

2020–21 Annual Report and Accounts

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Introduction and summary

1.

Message from the Chairman

2020-21 was a difficult and exceptional year for our colleagues, customers and partners – dominated by the pandemic and our response to it. As this Annual Report shows however, we continued to deliver against our core mission, supporting the recovery of UK arts and education sectors across the four nations of the UK despite the challenging circumstances. When most normal interaction ceased during the pandemic, there was still a desperate need to reach out and make connections, for international collaboration.

In this report we set out how our work engaged with 67 million people and achieved a wider global reach and support to 745 million people. We developed online teaching and assessment tools, supported teachers and learners worldwide with online resources and through television and radio, and supported girls' digital literacy. We continued to promote UK education, providing insight on student mobility for the UK higher education sector and reaching 5.6 million prospective international students worldwide through our Study UK website. In the arts we explored new and innovative ways to deliver cultural seasons, festivals and programmes through digital channels and new technologies.

We are living in a rapidly changing world - war and conflict, the pandemic, climate change, new technologies, geo-political shifts. In this context, the building of trust and connections is essential to underpin international collaboration and enhance the UK's reputation. This is where the British Council excels. Two thirds of people report being more favourable towards the UK and having a greater understanding of the UK and its culture after being in a British Council programme.* We help to forge mutual understanding, promote shared values and build bridges in ways that help enrich people's lives around the world and support the UK's international influence and ambitions. Through this work, and the goodwill and long-term relationships we generate with leaders and influencers overseas, we contribute to positive relations and constructive dialogue on trade, security and global challenges like climate change and Covid-19.

As set out in the Integrated Review, the UK overflows with creativity, the 'wellsprings of unique soft power that spans the world'. The British Council will continue to support the UK sectors and celebrate the UK's strengths in arts and culture and education, and continue to promote the English language as we emerge from the pandemic.

I have seen how our work has a particular resonance with ambitious young people and helps to inspire them – whether through providing pathways for qualifications or providing skills they need for future employment. This is a huge asset for the UK, allowing access to talented young people all over the world and introducing them to what the UK has to offer. We help to facilitate a positive and lifelong relationship with the UK.

I would like to thank our colleagues across the world and my fellow board members for their unrelenting efforts, and the senior management team for taking decisive actions during times of crisis. I would also like to thank the Foreign, Commonwealth and Development Office (FCDO) for the support which has been so vital during this challenging period.

We are living in a rapidly changing world - war and conflict, the pandemic, climate change, new technologies, geo-political shifts. In this context, the building of trust and connections is essential to underpin international collaboration and enhance the UK's reputation.

Stevie Spring CBE
Chairman

* Based on fieldwork conducted by Ipsos Mori 2018.

Chief Executive Statement

I would like to thank our Chairman, Stevie Spring, and the Board for all their work and guidance during the extraordinary year of 2020-21. I would also like to say how grateful I am to Sir Ciarán Devane, who was Chief Executive and Accounting Officer until 31 December 2020, and Kate Ewart-Biggs, our interim Chief Executive for the remainder of the financial year, as well as members of the Senior Leadership Team, for steering the organisation through a very difficult period in its history. I also want to acknowledge and appreciate the contributions of all our dedicated colleagues worldwide who worked so professionally and effectively under very difficult circumstances.

Looking back over the achievements of the year, I am deeply impressed by what we managed to achieve. I arrive at the British Council full of enthusiasm and optimism for our future and proud of our history and mission. I do not, however, underestimate the challenges. Covid-19 had and continues to have a significant impact on our organisation. Many of our teaching and exams centres closed temporarily at the start of the pandemic and there are still challenges as consumer behaviour changes. By the end of the year, we had made a net loss of £91 million and our reserves were depleted despite concerted efforts to reduce costs. We are grateful for the financial support from our sponsors at the FCDO which was essential to protect our future.

Given this context, we need to transform our operations so that we can continue to deliver on our mission, return to generating a surplus, build our reserves and adapt more broadly to the changing world. We will continue to build long-term trust between the people of the UK and everywhere else through collaboration that is mutually beneficial. We will ultimately support UK prosperity, security and stability, as well as our ability to contribute positively to the world. We'll focus on our people proposition and ensure we continue to be a great place to work – and we expect our combination of pay, benefits, culture, flexibility, diversity, inclusivity, opportunity and purpose to be better than any other job. Our network of a large group of physical country operations will remain at the centre of our offering to our partners. But over time, we'll also do more digitally to reach and interact with younger generations.

Given the costs of operating our global network, we have to use it to create more funding sources. We will accelerate our efforts to diversify and increase our income. As we transform, we'll also improve systems, processes and the speed of our decision making. That will make us faster, less bureaucratic and enable us to take risks in the right places. It will also enable us to focus our resources on our front-line activities.

In 2021 we also unleashed the British Council on climate change. There are already many scientists, economists and environmentalists on the case. Our contribution will be to facilitate the required debate and change through culture and education.

We have an exciting future at the British Council and will embrace change to ensure we continue to contribute to the UK and the world for another 100 years.

We will ultimately support UK prosperity, security and stability, as well as our ability to contribute positively to the world.

Scott McDonald
Chief Executive

About the British Council

We build connections, understanding and trust between people in the UK and other countries through arts and culture, education and the English language.

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

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

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

We work on the ground in more than 100 countries. In 2020–21 we connected with 67 million people directly and with 745 million people overall, including online and through our broadcasts and publications.

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

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

Strategy and objectives

This was an exceptional year due to the Covid-19 pandemic. The British Council like many organisations was operating in crisis mode with many of our offices temporarily shut and a significant drop in income. We did not publish a Corporate Plan for 2020–21 as it was not possible in the circumstances to agree a realistic plan for the year. Our overarching strategic framework (see below) had been agreed in principle and we delivered against the core offers and strategic priorities set out in that framework.

In this operating context, however, we focused on five key immediate priorities:

1. Safety of our staff and customers

We put in place measures to support home working and closed our offices where not safe to keep open.

2. Supporting sectors in UK and overseas

We recognised the huge challenges facing our sector partners. We therefore focused through our core offers on supporting the higher education, arts and culture sectors to maintain and rebuild international partnerships and audiences as they faced the severe constraints on mobility caused by Covid-19. We aimed to help countries around the world develop their pandemic resilience through, for instance, support for education systems and enabling the teaching of English through online and broadcast channels.

3. Pivoting to more digital participation

Many of our programmes included face-to-face components. We rapidly pivoted to more digital participation, including in our teaching and exams work where we rolled out online teaching programmes and remote invigilation services.

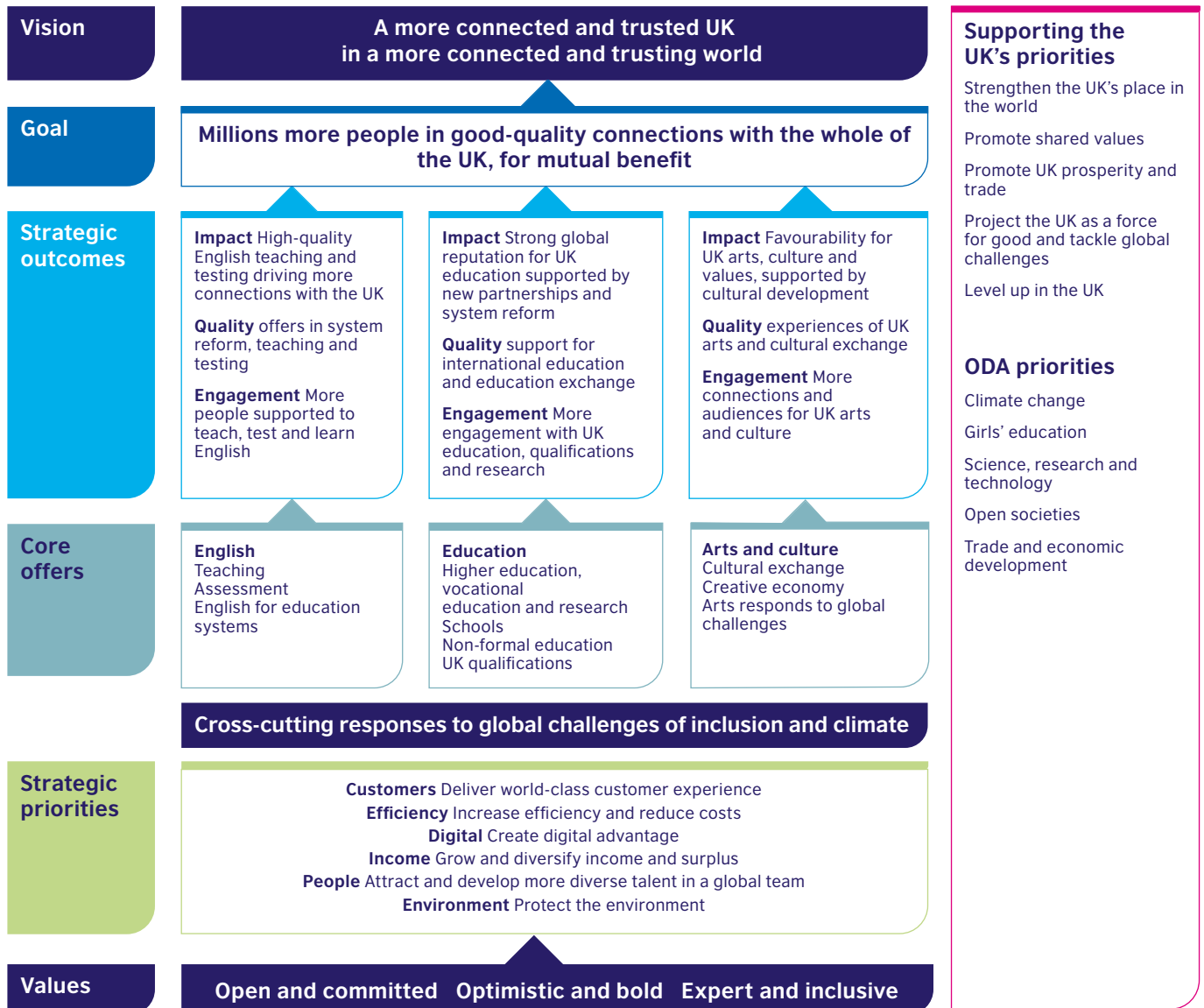
4. Survival of the organisation

In the first few months of the pandemic with lockdowns operating in many countries around the world we faced a serious cash flow problem as our teaching and exams centres were forced to close. As set out in the Financial Review section, overall income fell by 28% during the year. In this context, we negotiated loan agreements with the FCDO to help manage our cash flow. We also put in place cost-saving measures by reducing spend where possible. These included a freeze on employment and staff pay awards, renegotiating contracts and reduction in expenditure unless it was contractually committed and/or income generating.

5. Planning for the future

We agreed with our Trustees and the FCDO a five-year business plan to rebuild and renew our operations. This includes our overarching strategic framework to 2025, which is set out in the table below. As set in our Business Plan, which includes restructuring and investment in growth, we are planning to return to generating a material net surplus by 2024-25.

Strategic framework to 2025



Over the course of 2020–21 we worked closely with the FCDO on the Foreign Secretary's Review. The strategic framework up to 2025 above was adjusted in light of that review. The review resulted in a commitment to focus activity on the three pillars of English, education, and arts and culture. In addition, a new set of key performance indicators (KPIs) and targets have been agreed, applicable from 2021–22 onwards (these will be set out in next year's Annual Report and Accounts). The review also resulted in ministerial agreement of the strategic thematic and geographic allocation of the British Council's grant-in-aid. We have revised the share of grant going into each of our three core pillars from 2021–22, including increasing the budget for English.

The UK government's Integrated Review of Security, Defence, Development and Foreign Policy was published in March 2021. The review highlights the role of soft power in building positive perceptions of the UK, creating strong people-to-people links and familiarity with UK values and references the British Council's important role in strengthening the UK's position. The Prime Minister's foreword pledges to maintain the British Council as a vital instrument of influence.

Achievements

Operational

Below is a selection of our major operational achievements across the three pillars of our work:

- Despite the reductions in activity, we still managed to reach 745 million people worldwide through our various programmes, including direct engagement with 67 million people.
- We launched new digital English teaching and testing products to maintain our services and to help our customers.
- We developed remote invigilation services to enable customers to take professional exams when exam centres closed.
- We supported home-based schooling in 29 countries by broadcasting English language content through radio and television.
- We helped to promote the UK as a destination for study through our Study UK website which had 5.6 million visitors, and we connected 450,000 potential students and influencers to UK institutions via digital platforms.
- We awarded 309 new scholarships as part of the GREAT Campaign and 110 full STEM scholarships for women in the Americas and Asia. This included 20 scholarships focused on climate change as part of the UN Climate Change Conference (COP26).
- We launched the new international education exchange scheme on behalf of the Department for Education – Turing – worth £100 million. This will fund 35,000 overseas placements and exchanges for students in UK universities, colleges, and schools from September 2021.
- Since September 2018, our flagship schools programme, Connecting Classrooms through Global Learning, has worked with over 14,500 schools and trained over 59,000 teachers and school leaders across 29 countries and the UK.
- The British Council School in Madrid reopened in September 2020 to 100% of students (over 1,900), 100% of the time. All the measures and support put in place translated into our Year 13 cohort achieving the highest results the school has ever had in its 81 years of history.
- We delivered the UK/Italy Season, our first digitally led cultural season.
- We adapted the UK in JAPAN Season to digital engagement, including an online curator's tour of the National Gallery's *Masterpieces* exhibition.
- We curated a three-week digital UK–China Contemporary Culture Festival, with 1.4 million people experiencing contemporary Chinese and British culture through over 75 performances and projects from across the UK.

Organisational

Our main organisational achievements in 2020–21 are summarised below:

- We demonstrated resilience and creativity in overcoming the disruption to our work caused by the pandemic throughout 2020–21.
- We agreed with the FCDO a revolving credit facility of £145 million to prevent insolvency and cover losses up to 31 December 2021.
- We have seen some improvements in our customer experience. Our Net Promoter Scores have increased for both IELTS (28 to 31) and teaching customers (26 to 27) compared to 2019–20.
- British Council staff moved seamlessly to remote working, supported by the impressive roll-out of Office 365, with over 12,000 staff working from home while having to deal with difficult personal challenges. In the UK this was achieved with c. 17% of staff on furlough for some of the year.
- We completed the move to our international headquarters in Stratford. The building is an exemplar of sustainable development, achieving a Building Research Establishment Environmental Assessment Method (BREEAM) outstanding rating, and the second highest score ever achieved by any major office development in the world.
- We worked closely with our partners in the FCDO to agree how we can rebuild and refocus the organisation. Successful discussions led to a new KPI framework for the British Council.
- We responded quickly to manage and mitigate the impacts of the unfolding pandemic. Incident management teams (IMTs) were mobilised globally, with each region setting up a Bronze IMT for local co-ordination, a Silver IMT for tactical co-ordination, and a senior Gold IMT for setup for strategic direction and global decision making. The IMTs were very successful in instilling discipline, establishing accountabilities, facilitating effective decision making, and enabling good co-ordination across the organisation.
- Communications between the UK and regions were strengthened and there was a strong focus on duty of care to staff as operations closed and opened throughout the year.
- Our major clients – the FCDO and EU – have recorded positive outcomes regarding our performance during 2020–21. We have demonstrated full compliance with the FCDO's Code of Conduct and scored a creditable 63% overall on the FCDO scorecard portfolio of six selected contracts. We underwent an intensive audit as part of the EU's pillar reassessment process and were rated as having met required standards across all eight pillars, including procurement, finance, governance, data protection, granting and HR processes.

Activity and performance

2.

Our core offers

All of our work is carried out under the three pillars of English, Education, and Arts and culture. Within those pillars there are a number of core offers that frame our work. The examples of our work in the sections that follow are set out by core offer. The table below shows how many people we engaged with by pillar.*

Audience type	2020–21 result (millions)				
	Pillar				
	Arts and culture	Education	English	None**	Total
Face-to-face	0.1	3.9	2.0	0.0	6.0
Digital social media and learning	2.6	6.9	34.7	6.9	51.1
Exhibitions, fairs, and festivals	0.6	0.1	0.0	0.0	0.7
Virtual live	2.2	6.3	0.8	0.0	9.3
Total direct participation	6	17	37	7	67
Virtual recorded	9	8	1	0	18
Digital online audience	7	23	157	8	195
Publication and broadcast	180	130	155	0	465
Total reach	196	161	313	8	678
Total direct participation and reach	202	178	350	15	745

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

**
Numbers cannot be attributed to specific pillar

English

At one point during the year, over 110 countries were operating nationwide school closures with over one billion children out of school. As part of this lockdown, direct face-to-face teaching of English was not possible in most British Council English language teaching centres (ELTCs) and we were not able to operate the IELTS test to assess English language proficiency. This made it very difficult for international students to secure places at UK higher education institutions (HEIs). The British Council responded by drawing on its extensive online resource, developing its capacity for online teaching and by developing IELTS Indicator, an online indicator of English language proficiency.

Teachers and governments globally had to learn fast how to adapt to online and remote teaching. The British Council played a crucial role globally in co-ordinating and supporting an approach to the teaching of English at this difficult time, helping teachers navigate their way through online teaching and delivering tailored solutions to governments and English language teachers worldwide.

Teaching

Our teaching centres are flagships of good practice in high-quality English language teaching (ELT) and we are recognised as market leaders. We reach more than 100 million people through digital channels and social media and teach face-to-face in 170 centres in 76 cities across the world (the number of teaching centres open during the pandemic has fluctuated).

In 2020–21 our English online sites saw significant growth in visitors from 96 million in 2019–20 to 110 million in driven largely by an increase in visitors to the **LearnEnglish Kids** and **LearnEnglish Teens** sites.

When the pandemic forced the closure of our teaching centres, we shifted our teaching online. All of our learners were able to continue with their English lessons, with live lessons for young learners, primary, secondary and adults. Our customers appreciated the flexibility, convenience and quality of our online lessons. So, we accelerated plans that were in place before the pandemic and in September 2020 we launched **English Online**, our teacher-led online classroom offer for adults. In the past 12 months, over 14,000 adult learners of English have joined classes from 111 different countries across the world.

English assessment

IELTS is recognised as a secure and trusted test by almost 11,000 universities, employers and governments worldwide. We co-own IELTS with IDP Education Australia and Cambridge Assessment. Aptis is the British Council's wholly owned English test, developed with input from leading English language assessment experts.

We delivered 1.4 million IELTS exams in 2020–21. While this is an exceptional result in the circumstances, it represents a 37% decrease on the previous year as many centres closed temporarily due to the pandemic.

During the 2020–21 financial year negotiations were underway concerning the sale of the IELTS operation in India which were completed after the end of the financial year. After extensive review of the offer received, the British Council Senior Leadership Team, the Board of Trustees and FCDO concluded that a sale was in the best interests of the organisation.

EnglishScore, our joint venture with Blenheim Chalcot, offers a free, mobile-delivered English language test and has now reached more than two million users worldwide. In March 2020, a personalised tutoring service was added. EnglishScore Tutors has served more than 12,500 customers, earning a 4.9/5 average from more than 6,900 customer reviews.

In April 2020, the IELTS partners launched a fully online test called **IELTS Indicator** in response to the pandemic. This is now recognised by over 1,300 organisations worldwide as providing an alternative assessment of English language capability. By the end of March 2021 over 36,000 tests had been delivered.

IELTS Smart Learning is an AI-enabled speaking practice app for teenage students in China, which was co-developed by the IELTS partners and IFlyTek. We estimate that by the end of March 2021 approximately 45,000 users had downloaded the app since its launch in April 2020.

English for Education Systems

Working with UK ELT and education technology providers, universities and academics, we help governments and other partners to improve the quality of English teaching, learning and assessment in their countries.

Our **TeachingEnglish** website was a core element of our work supporting the development of teachers of English worldwide. There were over seven million visitors to this site with nearly four million downloads of our resources and publications.

As schools closed, we used television and radio to reach English learners across the world. We supported 29 countries to broadcast **LearnEnglish** radio and television content or develop bespoke content for home-based schooling. In Pakistan we created programmes for the Federal Ministry of Education's television channel Teleschool. The 30-minute programmes for primary schoolchildren aired over 14 Sundays, reaching millions of children across the country. In Rwanda we worked with the Rwanda Education Board to develop the English Time radio lessons for lower primary pupils. In Botswana we helped the Ministry of Basic Education to support schoolchildren at home with online learning resources and television programmes so that they could keep up with their learning, including the British Council and BBC programme *Word on the Street*.

We promoted English language and digital literacy skills for girls. Our **English and Digital for Girls' Education** (EDGE) project, for example, works with girls across India, Bangladesh, Pakistan and Nepal to develop their English language and digital literacy skills and to raise awareness about their rights. 14,000 girls from marginalised communities have attended EDGE clubs and we've trained 1,200 peer group leaders who go on to run their own groups.

We built connections between the UK English language sector and English language teacher associations worldwide. **The Partnered Remote English Language Improvement** project (PRELIM), for example, a partnership with IATEFL and English UK, with the Norwich Institute for Language Education as managing consultants, brought together 17 UK universities and English language schools with 20 English language teacher associations from around the world. Over 3,500 teachers took part in 20 language improvement courses.

'A great example of how the British Council can leverage its expertise and network while working together with the UK ELT sector and international stakeholders to build capacity on both sides.'

Jodie Gray, Chief Executive of English UK, describing PRELIM

As part of a series of events to celebrate 25 years of the flagship **Bilingual Education Programme in Spain**, the British Council and the Ministry of Education signed a new four-year co-operation agreement in January 2021. The programme has changed the landscape of education in Spain, providing access to an integrated bilingual and bicultural curriculum in 148 state schools across the country over the past 25 years and reaching 40,000 pupils annually.

For the first time, six organisations from the UK (Pearson, Macmillan Education, Oxford University Press, Cambridge Assessment English, Cambridge University Press and Edinburgh College) joined up and were able to engage with teachers from the state education system in Turkey. In partnership with the **Ministry of National Education in Turkey** we delivered 20 live webinars in 20 weeks focused on the priorities and needs of teachers to improve their teaching skills. We subsequently expanded our collaboration with the ministry and UK publishers by developing a continuing professional development booklet, supporting video production and exploring with the ministry the potential to incorporate a UK qualification into the programme. Over the next three years and working closely with the ministry and UK partners, we will support 37,505 English language teachers from lower secondary schools.

Education

The pandemic posed significant risk to the UK higher education sector and the sector worldwide with the threat to student mobility. Our support focused on insight and data from our extensive network, and reassuring and reaching out to prospective students, ensuring they had access to the necessary English tests.

At one point during the year, over 110 countries were operating nationwide school closures with over one billion children out of school. In the technical and vocational education and research (TVET) sector colleges also closed because of the Covid-19 outbreak. As many workplaces were also closed, competence-based training was more difficult for TVET colleges to deliver, but they delivered the knowledge-based elements of learning online. Teachers and governments globally had to learn fast how to adapt to online and remote teaching. The British Council responded by delivering teacher training remotely, connecting schools digitally, and providing online access to resources.

The Covid-19 pandemic – and related restrictions on the social sphere – brought new challenges to organisations pursuing positive change in support of strong and inclusive communities, especially to those seeking to incorporate an international dimension into their work. Mitigating actions from the British Council included working with digital activists to scale up skills development for young people, targeted financial support (especially to facilitate the roll-out of digital initiatives) and continued encouragement and co-ordination of voluntary social action, blending offline/online activities as appropriate.

Following the outbreak of Covid-19 we stopped delivering professional and school exams globally and all our major clients cancelled exams until July 2020. This had a major impact on our UK partners such as ACCA. In response we accelerated the automation in the distribution business to help the sector secure its cash flow and stay competitive so that UK professional qualifications remain the international benchmark for quality.

Higher education, vocational education and research

We strengthen international connections between UK higher education and TVET and governments and institutions around the world, and support student and researcher mobility to and from the UK.

We provided critical insight on student mobility for the UK higher education sector during a period of significant uncertainty, through seven international student mobility heatmaps and student sentiment research covering key recruitment markets across the world.

We led the **Higher Education Dialogue Series** of online dialogues covering subjects from the future of student mobility to online quality assurance. Over 4,500 HE representatives participated from over 120 countries. Well-known UK speakers included the UK's first International Education Champion, the FCDO's Chief Scientific Adviser and 17 vice- or deputy vice-chancellors.

The **Strategic Partnerships for Higher Education Innovation and Reform** (SPHEIR) programme partners, working with universities in Africa to transform the quality of higher education, adapted quickly to address new challenges from the Covid-19 pandemic:

- The Partnership for Enhanced and Blended Learning supported universities to shift teaching online. Academics who received training on blended module design and delivery were then instrumental in building the capacity of other lecturers to deliver online courses.
- The Transforming Employability for Social Change in East Africa partnership moved all training aimed at teaching staff onto the open-source e-learning platform Moodle. They tailored the courses to an online environment and shared the lessons learned.
- Assuring Quality of Higher Education in Sierra Leone helped lecturers incorporate critical thinking skills in the classroom via WhatsApp – the platform has low data requirements so allows students with limited internet access to engage.

The three-year FCDO-funded **I-WORK** (Improving Work Opportunities –Relaying Knowledge) programme aimed to strengthen systems and enhance TVET in Commonwealth countries to improve job opportunities for young people. Despite officially closing more than a year ago, evidence of the success and legacy of the programme continues. The external evaluation reported early in 2020–21 that the programme ‘led to impressive achievements across all three strands of the programme’.

Since then, in March 2021 the Ghanaian government approved and implemented the country’s first ever Apprenticeship Policy, which was developed as a direct result of I-WORK. As Samuel Gyedu-Brefo (Project Manager) explained:

‘The national policy will co-ordinate Ghana’s apprenticeship sector, bringing together several separate schemes under one common standard. This will make it easier for apprentices in Ghana to access skills training in areas ranging from carpentry to dressmaking.’

In addition, the Apprenticeship Benchmarking Tool developed by the project is now online and was used in Pakistan in 2020–21 to identify improvements to the apprenticeship system.

Schools

We support young people across the four nations of the UK and other countries to gain knowledge and skills to contribute to global society. We do this by supporting educators, leaders and policymakers to strengthen quality and inclusion in schools and building long-term connections with the UK.

While 2020–21 saw an increased emphasis on pivoting programme interventions towards delivery through digital means, a television broadcast initiative was delivered in **Ethiopia** as part of the **Connecting Classrooms through Global Learning** (CCGL) programme to reach large audiences without access to online technology or equipment.

In partnership with the Ministry of Education, learning experience through an eight-week series of television programmes. The materials were designed to support 11- to 16-year-old pupils to explore global issues, from climate change to quality of education.

Fifteen episodes of 30-minute broadcasts were delivered through the Ministry of Education’s television channel, with an estimated audience of five to ten million children, representing a significant proportion of the 26 million Ethiopian students who were out of school during the country’s extended lockdown.

In the **Middle East and North Africa** (MENA) region, a series of events as part of the **Connecting Classrooms** programme were held to address the issues of children's mental health and well-being and discuss policies and practices from MENA and the UK. Despite a difficult operating environment as a result of Covid-19 and subsequent school closures across the globe, the programme made a positive contribution by helping to boost student confidence through new or different teaching practices, as well as increase students' interest and enjoyment in learning.

As part of this, the British Council organised a virtual event in February 2021 to discuss how policymakers can identify the issues relating to health and well-being in schools, assess the needs for policy and practice and then apply their learning so that it meets the needs of their country's school systems. The event brought together ministers of education, policymakers and senior education practitioners from Jordan, Palestine, Morocco, Tunisia, Egypt, Iraq, Lebanon, Yemen and the UK.

Non-formal education

Our education work in non-formal contexts meets the needs of young people through UK-sourced leadership skills programmes which empower them to participate in the social and economic development of their societies, and to tackle important local and global issues. Our programmes also contribute to open societies and conflict resolution by creating positive pathways for marginalised young people.

Throughout 2020-2021, **Premier Skills** looked for innovative ways to provide coaches and teachers with the skills and support to develop their own community and education-based football projects, helping to grow the grassroots game globally. Here are some highlights:

- The promotion of the Premier Skills English Podcast which has now reached almost seven million listeners globally.
- The continued use of Premier Skills Team Talk, our online platform for Premier Skills coaches, to communicate updates, post content and encourage the sharing of ideas and best practice among participants.
- The continued development of our Premier League Primary Stars pilot in India, including a selection of online courses for PE teachers focused on PE and PSHE provision, with interviews from Leicester City and Aston Villa.

Active Citizens has become a global movement. The programme has operated in 78 countries around the world, connecting 1,163 partner organisations with 9,405 facilitators. These facilitators have trained over 286,243 Active Citizens, resulting in the launch of over 11,272 social action projects.

The spread of Covid-19 throughout the world accelerated the need to design more flexible ways of delivering Active Citizens. To do this, we drew on the knowledge of local facilitators, British Council staff, our master facilitators and the global Active Citizens team to design a new way of delivering the learning journey in places where physical interaction is limited. The result is a brand-new resource that supports the delivery of Active Citizens through a blended learning model, combining face-to-face, digital and distance learning approaches.

The first ever Virtual International Study Visit took place at the start of 2021, bringing together over 50 Active Citizens and facilitators from 16 countries to connect virtually, share approaches and plan new social action to tackle both Covid-19 and climate change. 'For the past year, I have been feeling hyper local, due to the ongoing lockdowns in the UK, so this was a great opportunity to feel like I am connected to something bigger, globally' (participant from the UK).

We extended our **Digital Library** project during 2020–21. Originating in South Asia, the library was rolled out more widely during the Covid-19 pandemic when libraries and teaching centres were closed. It is active in 42 countries globally with over 100,000 registered customers and has helped us to reach new audiences outside main metro areas. The content of the Digital Library is drawn from the four nations of the UK, bringing more than 4,000 of the best books, music, film, documentaries and academic journals from the UK public library sector and from HEIs. The project is delivered in partnership with the Natural History Museum, the British Library and Gresham College.

UK qualifications

We create opportunities for people everywhere to achieve their potential by taking UK qualifications. We provide examination services to awarding bodies and UK examination boards, enabling them to access international markets and extend their reach.

We delivered 680,000 **school exams** and 557,000 **professional exams** in 2020–21. Whilst this is an exceptional result in the circumstances, it represents an approximately 30% decrease on the previous year.

The countries running school exams responded positively and with great agility despite the challenges facing them in multiple markets when awarding bodies cancelled the June 2020 series. We worked closely with UK education organisations and helped schools understand and comply with their individual assessed grade approaches. As a result, we ensured candidates were able to receive their results and continue on their educational journey. The November 2021 series ran with exams and again the countries responded outstandingly well to a record number of entries (155% more than November 2019), despite severe health and safety restrictions on exam venues imposed by most ministries of education.

We also adapted our exams delivery in response to the pandemic and moved quickly to set up remote invigilation services, putting in place a ‘follow the sun’ model of five hubs around the world. This was a new way of working for us, which required a huge team effort to identify suitable hub locations, identify and train staff and put in place systems and processes that hadn’t existed before. To date we have delivered 120,000 remotely invigilated exams for the Association of Chartered Certified Accountants. Thanks to the success of what we have achieved, ACCA are now looking at moving more of their business to remote invigilation in the future. Last but by no means least, we were also nominated at the **E-assessment Association Awards** for the **Best Transformational Project**, too, which we are really proud of.

‘Following on from our success with introducing remote proctoring for our foundation exams, we are delighted with the new service the British Council offers to use their network of highly trained invigilation staff to provide both remote proctoring hubs and staff to enable ACCA to deliver high-stakes session-based exams on a large scale. Over an incredibly short period of time we worked closely with the British Council and our technology partner to build the capacity for high-volume remote-proctored exams and offer this reassuring contingency to our candidates.’

Sarah Corcoran, Director of e-Assessment Transformation, ACCA

Finally, the distribution business also responded to the Covid-19 pandemic by accelerating its strategy for thought leadership in the area of technology-enabled assessment, by hosting monthly online topical café chats with awarding organisation clients and stakeholders, and publishing articles in industry forums targeted at awarding organisations in the UK and worldwide.

Arts and culture

The Covid-19 pandemic had a dramatic effect on a sector that thrives on international collaboration, face-to-face engagement and live events. For the UK culture sector, it led to an immediate and significant reduction in opportunities to showcase work; loss of income through venue closures and the cancellation of live performances and international touring; and a broader sense of isolation and disconnect. The British Council responded by significantly increasing virtual international engagement to maintain UK artists' visibility and international profile and by launching The Digital Collaboration Fund, a £1.3 million Covid-19 emergency grant fund which supported organisations to devise new virtual ways of working internationally, in turn creating a climate-friendly approach to international collaboration and artistic exchange.

Cultural exchange

We support international network building and collaborations for the UK sector and provide opportunities for emerging and next-generation artists from all four countries in the UK to present their work internationally.

In response to the pandemic, we explored new and innovative ways to deliver cultural seasons, festivals and programmes through digital channels and new technologies.

UK/Italy 2020 was our first digital-led season. There were 60 virtual events and 50 new bilateral connections were established between the UK and Italian cultural sectors. The season's theme of 'Being Present' took on a distinct resonance in this new context of engaging with one another in the virtual space. A key season legacy was the establishment of the first British Council Italy Cultural Advisory Board in early 2021 to help position culture at the heart of the bilateral relationship.

The **UK in JAPAN** Season adapted successfully to digital engagement as the international borders closed. A key highlight for the cultural programme was a filmed Curator's Tour of the National Gallery's *Masterpieces* exhibition, which was delayed from opening in Japan due to the pandemic. The British Council worked with the National Gallery to produce and promote this hugely successful online guided tour. A new CultureConnectsUs online festival went on to showcase outstanding UK culture to Japanese audiences. Over 200,000 people took part in the UK in JAPAN Season.

The launch of **#CultureConnectsUs**, which marked the signing of the Japan–UK Comprehensive Economic Partnership Agreement, included a special performance for Japanese audiences of *Duke Bluebeard's Castle* by the London Symphony Orchestra (LSO). Sir Simon Rattle, Music Director of the LSO, commented: **'The recording of Duke Bluebeard's Castle was instrumental in getting the LSO back into playing together as an orchestra after the longest break in its 117-year history... It will always be a significant moment in time for all of us involved.'**

We curated a three-week digital **UK–China Contemporary Culture Festival**, with 1.4 million people experiencing contemporary Chinese and British culture through over 75 performances and projects from across the UK.

We drew on the British Council Collection for **Almost There**, the fourth edition of our digital **Museum without Walls**, an exhibition of work selected by three young guest curators from Turkey, Georgia and Ukraine, attracting over 275,000 unique visitors.

Our **Digital Collaboration Fund** provided £1.3 million in emergency Covid-19 grants to support organisations to devise new virtual ways of working internationally. The fund offered grants of between £10,000 and £50,000 for UK culture organisations to work in partnership with peer organisations in official development assistance (ODA) countries. Out of 959 eligible applications, 34 grants were awarded. We also launched the **British Council Unlimited Micro Awards**. The first round supported eight UK disabled artists to connect with international peers without travelling.

In Scotland, working with our partners Creative Scotland, Scottish government and Festivals Edinburgh, we adapted our programmes and supported others to pivot to digital to ensure international relationships were maintained:

- We piloted a webinar series in place of our postponed Momentum programme – the International Delegate Programme for Edinburgh Festivals – for past participants and the Scottish arts sector in which eight seminars welcomed 148 participants from 22 countries.
- Our **Connect and Collaborate** fund enabled nine Scottish residency organisations to continue working internationally and create opportunities for artists, connecting for example Shetland to Texas and Glasgow to cities in Finland and other regions across the world.
- We boosted Scotland's arts links with Japan by awarding follow-up funds to projects involved in the UK in JAPAN 2019–20 Season. Six projects were awarded funding to develop new digital activities to complement their existing projects.

We partnered with **Wysing Arts Centre**, Cambridgeshire, and **Digital Arts Studios**, Belfast, to deliver **Net//Work**, a four-week digital residency for mid-career artists focused on digital artistic practices and technologies. Artists from the UK, Syrian network, Uganda and Egypt were hosted, and a series of public events were delivered culminating in two online exhibitions.

We launched our **Go Digital SSA Wales** open call for partnerships between artists and arts organisations based in Wales and Sub-Saharan Africa. Twelve projects were selected, including partnerships between National Theatre Wales and Lagos Theatre Festival, Nigeria. Alongside the grant programme, we commissioned a report that focused on the digital initiatives and responses of the arts and creative industries sector in Wales and the Sub-Saharan Africa region to the Covid-19 pandemic.

We signed an agreement with Coventry City of Culture Trust to act as International Partner for the exciting and adventurous Coventry City of Culture 2021 programme, which continues into 2022 after delays and interruptions caused by the pandemic. The British Council's role focuses on bringing an international dimension to a wide range of projects strongly rooted in Coventry's own communities and working alongside arts organisations in the city.

Sir Ian Blatchford, Director of Science Museum Group, made the following observation about the British Council's work in the arts: **'We have seen that international collaboration is essential in rising to the challenges that face us all. More than ever, we see the value of the British Council as a consistent and imaginative partner in supporting organisations like the Science Museum Group to establish fruitful partnerships around the globe.'**

Creative economy

Our work contributes to inclusive economic and social development and creates stronger links with the UK. We create international opportunities for the next generation of creative innovators, practitioners and entrepreneurs through exchange programmes.

In **India**, our **Festivals for the Future** programme has developed a vital network of UK and Indian festivals to share expertise and business practice. We have engaged over 12,000 festival entrepreneurs from India and elsewhere on training programmes, worked with 50 UK festivals and collaborated with three Indian state governments. We have showcased leading UK actors in festivals online to over one million people and partnered with cutting-edge companies such as Scottish Dance Theatre, Belfast International Festival, Outburst Queer Arts Festival, Belfast, and Diffusion Festival Wales. Trainers on the programmes have come from Manchester International Festival, London International Festival of Theatre (LIFT) and Jodhpur RIFF.

We also created safe physical platforms for artists to perform. Working with Jodhpur RIFF and the Aga Khan Trust for Culture, we organised the day-long Classic Bagh Festival in Delhi, a special UK–India creative collaboration between musicians and festival professionals. The festival was designed as an exemplar of future creative events in the post-Covid-19 world – sustainable and inclusive, enabling a safe physical platform for artists to perform and revive their incomes.

‘Festival managers, directors or curators have not had a shared space like this before. The generosity and giving and sharing of all the participants have really facilitated a creative thought process and broadened our understanding of different formats and platforms of festival delivery, especially in a new digital world.’

Archana Prasad, Founder of Jaaga and alumnus of the Festivals Academy 20

In 2020–21, our **Creative Hubs for Good** programme in Southeast Asia went into its third year. The programme has directly involved more than 10,000 people – organisations and individuals – and supported creative hubs as key drivers and catalysts for good in cities in Southeast Asia through capacity building, by creating new networks, and through advocacy and policy dialogue engagement.

In March 2021 we launched the **Creative Central Asia Network** (CCAN) for cultural and creative entrepreneurs in Central Asia. CCAN is the result of the Creative Central Asia forums of cultural and creative industries, held annually from 2017 to 2019 and organised by the British Council.

In **Mexico**, we worked with Clore Leadership on an innovative cross-sector online programme supporting cultural leaders from across Mexico in their development as cultural leaders with a key focus on governance.

In 2020–21 our creative economy work in **Sub-Saharan Africa** provided 50 creative entrepreneurs and intermediary organisations across the region with seed funding to develop creative projects and grow their enterprises through digital experimentation in response to the Covid-19 pandemic. The grants supported over 100,000 creatives and entrepreneurs across the continent.

In East Africa, where we reached over 12,000 young people face-to-face with training content, 36% of participating creative enterprises have seen an increase in turnover. In West Africa, participants in our Creative Enterprise Programme saw a 51% increase in business revenue or turnover. In Southern Africa, where our programme reached 11,000 young people face-to-face, 92% of participants in our training activity agreed/strongly agreed that they gained useful knowledge and skills as a result of the training and 83% confirmed that their network has grown in the region and with UK partners.

We convened the UK’s Policy and Evidence Centre’s International Council – a powerhouse network of leading policy and creative economy practitioners from across the world, who bring vital global perspectives to the UK’s Creative Industries Clusters Programme and important topics such as Covid-19 recovery, impact investment, the informal economy and climate change.

Arts responds to global challenges

Through the transformative power of arts and culture to change attitudes we support more connected and equal societies and the protection and promotion of cultural expression, diversity and heritage at risk. We create inspiring opportunities for people, institutions and places to respond to challenges with local impact

In 2020–21 the **Cultural Protection Fund (CPF)**, a partnership between the British Council and the Department for Digital, Culture, Media and Sport, awarded £6.2 million to 29 projects in 16 countries, providing training for over 900 people. Highlights included the launch of the Syria Music Map by Action for Hope, a CPF-funded music school for refugees.

One of the most recent funding recipients is a coastal heritage project in Tanzania, one of five projects focused on climate change in East Africa. The project will develop risk management strategies to preserve coastal heritage sites at risk due to rising sea levels, coastal erosion, salt evaporation and storms. Plans include the professional development of site staff to manage risks and community training programmes to support local engagement.

In March 2021, **Five Films for Freedom** reached online audiences of 1.7 million. The seventh edition of our online LGBTIQ+ themed short film programme, in partnership with BFI Flare, enabled audiences across the world to watch five short films championing LGBTIQ+ issues for free. Over 17 million people from more than 200 countries have viewed Five Films content since it began in 2015.

Our teams across the world helped to promote Five Films, including in Taiwan, where we held a private Five Films screening for stakeholders in local arts industries and LGBTIQ+ opinion leaders. In the Philippines, we partnered with the Film Development Council of the Philippines to bring screenings to audiences across the country.

Disability arts continues to be important to our work, with disabled artists around the world particularly impacted by Covid-19. We lead **Europe Beyond Access (EBA)**, the world's largest transnational arts and disability programme, in a collaboration between some of Europe's leading arts festivals and venues. Supported by the EU through its Creative Europe programme, EBA supports disabled artists to break the glass ceilings of the contemporary theatre and dance sectors. It includes a strong digital programme which saw 45,000 visitors to the project's web platform in 2021–22.

We helped to deliver **Women of the World (WOW) Festivals in Turkey, Pakistan, Nepal and Bangladesh**. We marked International Women's Day through a series of online and face-to-face WOW Festivals across South Asia and Wider Europe. Highlights included an inspiring conversation between Nobel Peace Prize winner Malala Yousafzai and British Council Interim CEO Kate Ewart-Biggs, as they discussed the provision of better and earlier access to educational opportunities for girls around the world. On the 8 March, British Council Arts teams engaged with Her Royal Highness The Duchess of Cornwall at an online reception celebrating International Women's Day. WOW Festival online content has now received over 1.2 million views, alongside face-to-face delivery across six cities in South Asia. Working with UK-based organisation The WOW Foundation, content included the gendered impact of the pandemic and the role of culture in supporting women experiencing increased vulnerabilities during the fight against Covid-19.

Strategic priorities

Customers

Objective: Improve the experience of our customers and stakeholders

Target: To increase the numbers we engage with and improve our Net Promoter Score

This year our customer experience was almost entirely online due to the pandemic. Face-to-face activity, including exhibitions, festivals and fairs, reduced by 75% compared to 2019–20 (from 27 million to 6.7 million). However, we still engaged with 67 million people directly, mostly through significant developments in our online delivery platforms to support virtual events and courses.

Our total reach and engagement figures for 2020–21 are summarised in the table below, compared to previous years. This year we have included two new categories for the first time, virtual live and virtual recorded, to better capture the new ways we are engaging with our audiences.

All figures in millions	2017-18	2018-19	2019–20	2020–21
Face-to-face People participating in activity where they come into personal face-to-face contact with others, including teaching centre students, examination candidates, teachers and learners	13.5	14.0	15.8	6.0
Digital social media and learning Through digital professional, educational and English learner communities on social networks	42.2	45.7	48.8	51.1
Exhibitions, festivals and fairs, and performances People attending exhibitions, live arts performances, arts and education fairs and festivals	19.3	20.1	11.2	0.7
Virtual live Attendees to a live virtual event	n/a	n/a	n/a	9.3
Virtual recorded Viewers of a recorded virtual live event	n/a	n/a	n/a	18
Digital online audience Audiences to British Council digital arts, education and English (including teaching and examinations) content – through websites, mobile devices and applications	180	216	209	195
Broadcast and publications People participating by watching, listening to, or reading British Council-produced or co-produced content in television services, via radio and in print	503	495	698	465

Our total reach and engagement figures are aggregated from the numbers of people who participated in individual programmes and as such do not represent unique numbers.

Our teaching Net Promoter Score (NPS) improved slightly from 26 in 2019–20 to 27 in 2020–21, while our Adult Learners NPS increased from 18 to 24 and Young Learners dipped from 33 to 28. IELTS NPS increased from 28 in 2019–20 to 31 in 2020–21. The launch of IELTS Indicator enabled thousands of test takers to continue with their overseas study or work aspirations, increasing customer satisfaction.

Efficiency

Objective: Improving our operational efficiency

Target: To reduce indirect costs as a proportion of revenue

Support costs decreased by 19% to £167 million (2019–20: £205 million). However, as income dropped significantly, indirect costs as a proportion of total revenue rose from 16% in 2019–20 to 18% in 2020–21.

In response to the pandemic and to reduce costs, we put in place a recruitment freeze and salary freeze where legislation allowed. We reduced spend on goods, services and marketing. We stopped all non-essential travel. We stopped investment projects where possible, making total savings of approximately £100 million.

The recruitment freeze and decision to not renew contracts has reduced our global full-time equivalents (FTEs) from 11,806 to 10,449 and in the UK from 1,145 to 1,056.

We are initiating a major transformation programme in 2021–22 which will significantly increase efficiency. It will include a more efficient, technology-enabled and standardised back-office solution with much greater use of shared services to help drive down costs. We aim to reduce indirect costs as a proportion of total revenue from 18% in 2020–21 to 12% in 2024–25.

Digital

Objective: Creating a digitally enabled organisation

Target: To increase digital engagement and create a digitally enabled organisation

In many areas the pandemic opened opportunities for growth in conducting our work digitally. In 2020–21, our overall digital engagement through social media has grown by two million to 51 million compared to 2019–20, while visitors to our websites were down by 14 million to 195 million, mostly due to the impact of pausing our IELTS operations during the year generating less online traffic.

There was also successful work internally to support new ways of working digitally. The implementation of new collaboration tools (Office 365, migration of SharePoint, Windows 10) was completed. These have proven fundamental for the organisation to stay connected. At the height of the pandemic, 12,000 staff were working remotely at the same time. Although this number has reduced, we are still seeing an average of 7,500 remote connections every day.

Our online payment technology has supported the launch of a range of new products as well as supporting our IELTS operations. In 2020–21 approximately 80% of our earned income from IELTS was paid for online.

Income

Objective: Growing and diversifying income surplus

Target: To increase our total commercial gross surplus

The impact of Covid-19 significantly impacted our commercial performance.

At the beginning of the year 93% of our teaching centres and IELTS exam centres were closed. Our free reserves were severely depleted by the end of the year and a revolving credit facility of £145 million to prevent insolvency and cover losses up to 31 December 2021 was agreed with the FCDO.

There were signs of recovery during the latter part of the year with the accelerated roll-out of new products. Teaching centres pivoted backwards and forwards between online and face-to-face delivery throughout the year and exam centres began to reopen in larger numbers by the summer.

Through investment in our teaching and exams business, we aim to increase commercial income from £792 million in 2019–20 to approaching £1 billion in 2024–25.

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

People

Objective: Increasing the capability and effectiveness of our people

Target: To improve our employee engagement levels and diversity in senior management

During the pandemic we did not run a staff engagement survey, so the most recent result is 60% for 2019. In response to Covid-19 we focused on adapting policies to support working from home and well-being interventions. Our well-being toolkit was updated and e-learning encouraging mental well-being for all employees was launched along with resilience webinars and improved communication about our Employee Assistance Programme (EAP).

We provided more regular opportunities for staff to discuss organisational issues with senior leaders. There was a series of eight town halls and ten global live interactive events as well as regular leadership communication to all staff. Ratings from staff on Chief Executive and Senior Leadership Team emails and leadership messages were high, averaging 70–80%, which benchmarks well against external organisations averaging between 50 and 75% depending on the sector. 91% valued the special town halls and 81% valued our series of Covid-19-related online events.

While there has been progress against all our diversity targets for senior leadership, we still remain some way off and more deliberate attention is needed. During 2020–21 we particularly focused on anti-racism, with a senior-level task force, cross-organisational challenge group and an organisation-wide action plan now in place.

EDI category	2018-18 result	2019–20 result	2020–21 result	2020–21 target
Women in senior posts	40.2%	43.6%	44.7%	50%
Minority ethnic staff in senior roles*	9.8%	7.9%	11.6%	15%
Disabled staff in senior roles*	2.4%	2%	2.9%	7%

*
UK staff only.

There has been renewed attention to resourcing our work in equality, diversity and inclusion and to promoting a more inclusive organisational culture. Despite the challenges caused by the global pandemic there was a voluntary submission of our Diversity Assessment Framework by over 60 of our operations worldwide. This measures progress against our Diversity Strategy and in 2020–21 required evidence of how equality, diversity and inclusion have been built into senior leadership actions, planning of policies, programmes and activities, and how the learning from training and development with a focus on anti-racism has been acted upon. Learning and good practice is being shared. Our Disability Confident Employer status has been reviewed and renewed. We are revising our Diversity Strategy and aiming to strengthen our evidence-based approach.

Environment

Objective: Protecting the environment

Target: To reduce our carbon emissions (see performance indicators)

Our environmental performance can be summarised in the three performance indicators below:

1. Globally our total carbon footprint reduced by 63.3% from 22,528 tCO₂e in 2019–20 to 8,268 tCO₂e in 2020–21.
2. Our carbon footprint per FTE reduced by 52.49% from 2.21 tCO₂e in 2019–20 to 1.05 tCO₂e in 2020–21.
3. In the UK our total carbon footprint reduced by 81.93% from 3,359 tCO₂e in 2019–20 to 606.99 tCO₂e in 2020–21.

Like many other organisations Covid-19 had a significant impact on our environmental performance as we worked from home, moved online and as face-to-face operations closed. At the same time, our commitment to protecting the environment strengthened. We developed our new environmental strategy, prioritised programming to support COP26 and grew employee networks of Environmental Framework Co-ordinators and Green Champions. The regional breakdown of our overseas carbon footprint in 2020–21 is shown in the table below:

Region	2019–20	2020–21	% reduction
Americas	1,648.73	205.01	87.57
East Asia	5,741.21	1,979.64	65.52
EU	1,592.39	1,120.45	29.64
Middle East and North Africa	2,477.25	1,326.86	46.44
South Asia	6,387.08	2,328.11	63.55
Sub-Saharan Africa	819.58	595.64	27.32
Wider Europe	502.69	105.29	79.05

2020–21 saw the development of a comprehensive set of future-facing global targets alongside our strategy covering waste, travel, water and energy consumption and aggregated in our target for a 30% reduction in our total carbon footprint by 2025. Many of these targets have been set using the Greening Government Commitments. Further detail is set out below:

	2017–18 baseline	2020–21 results	2025 target
Reduce our total carbon footprint by 30%	32,744tCO ₂ e	11,622 tCO ₂ e	22,920 tCO ₂ e
Reduce travel carbon footprint per person year on year	1.45 tCO ₂ e	0.38 tCO ₂ e	>0.75 tCO ₂ e
Reduce annual distance travelled via flight by 50%	126m km	11.5m km	63m km
Reduce overall waste generated by 20%	1,317 tonnes	178.4 tonnes	1,053 tonnes
Eliminate single-use plastics	100%	–	0%
Reduce potable water consumption by 8%	593,000 cubic metres	70,350 cubic metres	545,000 cubic metres

2021–22 will see a continued focus to improve the accuracy of our carbon footprint data including resetting the baseline aligned to scope 1, 2 and 3 emissions.

Governance statement

3.

Legal structure

Constitution and charitable purpose

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

The Royal Charter governs our work and states the British Council's charitable purpose in its objects.

During 2020–21 the British Council's objects were:

'to advance, for the public benefit, any purpose which is exclusively charitable and which shall:

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

With effect from 15 December 2021 the British Council's objects will be:

'to advance, for the public benefit, any purpose which is exclusively charitable and which shall:

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

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

Group structure

The British Council heads a corporate group structure which includes subsidiary undertakings in the UK and overseas. These have been established, for reasons of legal and tax compliance, to further the British Council's charitable objects and to generate income for use by the charity. The names, countries of registration and principal activities of the subsidiary entities in the group during 2020–21 are provided in note 12 to the accounts.

Connected charities

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

Relationship with the FCDO and other stakeholders in 2020–21

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

During 2020–21 the Secretary of State for Foreign, Commonwealth and Development Affairs commissioned a review of the British Council. The review resulted in a request to implement reforms to enhance strategic alignment between the British Council and the FCDO while recognising the British Council's unique structure, status and operational independence. Resultant changes during 2021 have included amendments to the British Council's charitable objects, to the composition of the Board of Trustees, new ways of working between the British Council and the FCDO, and new financial targets.

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

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

Our Corporate Plans are developed in consultation with stakeholders and partners across the UK, the British Council's advisory bodies, and the UK government and the devolved governments in Scotland, Wales and Northern Ireland. They also draw on our understanding and assessment of the needs of our partners overseas. We did not publish a Corporate Plan for 2020–21 due to the Covid-19 pandemic but were in close discussion with the FCDO about the British Council's operations and funding throughout the year. The 2021–22 Corporate Plan is available on the British Council website.

Governance codes

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

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

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

Where relevant and practical the British Council adopts the principles of 'Corporate governance in central government departments: code of good practice 2017' published by HM Treasury and the Cabinet Office. That code is intended for the advisory boards of government departments whose composition and role differs from that of a board of a charity, such as the British Council, composed of unremunerated trustees with specific legal responsibilities under charity law.

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

The Board of Trustees

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

Under the Royal Charter and Bye-Laws the Board must comprise between ten and 15 Trustees. Trustees who have served during the year are listed on page 51.

Stevie Spring CBE served as Chairman, and Rachel Lomax served as Deputy Chair, throughout 2020–21. The Trustees are not remunerated but may be reimbursed for the expenses they incur on British Council business in line with the Trustee travel policy. The Royal Charter specifies how Trustees' conflicts of interest must be managed and requires a register of Trustees' interests to be maintained. The register is updated annually and is published on the British Council's website.

The externally facilitated review of the effectiveness of the Board of Trustees and its committees, due in 2020–21, was postponed to 2021–22 as a result of the impact of Covid-19 on the organisation and the associated demands on the time of Trustees and management.

Trustee recruitment and induction

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

Under the Royal Charter and Bye-Laws effective during 2020–21, Trustees were appointed in three ways.

- The Secretary of State for Foreign, Commonwealth and Development Affairs had the right to nominate one Trustee. During 2020–21 this post was filled by Thomas Drew CMG.
- One Trustee post was filled by the Chair of the Northern Ireland, Scotland or Wales country committees (explained further below), co-opted on a rotating basis for a two-year period. During 2020–21 this was held by the Chair of the Wales Committee, Robert Humphreys CBE FLSW.
- All other Trustees, including the Chairman and Deputy Chair, were elected by the Board following an open recruitment process.

The Secretary of State for Foreign, Commonwealth and Development Affairs approves appointments to the offices of Chairman and Deputy Chair. Elected Trustees are appointed to the Board for a term of three years, with the possibility of re-election for a further three years. Up to two non-British citizens may sit on the Board.

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

The Board's work during 2020–21

There were six formal Board meetings in 2020–21. In addition, the Board held fortnightly calls throughout the year to review progress in managing the impact of Covid-19 and to agree further interventions.

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

- the impact of Covid-19 on the British Council's operations, finances and staff, including risk and cash management, staff well-being and reopening premises and face-to-face services safely,
- the sale, during 2021–22, of the British Council's IELTS business in India to IDP
- FCDO reviews of the British Council and proposed changes to the British Council's Royal Charter
- the British Council's plans for the next five years, including a transformation programme to ensure the British Council's systems, processes and services are cost effective and aligned to future needs
- the relocation of the British Council's head office to Stratford, London.

During the year the Board approved updated terms of reference for its Audit and Finance, Risk and Remuneration Committees.

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

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

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

The Board's committees

The Board's decision-making is supported by detailed scrutiny carried out by its committees. The Board was supported by five standing committees as listed below. In addition, a temporary committee, established in March 2020 to monitor the organisation's cash position on a weekly basis, met throughout the year.

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

The membership of the standing committees as at 31 March 2021 is shown on page 51.

Committee	Overview
Audit and Finance	<ul style="list-style-type: none"> Reviews financial plans, performance and controls and oversees internal and external audit arrangements. Comprised four Trustee members and one external member on 31 March 2021. Held five formal meetings in 2020–21.
Commercial	<ul style="list-style-type: none"> Reviews the British Council's commercial English teaching and examinations activities. Comprised three Trustee members and two external members on 31 March 2021. Held six formal meetings in 2020–21.
Nominations	<ul style="list-style-type: none"> Reviews the Board's composition and leads the recruitment of Trustees and the Chief Executive. Comprised four Trustee members on 31 March 2021. Held one formal meeting in 2020–21.
Remuneration	<ul style="list-style-type: none"> Leads on Senior Leadership Team's performance evaluation and remuneration. Comprised three Trustee members and one external member on 31 March 2021. Held six formal meetings in 2020–21.
Risk	<ul style="list-style-type: none"> Reviews principal and emerging risks and how risks are managed. Comprised five Trustee members on 31 March 2020. Held three formal meetings in 2020–21.

Audit and Finance Committee

Chaired by Mark Beddy, the Audit and Finance Committee maintains an overview of financial risk management and governance processes across the British Council group, ensuring that the system of internal financial control is satisfactory to deliver regulatory compliance, financial probity and value for money. The committee reviews and challenges the British Council's financial plans and performance in the interest of the long-term financial viability of the British Council. It oversees external and internal audit arrangements and reviews and approves the annual internal audit plan and the internal audit charter.

Matters considered by the committee during 2020–21 included updates from the temporary cash flow committee and the impact of Covid-19 on the British Council's financial position, internal control environment, audit work and the accounts production timetable, as well as assurance over the appropriateness of the going concern basis for the preparation of the accounts. Consistent with other years, the committee also considered management accounts, internal and external audit plans and reports, findings from fraud investigations and an update of the committee's terms of reference.

After the financial year-end but before the approval of the 2020–21 Annual Report and Accounts, the committee reviewed the draft governance statement, financial review and accounts.

Commercial Committee

Chaired by Kevin Havelock until August 2020 and by Sushil Saluja for the remainder of 2020–21, the Commercial Committee focused during 2020–21 on work in the areas of English teaching, examinations and schools. The committee examines the British Council's charitable activities undertaken on a commercial basis and assures their effective and transparent management in line with corporate objectives.

Matters considered by the committee during 2020–21 included the planning and performance of the British Council's commercial businesses, the response to Covid-19-related disruption, the strategy and direction for examinations, and our work with partners on new digital products.

Nominations Committee

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

As well as Trustee recruitment, during 2020–21 the committee addressed the appointment of an Interim Chief Executive and the recruitment of a new Chief Executive and began a Trustee skills audit.

Risk Committee

Chaired by Rachel Lomax, the Risk Committee reviews the organisation's principal and emerging risks, excluding finance-related risks that are reviewed by the Audit and Finance Committee. The Risk Committee holds the executive to account for identifying and managing risks in line with the risk appetite articulated by the Board. During 2020–21 the committee reviewed the principal risk profile and how it had changed due to the Covid-19 pandemic, the Covid-19 business resumption risk appetite and the workplan for enterprise risk management post Covid-19. Other matters considered included cyber security, principal risks, the emerging risk profile, the results of the annual risk assessment process, concerns raised (whistleblowing) and serious incidents to be reported to the Charity Commission for England and Wales.

Further information about the organisation's principal risks is given on pages 40 to 47.

Remuneration Committee

Chaired by Rachel Lomax, the Remuneration Committee sets the annual performance measures and policy for the Chief Executive's remuneration and benefits and agrees the Chief Executive's annual performance evaluation. It also sets the policy for the remuneration of other members of the Senior Leadership Team and reviews and agrees their performance evaluation reports, ratings and eligibility for bonuses. The full Senior Leadership Team remuneration report is on pages 59 to 66.

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

UK country advisory committees

The Board of Trustees, the Chief Executive and the British Council's country teams in Northern Ireland, Scotland and Wales draw on the professional advice and external perspective of the British Council's UK country advisory committees for Northern Ireland, Scotland and Wales. Members of the country committees who served during 2020–21 are listed on page 52 and further information about each committee is available on the British Council website.

Delegation and management

Delegation of authority and matters reserved to the Board

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

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

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

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

The Senior Leadership Team

The Chief Executive and other members of the Senior Leadership Team are responsible for the management and performance of the organisation and for delivering the strategy that has been approved by the Board of Trustees. Those who served on the Senior Leadership Team during 2020–21 are listed in the remuneration report on page 61. Sir Ciarán Devane was Chief Executive and Accounting Officer until 31 December 2020. Kate Ewart-Biggs OBE was Interim Chief Executive and Accounting Officer from 1 January 2021 to 31 August 2021. Scott McDonald, has been the Chief Executive and Accounting Officer since 1 September 2021.

Appointments to the Senior Leadership Team are normally filled through open recruitment. New members receive induction briefings which include our governance arrangements. A register of interests of members of the Senior Leadership Team is published on the British Council's website and is updated annually. On 31 March 2021 the Senior Leadership Team comprised one woman and eight men.

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

Values, policies and procedures for raising concerns

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

During 2020–21 'raising concerns' guidance set out how staff could raise concerns about malpractice or wrongdoing confidentially and without fear of victimisation or disadvantage. The policy included details of internal contacts and external agencies to whom staff could report concerns. After the end of the financial year the guidance was reviewed and refreshed.

Personal data

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

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

General Data Protection Regulation (GDPR) and the UK Data Protection Act 2018 (DPA) change programmes were embedded into business as usual in 2019–20 and in 2020–21 a cookie compliance programme was delivered to meet the requirements of the ePrivacy Regulation. This included the introduction of a new cookie compliance regime across British Council websites, providing site visitors with the ability to adjust their cookies preferences while visiting British Council websites. An extensive programme of work was conducted to ensure continued compliance in the event of the UK making an adverse exit from the European Union. As part of the move to digital delivery of exams, policies have been established and privacy assessments have been conducted, including on the deployment of artificial intelligence (AI) tools and remote proctoring solutions. As part of British Council project management standards, technical security and data protection impact assessments continue to be carried out against all new projects, systems and initiatives that process personal information.

During 2020–21 we reported one personal data incident to the Information Commissioner's Office (ICO) and to the Charity Commission for England and Wales. The incident related to an email containing personal data which was copied to an external party by accident. The British Council also reported a personal data security incident as an impacted third party to the ICO. This related to a third-party Facebook personal data breach. Actions taken in response to these incidents included reviews of processes and controls and further data protection training for staff.

Audit

External audit

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

At the date of signature of this statement the fee for the external audit of the British Council's charity and group accounts is expected to be £359,500 (2019–20: £260,000). In addition to this fee, total audit fees of £526,799 (2019–20: £426,019) were payable to the auditors of the group's component audits. Further disclosures regarding the auditors are given on page 54 and in note 5 to the accounts. The British Council has policy and procedures in place to ensure that the purchase of non-audit services from external auditors does not compromise the independence and objectivity of the audit opinions on the financial statements of entities and branches within the British Council Group.

Internal audit

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

In 2020–21 internal audit provided assurance on overseas operations as well as assurance over programmes, information technology and other principal risk areas. Due to the impact of Covid-19 there was some risk-based prioritisation of the audit plan while ensuring sufficient coverage across all key risk areas. Two audits, one on the UK payroll and the other on the human resource and payroll processes at the BC Management Services Pvt Limited (BCMS) subsidiary, identified significant non-compliance around the human resource and payroll-related processes. The Senior Leadership Team swiftly put in place action plans to address the weaknesses identified. Disciplinary action has been taken and new governance and control arrangements have been implemented both in the UK and at BCMS. The Audit and Finance Committee has been kept updated on the progress in implementing the actions.

Based on work undertaken in 2020–21 internal audit reported: **'A moderate level of assurance that the British Council has an adequate and effective system of governance, internal control and risk management for the year ended 31 March 2021.'** This is in line with previous years' assurance opinions.

Risk management and control

Approach to risk management

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

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

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

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

This 'top-down' and 'bottom-up' approach enables the British Council to consider the potential impact of different types of risks on processes, activities, stakeholders, products and services at all levels of the organisation, and to ensure alignment in priorities.

Risk management is continually evolving and maturing, and progress has continued to be made this year. Risk appetite has been embedded into our response to the Covid-19 pandemic and decisions to cease or resume activities; we have enhanced our emerging risks framework; we have improved the alignment between risk reporting and corporate planning cycles; and we have continued to strengthen our understanding and management of risk within second line of defence functions.

Risk profile

For the first half of 2020–21, management focus was on the immediate, tactical risks presented by the impacts of the Covid-19 pandemic. In October 2020 a holistic review of the risk profile was conducted with the Senior Leadership Team, in the context of the impacts of the pandemic on the British Council, our revised strategy, and transformation plans. As a result, there were in effect two risk profiles tracked throughout the year, albeit in the most part these were closely aligned.

The order of the following risk areas does not indicate priority, severity or ranking. The table shows both the tactical risks tracked in the first half of the year and the longer-term risk profile identified and tracked subsequently. Next to each, we highlight how we mitigate these risks and the plans in place to further reduce the organisation's risk exposure.

Each principal risk is assigned to a Senior Leadership Team member who is responsible for leading the monitoring and strategic activities in response to that risk.

Risk area		Mitigations and ongoing actions
H1 risks (Covid-19 tactical)	Strategic risks	
<p>Stakeholder engagement and communications</p> <p>Failure to effectively manage communications across all stakeholder groups may lead to loss of confidence and support from key stakeholders, creating reputational risk and impacting our strategic future.</p>	<p>UK government relationship</p> <p>Risks related to a sub-optimal relationship with Her Majesty's Government (HMG), a failure of British Council to understand HMG priorities, or limited HMG recognition of the value the British Council provides to these UK priorities.</p>	<ul style="list-style-type: none"> • Policy and external relations team in place to co-ordinate strategic engagement and consistent messaging across all stakeholders including HMG, select committees, devolved administrations, etc. • Close liaison with FCDO on Covid-19 response • Delivery of a two-way strategic and trusted relationship with FCDO, to strengthen their understanding and support, through increased engagement with FCDO ministers, management board, sponsor team and geographic directorates • High-profile membership of One HMG forum, through representation on the One HMG Network Board, Steering Group and the various specialist sub-groups • Establishment of FCDO Strategic Forum • KPIs and associated targets agreed and regularly tracked to ensure delivery against shared priorities
<p>Future British Council</p> <p>Insufficient short- and long-term strategic planning, and/or unsuccessful execution of these strategic plans, may impede our ability to effectively create a future British Council that is both financially sustainable and refocused for a changed world and could result in reduced relevance.</p>	<p>Success of transformation</p> <p>Risks related to failing to deliver and embed the transformation necessary to ensure a sustainable, efficient, and effective British Council in the short, medium and longer term.</p>	<ul style="list-style-type: none"> • Active engagement with HMG stakeholders on the future direction and shape of the British Council • Refining and further developing our five-year strategy, Strategy 25, in response to the Covid-19 pandemic • Updated strategic targets, high-level operating model, prioritised portfolio, geographical footprint and new operating models developed • Director Transformation appointed to Senior Leadership Team to lead, co-ordinate, and oversee transformation • Development of measures to define overall organisation target end state • Staff engagement plan developed • Change governance model designed, and required capabilities and skills secured to ensure good programme management approaches embedded

Risk area		Mitigations and ongoing actions
H1 risks (Covid-19 tactical)	Strategic risks	
<p>Future digital innovation</p> <p>Failure to continue the agile innovation delivered throughout the Covid-19 crisis may result in the British Council's competitiveness and relevance being diminished across our wide range of activities.</p>	<p>Digital strategy</p> <p>Risks related to a failure to innovate and successfully deliver digital transformation in our products and services across English, Exams, and Cultural Engagement.</p>	<ul style="list-style-type: none"> • Strong focus on digital products and services and embedding digital thinking and practices into overall organisational strategy • Creation of digital and technology division. Within this new area, Strategic Business Unit Delivery Director roles have accountability for informing, shaping and enabling the digital and technology side of the strategic business unit digital strategy • Improved digital-skills training and awareness, particularly among leadership roles • User-centric design and agile development methodologies to establish best practice. A culture of embedding user research, insight and testing into all product and service design • New products and services developed (e.g. IELTS Indicator, English Online) • Digital enablement strategy developed and disseminated • Ongoing investment in dedicated teams for digital innovation and research
<p>English and examinations market dynamics and competitiveness</p> <p>The disruption to the teaching and exams market caused by the pandemic may have lasting structural impacts to the competitive environment, potentially impacting the surplus-generating potential of future commercial activities.</p>	<p>Commercial performance</p> <p>Risks related to the relevance and performance of our commercial products and services, and our ability to compete effectively.</p>	<ul style="list-style-type: none"> • Rapid deployment of new digital teaching and exams products and services to meet customer needs during early phases of the pandemic • Research to generate insights on evolving customer demands • Business plan developed identifying necessary investment strategies and funding required for future growth of commercial businesses • Investment in development of new, largely digital teaching and assessment products

Risk area		Mitigations and ongoing actions
H1 risks (Covid-19 tactical)	Strategic risks	
Future Cultural Engagement portfolio <p>Failure of the British Council to play a key role in shaping and contributing to global conversations and to provide innovative solutions to respond to the challenges presented by Covid-19, or failure to effectively plan and proactively adapt our Cultural Engagement offers accordingly, may impact on the long-term relevance of the British Council.</p>	Cultural Engagement portfolio <p>Risks related to our ability to identify, understand, and effectively respond to the changing expectations and needs of a broad range of different stakeholders, and the suitability of our products, services, and programmes.</p>	<ul style="list-style-type: none"> • Ongoing consultation with UK and international bodies, institutions and individuals to design appropriate responses to the challenges presented by Covid-19 in Education, Arts and English for Education Systems • Effective pivot of existing programmes into digital and remote modes of delivery during early phases of the pandemic • Sector and client engagement teams in place at global and regional levels, to gather insight and understand changing dynamics, evaluate demand, and scope opportunities • A new global programming framework being designed and developed to focus on 18 impact areas
Loss of contract business <p>The loss of contract business due to force majeure or other contractual penalty clauses being invoked could lead to a loss of impact and income for the organisation and impact negatively on our partners and supply chain now and in the future.</p>	–	<ul style="list-style-type: none"> • Transformation of existing portfolio to align with new global programme framework • Partnerships strategy under revision to help co-create programmes alongside partners • Proactive partner engagement and adaptation of activity, delivery, and contracts during early phases of pandemic effective in sustaining majority of contract business
People <p>Risks related to the impact of the pandemic and associated disruption on our people including policy, welfare, safety, and duty of care, as well as operational risks due to resource constraints as a result of illness and absenteeism.</p>	People and skills <p>Risks related to our ability to attract and retain the right skills and experience to meet our organisational needs.</p>	<ul style="list-style-type: none"> • Mass evacuation and repatriation in early phases of pandemic to ensure colleague safety • Development of comprehensive policy suite and ‘frequently asked questions’ (FAQs) rapidly established, covering well-being, remote working, withdrawal, and working practices • Comprehensive internal communications strategy • UK risk assessment process developed to support staff working from home, and home-working equipment bursary provided • Development and launch of a mental health and well-being toolkit, together with guidance for managers to support working from home and those with caring responsibilities through Covid-19 • Future of work survey conducted, and subsequent principles agreed to establish a new ‘philosophy of work’ to support transition to full hybrid working model • Senior Leadership Team has reviewed critical talent for retention through transformation, and a values-based leadership framework has been developed for roll-out in 2021–22

Risk area		Mitigations and ongoing actions
H1 risks (Covid-19 tactical)	Strategic risks	
<p>Compliance</p> <p>Failure to maintain critical compliance control measures, behaviours, and monitoring during the disruption caused by the pandemic, within business continuity operating environments, and/or within rapidly deployed new products and services, may result in non-compliance, control breaches, and increasing exposure to the following risk areas:</p> <ul style="list-style-type: none"> • cyber security • safeguarding • fraud. 	<p>Compliance and reputation</p> <p>Risks relating to our reputation and that of the United Kingdom, compliance and risk management culture, failures in our control environment, and regulatory or contractual breaches.</p> <p>Information security and systems stability</p> <p>Risks relating to the confidentiality, integrity, and availability of our data and IT systems.</p>	<ul style="list-style-type: none"> • Dedicated, specialist second-line-of-defence compliance functions in place for key areas, designed and revised support resources and tools to support changes in working practices • Safeguarding e-safety risk assessment and action plan tool developed • Overhaul of whistleblowing and raising concerns policies, leading to the development of a best-practice, comprehensive, and holistic ‘speak up’ framework and improved management oversight of investigations • Phase 1 internal control environment project completed, leading to a new control and compliance governance function being established to streamline policy and co-ordinate control design, monitoring, and training • Risk management and review frameworks embedded within second-line-of-defence compliance functions • Substantial improvements in cyber security posture delivered as part of multi-year cyber security programme, improving prevention, detection, response and recovery capabilities • Full IT team including Information Governance and Risk Management (IGRM) working remotely and supporting organisational use of secure remote working technologies throughout pandemic • Regular and ongoing assurance of project and programme issues to senior business leads • Migration of central infrastructure to Microsoft-supported Azure with inbuilt updating and managed disaster recovery
<p>Cash flow and liquidity</p> <p>The global disruption in surplus-generating activities across English and Exams and Cultural Engagement has a material effect on short-term cash flow leading to going concern risk and potential insolvency.</p>	<p>Financial sustainability</p> <p>Risks related to our cash flow, liquidity, and going concern; cost-base and efficiency; and overall financial sustainability.</p>	<ul style="list-style-type: none"> • Urgent cost-cutting initiatives across the entire organisation generated material expenditure savings • Establishment of a cash committee to monitor cash flow and a weekly Trustees cash flow committee to monitor action • Short-term FCDO loan facility secured to support liquidity • Throughout the year, negotiations were ongoing with FCDO to secure a revolving credit facility to maintain liquidity and a longer-term loan to fund business change. These negotiations were successfully completed in the months following the end of the financial year. For further details please refer to the ‘Going concern and viability’ disclosure on page 74 • New cash flow forecasting processes in place • Longer-term delivery of transformation and future operating model will reduce cost base and improve operating effectiveness, while investment in systems will support growth in income and surplus

Risk area		Mitigations and ongoing actions
H1 risks (Covid-19 tactical)	Strategic risks	
–	Culture, values and engagement Risks related to our organisational values and culture, leadership behaviours, employee engagement and equality, diversity and inclusion.	<ul style="list-style-type: none"> British Council code of conduct, equality and diversity policies and strategies in place Refreshed British Council values and behaviours Refreshed speak up policy developed to ensure serious concerns are addressed at the appropriate level in a timely manner Equality, diversity and inclusion framework led by a dedicated Diversity Unit, with an anti-racism task force and challenge group overseeing delivery of anti-racism action plan Comprehensive leadership communications framework supported by a dedicated and expert internal communications function
–	Strategic resilience Risks relating to our ability to withstand major shocks from disruption in key geographies or products, or unforeseen large-scale external disruption.	<ul style="list-style-type: none"> Well-established incident management team structures and formalised decision-making protocols On-call support across global network, legal, HR, media, communications, and safety/security Established, defined response protocols for business suspension, personnel withdrawal/evacuation, business resumption, etc. Business continuity management system in place with resource; guidance, toolkits, and planning templates Building resilience through digital transformation and product diversification strategies Transformation to deliver to a more flexible cost model
Safety and security Failure to provide suitable safety measures, particularly as they relate to the pandemic, for the safety of colleagues, clients, customers and visitors to our sites, may lead to us not meeting our duty of care towards people. In addition, the impacts of the pandemic may exacerbate the wider safety and security environments in some fragile states, impeding our ability to continue operations safely and effectively in those locations.	–	<ul style="list-style-type: none"> The business resumption risk appetite, approved by the Board of Trustees, established a cautious framework for resumption of face-to-face activities only when there are clear indicators of reduced health risk and suitable public health measures in place Policy and checklists for business resumption developed, incorporating consideration of health and safety measures including use of personal protective equipment, social distancing, cleaning protocols, building capacity, etc. Close monitoring of, and compliance with, local public health measures, and liaison with heads of mission on any emerging threats

Risk area		Mitigations and ongoing actions
H1 risks (Covid-19 tactical)	Strategic risks	
<p>Return to ‘business as usual’</p> <p>A premature resumption of activity or a failure to effectively plan a transition may result in inefficiencies through redeployment costs, and risks associated with ‘second wave’ outbreaks causing further disruption.</p>	–	<ul style="list-style-type: none"> • The business resumption risk appetite, approved by the Board of Trustees, established a cautious framework for resumption of face-to-face activities only when there are clear indicators of reduced health risk and suitable public health measures in place • Majority of workforce remained remote throughout period • Co-ordinate communication and planning with clients to evaluate resumption of activity • Exams resumption protocols and procedures developed with clear focus on health and well-being • People Framework for recovery and reopening, outlining guidance on people principles under different scenarios
<p>Business continuity</p> <p>Ineffective or unsuitable business continuity planning approach may result in arrangements that do not meet the needs and requirements of internal and external stakeholders. This may reduce our ability to effectively respond to and recover from disruption events, and lead to loss of business where arrangements do not meet requirements of external stakeholders.</p>	–	<ul style="list-style-type: none"> • New business continuity planning standard in place, revised planning procedures rolled out, and incident management and business continuity plans reviewed and updated across the network • Remote working technology stable and effective, guidance and ‘frequently asked questions’ published, and funding made available for provision of home-office equipment • External business continuity planning process in place for Cultural Engagement to respond to client needs

Risk appetite

Following the end of the 2020–21 financial year, the Board of Trustees established a revised Statement of Risk Appetite. Our risk appetite is dynamic and is updated as necessary to reflect any significant changes in the context in which we operate.

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

The Covid-19 pandemic has been an example of an unforeseen risk with major, far-reaching impacts across the British Council, and demonstrates the importance of effective risk management in building a resilient and successful organisation for the future.

As an organisation we must acknowledge that adverse events can, and do, happen. The world has changed, and we are facing increased scrutiny as part of a substantially increased risk environment. We recognise that to survive and thrive in the varied and changing environments in which we operate, and to continue to distinguish ourselves from both our commercial and soft-power competition, we will have to adapt and transform our organisation. We accept that, to be successful, we must at times embrace risk, be bold in our ambitions, innovate and be creative, but also that we will not achieve success without understanding the risks we face, making informed decisions and responding to risks proportionately.

With a global presence and large commercial, cultural, and charitable operations in some of the most difficult places in the world, the risks we face are significant, varied, and potentially at times conflicting. The British Council has a cautious and balanced appetite for risk. Our preference is for reduced risk and uncertainty, but we acknowledge that, to build a more connected and trusted UK in a more connected and trusting world, some risk taking will be required, and that it is not possible, nor potentially desirable, to eliminate all risk inherent in our activities. We will need to take risks to strengthen our impact in priority areas and respond to the challenges we face. Risks will be mitigated as much as is practical, but we may pursue options giving rise to risk where it is likely to favourably impact the achievement of our vision and purpose.

Review of effectiveness

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

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

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

- an ongoing assessment of governance across the organisation, including policies, procedures, systems and processes
- assurance work conducted by the British Council's financial policy and compliance, legal, counter-fraud, information governance, and risk management teams among others
- a process of quarterly assessment of compliance with key financial controls by all countries and subsidiaries, providing assurance that the organisation's financial controls are monitored and reported on and plans are in place to address any control gaps identified
- prior period adjustment: As stated in the accounting policies note to the accounts (note 2(h)), the British Council revalues heritage assets with reference to market intelligence and data on sales of similar items. During the year, we became aware of a number of relevant sales from 31 March 2016 to 31 March 2020 that should have been taken into account in previous revaluations. Adjusting for this information has resulted in an increase in the value of the British Council's assets by some £21,862,000. See note 11 of the accounts for more information. The nature of how heritage assets are revalued indicates that this kind of adjustment is particular to heritage assets. In response to this issue, management has reviewed the processes and controls in place relating to the valuation of heritage assets. In future years, we will ensure the top 100 works of art are reviewed either externally or internally every year, and revalued accordingly. We also categorise the other, lower value, works of art and review each category on a rolling basis and revalue accordingly. The British Council's management is content that in future these improvements will ensure that the valuation of the British Council's heritage assets will be materially correct
- the work of internal audit, which provides an independent and objective opinion on the adequacy of processes around risk, control, governance and finance systems. The overall assurance status is rated as 'Moderate' as per the previous year
- the Audit and Finance Committee, which provides oversight and guidance on the work of finance and internal audit and considers reports from the Comptroller and Auditor General and other external auditors.

Based on the above, and drawing on assurance provided to Scott McDonald by Kate Ewart-Biggs OBE, the Interim Chief Executive and Accounting Officer from January to August 2021, over the proper preparation of this Annual Report and Accounts and the maintenance of controls up to 31 August 2021, the Board of Trustees and Chief Executive consider the framework of internal controls and risk management in place during 2020–21 to have been effective.

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

22 March 2022

Scott McDonald
Chief Executive and Accounting Officer,
British Council

22 March 2022

Board and committee membership

4.

The table on page 51 lists all those who served on the Board of Trustees during 2020–21 and the Trustees who served on the Board’s standing committees as at 31 March 2021.

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

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

Robert Humphreys CBE FLSW’s trusteeship ended on 10 June 2021, Deborah Forster MBE’s trusteeship ended on 31 August 2021, James Cronin’s trusteeship ended on 21 September 2021 and Rachel Lomax’s trusteeship ended on 2 December 2021.

Dame Seona Reid DBE was appointed as a Trustee with effect from 11 June 2021, and Richard Hookway and David Lefevre were both appointed as Trustees with effect from 12 October 2021.

External members of the Board’s committees

Throughout 2020–21, Lindsay Croisdale-Appleby CMG served as an external member of the Remuneration Committee and Rajiv Garodia and Peter Phippen served as external members of the Commercial Committee. Nazim Girnary has served as an external member of the Audit and Finance Committee since 1 June 2020.

UK country committees

The members of the British Council’s UK country advisory committees for Northern Ireland, Scotland and Wales during 2020–21 are listed on page 52. Further information about each committee is available on the British Council website.

Members of the Board of Trustees during 2020–21 and the Trustees serving on its standing committees on 31 March 2021

	Start/end of term if not a Trustee for the full year	Board meeting attendance*	Membership of the standing committees on 31 March 2021				
			Audit and Finance	Commercial	Nominations	Remuneration	Risk
Stevie Spring CBE (Chairman)		6/6			x		
Rachel Lomax (Deputy Chair)		6/6	x		x	x	x
Mark Beddy		6/6	x	x	x		
Professor Dame Janet Beer	End: 15.9.20	1/2					
James Cronin		6/6	x				x
Dr Stephen Deuchar CBE		6/6				x	x
Yasmin Diamond CB		5/6		x		x	
Thomas Drew CMG		3/6			x		
Deborah Forster MBE		6/6					x
Kevin Havelock	End: 31.8.20	2/2					
Robert Humphreys CBE FLSW		6/6					
Kirsty Lang	End: 22.9.20	2/2					
Rageh Omaar	Start: 23.9.20	3/4					
Malcolm Press	Start: 16.9.20	4/4					
Clare Reddington		6/6					
Sushil Saluja	Start: 1.9.20	4/4		x			
Fiona Salzen		6/6	x				x
Sir David Verrey CBE	End: 1.12.20	3/3					

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

Membership of the UK country committees

Committee	Members during 2020–21	Start/end of term if not a member for the whole year
Northern Ireland	Alan Shannon CB (Chair)	
	Gren Armstrong	
	Jamie Armstrong (ex officio)	End: 8 December 2020
	Mike Brennan (ex officio)	
	John Edmund	End: 8 December 2020
	John Greer	
	Fiona Hepper (ex officio)	
	Dr Andrew McCormick (ex officio)	
	John McGrillen	
	Professor Ian Montgomery (ex officio)	
	Maeve Walls (ex officio)	
	Michael Wardlow	
Scotland	Dame Seona Reid DBE (Chair)	
	Professor Anne Anderson OBE	
	Russell Bain (ex officio)	Start: 2 December 2020
	Beth Bate	
	Professor Graham Caie CBE	
	Sarah Deas	
	Sandra Gunn	
	Janette Harkess	
	Asif Khan	Start: 7 September 2020
	Steven Kidd	
	Alan MacKay	Start: 7 September 2020
	Dr Bill Maxwell	
	Angela Morgan	End: 12 August 2020
	Mariem Omari	Start: 7 September 2020
	Dr Cindy Sughrue OBE	
	Claire Tynte-Irvine (ex officio)	End: 1 December 2020
Wales	Rob Humphreys CBE FLSW (Chair)	
	Ashok Ahir	
	David Anderson OBE	
	Dr Elaine Canning	
	Ifona Deeley (ex officio)	
	Owen Evans	
	Eluned Hâf (ex officio)	
	Mary Kent	
	Huw Morris (ex officio)	
	Karl Napieralla OBE	
	Catherine Paskell	
	Lleucu Siencyn	
	Rhiannon Wyn Hughes MBE FRSA	

Reference and administrative details

5.

Patron: Her Majesty the Queen

Vice Patron: His Royal Highness the Prince of Wales

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

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

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

Principal address: 1 Redman Place, Stratford, London E20 1JQ, United Kingdom

External auditors:

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

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

UK legal advisers: The British Council draws on advice from a range of legal firms according to the jurisdiction and subject matter on which advice is required. The British Council's main providers of external legal advice in the UK during 2020–21 were:

- Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU, United Kingdom
- Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG, United Kingdom
- Mills & Reeve LLP, 4th Floor Monument Place, 24 Monument Street, London EC3R 8AJ, United Kingdom

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

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

Fundraising: In 2020–21 the British Council engaged with a small number of high-net-worth individuals but did not carry out fundraising among the wider public. It used strategic development consultants to advise on its fundraising strategy.

Neither the British Council nor any persons contracted to act on its behalf were bound by voluntary fundraising regulatory schemes or standards. We continued to ensure our procedures were compliant with GDPR and did not receive any complaints about British Council fundraising activities during the year.

Statement of the Trustees' and Accounting Officer's responsibilities

6.

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

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

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

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

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

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

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

Kate Ewart-Biggs OBE, the Interim Chief Executive and Accounting Officer from 1 January to 31 August 2021, has provided assurance to Scott McDonald, the current Accounting Officer, over the proper preparation of this Annual Report and Accounts and the maintenance of controls to 31 August 2021.

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

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

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

Stevie Spring CBE
Chairman, British Council,
on behalf of the Board of Trustees
22 March 2022

Scott McDonald
Chief Executive and Accounting Officer,
British Council
22 March 2022

Senior Leadership Team remuneration report

7.

Senior Leadership Team remuneration report

Service contracts

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

Senior Leadership Team remuneration

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

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

In 2020–21, Senior Leadership Team members did not receive an increase in salary. Members of the Senior Leadership Team can also be eligible for a non-consolidated performance-related payment, as part of an annual incentive scheme described below. The annual incentive scheme was suspended for the financial year 2020–21 and therefore no bonuses were paid.

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

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

The figures in this report have been subject to audit.

Name and position	Salary 2020–21 (in bands of £5,000)	Salary 2019–20 (in bands of £5,000)	Bonus payments 2020–21 (in bands of £5,000)	Bonus payments 2019–20 (in bands of £5,000)	Value of pension benefits for single total figure of remuneration for 2020–21 (to the nearest £1,000)	Value of pension benefits for single total figure of remuneration for 2019–20 (to the nearest £1,000)	Total salary benefits 2020–21 (in bands of £5,000)	Total salary benefits 2019–20 (in bands of £5,000)
Ewart-Biggs, K ¹ Interim Chief Executive	130–135	125–130	N/A	5–10	84,000	72,000	215–220	205–210
Devane, C ² Chief Executive Full year equivalent	145–150 195–200	200–205	N/A	10–15	57,000	76,000	205–210	290–295
Greer, A ³ Chief Operating Officer Full year equivalent	N/A N/A	15–20 145–150	N/A	10–15	N/A	N/A	N/A	25–30
Williams, A Chief Operating Officer	140–145	140–145	N/A	0–5	45,000	197,000	185–190	340–345
Robson, M Director English and Exams	165–170	160–165	N/A	10–15	64,000	63,000	230–235	240–245
Arthurs, K ⁴ Interim Director Arts Full year equivalent	25–30 90–95	85–90	N/A	0–5	11,000	42,000	35–40	130–135
Stephens, M Director Cultural Engagement	125–130	110–115	N/A	0–5	69,000	155,000	190–195	270–275
Thomas R ⁵ Chief Financial Officer	135–140	135–140	N/A	5–10	N/A	48,000	135–140	190–195
Horton, A Director Digital, Partnerships and Innovations	120–125	120–125	N/A	5–10	48,000	47,000	170–175	175–180
Ward, C ⁶ Global People Director	145–150	140–145	N/A	0–5	N/A	N/A	145–150	145–150
Patel, S ⁷ Chief People Officer Full year equivalent	5–10 115–120	N/A	N/A	N/A	27,000	N/A	35–40	N/A
Walker, M ⁸ Director Transformation Full year equivalent	25–30 115–120	N/A	N/A	N/A	19,000	N/A	45–50	N/A
Walker, C ⁹ Director Global Network Full year equivalent	25–30 115–120	N/A	N/A	N/A	39,000	N/A	65–70	N/A

1. Ms K Ewart-Biggs was promoted to Interim Chief Executive from 1 January 2021 to 31 August 2021. After this period she became the Deputy Chief Executive. Scott McDonald was appointed as the new Chief Executive on 1 September 2021.

2. Mr C Devane's service ended on 31 December 2020.

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

4. Ms K Arthur's appointment was a temporary promotion from 21 May 2018 to 19 July 2020.

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

6. Ms C Ward's service ended on 31 March 2021. She chose not to be covered by the Civil Service Pension arrangements during the reporting year.

7. Mr S Patel's initial appointment is a temporary promotion from 1 March 2021 to 31 August 2021. This appointment was made permanent on 21 June 2021.

8. Mr M Walker was promoted to Director Transformation on 1 February 2021.

9. Mr C Walker's initial appointment is a temporary promotion from 1 January 2021 to 30 June 2021. This was made permanent on 1 July 2021.

Annual incentives for Chief Executive and Senior Leadership Team members

Purpose and link to strategy

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

Operation

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

Opportunity

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

The membership of the Remuneration Committee is included in the full membership list of the Board of Trustees on page 51.

Pension benefits

Name and position	Accrued pension at pension age as at 31 March 2021 (in bands of £5,000)	Accrued lump sum at pension age as at 31 March 2021 (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 2021 (to nearest £1,000)	CETV at 31 March 2020 (to nearest £1,000) 4	Real increase (decrease) in CETV funded by employer (to nearest £1,000)
Ewart-Biggs, K Interim Chief Executive	45–50	85–90	2.5–5	2.5–5	803	714	58
Devane, C Chief Executive	25–30	N/A	2.5–5	N/A	414	349	38
Williams, A Chief Operating Officer	40–45	85–90	2.5–5	0–2.5	794	737	27
Robson, M Director English and Exams	50–55	N/A	2.5–5	N/A	850	762	46
Arthurs, K Interim Director Arts Full year equivalent	20–25	N/A	0–2.5	N/A	239	232	4
Stephens, M Director Cultural Engagement Full year equivalent	55–60	45–50	2.5–5	0–2.5	963	882*	46
Thomas, R Chief Financial Officer Full year equivalent	N/A	N/A	N/A	N/A	N/A	79	N/A
Horton, A Director Digital, Partnerships and Innovations	10–15	N/A	2.5–5	N/A	178	139	26
Patel, S Chief People Officer Full year equivalent	40–45	90–95	0–2.5	2.5–5	812	N/A	24
Walker, M Director Transformation Full year equivalent	30–35	N/A	0–2.5	N/A	447	N/A	13
Walker, C Director Global Network Full year equivalent	20–25	70–75	0–2.5	5–7.5	590	N/A	40

*The factors for calculating the CETV were changed by the Government Actuary in the financial year. Therefore, the CETV for M Stephens for the start of the period does not correspond with the CETV figure for the end of the period for the previous financial year.

Civil Service pensions

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

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

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

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

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

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

Cash equivalent transfer values

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

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

Real increase in CETV

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

Pay multiples

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

The banded remuneration of the highest-paid director in the British Council in the financial year 2020–21 was £165,000 – £170,000 (2019–20: £210,000 – £215,000). This was four times (2019–20: 4.9) the median remuneration of the workforce, which was £41,642 (2019–20: £43,012). The remuneration ratio has changed due to a change of the most highly paid director.

In 2020–21, no employee (2019–20: two employees) received remuneration in excess of the highest-paid director. Remuneration ranged from £20,000 – £167,000 (2019–20: £20,000 – £260,000).

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

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

Stevie Spring CBE
Chairman, British Council,
on behalf of the Board of Trustees
22 March 2022

Scott McDonald
Chief Executive and Accounting Officer,
British Council
22 March 2022

Financial review

8.

Financial highlights

	2021 £ Million	2020 £ Million	Change %
Total income	925	1,289	(28)
Net expenditure	(91)	(8)	-
Total reserves	333	426**	(22)
Free reserves*	4	87	(95)
Grants paid	210	231	(9)
Official development assistance (ODA) spend	132	156	(15)
Income raised for every £1 received from grant-in-aid	£5.4	£5.9	-

Summary of results

Total income for the British Council dropped by approximately 28% to £925 million (2019–20: £1,289 million) principally due to the impact of Covid-19 on the British Council's operations as most teaching and exams centres did not operate at full capacity throughout the financial year.

For every £1 of government grant-in-aid from the FCDO, an additional £5.4 was generated from other sources compared to £5.9 last year.

Total pre-tax expenditure decreased by 21% to £1,008 million (2019–20: £1,282 million) as the British Council adjusted its operational expenditure globally to mitigate the impact of Covid-19.

Included in income and expenditure above are net foreign exchange losses of £15 million (2019–20: £2 million losses) mainly arising from the strengthening of sterling against other major currencies over the course of the year.

The net expenditure increased by £83 million to £91 million (2019–20: £8 million). This is driven by a reduction in teaching and exams activity across the globe related to the impact of Covid-19.

In response to the anticipated loss reported in the financial year, the British Council put in place cost-saving measures by reducing spend where possible. These included a freeze on employment and staff pay awards, renegotiating contracts and reduction in expenditure unless it was contractually committed and/or income generating.

Total reserves decreased overall by £93 million to £333 million (2019–20: £426 million, restated from £405 million to include a prior period adjustment for heritage asset valuation) while the British Council's free reserves reduced by £83 million to £4 million (2019–20: £87 million) due to the losses in the financial year. The Going Concern and Viability Statement section of this review outlines the measures taken by the British Council to mitigate the impact of the losses reported in the current year.

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

** Total reserves for the financial year 2019–20 have been restated to include a prior period adjustment of £21.86 million to the restricted and unrestricted Heritage Asset Reserves.

Income

Donations

The main element of this is government grant-in-aid income of £145 million (2019–20: £187 million). The proportion of total income from grant-in-aid has increased by 1.2% to 15.7% (2019–20: 14.5%).

Income from charitable activities

Income from charitable activities dropped by 30% to £762 million compared to £1,089 million in 2019–20. For a breakdown of this income by charitable activities please see note 4 of the accounts.

The British Council's teaching and exams income dropped by 38% to £448 million this year (2019–20: £724 million), due mainly to the impact of Covid-19 on teaching and exams operations globally. Most teaching and exams centres were closed at the beginning of the financial year and began to reopen as Covid-19-related restrictions were eased in some countries. Subsequent second waves have continued to impact operations during the current financial year.

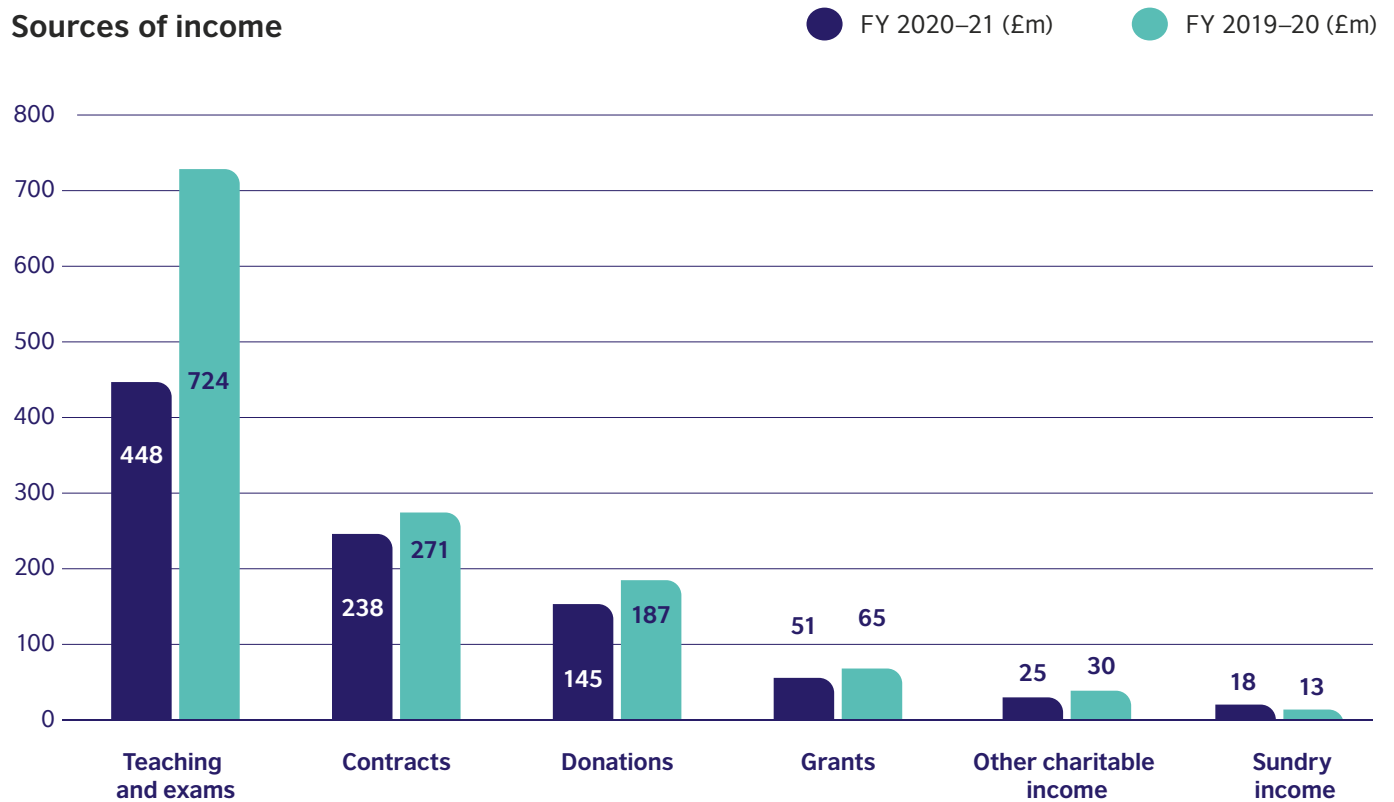
The British Council also receives contract and grant income mainly for the delivery of programmes in Education and Society. Contract income decreased by 12% to £238 million (2019–20: £271 million). Grant income also decreased by 22% to £51 million (2019–20: £65 million). Erasmus+ contributed income of £159 million in 2020–21, a decrease of £13 million on 2019–20 due to a reduction in activity. Excluding Erasmus+, other contract and grant income reduced by £34 million.

The British Council received other charitable income of £25 million (2019–20: £30 million).

Sundry income

Income from other trading activities, predominantly sponsorship income, was £0.5 million (2019–20: £1 million). Income from investments dropped to £2 million (2019–20: £3 million). Other income was composed of predominantly foreign exchange gains which remained stable at £9 million (2019–20: £8 million). This is offset by foreign exchange losses of £24 million.

Sources of income



Expenditure

Expenditure on charitable activities

Expenditure on charitable activities decreased by 21% to £1,008 million compared to £1,282 million in 2019–20 as the British Council reduced costs due to Covid-19. For a breakdown of this expenditure by charitable activities please see note 5 of the accounts.

The British Council supports particular programmes and activities through the provision of grant funding to individuals and organisations to facilitate their participation in events, schemes or programmes set up to achieve its objectives. In 2020–21, £210 million of grants were payable to individuals and institutions, a 9% decrease from £231 million in 2019–20, mainly driven by a decrease in Erasmus+ activity.

Direct costs decreased by 25% to £631 million (2019–20: £846 million) as a result of the drop in the British Council's income-generating activities, predominantly teaching and exams. Total exchange losses of £24 million (2019–20: £4 million) are included within direct costs.

Support costs also decreased by 19% to £167 million (2019–20: £205 million). The 2020–21 figure for support costs includes £Nil million (2019–20: £1.7 million) in respect of restructuring.

The British Council received £132 million grant-in-aid from the FCDO for spend on development activities in ODA eligible countries. ODA countries are defined by the Organisation for Economic Co-operation and Development and include countries in Africa, the Middle East and South Asia. At the end of the year, £130 million had been committed to these activities.

In addition, the FCDO granted the British Council £13 million towards development activities in non-ODA countries.

The British Council continued to invest in specific committed projects to support digital products, infrastructure and operational efficiency. Included within direct and support costs is revenue expenditure relating to such projects of £13 million (2019–20: £23 million). Capital expenditure also includes £17 million (2019–20: £12 million) relating to such projects. These projects involve investments in new technology and processes to support sustainability. During the financial year, the British Council completed the move of its head office to new premises in Stratford, East London.

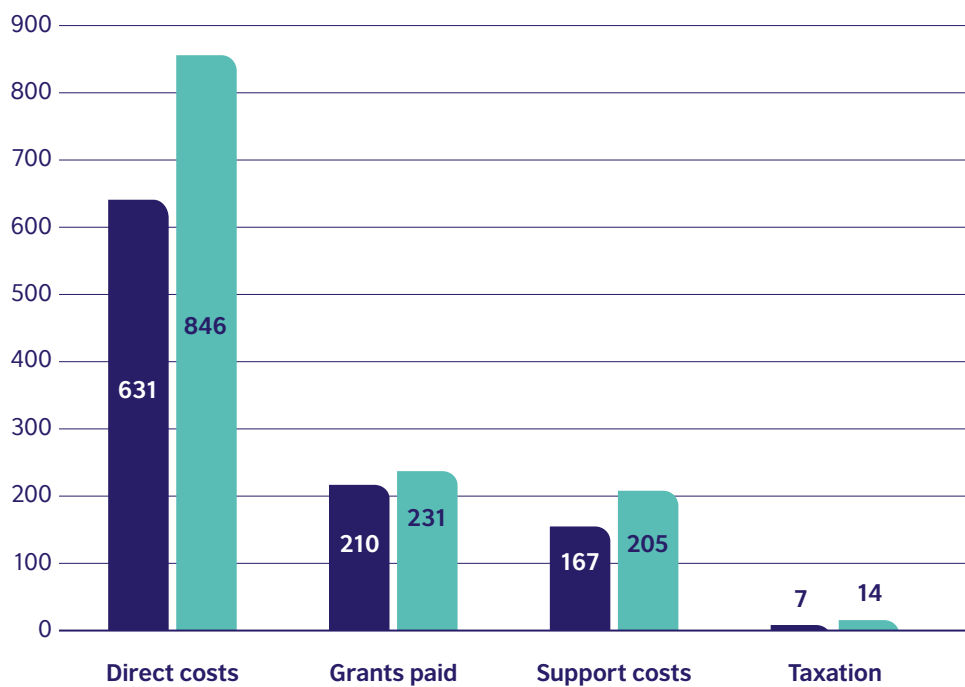
Taxation

The tax charge of £7 million (2019–20: £14 million) includes exceptional prior period costs of £1 million (2019–20: £1 million) as the British Council resolved its historic tax status in certain overseas jurisdictions. The underlying annual tax expense for the period has reduced as surpluses in key markets are adversely impacted by Covid-19.

Resources expended

● FY 2020–21 (£m)

● FY 2019–20 (£m)

**Revaluation of land and buildings**

The British Council revalued its entire portfolio of land and buildings at 31 March 2021. This revaluation was carried out by its surveyors, CBRE, a commercial property consultancy firm. The valuation considered prevailing market conditions and restrictions on the British Council's right to use the property.

The revaluation exercise gave rise to a net reduction in property value of £7 million which has been recognised within the revaluation reserve.

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

Fair competition

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

Fraud prevention and detection

The British Council is committed to its policy of zero tolerance to fraud and to be transparent in its management of counter-fraud. During 2020–21, 124 instances (2019–20: 136 instances) of fraud were recorded with gross losses of £0.14 million (2019–20: £0.33 million).

Further information including details on sanctions applied to cases can be obtained in the *British Council Counter Fraud Cases Report 2020–21* which can be accessed on the British Council's website: www.britishcouncil.org/about-us/how-we-work/finance/counter-fraud-reports

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

Treasury

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

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

a. Currency management

The treasury team monitors cash flow forecasts in order to determine future surpluses and requirements in foreign currencies. The treasury team enters into forward foreign exchange contracts for periods not exceeding 12 months where these cash flows are considered highly likely. The British Council does not hedge account for these contracts and at 31 March 2021 had a liability of £0.6 million arising from open contracts (31 March 2020: £0.9 million). Other foreign exchange needs are met by spot transactions as they are required. Further details on how the British Council manages its exposure to foreign currency risk are set out in note 23 of the accounts.

b. Cash management

The British Council's cash management policy is to hold sufficient funds in each country of operation to meet anticipated payment requirements for approximately one month. Surplus funds are remitted back to the UK, except in those cases where there are restrictions on their remittance. Further details on how the British Council manages liquidity risk are set out in note 23 of the accounts.

c. Short-term investments

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

Information on payment policy

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

During the financial year, 73% (2019–20: 98%) of valid invoices relating to UK activity were paid within this target period. This figure includes payments of grants and stipends. The total number of UK payment transactions processed in 2020–21 was 31,758 (2019–20: 59,377).

Trade creditor days for the British Council's UK activity for the year ended 31 March 2021 were 14 (2019–20: 17 days) based on the ratio of trade creditors at the end of the year to the amounts invoiced during the year by the trade creditors.

Reserves

The British Council group has £333 million total reserves (2019–20: £426 million, restated from £405 million to include a prior period adjustment for heritage asset valuation), of which £93 million is restricted (2019–20: £95 million, restated from £78 million to include a prior period adjustment for heritage asset valuation). Restricted funds are those that are held for specific purposes and relate primarily to the British Council's arts collection and amounts held in trusts. Unrestricted reserves comprise the capital, revaluation and unrestricted heritage asset reserves, together with the General Account, Risk Reserve and Investment Fund. The capital account, revaluation account and unrestricted heritage asset reserve, which amount to £236 million, can only be released through the sale of those assets (2019–20: £240 million).

The British Council's free reserves of £4 million are represented by the balance in the General Account, (2019–20: free reserves were £87 million).

The Risk Reserve would normally represent the minimum level of funds required to protect the British Council from the potential financial impact of known business risks. The balance of the Risk Reserve at the beginning of the current financial year (£83 million) has been used to offset losses incurred due to the impact of the Covid-19 pandemic. In light of the Covid-19 pandemic, the Board of Trustees is now reviewing the target and approach to be adopted in building up the Risk Reserve over the next five to ten years.

The Investment Fund represents funds earmarked for specific planned investment projects within a three-year horizon. There was no balance in the Investment Fund at 31 March 2021 (31 March 2020: £nil).

The General Account at 31 March 2021 was £4 million (2019–20: £4 million)

Going concern and viability

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

Covid-19 continues to have an adverse impact on the British Council's activities and income. The British Council also faces the challenges of volatility in key markets and the impact of geopolitical events and international relations. Trustees and management are regularly monitoring cash flow and commercial performance. This includes modelling different assumptions based on the estimated potential impact of Covid-19 restrictions and regulations and other potential adverse events in individual countries, along with proposed mitigations.

In the past year the British Council has taken steps to secure its financial position:

- It has secured a £200 million loan facility to 31 March 2024 on commercial terms from the FCDO to support solvency and to provide the investment funding required to invest in commercial growth and efficiencies
- It has raised £130 million through the disposal of its IELTS exams operation in India
- Following the 2021 spending review, it expects to agree a new Grant in Aid settlement to cover the three years from 2022-23 from the FCDO which will provide greater certainty than the one-year settlements provided for 2020-21 and 2021-22.

The British Council has projected its cash requirements to 31 March 2023, and these projections show that with the loan facility in place, the British Council can meet its financial commitments as they fall due for the 2022-23 financial year.

The trustees recognise that the future course of the pandemic and its associated restrictions, and the impact of those and of geopolitical events on the British Council's commercial activities remain unclear. To help manage this downside risk, the British Council has included contingencies in its projections and has also set aside part of the proceeds from the sale of its IELTS exams operation in India to build cash reserves to help cover long-term financial risk.

On this basis, the Trustees assess that the British Council will continue to operate for the 12 months from the date that the accounts are approved and that it is appropriate to prepare the 2020-21 accounts on a going concern basis.

Given the scale of the risks faced by the British Council, the trustees have set a target to build up free reserves to cover at least three months of business expenditure. However, because the impact of Covid-19 in 2020-21 and 2021-22 has resulted in free reserves being reduced to £3.6 million, it is recognised that this will take a number of years to achieve. In the absence of adequate reserves, the British Council will remain reliant on loan financing provided by the FCDO on commercial terms. The amount borrowed is due to be repaid on 31 March 2024 although the repayment date may be extended, at the FCDO's sole discretion, to 31 March 2025.

The Trustees will continue to work with the FCDO to agree an appropriate level of longer-term support after 31 March 2024 so that the British Council can continue with its planned future activities, and withstand the risks it faces, including the impact of Covid-19 and geopolitical events in its key markets. Within this context, given that longer-term support has not been agreed, a material uncertainty therefore remains over the organisation's ability to continue in its current form in the longer term should those risks materialise.

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

The report of the comptroller and auditor general to the trustees of the British Council

Opinion on financial statements

I have audited the financial statements of the British Council for the year ended 31 March 2021 under the Charities Act 2011. 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards including Financial Reporting Standards (FRS) 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

I have also audited the information in the Senior Leadership Team Remuneration Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the group's and of the British Council's affairs as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Charity (Accounts and Reports) Regulations 2008, Charities and Trustee investment (Scotland) Act 2005 and regulations [6 and 8] of the Charities Accounts (Scotland) Regulations 2006, the Charities Act 2009, the Charities Act 2011 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Material uncertainty relating to going concern

I draw attention to Note 26 of the financial statements, which describe material uncertainties that may cast significant doubt over the British Council's ability to continue as a going concern in the future, in relation to the level of longer-term support that would be needed if certain risks, including the impact of Covid-19 and geopolitical events in key markets, were to materialise. I have assessed the use of the going concern basis and am content that this remains appropriate for the 2020-21 financial statements. My responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report. My opinion is not modified in respect of this matter.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are

further described in the Auditor's responsibilities for the audit of the financial statements section of my report.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's report thereon. The Trustees and Accounting Officer are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

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

Matters on which I report by exception

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

I have nothing to report in respect of the following matters in relation to which the section 151 of the Charities Act 2011, the section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, the Charities (Accounts and Reports) Regulations 2008, the Charities Accounts (Scotland) Regulations 2006 and the Charities Act 2009 require me to report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Senior Leadership Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- the information given in the Annual Report is inconsistent in any material respect with the financial statements; 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.

Responsibilities of the Trustees and Accounting Officer

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as Trustees and the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the British Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees and the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the British Council's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the British Council's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the British Council's controls relating to the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities Act 2009, and Managing Public Money.
- discussing among the engagement team, including the group auditors, and involving relevant internal and external specialists related to heritage assets, land and property, and taxation regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, and posting of unusual journals, and bias in management estimates.
- obtaining an understanding of the British Council charity and group's framework of authority as well as other legal and regulatory frameworks that it operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the British Council charity and group. The key laws and regulations I considered in this

context included Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities Act 2009, Employment law, tax legislation and Managing Public Money.

- ensuring that in all material respects, liabilities relevant to taxes and long-term staff benefits in both UK and overseas territories are fairly stated in accordance with local legislation, and where applicable, the financial reporting framework.

In addition to the above, my procedures to respond to identified risks included the following:

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

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

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

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

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

Use of our report

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

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

Gareth Davies

Comptroller and Auditor General

28 March 2022

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

Accounts

10.

Accounts

Consolidated Statement of Financial Activities for the year ended 31 March 2021

		2020–21			2019–20		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from:							
Donations and legacies	3	13,001	131,500	144,501	26,002	160,700	186,702
Charitable activities							
Developing a wider knowledge of the English language		479,316	17,508	496,824	744,231	19,012	763,243
Encouraging educational co-operation and promoting the advancement of education		23,055	186,479	209,534	30,088	224,961	255,049
Encouraging cultural, scientific and technological co-operation		468	9,490	9,958	1,103	14,748	15,851
Building capacity for social change		14,937	31,108	46,045	13,387	41,475	54,862
Total income received to promote cultural relationships and the understanding of different cultures	4	517,776	244,585	762,361	788,809	300,196	1,089,005
Other trading activities		323	–	323	578	–	578
Investments		2,207	–	2,207	3,385	–	3,385
Profit on disposal of fixed assets		6,604	–	6,604	1,087	–	1,087
Foreign exchange gains		8,969	–	8,969	7,959	–	7,959
Total income		548,880	376,085	924,965	827,820	460,896	1,288,716
Expenditure on:							
Raising funds		69	–	69	45	–	45
Charitable activities							
Developing a wider knowledge of the English language		549,499	39,432	588,931	718,788	40,539	759,327
Encouraging educational co-operation and promoting the advancement of education		22,789	243,442	266,231	34,712	283,802	318,514
Encouraging cultural, scientific and technological co-operation		27,100	43,475	70,575	34,711	65,926	100,637
Building capacity for social change		34,359	48,144	82,503	36,718	66,880	103,598
Total resources expended to promote cultural relationships and the understanding of different cultures	5(a)	633,747	374,493	1,008,240	824,929	457,147	1,282,076
Taxation	8	6,805	–	6,805	13,697	–	13,697
Total expenditure		640,621	374,493	1,015,114	838,671	457,147	1,295,818
(Loss)/Gain on equity investments	12(b)	(657)	–	(657)	(481)	–	(481)
Net (expenditure)/income		(92,398)	1,592	(90,806)	(11,332)	3,749	(7,583)

Consolidated Statement of Financial Activities for the year ended 31 March 2021 (continued)

		2020–21			2019–20		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Transfers between funds:							
Transfer of unrestricted heritage asset reserve to restricted funds	17(a) 17(b)	(502)	502	–	(4,349)	4,349	–
Other recognised gains/(losses):							
Funds spent from restricted reserves	17(a)	3,940	(3,940)	–	(1,802)	1,802	–
(Losses)/Gains on revaluation of tangible fixed assets	17(a)	(7,092)	–	(7,092)	18,684	–	18,684
Gains on revaluation of intangible fixed assets	17(a)	716	–	716	782	–	782
Transfer from revaluation reserve	17(a)	(5,836)	–	(5,836)	–	–	–
Gains on revaluation of heritage assets	17(a)	9,178	–	9,178	10,668	–	10,668
Foreign exchange differences arising on consolidation of foreign operations	17(a)	(37)	–	(37)	631	–	631
Net movement in funds		(92,031)	(1,846)	(93,877)	13,282	9,900	23,182
Total funds brought forward		331,682	94,765	426,447	318,400	84,865	403,265
Total funds carried forward		239,651	92,919	332,570	331,682	94,765	426,447

The British Council's non-consolidated total incoming resources for 2020–21 were £813.9 million (2019–20: £1,151.9 million); total resources expended were £904.3 million (2019–20: £1,151.4 million); and total net outgoing resources were £90.4 million (2019–20: net incoming resources of £0.5 million).

Restricted activity includes £145.4 million (2019–20: £160.3 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 £8.3 million (2019–20: £11.8 million) received in relation to European Commission projects.

There were no other recognised gains and losses other than those passing through the Consolidated Statement of Financial Activities. All activities are continuing. The notes on pages 90 to 136 form part of these accounts.

Consolidated and British Council Balance Sheet at 31 March 2021

		Group			British Council		
		2021	2020*	2019*	2021	2020*	2019*
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Intangible fixed assets	9	14,234	14,186	13,858	14,022	13,839	13,838
Tangible fixed assets	10	159,879	177,647	159,832	153,783	170,432	152,899
Heritage assets	11	153,144	143,966	133,222	153,144	143,966	133,222
Investments	12(a)	120	88	102	547	515	527
Investments in joint venture	12(b)	1,277	1,665	1,534	1,277	1,665	1,534
Total non-current assets		328,654	337,552	308,548	322,773	330,417	302,020
Current assets							
Loans to subsidiaries	12(f)	–	–	–	2,268	1,325	–
Loans to joint ventures	12(c)	1,024	412	–	–	–	–
Stock		633	733	657	590	700	626
Debtors	13	143,075	180,186	160,618	152,518	172,607	128,889
Short-term investments	14(b)	62,594	87,942	125,038	52,479	83,645	125,038
Cash at bank	14(a)	367,858	322,999	278,489	314,040	274,134	242,330
Total current assets		575,184	592,272	564,802	521,895	532,411	496,883
Liabilities: amounts falling due within one year							
Creditors	15(a)	(527,357)	(466,435)	(433,783)	(515,697)	(445,901)	(408,385)
Short-term provision for liabilities and charges	16(a)	(15,394)	(7,490)	(9,238)	(15,022)	(7,014)	(8,435)
Net current assets		32,433	118,347	121,781	(8,824)	79,496	80,063
Total assets less current liabilities		361,087	455,899	430,329	313,949	409,913	382,083
Liabilities: amounts falling due after more than one year							
Long-term provisions for liabilities and charges	16(b)	(28,517)	(29,452)	(27,064)	(25,045)	(26,182)	(24,963)
Net assets		332,570	426,447	403,265	288,904	383,731	357,120

		Group			British Council		
		2021	2020*	2019*	2021	2020*	2019*
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Funds and reserves							
Unrestricted funds							
General account	17(a)	3,607	3,500	25,003	(33,750)	3,500	25,003
Risk reserve	17(a)	–	83,094	48,900	–	47,941	9,709
Investment fund	17(a)	–	–	23,947	–	–	23,947
Capital account	17(a)	87,732	93,240	94,563	87,228	91,555	93,487
Revaluation account	17(a)	86,381	98,593	79,127	80,577	92,716	73,250
Heritage asset reserve – unrestricted	17(a)	61,930	53,254	46,859	61,930	53,254	46,859
Total unrestricted funds		239,650	331,681	318,399	195,985	288,966	272,255
Restricted funds							
Income reserve – restricted	17(b)	1,562	3,940	(1,802)	1,562	3,940	(1,802)
Expendable endowment reserve	17(b)	143	113	304	143	113	304
Heritage asset reserve – restricted	17(b)	91,214	90,712	86,363	91,214	90,712	86,363
Total restricted funds		92,919	94,765	84,865	92,919	94,765	84,865
Total charity funds		332,569	426,446	403,264	288,904	383,731	357,120
Minority interest	17(a)	1	1	1	–	–	–
Total funds		332,570	426,447	403,265	288,904	383,731	357,120

* Prior period adjustment

The British Council has restated the heritage asset balances at 31 March 2019 and 31 March 2020 by a total of £21,862,000. The heritage asset balances at 31 March 2019 and 31 March 2020 have been increased by £15,370,000 and £6,492,000 respectively.

A corresponding cumulative adjustment has been made to the unrestricted Heritage Asset Reserve of £5,552,000 and the restricted Heritage Asset Reserve of £16,310,000. This adjustment was made to reflect the correct valuation of the underlying works in prior years as the British Council took account of comparable data that should have been applied in previous years. See notes 11 and 17 for more information.

Approved by the Board of Trustees and signed on its behalf on 22 March 2022

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

Scott McDonald
Chief Executive and Accounting Officer,
British Council

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

	Notes	2020–21		2019–20	
		£'000	£'000	£'000	£'000
Net expenditure (as per the Consolidated Statement of Financial Activities)		(90,806)		(7,583)	
Adjustments for:					
Interest receivable		(2,207)		(3,385)	
Finance cost on FCDO loan		441		–	
Depreciation charges including impairments	10	11,756		11,026	
Amortisation charges including impairments	9	4,600		4,017	
(Gain) on the sale of tangible fixed assets		(761)		(907)	
(Gain)/Loss on the sale of non-current investments		(31)		12	
Loss on equity investment	12(b)	657		481	
Interest on loan to joint venture		(2)		(1)	
Taxation charge	8	6,805		13,697	
Decrease/(Increase) in stock		100		(76)	
Decrease/(Increase) in debtors excluding foreign exchange translation		35,363		(24,488)	
Increase in creditors excluding overseas corporation tax creditors, loan from FCDO and foreign exchange translation		11,662		40,145	
Increase in provisions excluding foreign exchange translation		7,517		653	
Total adjustments		75,900		41,174	
Net cash flow from operating activities		(14,906)		33,591	

Consolidated cash flow statement for the year ended 31 March 2021

		2020–21		2019–20	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities:					
Net cash flow from operating activities		(14,906)		33,591	
Overseas corporation tax paid		(5,271)		(17,228)	
Net cash provided by/(used in) operating activities			(20,177)		16,363
Cash flows from investing activities:					
Interest receivable		2,207		3,385	
Purchase of intangible fixed assets	9	(3,943)		(3,559)	
Purchase of tangible fixed assets	10	(12,353)		(10,020)	
Proceeds from the sale of of tangible fixed assets		5,615		1,820	
Purchase of heritage assets	11	–		(48)	
Purchase of non-current investments		(448)		(558)	
Proceeds from sale of non-current investments		21		25	
Net payments into short-term deposits	14(b)	25,348		37,096	
Net cash provided by/(used in) investing activities			16,447		28,141
Cash flows from financing activities:					
Loan to joint venture	12(c)	(609)		(411)	
Loan from FCDO		52,000		–	
Interest paid on FCDO loan		(441)		–	
Net cash provided by/(used in) financing activities			50,950		(411)
Movements in cash and cash equivalents in the year			47,220		44,093
Change in cash and cash equivalents due to foreign exchange rate movements			(2,361)		417
Cash and cash equivalents at start of year	14(a)		322,999		278,489
Cash and cash equivalents at end of year	14(a)		367,858		322,999

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

1 Basis of preparation and consolidation

(a) Basis of preparation

The accounts have been prepared in accordance with: FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102); Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (second edition – October 2019) (the SORP); the Charities Act 2011; the Charities and Trustee Investment (Scotland) Act 2005; the Charities Act 2009; the accounts direction issued by the Secretary of State for Foreign and Commonwealth Affairs; and the Government Financial Reporting Manual 2020–21 (the FReM), where this exceeds but does not conflict with the SORP.

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

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

(b) Consolidation

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

Details of the British Council's subsidiaries, joint ventures and special trusts are listed in note 12(d), (b) and note 17(b) respectively.

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

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

(c) Going concern

The accounts for the year ended 31 March 2021 have been prepared on a going concern basis: both the Board of Trustees and management believe that this is an appropriate basis of preparation. Note 26 details how the British Council has reached this assessment.

(d) Foreign exchange

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

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

(e) Key accounting estimates and judgements

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

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

(i) Valuation of property

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

(ii) Heritage assets

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

(iii) Provisions

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

2 Accounting policies

(a) Fund accounting

Funds are classified as either unrestricted or restricted.

(i) Unrestricted funds

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

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

(ii) Restricted funds

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

(iii) Transfer between funds

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

(b) Income

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

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

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

(i) Income from donations

Income from donations comprises:

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

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

(ii) Income from charitable activities

Income from charitable activities comprises:

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

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

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

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

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

The value of time given by volunteers is excluded from the accounts as their contribution to the charity cannot be reasonably quantified in financial terms. During 2020–21, the British Council used volunteers to provide logistical and administration support, for example at some British Council events in the UK and overseas.

(c) Recognition of expenditure

All expenditure is accounted for on an accruals basis.

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

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

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

(d) Classification of expenditure

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

(i) Expenditure on charitable activities

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

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

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

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

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

(e) Taxation

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

(i) Income tax

The British Council as a registered charity is exempt from UK corporation tax on its income and gains falling within Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objects. Accordingly, no UK corporation tax has been incurred by the charity during 2020–21.

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

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

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

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

(ii) Value added tax

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

(f) Intangible fixed assets

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

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

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

(g) Tangible fixed assets

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

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

(i) Depreciation

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

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

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

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

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

(ii) Valuation basis

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

Land and buildings are valued by an external valuer CBRE, a commercial property consultancy firm, in accordance with the guidelines issued by the Royal Institution of Chartered Surveyors. All freehold and long leasehold land and buildings were revalued by CBRE as at 31 March 2021. Approximately one fifth of the portfolio will be valued each year so that the whole portfolio is valued on a rolling five-year basis. In addition, the value of key properties in volatile markets is reviewed annually and revalued where the change is material.

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

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

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

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

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

(h) Heritage assets

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

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

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

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

Approximately 80% of the total value of the whole collection represent works whose value tend to fluctuate over time. A sample of these works of art are valued each year, so that the whole Collection is valued on a rolling basis. In 2020–21, the top 100 items by value and a sample of other items were revalued.

The valuations are either by a professional external valuer or by the Head of Collection and Collection Manager, who make the valuations by reference to sales of comparable items at auction. A professional external valuer was not used in 2019–20 or 2020–21 but was used in previous years and some assets are still held at the values assigned by the external valuer.

The remainder of the collection is made up of works of art whose value remain stable over time. The Head of Collection and Collection Manager review these valuations over time to ensure the value is not materially different from their fair value.

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

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

Any gains on the revaluation of heritage assets are recognised in the heritage asset reserves.

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

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

(i) Non-current investments

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

(j) Current assets and liabilities

(i) Assets and liabilities

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

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

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

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

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

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

(ii) Financial instruments

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

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

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

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

(k) Leases

(i) Operating leases

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

The British Council does not have any finance leases.

(l) Pension schemes and other post-employment benefits

(i) Civil Service pension arrangements

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

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

Early retirement in the Civil Service pension arrangements

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

(ii) Other pension schemes

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

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

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

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

(iii) Terminal gratuities

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

(m) Redundancy costs

Redundancy and other departure costs for UK-appointed staff are paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year that the departure is agreed. Where the British Council agrees early retirements, the additional costs are met by the British Council and not by the CSCS. Ill-health retirement costs are met by the pension scheme and are not included in note 7(c).

(n) Contingent liabilities

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

3 Donations and legacies

	2020–21			2019–20		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Grant-in-aid – revenue	13,000	131,500	144,500	26,000	160,700	186,700
Donated services, goods and facilities	1	–	1	2	–	2
Total donations	13,001	131,500	144,501	26,002	160,700	186,702

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

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

4 Income from charitable activities

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

	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	2020–21 Total
	£'000	£'000	£'000	£'000	£'000
Unrestricted					
Contract income	12,508	17,670	86	14,215	44,479
Teaching and exams	447,979	15	–	–	447,994
Other income	18,829	5,370	382	722	25,303
Total unrestricted income	479,316	23,055	468	14,937	517,776
Restricted					
Contract income	7,514	161,923	475	23,748	193,660
Grants for delivering specific charitable activities	9,994	24,556	9,015	7,360	50,925
Total restricted income	17,508	186,479	9,490	31,108	244,585
Total					
Contract income	20,022	179,593	561	37,963	238,139
Grants for delivering specific charitable activities	9,994	24,556	9,015	7,360	50,925
Teaching and exams	447,979	15	–	–	447,994
Other income	18,829	5,370	382	722	25,303
Total income received to promote cultural relationships and the understanding of different cultures	496,824	209,534	9,958	46,045	762,361

Included in the charitable income analysis above is £1.78 million received under the UK Government Coronavirus Job Retention Scheme to cover the wages of employees on temporary leave (furlough).

Included in contract income above are amounts received under the Erasmus+ programme. This programme ended on 31 December 2020. A further income of £0.3 million was recognised under the scheme from 1 January to 31 March 2021. See note 25 for further details.

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

5 Expenditure on charitable activities

(a) Total expenditure on charitable activities

	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	2020–21 Total
	£'000	£'000	£'000	£'000	£'000
Grants payable	2,326	177,086	15,447	15,520	210,379
Direct costs	481,491	74,375	35,903	39,171	630,940
Support costs	105,114	14,770	19,225	27,812	166,921
Total resources expended to promote cultural relationships and the understanding of different cultures	588,931	266,231	70,575	82,503	1,008,240

	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	2019–20 Total
	£'000	£'000	£'000	£'000	£'000
Grants payable	1,256	195,540	17,232	16,763	230,791
Direct costs	633,620	98,312	55,863	58,434	846,229
Support costs	124,451	24,662	27,542	28,401	205,056
Total resources expended to promote cultural relationships and the understanding of different cultures	759,327	318,514	100,637	103,598	1,282,076

Included in the above resources expended are costs of £374,493,000 (2019–20: £457,147,140) relating to restricted expenditure. Also included are costs of £440,700 relating to interest paid on the loan received from the FCDO.

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

Included in the above direct costs are donated services, goods and facilities of £931 (2019–20: £1,865). The related income is shown in note 3.

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

Included in the above support costs are foreign exchange losses of £23,780,053 (2019–20: £4,428,854).

(b) Audit and non-audit fees

Included in direct costs and support costs are fees of £359,500 payable to the National Audit Office for the audit of the Consolidated and British Council 2020–21 Annual Report and Accounts (2019–20: £260,000). There were no fees payable to the National Audit Office in respect of non-audit work.

In addition, total audit fees of £526,799 (2019–20: £426,019) were payable to the auditors of the Group's component audits. These comprise the audits of the Group's subsidiaries and the British Council's overseas branches where an audit is required by local regulations.

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

	2020–21	2019–20
	£'000	£'000
Assurance	51	100
Tax advisory	134	422
Other advisory or accountancy	620	436
Total	805	958

(c) Analysis of support costs

	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	2020–21 Total
	£'000	£'000	£'000	£'000	£'000
Property and related costs	31,548	4,433	5,770	8,347	50,098
IT	24,463	3,437	4,474	6,473	38,847
General administration	13,161	1,849	2,407	3,482	20,899
Finance	11,158	1,568	2,041	2,952	17,719
Human resources	9,453	1,328	1,729	2,501	15,011
Governance	4,558	640	834	1,206	7,238
Other	10,773	1,515	1,970	2,851	17,109
Total support costs	105,114	14,770	19,225	27,812	166,921

	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	2019–20 Total
	£'000	£'000	£'000	£'000	£'000
Property and related costs	36,490	7,231	8,076	8,327	60,124
IT	27,816	5,512	6,156	6,348	45,832
General administration	18,338	3,634	4,058	4,185	30,215
Finance	12,694	2,515	2,809	2,897	20,915
Human resources	13,325	2,641	2,949	3,041	21,956
Governance	7,163	1,419	1,585	1,635	11,802
Other	8,625	1,710	1,909	1,968	14,212
Total support costs	124,451	24,662	27,542	28,401	205,056

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

Included in the above table are support costs in relation to grant-making activities of £37.8 million (2019–20: £36.6 million).

6 Grants payable

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

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

	Developing a wider knowledge of the English language	Encouraging educational co-operation and promoting the advancement of education	Encouraging cultural, scientific and technological co-operation	Building capacity for social change	2020–21 Total
	£'000	£'000	£'000	£'000	£'000
Universities	39	79,821	1,295	1,313	82,468
Other bodies	2,193	42,717	–	3,196	48,106
Charities, NGOs and social enterprises	–	14,457	495	7,979	22,931
Schools	–	17,917	–	251	18,168
Arts bodies	–	2,475	12,476	2,368	17,319
Colleges	–	10,193	38	2	10,233
Local government bodies	–	6,049	101	84	6,234
National and international government bodies	–	1,536	175	–	1,711
Environmental groups	–	1,516	–	193	1,709
Total grants to institutions	2,232	176,681	14,580	15,386	208,879
Grants to individuals	94	405	867	134	1,500
Total grants payable to promote cultural relationships and the understanding of different cultures	2,326	177,086	15,447	15,520	210,379

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

The following institutions received £750,000 or more of grants from the British Council during 2020–21. Together these grant awards account for a total of £74 million (2019–20: £92 million):

Aston University	University of Bradford
Birmingham City University	University of Bristol
Cardiff University	University of Cambridge
Civic Computing Ltd	University of Essex
Coventry University	University of Exeter
Durham University	University of Glasgow
Egyptian Cultural and Education Bureau	University of Gloucestershire
Grampus Heritage And Training Ltd	University of Huddersfield
Imperial College London	University of Kent
INASP	University of Leeds
International Links Global Ltd	University of Liverpool
King's College London	University of Manchester
Kingston University	University of Newcastle Upon Tyne
Leicester College	University of Nottingham
Liverpool John Moores University	University of Oxford
Loughborough University	University of Portsmouth
Manchester Metropolitan University	University of Reading
New College Lanarkshire	University of Sheffield
Nottingham Trent University	University of Southampton
Open University	University of Strathclyde
Queens University of Belfast	University of Surrey
Royal Botanic Gardens Kew	University of The West of England Bristol
The University of Edinburgh	University of Ulster
University College London	University of Warwick
University of Arts London	University of Westminster
University of Bath	University of Wolverhampton
University of Birmingham	University of York

7 Staff emoluments and related costs

(a) Total staff costs

	2020–21	2019–20
	£'000	£'000
Wages and salaries – permanent staff	284,480	323,560
Wages and salaries – non-permanent staff	56,498	93,641
Social security costs	12,133	13,192
Other pension costs	22,234	24,848
Early retirement costs	709	553
Total staff costs	376,054	455,794

Included in non-permanent wages and salaries was £48,239,936 (2019–20: £77,183,924) relating to English language oral examiners, examination markers and invigilators who are paid on an hourly/daily rate. The remaining costs for non-permanent wages and salaries relate to contracted staff who are filling vacant roles.

(b) The average number of employees by headcount

	2020–21	2019–20
	Average no. of staff	Average no. of staff
United Kingdom		
Management and administrative (senior managers – 281 (2019–20: 276))	1,119	1,172
Overseas		
Management and administrative (senior managers – 249 (2019–20: 239))	7,681	7,677
Teachers	2,331	2,674
Total employees	11,131	11,523

Casual staff are excluded from the above figures.

(c) Redundancy and other departure costs

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

	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20
	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages by cost band	
<£10,000	–	–	3	–	3	–
£10,000 – £25,000	1	4	5	6	6	10
£25,000 – £50,000	–	5	3	1	3	6
£50,000 – £100,000	–	–	6	6	6	6
£100,000 – £150,000	–	–	–	–	–	–
Total number of exit packages	1	9	17	13	18	22
Total resource cost (£)	14,119	239,570	671,414	604,914	685,533	844,484

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

	2020–21	2019–20	2020–21	2019–20	2020–21	2019–20
	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages by cost band	
<£10,000	168	103	96	78	264	181
£10,000 – £25,000	54	37	16	12	70	49
£25,000 – £50,000	10	19	7	4	17	23
£50,000 – £100,000	1	17	2	7	3	24
£100,000 – £150,000	–	3	–	1	–	4
Total number of exit packages	233	179	121	102	354	281
Total resource cost (£)	1,909,848	3,159,114	957,533	1,102,799	2,867,381	4,261,913

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

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

(d) The Interim Chief Executive's full-time equivalent emoluments for the financial year 2020–21 was £174,276 comprising salary of £133,750, plus pension contributions of £40,526. This appointment ended on 31 August 2021. Refer to note 25 for more information. The Interim Chief Executive is a member of the Principal Civil Service Pension Scheme. No comparatives have been included for the Interim Chief Executive since this appointment only started on 1 January 2021.

The former Chief Executive's full-time equivalent emoluments for the financial year 2020–21 was £259,297 (2019–20: £276,791) comprising salary of £199,000 (2019–20: £202,226) plus bonus of nil (2019–20: £14,362) and pension contributions of £60,297 (2019–20: £60,203). This appointment ended on 31 December 2020. The former Chief Executive was a member of the Principal Civil Service Pension Scheme.

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

	2020–21	2019–20
	No. of staff	No. of staff
£60,000 – £70,000	183	205
£70,001 – £80,000	111	143
£80,001 – £90,000	89	101
£90,001 – £100,000	44	53
£100,001 – £110,000	34	37
£110,001 – £120,000	20	36
£120,001 – £130,000	13	14
£130,001 – £140,000	7	7
£140,001 – £150,000	8	9
£150,001 – £160,000	2	7
£160,001 – £170,000	6	6
£170,001 – £180,000	1	4
£180,001 – £190,000	1	1
£190,001 – £200,000	–	3
£210,001 – £220,000	–	1
£220,001 – £230,000	1	–
Total number of employees	520	627

(f) Off-payroll engagements

For all off-payroll engagements as at 31 March 2021, for more than £245 (2019–20: £245) per day and that last for longer than six months

No. of engagements that have existed for:	No. of engagements
Less than one year at time of reporting	6
Between one and two years at time of reporting	7
Between two and three years at time of reporting	1
Between three and four years at time of reporting	5
Four or more years at time of reporting	–
Total no. of existing engagements as at 31 March 2021	19

For any new off-payroll engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021, of more than £245 (2019–20: £245) per day and that last for longer than six months

	No. of engagements
Number of new engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021	11
Of which:	
Number assessed as within the scope of IR35	10
Number assessed as outside the scope of IR35	1
Total no. of new engagements, or those that reached six months in duration, between 1 April 2020 and 31 March 2021	11

For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021

	No. of engagements
No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	1*
No. of individuals that have been deemed 'board members, and/or senior officials with significant financial responsibility', during the financial year. This figure includes both off-payroll and on-payroll engagements	37

*An Interim Director of Finance Operations was appointed in September 2019 while the role was otherwise being recruited. This appointment ended in January 2021 after a successful recruitment process.

(g) Travel expenses reimbursed to six members (2019–20: 13 members) of the Board of Trustees amounted to £3,994 (2019–20: £44,580).

No Trustees or any persons connected with them received any remuneration for their services during the year ended 31 March 2021 (2019–20: nil).

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

For 2020–21, employers' contributions of £15,282,970 were payable to the PCSPS (2019–20: £15,654,075) at one of four rates in the range 26.6% to 30.3% per cent of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2020–21 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 £135,048 were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8.0 % to 14.75% of pensionable earning. Employers also match employee contributions up to 3.0% of pensionable earnings. In addition, employer contributions of £5,211: 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees.

Contributions due to the partnership pension providers at the Balance Sheet date were £9,857 (2019–20: £12,681). Contributions prepaid at that date were £nil (2019–20: £nil). Employer contributions of £152 were also payable to the National Employment Savings Scheme (NEST) for employees auto-enrolled in that scheme (2019–20: £152).

(i) Defined benefit scheme

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

The Scheme is closed to new entrants and active members of the Scheme ceased to accrue benefits in respect of pensionable service from 31 January 2013. A full actuarial valuation was carried out at 1 April 2014 and updated to 31 March 2020 by a qualified actuary, independent of the Scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

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

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

	2021	2020
	£'000	£'000
Fair value of scheme assets	17,193	18,811
Present value of scheme liabilities	8,772	9,734
Surplus/(deficit) in scheme	8,421	9,077
Unrecognised surplus/(deficit)	8,421	9,077
Asset/(liability) to be recognised	–	–

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

	2021	2020
	£'000	£'000
Scheme liabilities at 1 April	9,734	10,101
Interest cost	216	235
Actuarial (gains)/losses	(487)	(45)
Benefits paid and death in service insurance premiums	(821)	(557)
Past service cost	130	–
Scheme liabilities at 31 March	8,772	9,734

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

	2021	2020
	£'000	£'000
Fair value of scheme assets at 1 April	18,811	18,350
Interest income	422	432
Administration fee paid from scheme assets	(134)	(103)
Actuarial gains/(losses)	(1,085)	689
Benefits paid and death in service insurance premiums	(821)	(557)
Fair value of scheme assets at 31 March	17,193	18,811

The actual return on the scheme assets over the year ending 31 March 2021 was a loss of £663,000 (2019–20: gain of £1,121,000).

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

	2021	2020
	£'000	£'000
Interest cost	216	235
Interest income	(216)	(235)
Total (income)/expense recognised in the Consolidated Statement of Financial Activities	–	–

Statement of total recognised gains and losses

	2021	2020
	£'000	£'000
Actual return less expected return on pension scheme assets gain/(loss)	(1,085)	689
Experience gains and losses arising on the scheme liabilities gain/(loss)	487	45
Changes in the assumptions underlying the defined benefit obligation gain/(loss)	862	(631)
Total actuarial gain/(loss) before restriction due to some of the surplus not being recognisable	264	103
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable gain/(loss)	(264)	(103)
Total amount recognised in the Statement of total recognised gains and losses	–	–

Assets

	2021	2020
	£'000	£'000
Equity	9,307	10,013
Bonds	4,207	4,434
Property	3,434	4,077
Cash	245	287
Total assets	17,193	18,811

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

	2021	2020
	% per annum	% per annum
Inflation	3.40%	2.70%
Salary increases	N/A	N/A
Rate of discount	2.00%	2.30%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.50%	2.00%
Allowance for commutation of pension for cash at retirement	25%	25%

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

	2021	2020
	No. of years	No. of years
Male retiring today at age 65	22.1	22.6
Female retiring today at age 65	24.4	24.8
Male retiring in 20 years at age 65	23.4	23.9
Female retiring in 20 years at age 65	25.9	26.2

Expected long-term rates of return

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

Amounts for the current and previous year

	2021	2020
	£'000	£'000
Fair value of scheme assets	17,193	18,811
Present value of scheme liabilities	8,772	9,734
Surplus/(deficit) in scheme	8,421	9,077
Experience adjustment on scheme assets	(1,085)	689
Experience adjustment on scheme liabilities	487	45

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

Trustees

Apex Group Ltd as independent Trustee to the Scheme was paid fees amounting to £45,963 excluding VAT (2019–20: £44,780 excluding VAT) during the year. Two other Trustees were paid £3,410 fees excluding VAT (2019–20: £2,932) during the year. Travel and incidental expenses totalling £48 were reimbursed to one Trustee during the year (2019–20: £56).

(j) Terminal gratuities

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

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

For the majority of schemes, there are no plan assets and payments are made out of the cash held at the time the terminal gratuity is paid. The total value of plan assets, and return on plan assets is not material, and hence the fair value of any plan assets is not disclosed. The unfunded part of the obligation is recognised in full. Movements in provision has been included in note 16.

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

	2020–21		2019–20	
	Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number	Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
Employees who were union officials	15	15	18	18

The number of employees that spent the following on facility time

	2020–21	2019–20
	No. of staff	No. of staff
1%-50%	14	17
51%-99%	–	–
100%	1	1

Percentage of the pay bill spent on facility time

	2020–21	2019–20
	£'000	£'000
Total cost of facility time	150	156
Total pay bill	85,238	91,478
Percentage of the total pay bill spent on facility time	0.18%	0.17%

Paid trade union activities

	2020–21	2019–20
	%	%
Time spent on paid trade union activities as a percentage of total paid facility time hours	–	–

8 Taxation

(a) Charge/(credit) for the year

	2020–21	2019–20
	£'000	£'000
Tax charge for the current year		
Overseas tax	6,213	12,408
Total current year tax	6,213	12,408
Tax under/(over) provided in previous years		
Overseas tax	592	1,289
Total prior year tax	592	1,289
Total tax charge	6,805	13,697

No deferred tax has been recognised for the year (2019–20: Nil).

(b) Factors affecting the current tax charge

	2020–21	2019–20
	£'000	£'000
Net (expenditure) after tax	(90,806)	(7,583)
Total tax charge	6,805	13,697
Net (expenditure) / income before taxation	(84,001)	6,114
Tax charge at standard UK corporation tax rate of 19% (2019–20: 19%)	(15,960)	1,162
Net expenditure not subject to tax (primarily due to charitable exemptions)	15,789	1,695
Expenses not deductible for tax purposes	721	4,115
Higher taxes on overseas taxable surpluses	1,705	1,993
Irrecoverable withholding tax on repatriated funds	810	848
Losses not relievable against current income	3,148	2,595
Tax under provided in previous years	592	1,289
Current tax charge for year	6,805	13,697

(c) Factors that may affect future tax charges

The group has unrecognised deferred tax assets totalling £0.7 million (2019–20: £1.1 million) represented by tax losses available to be offset against future taxable surpluses in various territories which may not be used elsewhere in the group and where recovery is uncertain.

9 Intangible fixed assets

	2021	2020
	£'000	£'000
Modified cost or valuation		
At 1 April	20,784	17,302
Exchange rate differences	(24)	14
Additions	3,950	4,077
Transfers of completed assets from assets under construction	(7)	(518)
Disposals	(3)	(3)
Impairment	(58)	(62)
Revaluations	(62)	(26)
At 31 March	24,580	20,784
Amortisation		
At 1 April	(6,598)	(3,444)
Exchange rate differences	13	(10)
Charge for the year	(4,572)	(3,982)
Disposals	3	3
Impairment	30	27
Revaluations/backlog amortisation	778	808
At 31 March	(10,346)	(6,598)
Net book value		
At 31 March	14,234	14,186
At 1 April	14,186	13,858

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

	2021	2020
	£'000	£'000
AUC cost at 1 April	334	618
Transfers of completed assets to additions	(7)	(518)
Additions to AUC	2,957	234
Total AUC cost at 31 March	3,284	334

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

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

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

10 Tangible fixed assets

	Freehold land and property	Leasehold land and property	Furniture and equipment	Information technology	Vehicles and plant	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Modified cost or valuation						
At 1 April 2020	120,598	93,970	9,708	9,391	12,087	245,754
Exchange rate differences	(3,545)	(4,346)	(600)	312	(349)	(8,528)
Additions	10,138	11,014	1,750	2,388	86	25,376
Transfers of completed assets from AUC	(11,733)	–	(497)	(753)	(40)	(13,023)
Disposals	(4,245)	(2,872)	(190)	(908)	(637)	(8,852)
Impairment	(776)	(111)	–	–	–	(887)
Revaluations	(8,705)	(2,488)	–	–	–	(11,193)
At 31 March 2021	101,732	95,167	10,171	10,430	11,147	228,647
Depreciation						
At 1 April 2020	(7,360)	(37,381)	(7,598)	(6,468)	(9,300)	(68,107)
Exchange rate differences	425	1,286	59	93	246	2,109
Charge for the year	(3,328)	(4,968)	(885)	(1,353)	(845)	(11,379)
Disposals	717	1,550	186	908	637	3,998
Impairment	471	39	–	–	–	510
Revaluations	2,852	1,249	–	–	–	4,101
At 31 March 2021	(6,223)	(38,225)	(8,238)	(6,820)	(9,262)	(68,768)
Net book value						
At 31 March 2021	95,509	56,942	1,933	3,610	1,885	159,879
At 1 April 2020	113,238	56,589	2,110	2,923	2,787	177,647

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

	Freehold land and property	Leasehold land and property	Furniture and equipment	Information technology	Vehicles and plant	Total
	£'000	£'000	£'000	£'000	£'000	£'000
AUC cost at 1 April 2020	–	2,924	–	677	11	3,612
Exchange rate differences	–	(28)	(478)	459	(1)	(48)
Transfers of completed assets to additions	–	(11,733)	(497)	(753)	(40)	(13,023)
Additions to AUC	–	9,332	975	916	46	11,269
Total AUC cost at 31 March 2021	–	495	–	1,299	16	1,810

Included in tangible fixed assets are assets to the value of £40.9 million (2019–20: £39.2 million) which have been fully depreciated. These assets are still in use and provide value to the business.

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

All freehold and long leasehold land and buildings were revalued by CBRE with effective valuation date of 31 March 2021. The valuation exercise was done by physical inspection of the properties and a desk review where there was no physical inspection. This resulted in an impairment charge to the Consolidated Statement of Financial Activities of £377,000.

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

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

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

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

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

There is one property where the British Council is entitled to use the whole property, but would only be entitled to a portion of the proceeds of sale if the building were sold. The existing use value represents use of the whole property and exceeds the amount the British Council would be entitled to on sale by £9.7 million (2019–20: £11.3 million).

Within the freehold land and properties category, there is one building allocated a useful life of 60 years in 2009 that will expire in 2069. The current book value is £0.83 (2019–20: £0.6 million). This is the only property where treatment deviates from the accounting policy.

The British Council sublets properties that are temporarily surplus to requirements. These are not classed as investment properties. The British Council also owns properties with a current net book value of £0.03 (2019–20: £0.03 million), which are occupied by subsidiaries.

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

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

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

11 Heritage assets

	2021	2020*	2019*	2018*	2017*
	£'000	£'000	£'000	£'000	£'000
Modified cost or valuation					
At 1 April – cost	3,513	3,465	3,275	3,050	2,828
At 1 April – valuation	140,453	129,757	131,139	131,206	131,252
Total value at 1 April	143,966	133,222	134,414	134,256	134,080
Additions – purchased	–	48	191	225	222
Additions – donated	–	28	–	19	5
(Decrease)/increase in valuation	9,178	10,668	(1,383)	(86)	(51)
At 31 March	153,144	143,966	133,222	134,414	134,256
Unrestricted	61,930	53,254	46,859	47,895	47,866
Restricted	91,214	90,712	86,363	86,519	86,390
Total heritage assets	153,144	143,966	133,222	134,414	134,256

* Prior periods adjustment

British Council has restated the following heritage asset balances:

- opening valuation balance on 1 April 2016 previously reported at £117,052,000 has been increased by £14,200,000
- decrease in valuation in the financial year to 31 March 2019 previously reported as £2,553,000 has been decreased by £1,170,000
- increase in valuation in the financial year to 31 March 2020 previously reported as £4,176,000 has been increased by £6,492,000.

A corresponding cumulative adjustment has been made to the unrestricted Heritage Asset Reserve of £5,552,000 and the restricted Heritage Asset Reserve of £16,310,000. This adjustment was made to reflect the correct valuation of the underlying works in prior years as British Council took account of comparable data that should have been applied in previous years.

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

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

- a sample of sculptures and paintings in the year ended 31 March 2020
- a sample of works across the following classification in the year ended 31 March 2021: sculpture, paintings, unique works on paper and non unique works on paper.

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

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

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

The increase in valuation figure is a net amount and includes disposals of £80 (2019–20: £8,570).

12 Investments

(a) Total investments

	Group		British Council	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Quoted investments	120	88	120	88
Investment in subsidiaries	–	–	427	427
Total investments	120	88	547	515

(b) Investments in joint ventures

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

	Group		British Council	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Opening balance	1,665	1,534	1,665	1,534
Investment during the year	426	536	–	5
Share of profit/(loss)	(657)	(481)	(231)	50
Exchange rate differences	(157)	76	(157)	76
Total investment in joint ventures	1,277	1,665	1,277	1,665

(1) Investment in IELTS Inc.

	Group		British Council	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Opening balance	1,665	1,534	1,665	1,534
Investment during the year	–	–	–	–
Share of profit/(loss)	(231)	55	(231)	55
Exchange rate differences	(157)	76	(157)	76
Total investment in joint venture	1,277	1,665	1,277	1,665

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

(2) Investment in BC EnglishScore Limited

	Group		British Council	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Opening balance	–	–	–	–
Investment during the year	426	531	–	–
Share of profit/(loss)	(426)	(531)	–	–
Exchange rate differences	–	–	–	–
Total investment in joint venture	–	–	–	–

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

(3) Investment in IELTS UK Services Ltd

	Group		British Council	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Opening balance	–	5	–	5
Investment during the year	–	(5)	–	(5)
Share of profit/(loss)	–	–	–	–
Exchange rate differences	–	–	–	–
Total investment in joint venture	–	–	–	–

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

(c) Loans to joint ventures

	Group		British Council	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Joint venture				
BC EnglishScore Limited	203	–	–	–
IELTS UK Services Ltd	821	412	–	–
Total loans to joint ventures	1,024	412	–	–

(d) Subsidiary undertakings

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

(d) Subsidiary undertakings (continued)

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

In the year to 31 March 2021, four new subsidiaries were formed in India, Philippines, Thailand and Tunisia. There was no investment in British Council Tunisia as at 31 March 2021. There were no trading activities in India, Philippines and Tunisia.

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

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

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

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

(e) Financial results of subsidiaries

Entity name and registration number	BC Holdings (United Kingdom) Limited 07108783	BC Education Consulting (Beijing) Co. Ltd 91110105095353700	BC Management Services Private Limited U74140UP2010FTC100142	BC English and Examinations Services India Private Limited U80301HR200 6PTC05782	Fundacia British Council 0000449621	British Council (Singapore) Limited 201202363R	British Council (Taiwan) Ltd 24942311	BC Operations (Thailand) Limited 105554089185	British Council (Vietnam) LLC 0107581903	Other subsidiaries
	£	£	£	£	£	£	£	£	£	£
Investment at 1 April 2019	1	3,360,000	961,855	1,739	417	–	306,569	1,848,049	53,000	3,091,437
Additions	–	–	–	–	–	–	–	–	–	332,178
Investment at 31 March 2020	1	3,360,000	961,855	1,739	417	–	306,569	1,848,049	53,000	3,423,615
Investment at 1 April 2020	1	3,360,000	961,855	1,739	417	–	306,569	1,848,049	53,000	3,423,615
Additions	–	–	–	–	–	–	–	–	–	57,626
Investment at 31 March 2021	1	3,360,000	961,855	1,739	417	–	306,569	1,848,049	53,000	3,481,241

[illegible]

(f) Loans to subsidiaries

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

	Interest charged		Loan balance	
	2020–21	2019–20	2020–21	2019–20
Subsidiary	£	£	£	£
British Council in France	–	–	2,267,514	1,324,963
BC Holdings (United Kingdom) Limited	–	–	1	1
Total loans from the British Council to subsidiaries	–	–	2,267,515	1,324,964

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

	Interest charged		Loan balance	
	2020–21	2019–20	2020–21	2019–20
Subsidiary	£	£	£	£
British Council Indonesia Foundation	8,632	21,032	318,712	610,080
British Council Trading Services (Nigeria) Limited	7,174	4,505	276,320	309,199
British Council (Vietnam) LLC	–	14,564	–	–
Smart Education, Culture and Language Services LLC	–	45	–	–
Total loans between subsidiaries	15,806	40,146	595,032	919,279

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

Of the loans outlined above, loans to subsidiaries held on the British Council Balance Sheet include only those loans to BC Holdings (United Kingdom) Limited and British Council in France with a total value of £2,267,515 (2019–20: £1,324,964).

13 Debtors (amounts falling due within one year)

Analysis by type

	Group		British Council	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade debtors	43,502	68,835	35,089	63,523
Balances resulting from activity under contracts and agreements	43,959	44,722	43,911	44,570
Other debtors	8,450	10,888	5,223	8,155
VAT debtor	5,036	3,155	1,048	896
Prepayments and accrued income	42,128	52,586	28,778	43,013
Amounts due from subsidiary undertakings	–	–	38,469	12,450
Total debtors	143,075	180,186	152,518	172,607

14 Cash at bank and short-term investments

(a) Cash at bank

	Group		British Council	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash and cash equivalents held in:				
Sterling	95,004	68,129	83,560	58,712
Euros	160,152	136,802	159,042	135,387
US dollars	8,199	9,349	7,450	6,990
Other currencies	104,503	108,719	63,988	73,045
Total cash at bank	367,858	322,999	314,040	274,134

The total cash at bank balance includes cash held overseas of £13.7 million (2019–20: £21.3 million) that is considered to be trapped due to foreign exchange controls. The British Council is actively seeking ways to manage and limit the effect of foreign exchange gains and losses on cash balances held in those currencies.

Included in the cash and bank above is £135.9 million (2019:20: £122.8 million) which can only be spent on Erasmus+ grant-making activities.

(b) Short-term investments

	Group		British Council	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Short-term deposits maturing in under one year held in:				
Sterling	41,000	68,000	41,000	68,000
Other currencies	21,594	19,942	11,479	15,645
Total short-term investments	62,594	87,942	52,479	83,645

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

15 Creditors (amounts falling due within one year)

(a) Analysis by type

	Group		British Council	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade creditors	30,470	40,578	25,957	35,990
Balances resulting from activity under contracts and agreements	100,147	97,877	103,762	99,540
Other creditors	33,128	20,717	30,129	18,273
Taxation and social security	9,755	9,784	5,931	7,829
VAT creditor	2,200	6,042	1,483	5,757
Deferred income	126,257	130,271	109,133	111,240
Accruals – grants payable	112,918	94,984	112,918	94,984
Accruals – other	60,482	66,182	46,581	53,430
Loan*	52,000	–	52,000	–
Amounts due to subsidiary undertakings	–	–	27,803	18,858
Total creditors	527,357	466,435	515,697	445,901

* The loan is a revolving credit facility of £145 million with FCDO. The loan is unsecured with a repayment date of 31 December 2021. Interest has been charged at 1.2% over LIBOR.

(b) Analysis of deferred income

	Group		British Council	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
At 1 April	130,271	137,307	111,240	120,498
Unrealised loss on exchange rate	4	836	1	563
Income recognised during the year	(130,076)	(137,140)	(111,148)	(120,384)
Income deferred during the year	126,058	129,268	109,040	110,563
At 31 March	126,257	130,271	109,133	111,240

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

	Early retirement	Terminal gratuity	Other staff	Legal	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2020	380	–	334	334	6,442	7,490
Exchange rate differences	4	–	(57)	(40)	(17)	(110)
Net amounts utilised or reversed	(384)	–	(255)	(88)	(44)	(771)
Charged to expenditure	210	–	542	590	7,443	8,785
At 31 March 2021	210	–	564	796	13,824	15,394

(b) Amounts falling due after more than one year

	Early retirement	Terminal gratuity	Other staff	Legal	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2020	152	29,300	–	–	–	29,452
Exchange rate differences	(10)	(2,009)	–	–	–	(2,019)
Net amounts utilised or reversed	(142)	(3,513)	–	–	–	(3,655)
Charged to expenditure	–	4,739	–	–	–	4,739
At 31 March 2021	–	28,517	–	–	–	28,517

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

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

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

17 Movements on funds and reserves

(a) Movement in unrestricted funds

	Funds designated from the General account						Total
	General account	Risk reserve	Investment fund	Capital account	Revaluation account	Heritage asset reserve*	unrestricted funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2020*	3,500	83,094	–	93,240	98,593	53,254	331,681
Net expenditure	(92,398)	–	–	–	–	–	(92,398)
Revaluation of heritage assets	–	–	–	–	–	9,178	9,178
Revaluation account movement on land and buildings	–	–	–	–	(7,092)	–	(7,092)
Revaluation account movement on intangible fixed assets	–	–	–	–	716	–	716
Foreign exchange differences arising on consolidation of foreign operations	6,393	–	–	(6,430)	–	–	(37)
Transfer to/from restricted heritage asset reserve	–	–	–	–	–	(502)	(502)
Transfer to/from restricted grant reserve	3,940	–	–	–	–	–	3,940
Transfer to/from capital account	(922)	–	–	922	–	–	–
Transfer to/from general account	83,094	(83,094)	–	–	–	–	–
Transfer to/from revaluation reserve	–	–	–	–	(5,836)	–	(5,836)
At 31 March 2021	3,607	–	–	87,732	86,381	61,930	239,650
Minority interest	–	–	–	–	–	–	1
Total capital employed	3,607	–	–	87,732	86,381	61,930	239,651

* Prior period adjustment

British Council has restated the heritage asset reserves opening balance on 1 April 2020 to include a prior year valuation increase of £21,862,000. The unrestricted heritage asset reserve opening balance increased by £5,552,000, and the restricted heritage asset reserve opening balance increased by £16,310,000. See note 11 for more information.

Cumulative foreign exchange losses of £12.4 million (2019–20: £5.3 million) and foreign exchange gains of £8.4 million (2019–20: £1.4 million) respectively are included in the General Account and Capital Reserve above. Such amounts relate to the re-translation of the net assets of foreign entities and will fluctuate in accordance with the relative exchange rates ruling at future Balance Sheet dates.

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

Reserves policy

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

General Account

At 31 March 2021, the balance on the General Account of £3.6 million represents the combined net movement on reserve transfers including the movement on the risk reserve to offset losses made in the financial year.

Risk Reserve

The Risk Reserve would normally represent the minimum level of funds required to protect the British Council from the potential financial impact of known business risks. However, at 31 March 2021, this reserve is now zero, having been used to offset 2020–21 losses incurred due to the impact of Covid-19 pandemic. In the light of this, the Board of Trustees have reviewed the policy regarding the Risk Reserve and determined that the Risk Reserve should be rebuilt to a level sufficient to protect the British Council from the financial impact of specific risks where that impact can be estimated and ensure that it can manage the impact of general economic or operating risks on its operations and strategy.

In calculating the reserve required, the following factors are taken into account:

- the stability of the British Council's various income sources
- the extent to which the British Council's cost base is fixed and its ability to scale back costs in relation to decreases in income
- the level of exposure to external factors including economic downturn or changes in government policy
- the risks identified in the British Council's risk management process and the actions being taken to mitigate financial risks; and
- the opportunity cost of holding funds in reserve that could otherwise be used for charitable purposes or to invest in developments that mitigate risks.

The level of the Risk Reserve should reflect the British Council's status and operating environment. The British Council cannot raise debt as commercial organisations can and it cannot assume that additional funding will be made available by government in the event of another significant adverse event. It should therefore maintain a higher level of reserves than a comparable commercial or government-supported organisation might require, so that it can manage a greater range of adverse events without having to seek external support.

In addition, the British Council faces a range of risks as a result of operating in a wide range of foreign jurisdictions and earning the majority of its trading income in overseas markets. The level of risk reserve should reflect this and be higher than for an organisation operating primarily in the UK and will be kept under review as the risks and our assessment of them change.

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

Investment Fund

This represents funds required for specific planned investments. The balance at 31 March 2021 was Nil (2019-20: Nil). Investment activity carried out during the current financial year will be met from trading surpluses generated during the year and the FCDO investment loan.

Other designated funds and reserves

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

(b) Movement in restricted funds

	Income (restricted grants) reserve	Expendable endowment reserve	Heritage asset reserve*	Total restricted funds
	£'000	£'000	£'000	£'000
At 1 April 2020*	3,940	113	90,712	94,765
Transfer from unrestricted funds; heritage assets	–	–	502	502
Funds spent from reserves	(3,940)	–	–	(3,940)
Net income/(expenditure)	1,562	30	–	1,592
At 31 March 2021	1,562	143	91,214	92,919

* Prior period adjustment

The British Council has restated the heritage asset reserves opening balance on 1 April 2020 to include a prior year valuation increase of £21,862,000. The unrestricted heritage asset reserve opening balance increased by £5,552,000, and the restricted heritage asset reserve opening balance increased by £16,310,000. See note 11 for more information.

Expendable endowment reserve

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

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

(c) Analysis of group net assets between funds

	Unrestricted reserve	Restricted reserve	Total funds
	£'000	£'000	£'000
Fixed assets	236,043	91,214	327,257
Investments	1,282	115	1,397
Current assets	473,447	101,737	575,184
Current liabilities	(442,604)	(100,147)	(542,751)
Amounts falling due after more than one year	(28,517)	–	(28,517)
Total net assets as at 31 March 2021	239,651	92,919	332,570

	Unrestricted reserve	Restricted reserve*	Total funds
	£'000	£'000	£'000
Fixed assets*	245,087	90,712	335,799
Investments	1,669	84	1,753
Current assets	490,426	101,846	592,272
Current liabilities	(376,048)	(97,877)	(473,925)
Amounts falling due after more than one year	(29,452)	–	(29,452)
Total net assets as at 31 March 2020	331,682	94,765	426,447

* Prior period adjustment

The British Council has restated the Balance Sheet at 31 March 2020 to include a valuation increase of £21.9 million relating to its heritage assets. See note 11 for more information.

18 Commitments

(a) Capital commitments

	2021	2020
	£'000	£'000
Contracted expenditure	92	9,155

Contracted expenditure includes £19,703 (2019–20: £161,991) relating to subsidiary capital commitments.

(b) Specific charitable projects (grants)

	2021	2020
	£'000	£'000
To be undertaken:		
In one year or less	2,278	5,503
Between one and five years	878	849
In five years or more	–	–
Total future minimum payments for charitable projects (grants)	3,156	6,352

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

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

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

Grants to be undertaken in the following year includes £nil (2019–20: £2,237,290) relating to subsidiary charitable commitments.

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

	2021			2020		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Payments to be made:						
In one year or less	17,267	718	17,985	19,670	1,084	20,754
Between one and five years	26,982	682	27,664	25,790	921	26,711
In five years or more	60,891	–	60,891	64,811	5	64,816
Total future minimum lease payments	105,140	1,400	106,540	110,271	2,010	112,281

The total amount of lease payments recognised as an expense in the Consolidated Statement of Financial Activities is £25,773,433 (2019–20: £30,809,138).

19 Analysis of changes in net debt

	At 1 April 2020	Cash flows	Foreign exchange movements	At 31 March 2021
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash at bank	322,999	47,220	(2,361)	367,858
	322,999	47,220	(2,361)	367,858
Borrowings:				
Due within one year	–	(52,000)	–	(52,000)
	–	(52,000)	–	(52,000)
Total	322,999	(4,780)	(2,361)	315,858

20 Losses and special payments

During the year ended 31 March 2021, there were 435 losses totalling £791,216 as defined in *Managing Public Money* (2019–20: 232 cases totalling £1,346,093). This includes fraudulent and non-fraudulent business losses.

There was one case of £1,989 that falls within the category of special payments as defined in *Managing Public Money* (2019–20: five cases totalling £455,981). The payment was approved by HM Treasury on a value for money basis.

The British Council incurred realised foreign exchange losses of £3,263,322 (2019–20 £2,347,244).

21 Related party transactions

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

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

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

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

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

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

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

Organisation	Trustee/Board member	Relationship	Grants provided and funds disbursed under contracts/agreements	Debtor balance	Creditor balance
			2020–21 £'000	2021 £'000	2021 £'000
Manchester Metropolitan University	Mr Malcolm Press	Vice-Chancellor	1,094	–	11
University of Greenwich	Mr Shushil Saluja	Trustee	468	1	–
De Montfort University	Ms Sara Pierson	Trustee and Independent Governor	311	5	–
WWF UK (World Wildlife Fund)	Mr Malcolm Press	Trustee	90	–	–
University of Brighton	Ms Maddalaine Ansell	Governor	65	4	–
Watershed	Ms Clare Reddington	CEO	35	–	–
Mayk	Ms Clare Reddington	Connected party is the Chair and Director	9	–	–
British Chamber of Commerce Myanmar	Mr Michael Little	Member of the Board of Directors	1	2	–
LSO Productions Limited	Mr Mark Beddy	Director and Chairman	1	–	–
UCAS (Universities and Colleges Admissions Service)	Mr Malcolm Press	Trustee	1	–	–

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

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

22 Contingent liabilities

The British Council and its subsidiaries are currently involved in a number of legal proceedings in respect of employment and contract disputes, copyright and other legal claims. These claims include disputes with former employees with a maximum value of £1.9 million (2019–20: £0.85 million). The British Council believes that no significant losses will arise from these proceedings. The British Council has £1.4 million (2019–20: £1.1 million) relating to bank guarantees issued under various contracts, which may be called if the British Council does not meet its contractual obligations. No losses are expected to arise under these arrangements.

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

The British Council has a composite facility with respect to foreign bills/cheques for negotiation and/or engagements for a combined amount of US\$15.5 million with HSBC to cash foreign currency cheques that we receive or to issue bank bonds and guarantees on our behalf. There are no bonds or guarantees under this facility outstanding at 31 March 2021.

23 Financial instruments

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

Credit risk

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

Liquidity risk

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

The FCDO provided the British Council with a £145 million revolving credit facility (RCF) in July 2020. The purpose of the RCF was to provide liquidity to the British Council to manage working capital. As at the Balance Sheet date, the British Council had drawn down £52 million of this facility, and it is due to be repaid by 31 December 2021.

As the British Council continues to focus on its long-term objectives, it has secured a £100 million term loan from the FCDO. The loan is for the specific investment purposes set out in the Investment Plan agreed with FCDO. For more information about this loan, please see note 25.

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

Currency risk

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

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

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

The British Council operates a foreign exchange forward programme to cover up to 80% of euro, US dollar, Indian rupee and Chinese yuan exposures, the objective being to assist in achieving budget certainty. The British Council's current US dollar and euro exposures are limited by significant natural hedges and as a result, the British Council held no open euro or US dollar forward foreign exchange contracts as at 31 March 2021 (2019–20: Nil). At 31 March 2021, the fair value of the forward foreign exchange contracts held in Indian rupees and Chinese yuan was an unrealised loss of £0.6 million (2019–20: £0.9 million).

24 Contract activity as an agent

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

The resources from these contracts are analysed as follows:

	2020–21	2019–20
	£'000	£'000
Contract income	415	2,452
Contract expenditure	415	2,452

25 Post-Balance Sheet events

Loan from FCDO

On 18 June 2021, a single currency term loan for £100m was signed with the FCDO. On 28 January 2022, this was consolidated into a £200m loan facility on commercial terms to 31 March 2024. This facility is to support solvency and to provide the investment funding required to invest in commercial growth and efficiencies.

Erasmus+ and Turing

The British Council's contract to make grants under the Erasmus+ programme ended on 31 December 2020. As at the Balance Sheet date, the British Council recognised income of £0.3 million for the period 1 January 2021 to 31 March 2021 for delivering residual activity for Erasmus+. On 29 June 2021, an agreement was signed with the Secretary of State for Education and Ecorys UK Limited (its delivery partner for Erasmus+) for the British Council and Ecorys UK Limited to continue to deliver the residual activities of Erasmus+ until 31 March 2022. Under this agreement, the British Council is entitled to an additional £0.8 million for the residual activity delivered between 1 January 2021 and 31 March 2021. The criteria for recognising this additional income was not met as at the Balance Sheet date, so this is a non-adjusting event and the income will be accounted for in the year ending 31 March 2022.

The agreement also appointed the British Council and Ecorys UK Limited as the providers of services for the Turing Scheme up until 31 March 2022.

Sale of the IELTS exams operation in India

On 1 July 2021, British Council announced it had signed an agreement with IDP, its Australia based IELTS partner, for British Council not to compete in the IELTS exams market in India.

As part of this arrangement, British Council also agreed to sell its wholly owned Indian subsidiary British Council Examinations and English Services India Private Limited (BCEESIPL) to IDP's own local Indian subsidiary. BCEESIPL's primary activity was to provide local administrative support services to British Council under an inter-company agreement in respect of British Council's IELTS exams sales to customers based in India. Prior to its sale BCEESIPL's other exams and English service operations were transferred to a newly incorporated subsidiary, BC Education India Private Limited, which is wholly owned by British Council group.

These transactions were completed for total consideration of £130 million on a debt free and cash free basis.

Change in Chief Executive

Kate Ewart-Biggs OBE was the Interim Chief Executive up until 31 August 2021. From 1 September she became the new Deputy Chief Executive. Scott McDonald took up post as Chief Executive on 1 September 2021.

26 Going concern

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

Covid-19 continues to have an adverse impact on the British Council's activities and income. The British Council also faces the challenges of volatility in key markets and the impact of geopolitical events and international relations. Trustees and management are regularly monitoring cash flow and commercial performance. This includes modelling different assumptions based on the estimated potential impact of Covid-19 restrictions and regulations and other potential adverse events in individual countries, along with proposed mitigations.

In the past year the British Council has taken steps to secure its financial position:

- It has secured a £200 million loan facility to 31 March 2024 on commercial terms from the FCDO to support solvency and to provide the investment funding required to invest in commercial growth and efficiencies
- It has raised £130 million through the disposal of its IELTS exams operation in India
- Following the 2021 spending review, it expects to agree a new Grant in Aid settlement to cover the three years from 2022-23 from the FCDO which will provide greater certainty than the one-year settlements provided for 2020-21 and 2021-22.

The British Council has projected its cash requirements to 31 March 2023, and these projections show that with the loan facility in place, the British Council can meet its financial commitments as they fall due for the 2022-23 financial year.

The trustees recognise that the future course of the pandemic and its associated restrictions, and the impact of those and of geopolitical events on the British Council's commercial activities remain unclear. To help manage this downside risk, the British Council has included contingencies in its projections and has also set aside part of the proceeds from the sale of its IELTS exams operation in India to build cash reserves to help cover long-term financial risk.

On this basis, the Trustees assess that the British Council will continue to operate for the 12 months from the date that the accounts are approved and that it is appropriate to prepare the 2020-21 accounts on a going concern basis.

Given the scale of the risks faced by the British Council, the trustees have set a target to build up free reserves to cover at least three months of business expenditure. However, because the impact of Covid-19 in 2020-21 and 2021-22 has resulted in free reserves being reduced to £3.6 million, it is recognised that this will take a number of years to achieve. In the absence of adequate reserves, the British Council will remain reliant on loan financing provided by the FCDO on commercial terms. The amount borrowed is due to be repaid on 31 March 2024 although the repayment date may be extended, at the FCDO's sole discretion, to 31 March 2025.

The Trustees will continue to work with the FCDO to agree an appropriate level of longer-term support after 31 March 2024 so that the British Council can continue with its planned future activities, and withstand the risks it faces, including the impact of Covid-19 and geopolitical events in its key markets. Within this context, given that longer-term support has not been agreed, a material uncertainty therefore remains over the organisation's ability to continue in its current form in the longer term should those risks materialise.

Our global network

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

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

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

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

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