736)	(6)	(14)
Reserves	3	(312)	(1,056)	11	9	21
Incoming resources/turnover	154	–	2,194	3,103	58	56
Resources expended/expenditure	(83)	(13)	(2,228)	(1,043)	(50)	(55)
Net incoming/(outgoing) resources or profit/(loss)	71	(13)	(34)	2,060	8	1
Gift aid of profits	–	–	–	(2,060)	–	–

	BRITISH COUNCIL ASOCIADOS AC	FRIENDS OF BRITISH COUNCIL USA	BC HOLDINGS (THAILAND) LTD	BC OPERATIONS (THAILAND) LTD	BC LANGUAGE TEACHING (THAILAND) LTD	BRITISH COUNCIL (SINGAPORE) LIMITED
	£	£	£	£	£	£
Investment at 1 April 2012	5,000	–	1,002	1,836,756	1,014,392	–
Additions	–	–	–	–	–	–
Foreign exchange movements	–	–	95	185,714	109,204	–
Investment at 31 March 2013	5,000	–	1,097	2,022,470	1,123,596	–

	2012–13	2012–13	2012–13	2012–13	2012–13	2012–13
	£'000	£'000	£'000	£'000	£'000	£'000
Assets	136	85	1,033	3,249	2,315	9,718
Liabilities	(132)	(154)	(1,122)	(2,176)	(1,983)	(7,076)
Reserves	4	(69)	(89)	1,073	332	2,642
Incoming resources/turnover	125	119	–	3,321	2,349	14,543
Resources expended/expenditure	(125)	(256)	(50)	(3,380)	(3,064)	(12,026)
Net incoming/(outgoing) resources or profit/(loss)	–	(137)	(50)	(59)	(715)	2,517
Gift aid of profits	–	–	–	–	–	–

The financial results of subsidiaries disclosed above are based on draft accounts that may not have been fully audited at the date of signing of the group accounts.

(c) Loans to subsidiaries

During the financial year British Council charged BC English Services Trans-National Limited interest of £8,022 (2012: £47,677) on the loan. At 31 March 2013, the balance on the loan was £329,522 (2012: £321,499).

During the financial year British Council charged BC Holdings (United Kingdom) Limited interest of £75,600 (2012: £57,720) on the loan. At 31 March 2013 the balance of the loan was £3,150,523 (2012: £3,014,491).

During the financial year BC Holdings (United Kingdom) Limited charged British Council Asociados AC interest of £300 (2012: £223) on the loan. At 31 March 2013 the balance of the loan was £11,098 (2012: £10,223).

During the financial year BC Holdings Limited charged Friends of the British Council USA interest of £2,865 (2012: £1,150) on the loan. At 31 March 2013 the balance of the loan was £154,014 (2012: £101,150). Friends of British Council drewdown a further £50,000 in December 2012.

During the financial year BC Holdings Limited charged BC Holdings (Thailand) Limited interest of £46,231 (2012: £30,057) on the loan. At 31 March 2013 the balance of the loan was £1,132,505 (2012: £960,920).

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 and BC English Services Trans-National Limited with a total value of £3,480,045.

(d) IELTS

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

ORGANISATION	COUNTRY OF REGISTRATION	NATURE OF BUSINESS	INTEREST HELD
IELTS Inc.	USA	Developing, administering and marketing the IELTS examinations	33%

INTEREST IN IELTS	
	£'000
At 1 April 2012	222
Loan repayments	(131)
Interest receivable for year	3
Gain on revaluation	10
At 31 March 2013	104

(e) Quoted investments

	2013	2012
	£'000	£'000
Market value as at 1 April	2,797	2,946
Purchases during the year	489	593
Disposals during the year	(854)	(736)
Exchange differences	–	–
Net realised/unrealised gain/(loss)	29	(6)
Market value at 31 March	2,461	2,797
Historical value as 31 March	2,045	2,431

Total investments at 31 March	75	79
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Held in the United Kingdom	59	53
Held outside the United Kingdom	16	26

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

(f) Total investments

	2013	2012	2011	2010
	£'000	£'000	£'000	£'000
IELTS	104	222	104	222
Quoted investments	2,461	2,797	2,461	2,797
Investment in subsidiaries	–	–	30	30
Total	2,565	3,019	2,595	3,049

13 Debtors (amounts falling due within one year)

(a) Analysis by type:

	GROUP		BRITISH COUNCIL	
	2012–13	2011–12	2012–13	2011–12
	£'000	£'000	£'000	£'000
Trade debtors	37,392	29,377	30,809	30,266
VAT debtor	179	323	261	303
Other debtors	6,539	5,829	6,023	5,477
Balances resulting from activity under contracts and agreements	16,772	14,723	16,681	14,723
Prepayments and accrued income	19,000	17,329	18,570	17,018
Amounts due from subsidiary undertakings	–	–	5,008	1,219
Total debtors	79,882	67,581	77,352	69,006

(b) Intra-government debtors:

	2013	2012
	£'000	£'000
Balances with central government bodies	5,189	5,709
Balances with local authorities	–	48
Balances with public corporations and trading funds	132	–
Total intra-government debtors	5,321	5,757
Balances with bodies external to government	74,561	61,824
Total debtors	79,882	67,581

14 Short term investments

	GROUP		BRITISH COUNCIL	
	2012–13	2011–12	2012–13	2011–12
	£'000	£'000	£'000	£'000
Short term deposits maturing in under one year	65,482	87,327	65,482	87,327
Total short term investments	65,482	87,327	65,482	87,327

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

15 Creditors (amounts falling due within one year)

(a) Analysis by type:

	GROUP		BRITISH COUNCIL	
	2012–13	2011–12	2012–13	2011–12
	£'000	£'000	£'000	£'000
Trade creditors	20,982	21,367	20,439	21,590
Balances resulting from activity under contracts and agreements	48,771	36,357	48,771	36,357
Other creditors	3,927	3,313	3,863	2,786
Taxation and social security	3,613	3,051	3,528	2,714
Accruals	57,876	42,780	55,667	42,224
Deferred income	87,514	82,429	78,762	80,579
Amounts due to subsidiary undertakings	–	–	2,472	636
Total	222,683	189,297	213,502	186,886

	GROUP		BRITISH COUNCIL	
	2012–13	2011–12	2012–13	2011–12
	£'000	£'000	£'000	£'000
MOVEMENTS IN DEFERRED INCOME DURING THE YEAR WERE AS FOLLOWS:				
At 1 April	82,429	77,993	80,579	77,348
Income recognised during the year	(392,132)	(543,864)	(373,575)	(543,219)
Income deferred during the year	397,217	548,300	371,758	546,450
At 31 March	87,514	82,429	78,762	80,579

(b) Intra-government creditors:

	GROUP	
	2012–13	2011–12
MOVEMENTS IN DEFERRED INCOME DURING THE YEAR WERE AS FOLLOWS:	£'000	£'000
Balances with central government bodies	4,307	4,822
Balances with local authorities	–	27
Balances with NHS trusts	–	–
Balances with public corporations and trading funds	10	–
Total intra-government creditors	4,317	4,849
Balances with bodies external to government	218,366	184,448
Total creditors	222,683	189,297

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

	TERMINAL GRATUITIES	EARLY RETIREMENT	OTHER STAFF	LEGAL CASES	OTHER	TOTAL COSTS
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2012	–	1,247	732	38	8,983	11,000
Unrealised loss on exchange	–	–	–	–	–	–
Net amounts paid or utilised in year	–	(2,552)	(20)	–	(3,239)	(5,811)
Charged to expenditure	–	1,389	648	40	442	2,519
Movement between short and long term	–	1,548	–	–	–	1,548
At 31 March 2013	–	1,632	1,360	78	6,186	9,256

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

	TERMINAL GRATUITIES	EARLY RETIREMENT	OTHER STAFF	LEGAL CASES	OTHER	TOTAL COSTS
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2012	16,432	4,095	–	–	–	20,527
Unrealised gain on exchange	83	–	–	–	–	83
Net amounts paid or utilised in year	(2,038)	–	–	–	–	(2,038)
Charged to expenditure	3,217	653	–	–	–	3,870
Movement between short and long term	–	(1,548)	–	–	–	(1,548)
At 31 March 2013	17,694	3,200	–	–	–	20,894

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

The 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.

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 2.35 per cent as per PES 2012 (16).

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	RETIREMENT BENEFITS SCHEME RESERVE	CAPITAL ACCOUNT	REVALUATION ACCOUNT	HERITAGE ASSET RESERVE	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2012	–	49,000	49,341	1,789	90,784	77,149	37,250	305,313
Net incoming resources for the year	(5,824)	–	–	–	–	–	–	(5,824)
Employer pension contributions	–	–	–	72	–	–	–	72
Total pension expense	(211)	–	–	211	–	–	–	–
Actuarial loss recognised in the retirement benefits scheme	–	–	–	(1,105)	–	–	–	(1,105)
Losses on curtailments in the retirements benefits scheme	–	–	–	(967)	–	–	–	(967)
Revaluation of heritage assets	–	–	–	–	–	–	15,077	15,077
Transfer of purchased heritage assets	(120)	–	–	–	–	–	120	–
Including 2011–12 donated heritage assets	27	–	–	–	–	–	–	27
Foreign exchange differences arising on consolidation of subsidiaries	195	–	–	–	–	–	–	195
Transfer to restricted funds: heritage assets	–	–	–	–	–	–	(8,818)	(8,818)
Valuation account movement on land and buildings	–	–	–	–	–	3,847	–	3,847
Valuation account movement on general fixed assets	–	–	–	–	–	280	–	280
Valuation account movement on intangible fixed assets	–	–	–	–	–	1,094	–	1,094
Nominal transfer to capital account	(10,143)	–	–	–	10,143	–	–	–
Transfer from Investment Fund	16,076	–	(16,076)	–	–	–	–	–
Balance as at 31 March 2013	–	49,000	33,265	–	100,927	82,370	43,629	309,191
Minority interest								1
Total capital employed								309,192

Reserves Policy

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

This established a minimum level of funds (£49 million with effect from 31 March 2013) to be maintained in the Risk Reserve to protect the British Council from the potential financial impact of business risks and of status and tax risks.

The policy also designated funds for use in specific planned investment projects during 2013–14.

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 2013–14 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.
- Retirement benefits reserve – actuarially assessed net asset/(liability) relating to the British Council’s share of the Central Bureau for Educational Visits and Exchange pension scheme.
- Capital account – funds applied towards the purchase of tangible and intangible fixed assets other than heritage assets, less accumulated depreciation relating to historic cost.
- Revaluation reserve – arising from the five-yearly revaluation and the indexation of historical asset values to arrive at a modified historical cost.
- Heritage asset reserve – funds applied towards the purchase of heritage assets, and the effect of revaluation of those assets. This excludes donated heritage assets which are shown within restricted reserve.

Movement in restricted funds

	INCOME (RESTRICTED GRANTS)	EXPENDABLE ENDOWMENT RESERVE	HERITAGE ASSET RESERVE	TOTAL
	£'000	£'000	£'000	£'000
Balance as at 1 April 2012	118	4,585	47,261	51,964
Transfer from unrestricted funds: heritage assets	–	–	8,818	8,818
Funds spent from reserves	(118)	–	–	(118)
Net incoming resources for the year	1,930	(600)	450	1,780
Balance as at 31 March 2013	1,930	3,985	56,529	62,444

Permanent endowment reserve

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

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

The Sir Steven Runciman Prize Trust is not disclosed in a separate Permanent Endowment Reserve as its total reserve balance is £353 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 for the purpose of the trust.

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

	UNRESTRICTED FUNDS	RESTRICTED FUNDS	TOTAL FUNDS
ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS	£'000	£'000	£'000
Fixed assets	226,925	56,529	283,454
Investments	104	2,461	2,565
Current assets	286,225	52,225	338,450
Current liabilities	(183,168)	(48,771)	(231,939)
Amounts falling due after more than one year	(20,894)	–	(20,894)
Total net assets	309,192	62,444	371,636

18 Commitments

(a) Capital commitments:

	2013	2012
	£'000	£'000
Contracted expenditure	1,357	1,834

Contracted expenditure includes £nil (2011–12: £163,153) relating to subsidiary capital commitments.

(b) Specific charitable projects (grants):

	2013	2012
	£'000	£'000
To be undertaken in the following year	1,605	89

Grants to be undertaken in the following year includes £nil (2011–12: £88,872) relating to subsidiary charitable commitments.

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

	2013		2012	
	LAND AND BUILDINGS	OTHER	LAND AND BUILDINGS	OTHER
	£'000	£'000	£'000	£'000
In one year or less	7,695	254	7,949	57
Between one and five years	9,374	755	10,129	308
In five years or more	3,484	1,437	4,921	–
Total lease commitments	20,553	2,446	22,999	365

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

19 Losses and special payments

The following losses have been confirmed during the year:

221 cases, totalling £301,434, of losses as defined in *Managing Public Money*. This includes fraud and non-fraudulent business write-offs. No individual case was greater than £250,000.

During the year ended 31 March 2013, the British Council made no payments that fall within the category of special payments as defined in *Managing Public Money*.

20 Related party transactions

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

The FCO is regarded as a related party. During the year the 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.

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

ORGANISATION	TRUSTEE/BOARD MEMBER	RELATIONSHIP	GRANTS PROVIDED AND FUNDS DISBURSED UNDER CONTRACTS/AGREEMENTS £'000
Swansea University	Aled Eirug	Strategic Policy Advisor	537
Glasgow Caledonian University	Professor Pamela Gillies CBE	Principal and Vice Chancellor	300
Foundation for Community Dance	Sue Hoyle OBE	Patron	46
English National Opera	Sir Vernon Ellis	President	20
National Literacy Trust	Baroness Prashar of Runnymede CBE	President	18
Cumberland Lodge	Baroness Prashar of Runnymede CBE	Trustee	17
Tipping Point	Sue Hoyle OBE	Husband is Board Member	17
CDC	Richard Gillingwater	Non-executive Chairman	14
The Open University	Martin Bean	Vice-Chancellor	10
Open University Worldwide Limited	Martin Bean	Chair	7
Clore Leadership Programme	Sue Hoyle OBE	Director and Trustee	6
UKCISA	Baroness Prashar of Runnymede CBE	President	6
British Museum	Martin Bean	Member Advisory Group	4
Welsh Assembly Government	Aled Eirug	Specialist Policy Advisor	2

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

21 Contingent liabilities

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

The British Council is estimated to have contingent liabilities of £1.5 million (2011–12: £1.7 million) in relation to ongoing legal action.

22 Financial instruments

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

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

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

Credit risk

The British council is exposed to credit risk on trade debtors over 120 days of £3.8 million (2011–12: £2.3 million). Of this £3.8 million, £1.7 million relates to debts from the Syrian Ministry of Higher Education and a specific provision of £0.4 million has been made for these debts. The remainder of these debts relate to European Union and Middle Eastern projects on which the British Council is protected from financial risk provided criteria are met. In addition, experience in many overseas regions demonstrates that aged debts in this timeframe remain valid and collectable.

Bad and doubtful debts are provided for on an individual basis. Write-offs in the year for bad debts amounted to £589,306 (2011–12: £170,959).

Counterparty credit limits, which take published credit rating and other factors into account, are set to cover the total aggregate exposure to a single financial institution. 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. The counterparty for all forward foreign exchange contracts is the Bank of England.

Liquidity risk

Grants from government departments, principally the Foreign and Commonwealth Office, and charitable organisations comprise 22 per cent (2011–12: 25 per cent) of total income of the British Council. The remainder is funded through fees and income from services and competitively tendered contracts.

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

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

The British Council, as at 31 March 2013, held cash and short-term deposits amounting to £258 million (2011–12: £253 million), of which £122 million (2011–12: £107 million) was held in sterling, £46 million (2011–12: £69 million) was held in euros and £4 million (2011–12: £9 million) was held in US dollars. Other currency holdings amounted to £86 million (2011–12: £68 million).

Of the total cash and short term deposit balances £258 million (2011–12: £253 million), £87 million or 34 per cent (2011–12: £81 million or 32 per cent) was held in overseas bank accounts of which £74 million (2011–12: £70 million) was held with banks incorporated in the UK and regulated by the Financial Services Authority, and £13 million (2011–12: £10 million) was held with overseas banks outside the UK bank portfolio. Counterparty risks relating to our banks holding balances overseas are reviewed regularly and 97 per cent of all funds are held with banks with an S&P short term deposit rating of A1 or greater.

At 31 March 2013, total interest income amounted to £2.9 million (2011–12: £2.9 million), of which £1.6 million (2011–12: £0.8 million) was earned in the UK and the balance of £1.3 million (2011–12: £2.1 million) attributable to amounts invested overseas.

Currency risk

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

The British Council manages its exposure to foreign currency risk on cash balances by maintaining 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 2013.

Cash and deposits held overseas and considered to be trapped due to foreign exchange controls amounted to a sterling equivalent of £15 million (2011–12: £9 million) as at 31 March 2013. 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.

23 Contract activity as an agent

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

The resources from these contracts is analysed as follows;

	2012–13	2011–12
	£'000	£'000
Commonwealth Scholarships		
Contract income	15,195	14,373
Contract expenditure	15,195	14,373
Current assets	1,054	925
Current liabilities	1,054	925
Matt II		
Contract income	734	1,576
Contract expenditure	734	1,576

There were no current assets or liabilities relating to this contract at the year end.

24 Post Balance Sheet events

The financial statements were authorised for issue by the Accounting Officer and trustees on the date shown on the audit certificate. There were no post Balance Sheet events to report.

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Details were correct as at 31 March 2013.