

2021–22 Annual Report and Accounts

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Introduction and summary

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Message from Stevie Spring, Chairman and Scott McDonald, Chief Executive

This was a year of recovery for the British Council. The pandemic led to multiple challenges for us. We are not out of the woods yet, but we have stabilised. This enables us to focus on our core purpose: to support peace and prosperity by building connections, understanding and trust between the people of the UK and countries worldwide.

The world is more fractious, but the challenges requiring global collaboration – economic and climate, for example – remain, and the British Council’s role building long-term trust is more important than ever. Our deep, trusted relationships at all levels, global expertise across arts and culture, education and English, and our unique status, as an independent body working closely with government, enable us to deliver impact for the UK and the countries we work with.

As an example of our impact during times of crisis, we are working with His Majesty’s Government (HMG) to support Ukrainian institutions to survive, providing valuable English skills, and strengthening cultural connections through our Ukraine/UK Season.

We support growth by building partnerships and creating the enabling environment for trade, in the culture and education sectors and beyond. Our priorities, such as improving access to girls’ education, strengthening the creative economy, building digital skills and facilitating access to UK qualifications, contribute to economic growth and sustainable development in the communities and countries where we work.

As an example, the GREAT ‘Study UK’ campaign, managed by the British Council, is set to generate £400 million of investment across the UK, from international students registered in 2021–22. We also generated over £100 million in exports for UK exam boards and provided secure access to international markets for UK education institutions and awarding bodies.

In this report, we set out how we worked with partners in over 200 countries and territories and across all four nations of the UK. Our work reached 650 million people across the world, provided online resources to 70 million English language learners and teachers, helped 3.3 million people gain life-changing qualifications, and engaged over 2,700 arts organisations globally.

Highlights this year included the UK/Australia Season, the largest ever cultural exchange between the two nations.

We continued to support the economic recovery of the UK English language teaching (ELT) sector by building partnerships between universities, education authorities, ed-tech providers and small and medium enterprises (SMEs) from the UK and countries around the world.

We provided support in the build up to the UK’s ASEAN Dialogue Partner status through our education and English language programmes, including boosting scholarship opportunities to all ten countries in Southeast Asia and creating region-wide platforms to strengthen collaboration with UK higher education.

We supported the UK–India Roadmap 2030, including leadership of a joint task force to agree mutual recognition of qualifications, crucial for future co-operation between UK and Indian universities.

Our work helps position the UK at the centre of global challenges. At COP26, we showcased the work of young people around the world to take action against climate change.

The world is more fractious, but the challenges requiring global collaboration – economic and climate, for example – remain, and the British Council’s role building long-term trust is more important than ever.

The Climate Connection partnered with over 7,500 organisations in over 200 countries and territories and across the whole of the UK. Working through the arts, education and English language, these partners reached over 200 million people.

We support the UK as a world leader in many areas. We are an innovator in cultural heritage protection through the management of the Department for Digital, Culture, Media and Sport (DCMS) flagship Cultural Protection Programme. Since 2016, over £35 million has been awarded to 112 projects, protecting heritage at risk due to conflict and climate and improving livelihoods.

To deliver maximum impact in an increasingly restrictive economic environment, we have restructured and are now more focused and efficient, providing a strong platform to deliver on our purpose at the lowest possible cost. We have focused our resources in fewer countries in agreement with the Foreign, Commonwealth and Development Office (FCDO), with 50% of our grant funding supporting 25 priority countries. We have also consolidated our grant-funded work into 15 global programmes closely aligned with UK government objectives. We made the difficult decision to stop grant activities in nine countries, and for another nine to be served remotely. We are on track to deliver £185 million in savings by 2024-25.

Our teaching and assessment operations are recovering well, with income increasing by nearly 15% during the year to over £500 million.

Our digital offer is expanding rapidly, including the launch of English assessment online in multiple countries, a new Study UK website and the launch of a Corporate English Solutions business. In March 2022, we delivered our first live IELTS tests online to test takers in Syria and Tajikistan. All of this complements our physical presence across 100 countries.

This period of transformation has been difficult for our teams, and the impact has been felt across our operations. But as we recover, there are positive signs of improved morale and renewed confidence as our people return to the office and interact with our partners in person.

In the year ahead, we will continue to promote UK values and the best of all four nations of the UK, supporting our security and influence and laying the foundations for increased trade and prosperity. Our work will create mutual benefit for the UK and for all of our partners. We will focus on what we are best at – building trust. We will focus on young people, influencers and future leaders and we will continue to make an impact where we have global leadership – arts and culture, education and the English language.

As an arm's length body of government, the British Council is reliant on the financial backing of the government and will continue to rely on this support. We would like to thank the FCDO, other HMG partners, the governments in Scotland and Wales and the Executive in Northern Ireland for their continued partnership and trust.

Finally, we would like to thank our colleagues at the British Council, our Board of Trustees and all the partners and advisers we work with in the UK and around the world. Over the last few years, every challenge possible has been thrown at us, yet we are still here and still working together to build trust which will lead to peace and prosperity. There is no more important task and we thank you all for your dedication, incredible commitment and hard work this year.

No one knows what the future will bring, but we are excited about the work we have planned for the next year and know we have the resilience to continue to make a difference in a changing world.

To deliver maximum impact in an increasingly restrictive economic environment, we have restructured and are now more focused and efficient, providing a strong platform to deliver on our purpose at the lowest possible cost.

About the British Council

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

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

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

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

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

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

We work with people in over 200 countries and territories and are on the ground in more than 100 countries. In 2021–22 we reached 650 million people.

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

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

Strategy and objectives

In 2021–22 our core offers for arts and culture, education and the English language were as follows:

Arts and culture

- Cultural exchange
- Creative economy
- Arts responds to global challenges

Education

- Higher education and research and vocational education
- Schools
- Non-formal education
- UK qualifications

English

- Teaching
- Assessment
- English for Education Systems

Details about these core offers and how we delivered against them are set out in the **Core offers** section of this report.

Our strategic priorities in 2021–22 are set out below:

Customers:

Deliver world-class customer experience

Income:

Grow and diversify income and surplus

Efficiency:

Increase efficiency and reduce costs

People:

Attract and develop more diverse talent in a global team

Digital:

Create digital advantage

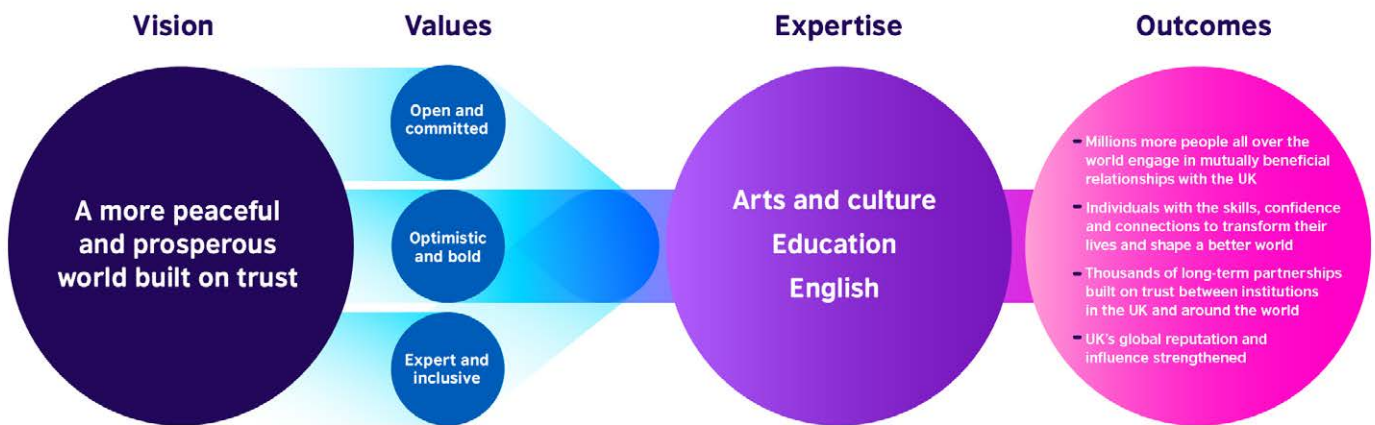
Environment:

Protect the environment

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

The long-term strategy that we are currently working to has been published in the Corporate Plan for 2022-25. It maintains our focus on arts and culture, education and English and incorporates a new vision statement and a more clearly defined set of strategic priorities (see below).

New strategic framework



Strategic priorities

- Focus on what we are best at
- Deliver a unique mix of digital and physical presence
- Maintain collaborative independence
- Be one British Council with an attractive culture
- Be professional and constantly learning

Achievements

Operational

In 2021–22 we reached 650 million people across the world, provided online resources to 70 million English language learners and teachers, helped 3.3 million people gain life-changing qualifications, and worked with over 2,700 arts organisations globally. We worked with partners across all four countries of the UK and in over 200 countries and territories.

We continued to support our partners in the arts, education and English language sectors, helping them to recover from the impact of Covid-19.

A selection of our major operational achievements in arts and culture, education and English are summarised below:

- **The UK/Australia Season¹** was a landmark cultural exchange between the two nations, reaching an estimated 500 million people in media coverage. Delivered in partnership with the Australian Government's Department of Foreign Affairs and Trade, it has highlighted the breadth of partnership between Australia and the UK, helping to deepen and extend our cultural connections. Following the signing of the UK–Australia Free Trade Agreement, it encouraged an emphasis on economic growth for our collective arts and creative sectors with over 200 live and digital events taking place in both countries.
- Supporting the UK as a world leader and innovator in cultural heritage protection through the management of DCMS flagship **Cultural Protection Programme**. Since 2016 over £35 million has been awarded to 112 projects supporting heritage at risk, working in hard-to-reach places and improving livelihoods. Its importance was recognised in last year's Spending Review with support for a new £30 million three-year programme.
- Providing valuable support to the creative sector to recover from Covid-19. This included the rapid development of the **International Collaboration Grants programme**, a £5 million programme for UK artists to develop creative artwork with international peers, encouraging innovative ways of working, collaborating and exhibiting. Ninety-four high-quality projects were supported across 41 countries.
- Working with the UK education sector and GREAT Campaign we promoted the whole of the UK as a destination of choice for international students. Nearly two out of five (38%) of newly enrolled international students surveyed in 2021 were familiar with our **Study UK** campaign.²
- Working with the Department for Education we launched the **Warm Welcome Scholarship** schemes, supporting refugees from Afghanistan to rebuild their lives, find work, pursue education, and integrate with their local communities through higher education scholarships. Three hundred scholarships will be made available to Afghan nationals who have come to the UK as part of the British resettlement schemes.

¹ The season runs from September 2021 to December 2022

² Figure derives from an online survey conducted by Red Brick Research on behalf of Study UK in January – April 2022. A sample of 6,152 newly-enrolled international students in their first year of study at UK higher education institutions were surveyed

- Our longstanding schools programme **Connecting Classrooms through Global Learning** concluded, having supported UK schools to embed new learning approaches and to collaborate globally, making education more inclusive and student-centred in over 30 countries.
- We continued to support the recovery of the UK ELT sector following the pandemic. For example, 27 partnerships under the **East Asia Research and Digital Innovation Fund** have brought together universities, education authorities, ed-tech providers and SMEs from the UK, Indonesia, Vietnam and China for research and innovative solutions to teachers' professional development.
- In March 2022 we delivered our first live IELTS tests online to test takers in Syria and Tajikistan. One of the key benefits identified for an **IELTS Online** product was access and an increased ability to provide educational opportunities to people in remote or inaccessible locations. IELTS Online will continue to be rolled out in 2022-23, marking the dawn of a new era for the world's most popular language assessment test.
- Providing free, high-quality professional development events and resources for English teachers and teacher educators worldwide. We engaged nearly 1.8 million teachers and teacher educators of English in 2021–22 through massive open online courses, online training courses and webinars. This built on the achievements of an FCDO-funded project in Sub-Saharan Africa, scaling the work up into the global **English Connects** programme.
- In 2021–22 we delivered 842,000 **school exams** and 645,000 **professional exams**. We also delivered 1.6 million **IELTS** tests in 2021–22. Through our exams work we generated £104 million in export fees for UK exam boards.
- The British Council pavilion at **COP26** showcased the work of young people across the world to act against climate change. During the conference, the British Council and partners supported or spoke at 20 events and engaged in events and dialogue with stakeholders from across the world about the importance of culture and education in tackling the climate emergency.

Organisational

During 2021–22 we increased our total income, improved our efficiency and focus, increased our digital engagement, and improved customer experience. Our main organisational achievements are summarised below:

- Our commercial and grant-funded operations responded well to significant disruption from further Covid-19 outbreaks, moving services and products online where appropriate.
- We delivered a significant recovery in our commercial businesses, especially exams. Our total income grew by 14.5% from £448 million in 2020–21 to £513 million in 2021–22 (see Financial review).
- We launched a major transformation programme targeting projected savings of £185 million between 2021–22 and 2024–25.
- We focused our resources in fewer countries in agreement with the FCDO to maximise our overall impact. This resulted in 50% of grant funding going into 25 priority countries. We also made the difficult decision to stop grant activities in nine countries with another nine being served remotely.
- We consolidated all our work into 15 global programmes closely aligned with FCDO objectives.
- We continued the acceleration of digital/online delivery, including through English online and digital arts programmes. We engaged with 86.3 million people through live and recorded virtual events as well as reaching a further 202 million people online.
- We improved customer delivery – we exceeded targets and prior year results for Net Promoter Scores. We achieved a score of 34.1 in IELTS (compared to a target of 30) and in teaching a score of 35.7, ahead of our full year target of 28. We continued to make improvements across the customer journey and introduced a more intuitive look and feel to online registration.
- We continued to manage the reduction of our carbon footprint and are on track to meet our 2025 target to reduce our total carbon footprint by 33% against the 2017-18 baseline.
- Our colleagues demonstrated outstanding resilience and commitment in continuing to build mutually beneficial relationships during difficult times and in response to major geopolitical events.

Activity and performance

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Our core offers

All of our work is carried out under the three pillars of arts and culture, education and English. 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	2021–22 result				
	Pillar				
	Arts and culture	Education	English	Cross-cutting*	Total
Meaningful engagement face-to-face	3,157,807	6,205,371	2,490,196	2,066	11,855,440
Meaningful engagement online	22,056,480	15,742,536	48,492,654	17,322	86,308,992
Total meaningful engagement	25,214,287	21,947,907	50,982,850	19,388	98,164,432

Social media reach	2,760,509	6,909,561	33,764,474	7,239,936	50,674,480
Website reach	6,759,690	20,760,923	163,767,202	10,625,337	201,913,152
Publication and broadcast	89,767,353	176,274,882	120,111,271	9,289,064	395,442,570
Total reach	99,287,552	203,945,366	317,642,947	27,154,337	648,030,202

* Cross-cutting is applied where activity spans the different pillars

Arts and culture

We promote UK arts internationally, support the creative economy globally, and tackle global challenges through arts and culture.

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.

Strengthening the UK–Australia relationship through the arts

The UK/Australia Season, which was launched in September 2021, was a major bilateral initiative delivered in partnership with the Australian Government's Department of Foreign Affairs and Trade, with the strategic objective of strengthening the UK–Australia relationship as it evolves under a new Free Trade Agreement. Over 200 live and digital events have taken place in both countries. Highlights included four works as part of the Birmingham 2022 Commonwealth Games Festival, the largest-ever contingent of Australian works at Edinburgh International Festival, collaboration on the Culture Summit, as well as nine UK works at Adelaide Festivals, Sydney Biennale and other major showcasing opportunities across Australia. Specific highlights were *Shakespeare to Winehouse, icons from the National Portrait Gallery London; Linda McCartney: Retrospective; In the Frame: Isaac Julien; Made in Birmingham/Made in Sydney*, a collaboration with the Museum of Contemporary Art Australia and Ikon Gallery in Birmingham; and *A Season of Digital Works* at the Sydney Opera House featuring Complicité, Candoco Dance Company, and Prime Cut Productions.

The season has facilitated access for participating artists and organisations to one of the world's largest markets for UK arts, culture and media. Eighty-two per cent of participants have reported that, post engagement, they felt more confident working with different cultures, 97% reported that their networks expanded or deepened and all participants reported enhanced skills and knowledge.

Exploring a more inclusive future at the Venice Architecture Biennale

From 22 May to 21 November 2021 the British Council presented *The Garden of Privatised Delights* at the British Pavilion for the 17th International Architecture Exhibition – La Biennale di Venezia. Curators Manijeh Verghese and Madeleine Kessler explored the privatisation of public space in the UK today and considered the role that design and architecture can take in supporting a more inclusive future. In our digital campaign our series of films received 437,876 views across all channels. Through a partnership with the Building Centre in central London, *The Garden of Privatised Delights* exhibition was brought back to the UK and was on view until October 2022.

Showcasing Northern Ireland's writers at the Berlin Literature Seminar

Some of Northern Ireland's most exciting writers took part in a literary showcase in Berlin at the 37th British Council Literature Seminar (24–26 February 2022), which for the first time focused on Northern Ireland – showcasing both new and established writers over three days. Entitled Now Neu NI: Contemporary writing from Northern Ireland, the event was chaired by Glenn Patterson, renowned writer and Director of the Seamus Heaney Centre, Queen's University Belfast. He was joined by other writers from Northern Ireland, including novelist Lucy Caldwell; Nick Laird, an accomplished poet, screenwriter and curator; Dublin-based writer Michelle Gallen;

Abby Oliveira, a writer and performer based in Derry-Londonderry; Belfast poet Padraig Regan; and Bebe Ashley, a poet and PhD student at the Seamus Heaney Centre, Queen's University Belfast.

Supporting digital collaborations between Sub-Saharan Africa and Wales

Developed in response to the travel restrictions brought about by the pandemic, Go Digital: Sub-Saharan African – Wales supported 12 digital collaborations between artists and arts organisations in Wales and Senegal, Zimbabwe, Nigeria, South Africa, Kenya, Zambia, Malawi and Botswana. As well as creating innovative ways to digitally showcase across film, dance, theatre, literature and music, the projects also explored more sustainable ways of working internationally.

While the aim of the projects was not to produce 'performance ready' content, the wider sharing of content did happen in many cases, reaching audiences of over 65,000 – something that would not have been possible face-to-face.

Njeri Mwangi, Head of Business Unit PAWA254, Kenya, said: *'What happened with Covid was that we lost our creative spaces, the sense of physical, the gatherings where artists would perform. Go Digital gave artists a space to continue to share and create – it's an invaluable gift.'*

Established partnerships, such as ASSITEJ South Africa with Sarah Argent and Kevin Lewis from Wales, and NoFit State Circus and Circus Zambia, were supported alongside new connections, such as The Successors of the Mandingue in Cardiff with dance practitioner CIE Fatou Cisse in Senegal, and 4Pi Productions with Matamba Film Labs for Women in Zimbabwe. The programme has reached over 300 non-UK artists and 200 UK artists directly, 20 UK and 40 non-UK arts organisations, and a wider audience of over 65,000 through online broadcasts and social media campaigns.

Showcasing the cultural wealth of the UK and Pakistan

The Pakistan/UK: New Perspectives Season, launched in March 2022, showcased the cultural wealth and contemporary creativity of both countries, facilitating professional collaboration in the heritage, creative and education sectors. It was one of the largest and most ambitious cultural programmes the British Council has ever launched in Pakistan, coinciding with the 75th anniversary of the country. The season focused on a shared future through building lasting partnerships in areas including environment, design and sustainability, and gender equality. Activities in both Pakistan and the UK focused on challenging perceptions, particularly among the younger generation in both countries. The season engaged more than 50 organisations.

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.

Building partnerships between the UK and India through festivals

We are cultivating and facilitating partnerships between India and the UK through the launch of India's first online platform to showcase arts and culture festivals, Festivals from India. Audiences in the UK can use the platform to explore festivals in India by place, month or genre, and connect with festival organisers. They can also view artistic collaborations between India and the UK. The platform offers an online course on festival management developed by the British Council in partnership with Edinburgh Napier University.

The platform launched in March 2022 with 115 Indian festivals featured and is on track to feature 250 festivals by the end of December 2022.

Supporting creative leaders in Mexico

The third cohort of the Creative Leadership Programme, implemented by Goldsmiths University, supported another raft of future creative economy policy leaders. It has already led to the introduction of new policies regarding the development of the creative industries in the Mexican Congress. We also launched the Creative Bootcamp, a series of open digital masterclasses on creative enterprise which are now accessible to a wider audience on YouTube. More than 250 emerging sector and business leaders took part in the bootcamp.

Supporting the Creative Economy: a programme for policymakers

This is an immersive self-taught online course for policymakers who work in local, regional and central government. It is designed for civil servants across Turkey, Ukraine and eight other countries in Wider Europe to build their understanding of the creative economy, providing insights, case studies and practical knowledge to inform their policy development work. The programme builds on the demand for UK experience within the region and creates peer networks with the UK and within Wider Europe.

The key themes that the course covers include creative sector synergies with other sectors, data collection and measurement, new skills for workforce and enterprise development, business models, creative hubs and networks, intellectual property, advocacy and lobbying, cultural diversity and audience development, and creativity as a national brand or competitive advantage. It was first launched on 15 March 2022 with 300 policymakers in the first cohort.

A Global Agenda for the Cultural and Creative Industries: 11 Key Actions

The British Council works alongside Nesta to convene the International Advisory Council of the UK's Creative Industries Policy and Evidence Centre (PEC). The International Advisory Council is a network of leading policy and creative economy practitioners from across the world who share international intelligence and research opportunities, and provide an international perspective on PEC activities.

In December 2021, the International Advisory Council launched *A Global Agenda for the Cultural and Creative Industries: 11 Key Actions* at the World Conference for Creative Economy in Dubai, part of the UN 2021 International Year of Creative Economy for Sustainable Development. The document is available in 12 languages.

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.

Supporting disabled artists from across the UK to develop international collaborations

With many disabled artists shielding at home due to Covid-19 and with physical travel at a standstill, we wanted to reimagine international ways of working. So, we partnered with Unlimited, a disabled-led arts commissioning organisation, to launch a new fund – the British Council–Unlimited Micro Awards. It supported artists and collectives from all four nations of the UK to develop creative connections and collaborations with their peers. We wanted to ensure that, throughout the pandemic, funds continued to flow to the disability arts sector and that artists were able to respond confidently with alternative options and models to do what they always do: *help us imagine the world differently.*

Three-fifths (59%) of disabled creatives who took part in a 2021 survey by #WeShallNotBeRemoved reported that they were worried that they would have to leave the industry because of a lack of work. Our Micro Awards responded directly to these concerns, enabling disabled artists to continue working in an international context throughout the pandemic despite being in lockdown or shielding.

To date, we have supported 21 'pairings' with artists in Bangladesh, Brazil, Cambodia, China, Colombia, Cuba, Ghana, Indonesia, Malawi, Mexico, Nigeria, Occupied Palestinian Territories, South Africa and Tunisia. They have involved disabled

individuals and collectives, refugee camps and women's shelters, and artforms and formats as diverse as photography, haiku, movement in landscape, visual arts through the post and even Instagram dance slams.

Promoting LGBTIQ+ short films globally

In partnership with BFI Flare: London LGBTIQ+ Film Festival, the British Council makes five LGBTIQ+ themed short films available for the world to watch online for free, over an 11-day period each year. Our 2022 programme ran from 16–27 March screening films from India, China, Croatia, Panama and the UK telling stories about LGBTIQ+ lives. In total, the 2022 films and accompanying content received over 3.2 million views globally and the hashtag #FiveFilmsforFreedom achieved a reach of just under one million. Since 2015 Five Films for Freedom has been viewed by more than 20 million people in over 200 countries and territories.

Stimulating global conversations on the value of the arts

The Missing Pillar Talks took place from March 2021 to March 2022, a series of events on culture's contribution to sustainable development, to close the gap between policy and practice. They brought together artists, practitioners, academics and policymakers and stimulated global conversations on the value of arts, culture and heritage to shape a more sustainable future for people and planet, particularly in the context of the Covid-19 pandemic. 750 people took part from 97 countries worldwide, with 45 speakers from the UK and 12 countries. The Missing Pillar Talks were organised by the British Council in association with the United Kingdom National Commission for UNESCO (UKNC) and the Culture Committee of the United Cities and Local Governments (UCLG).

Providing support for international projects in the arts on climate action

The Creative Commissions for Climate Action programme brought together arts, science and digital technology to offer innovative, interdisciplinary and inclusive responses to climate change. Seventeen Creative Commissions were awarded to individuals and organisations in the UK and partners in over 45 countries to collaborate together, and the projects took place in the lead up to COP26 in Glasgow. Each Creative Commission was unique in nature, and addressed different climate themes including rising sea levels, deforestation, plastic waste, consumption, and our carbon footprint. The effects of climate change have repercussions for people, planet, prosperity and peace, and the Creative Commissions demonstrated how arts and culture can address a number of these global challenges, in line with the UN Sustainable Development Goals. So far, the Creative Commissions have reached over three million people online and engaged directly with 4,000 people face-to-face and digitally. They were widely represented at COP26, and included films, music, art installations, virtual reality experiences, educational materials and more.

A number of the Creative Commissions collaborated with schools, which resulted in the enrichment of curricula with climate and environmental topics. For example, the Connecting the Climate Challenge project saw a partnership between communities in Nepal and Scotland with a focus on pupil collaborations. Ten schools in each country performed parallel experiments and shared stories, actions and findings, which are used as the foundation for community-level eco-committees to take climate action.

Education

We promote the whole of the UK as a destination of choice for international students, and support government-to-government and institution-to-institution partnerships between the UK and other countries. In addition, we have a particular focus on girls' education and work with ministries of education and schools globally, building mutually beneficial connections and supporting young leaders and influencers worldwide.

Higher education and research and vocational education

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

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

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

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

In 2021–22, at a time when the pandemic was still impacting severely on international student recruitment, the campaign had huge impact. A new campaign concept, 'I'm on my way', showcased authentic international students telling their story in their own words, with the theme of looking ahead to an amazing future. The campaign was Study UK's best-performing to date, leading to 4.69 million unique website visitors. Moreover, over 230,000 people clicked through to UK university websites (59% above target).

In addition, 91% of prospective international students in six key countries stated the campaign made them more likely to consider the UK as a study destination (up from 87% the previous year).

The campaign is supported by our contacts in UK higher education. Josie Love, Alumni Manager, University of Southampton, said the following about our Alumni Awards scheme:

'None of this would have been possible without the brilliant work that you do at the British Council – your [Study UK Alumni Awards] were an amazing opportunity for us to connect with [Alumni Award winner] Rohit and develop a brilliant relationship, which will benefit so many of our students.'

Developing higher education partnerships in Nigeria

Groundwork and preparations conducted by the British Council over the last year led to the largest-ever UK government-led higher education delegation to Nigeria (Lagos and Abuja), focusing on developing sustainable and mutually beneficial UK–Nigeria transnational education (TNE) partnerships. Professor Sir Steve Smith (UK International Education Champion) led the delegation, accompanied by senior officials from the British Council, Department for Education (DfE), Department for International Trade, Foreign, Commonwealth and Development Office (FCDO), and Universities UK International. Scott McDonald (Chief Executive, British Council) and Helen Grant MP (then Prime Minister’s Trade Envoy and Special Envoy on Girls’ Education) attended, as well.

Both sides committed to scale up UK–Nigerian partnerships in higher education in the following areas: research and innovation; improving the quality of teaching and learning; quality assurance, digital and blended delivery and teacher training. Nigerian government officials expressed a willingness to provide the necessary political support to help remove barriers to UK TNE and work with the UK to develop and refine the relevant Nigerian regulations and guidelines.

Scott McDonald signed a memorandum of understanding on 16 May 2022 with Professor Abubakar Adamu Rasheed, Executive Secretary of the National Universities Council (NUC), on TNE between the British Council and the NUC. He also announced that the British Council is providing £600,000 to support international collaboration between 20 Nigerian education institutions and organisations and their UK partners.

Providing opportunities for women in STEM to study in the UK

In October 2021, 118 women from across Asia and Latin America arrived in the UK to begin one-year master’s courses in science, technology, engineering and maths (STEM). The scholarship programme was launched in 2020 with women from 22 countries eligible to join. In the current programme, the scope of countries has been broadened to include Egypt, Turkey and Ukraine. In December 2021 grant agreements were confirmed with 26 universities in the UK, opening up scholarship opportunities for up to 140 women, mainly from East and South Asia and the Americas. This is a £4 million investment following on from the successful first cohort of Women in STEM scholars who are currently in the UK studying.

Schools

We support young people in 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.

Providing international opportunities for schools and developing skills

Our longstanding schools programme Connecting Classrooms Through Global Learning came to an end in March 2022. In over 30 countries between 2018 and 2022 we trained over 65,000 educators, supported 8,000 school partnerships between UK and overseas schools, engaged 1,000 education officials in policy dialogue, and benefited around ten million pupils. External evaluation shows that these pupils are more knowledgeable about global issues including climate change and gender equality and can apply this knowledge as true global citizens. We will continue to make strategic partnerships with ministries of education worldwide, which we will take forward in selected priority countries under the new global schools programme from September 2022.

‘Connecting Classrooms has influenced local policies with its teacher professional development because it sets a clear path on core competencies and how [they are] to be taught in schools’ – Policymaker, Kenya

Helping UK students to learn Chinese

The Mandarin Excellence Programme (MEP) is an intensive Mandarin learning programme funded by the DfE and delivered in partnership by the Institute of Education, University College London and the British Council. In July 2021, 1,400 UK students from 54 MEP schools completed a 30-hour virtual intensive study trip to China hosted by 14 prestigious Chinese universities, 100 Chinese teachers and over 500 Chinese peer students. Students took part in live lessons with Chinese teachers and peers linked to four themes and cities – pandas in Chengdu, Winter Olympics in Beijing, a visit to a Chinese school in Shanghai and environmental protection in Hangzhou. Afternoons included live tours of local cultural and tourist sites and cultural events including a student-led live music festival and visits to Chinese homes.

Developing coding skills with children in Colombia

In partnership with the Ministry of Information Technologies and Communications and Ministry of Education, the British Council has been implementing the Coding for Kids project for the last three years. Its purpose is to provide training opportunities and resources to foster innovative teaching in coding, to improve the computational thinking skills of teachers and students from public schools. By the end of 2021, the project had trained over 15,000 teachers and reached 514,000 students.

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.

Providing training in listening skills

Crossing Divides around the Globe invited 1,000 young people from 119 countries to develop their skills in deep listening. The project was designed and delivered in partnership with the BBC as part of the BBC 100 celebrations.

Deep listening is a non-conflict communication technique that encourages people to take time to understand a different perspective and to ensure that the speaker feels heard. Young people from around the world took part in three weeks of training, culminating in a conversation with someone they disagreed with. Ninety-six per cent of participants reported that the training gave them new tools to approach conversations with those they disagree with and 99% plan to use the training in their personal or professional life.

Participants were recruited via British Council networks and a BBC News online piece which was viewed over 128,000 times and translated into five languages. The training will receive two days' coverage on BBC World Service Radio, BBC World News, BBC Northern Ireland, BBC Wales and BBC Radio 4's PM programme.

Crossing Divides around the Globe built on a successful pilot project delivered in Lebanon in 2021 which trained 150 young people from across the country in deep listening. One year after the training some participants reported that the training had been transformative in terms of their attitudes and behaviours, with one woman reflecting: *'With deep listening you understand that this person is not your enemy, even if they are behaving differently.'*

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.

Providing support to schools globally that offer English curriculum school exams

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

This year we brought together over 3,000 Partner School Leaders from across 40 countries at the annual Schools Now! conference, a global conference fostering pedagogical innovation.

We supported over 70,000 teachers on their professional development journey with over 43,000 modules completed on our Online Support for Schools platform (over 600,000 hours of study have been completed on the platform to date). We also launched Partner Schools Connect, a dynamic tool bringing together classes around the globe to connect and collaborate on projects.

Creating opportunities for international doctors

Our partnership with the General Medical Council (GMC) enables thousands of international doctors to come and work in the UK every year, creating life-changing opportunities while benefiting and supporting the quality assurance of education and practice in the UK healthcare system. We now deliver 12,500 GMC exams annually in 24 cities across 15 countries. In February 2022 we expanded this partnership across East Africa with the opening of a new testing location for GMC exams in Nairobi, Kenya.

Providing a platform for the assessment sector to exchange ideas

British Council Café Chats were launched during the pandemic to provide a space for the assessment sector to share experiences, challenges and solutions. Since the launch, we have brought together over 100 universities, government bodies, awarding bodies and other educational institutions from across the globe to discuss and debate topics such as remote proctoring, the use of AI in assessment, multi-modal delivery and more.

As the world adjusts to the new normal, and the assessment landscape continues to evolve, our Café Chats continue to provide a platform for conversation and collaboration between the assessment community.

English

The British Council promotes the English language worldwide, both through our own teaching centres and through programmes which we manage in partnership with national and state governments. We make available high-quality online resources for both teachers and learners of English.

Teaching

Our teaching centres are flagships of best 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).

Connecting students around the world

Connecting Cultures is a unique opportunity for British Council students from different countries to join and engage in authentic, meaningful communication, using English as the 'lingua franca'. They carry out real-world tasks together and learn about another culture and topics that interest students of a similar age.

Through offering Connecting Cultures as part of a Young Learners English course, we enable every young learner to communicate in a multicultural network, make international connections and broaden their horizons, helping them to become more understanding of others. The programme allows students to build their confidence and become a globally connected citizen of the world.

In 2021–22 2,634 classes were involved and nearly 20,000 students in 43 countries participated in the first two rounds of Connecting Cultures. Next year it will be rolled out to all our Primary Plus and Secondary Plus students across the world.

English Online designed around customer needs

Our online teaching business, English Online, reached over 30,000 customers, helping them study in their own time and at their own pace. This platform continued to grow, extending to 110 countries around the world, including at least 30 new markets where we have no physical presence.

In 2021–22 the LearnEnglish website reached 38 million adult learners, while the two sites for Young Learners reached almost 32 million learners between them. The number of monthly active users of our mobile apps grew 16% to ten million.

Face-to-face teaching

Young learner courses have recovered quickly post pandemic as parents continue to value our high-quality in-person learning, supported with new online materials. Most markets have returned to in-person teaching with minimal social distancing.

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.

IELTS support for Home Office

IELTS continues to remain a key partner for the Home Office through delivery of the UK Visas and Immigration (UKVI) secure English language test concession. Despite the global pandemic and rolling lockdowns, we delivered 310,000 tests, which constitutes nearly 90% of the global four-skills tests delivered across all five UKVI concession holders. We are UKVI's most important testing partner for immigration and are trusted for our experience and the advice we can offer, especially in relation to UKVI's move towards the piloting of remote testing.

Helping organisations assess English skills in their workforce

We developed and launched a new Ofqual-regulated assessment: Aptis English for Speakers of Other Languages (ESOL). Our clients use this high-stakes assessment to get validated proof of the English proficiency level of individuals. To open new employability and study opportunities we have also developed a new general English test called the Foundation English Test (FET). The test is suitable for vocational schools and can be used as part of recruitment, selection or learning and development programmes.

English Programmes

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.

Partnering English language teaching associations with the UK

In 2021–22, we supported partnerships between 40 ELT associations worldwide and 35 British Council accredited ELT centres in the UK. Forty bespoke language improvement courses were developed and implemented across ten different digital platforms for 2,500 participants. The PRELIM (Partnered Remote English Language Improvement) project has been shortlisted for a PIONEER Award 2022 for Public/Private Partnership of the Year and was 'one of the highlights of the last couple of years for English UK', according to Jodie Gray, CEO of English UK. The experience gained through PRELIM has also enabled a number of UK schools that took part in the project to bid successfully for other online project opportunities.

Building English language teaching and communities in Turkey

English Together, our flagship English Programmes project in Turkey, has grown from operating in 24 provinces to all 81, following the Ministry of Education's recognition of its success and positive feedback and evaluation data from participating teachers. English Together works through professional learning communities which allow teachers to discuss their specific classroom needs and work together to find solutions to common challenges – as well as practise their own English. Over 600 of these communities have been set up, led by trained facilitators, benefiting over 80,000 teachers nationally. Participating teachers also experience input delivered by several UK publishing partners including Macmillan and Cambridge University Press. Critically, the value of the seminars we offer through the programme has been endorsed by the Turkish government, with teachers receiving payment for engaging as part of their recognised continuing professional development.

Improving English language teaching, learning and assessment in India

In October 2021, we shared findings from an independent evaluation of our ten-year partnership with the Government of Maharashtra state in India, aimed at improving standards of the teaching, learning and assessment of English in government schools. Maharashtra's Minister of School Education, Varsha Gaikwad, said: *'Our partnerships with the British Council, such as Tejas and English for All Mumbai, have led to a significant improvement in the competency of teachers, which has resulted in higher quality education for our students year on year'*. Two-thousand teacher educators, 146,000 teachers and 4,380,000 students have benefited from the partnership.

English for Girls' Education Nepal

In Nepal, we improved girls' English, digital, social and mentoring abilities through the English and Digital for Girls' Education (EDGE) project which we delivered in partnership with VSO with funding from the UK's FCDO. In 2021–22 we reached over 590,000 girls through an innovative radio drama series and self-access resources.

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

In 2021–22 we introduced the concept of meaningful engagement which comprises face-to-face, exhibitions, virtual live and virtual recorded content. In 2021–22 we had meaningful engagement with 98 million customers and reached a total of 648 million (comprising social media, digital online audience and broadcast). Using the same categories, this compares to meaningful engagement with 34 million customers and reach of 712 million in 2020–21. The big increase is in the category of 'virtual recorded' which was introduced for the first time in 2020–21. The increase can largely be attributed to the change in methodology that happened during the 2020–21 reporting year which meant that not all 'virtual recorded' participation was recorded in 2020–21.

All figures in millions	2018–19	2019–20	2020–21	2021–22
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	14	15.8	6	8.5
Digital social media and learning Through digital professional, educational and English learner communities on social networks	45.7	48.8	51.2	50.7
Exhibitions, festivals and fairs, and performances People attending exhibitions, live arts performances, arts and education fairs and festivals	20.1	11.2	0.8	3.4
Virtual live Attendees to a live virtual event	N/A	N/A	9.3	9.6
Virtual recorded Viewers of a recorded virtual live event	N/A	N/A	17.5	76.7
Digital online audience Audiences to British Council digital arts, education and English (including teaching and examinations) content – through websites, mobile devices and applications	216	209	195	202
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	495	698	466	395

Our Net Promoter Scores have improved and are above target with a score of 34.1 in IELTS (compared to a target of 30) and in teaching a score of 35.7 ahead of our full year target of 28. We continue to make improvements across the customer journey, for example reducing the IELTS registration journey from 15 steps to seven and introducing a more intuitive look and feel to online registration. We also rolled out video call speaking to East Asia, Sub-Saharan Africa, and the Americas, enabling test takers in those regions to opt for an online IELTS Speaking test held with a remote examiner.

Efficiency

Objective: Improving our operational efficiency

Target: To deliver savings of £185 million between the period 2021–22 to 2024–25

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

As part of our drive for greater efficiency we are improving the focus of our work as follows:

- All of our work comes under three core pillars: 1) Arts and culture 2) Education 3) English language. Any activity that does not fall within those pillars is being wound down.
- Consolidation of grant activities into 15 global programmes.
- Over 50% of grant funding focused on 25 priority countries.
- Cease all grant-in-aid programming in nine countries, remote delivery in an additional nine countries.

Digital

Objective: Creating a digitally enabled organisation

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

Overall British Council online reach has increased from 195 million to 202 million, as well as maintaining our social media audiences to our channels at almost 51 million. We also achieved growth in our audiences who meaningfully engage with us face-to-face and online. This included 86.3 million people through live and recorded online events across our Cultural Engagement programmes and through our new English and exams digital products, including English Online and IELTS Indicator.

Income

Objective: Growing and diversifying income surplus

Target: To increase our commercial income

The British Council has agreed with 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 teaching and exams income to return to pre-Covid-19 levels by 2023–24 and generate a net surplus by 2024–25.

As set out in the Financial review section of this report, the British Council's teaching and exams income increased by 14.5% to £513 million this year (2020–21: £448 million), as the British Council reopened most of its teaching and exams operations following the easing of Covid-19 restrictions in most countries. However, during the financial year, the British Council's teaching and exams operations were still impacted by new restrictions in key markets, in particular China.

People

Objective: Increasing the capability and effectiveness of our people

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

We regularly run a global people survey to understand how employees are experiencing working at the British Council. The key metric is 'engagement' (what people say, what makes them stay, and what makes them strive to do their best work). This year's score was 50%, eight percentage points lower than in October 2019. This annual survey had been paused due to the global pandemic, and we ran other surveys to help us understand the challenges colleagues were facing as a result. What we can see in the results this time is that the process of transformation is affecting colleagues' engagement. A project to engage with colleagues to help us to create an inspiring and successful organisational culture launched in June 2022.

There has been some modest progress against targets for women in senior posts and disabled staff in senior posts but no progress for minority ethnic staff in senior roles. We continue to work to attract an ethnically diverse pool of candidates through our EDI statement and ensure non-biased recruitment through diverse panels and training for recruiters. We sensitise senior leaders to the challenges experienced by minority ethnic staff through our pilot upward mentoring scheme and support development opportunities for minority ethnic staff and staff outside the UK.

EDI category	2019–20 result	2020–21 result	2021–22 result	2021–22 target
Women in senior posts	43.6%	44.7%	46.7%	50%
Minority ethnic staff in senior roles	7.9%	9.7%	9.3%	15%
Disabled staff in senior roles	2%	2.9%	5.3%	7%

The table above relates to UK staff only.

During 2021–22 a review of resources assigned to equality, diversity and inclusion (EDI) took place, alongside the regular three-yearly revisions to the Equality Policy and EDI Strategy. The outcomes include strengthening governance, accountabilities and our evidence base. EDI key performance indicators are being established that will contribute to this, alongside a renewed and refreshed engagement with global EDI data through dashboards which are regularly analysed and used to inform management decisions. In 2021–22 teams from across the world submitted evidence of their progress in EDI leadership, building EDI into planning, the impact from EDI learning and development, addressing under-representation informed by EDI data and fostering inclusion through working with externals; with good practice identified to support wider organisational learning. Emerging work is taking place to explore socio-economic inequality through a new global internal working group, alongside our other priority areas (age, disability, gender, ethnicity/race, religion and belief, and sexual orientation).

We continue to prioritise and invest in staff well-being, in particular mental health. In 2021–22 we took part in the annual Workplace Wellbeing Index run by the mental health charity Mind to benchmark our policies and the support we offer against other employers. We received a Bronze award, signifying ‘Achieving Change’, which is given to employers who have developed and implemented initiatives that promote positive mental health for staff. As a result of this and the feedback received from staff in a global mental health and well-being survey, we developed an action plan to address the main issues arising.

Environment

Objective: Protecting the environment

Target: To reduce our carbon emissions

Climate change is a priority for us, our customers, stakeholders and colleagues. Our work in this area is not new. We have been managing and reporting our carbon footprint for over ten years, but in 2021 we strengthened our response in two ways.

We are bringing together new voices around the world to help strengthen global climate co-operation. The Climate Connection is our global platform for dialogue, co-operation and action, providing opportunities for young people, students, artists, researchers, teachers, academics, leaders and policymakers across the world to find creative and collaborative solutions to climate change. In the run up to COP26 in 2021 until March 2022, we reached more than 200 million individuals across 209 countries globally, through engagement with more than 7,500 partners. An estimated four million young people participated globally, increasing their knowledge and skills and helping them to engage and respond to climate change.

Secondly, we are strengthening the management of our own carbon footprint. We are committed to net-zero emissions by 2040 at the latest. By 2025 we will have reduced our total carbon footprint by 33% against the 2017–18 baseline, eliminated single-use plastics in all our premises worldwide and reduced annual flight distance travelled by 50%. The table below outlines key areas we focused on last year:

Prioritising our response to climate change	<ul style="list-style-type: none"> • Environmental responsibility was embedded in our strategic priorities. • We committed to and are reporting quarterly against Greening Government Commitments, including reducing our overall emissions in the UK by 56% (2017–18 to 2025–26). • We supported a network of Climate Champions and Coordinators to manage our response across our network of 100+ countries.
Improved management of our carbon footprint	<ul style="list-style-type: none"> • We introduced a new global planning and reporting system to improve the management of our environmental carbon footprint across the 100+ countries where we work. • We developed net-zero targets in line with science-based target approaches.
More environmentally friendly ways of working	<ul style="list-style-type: none"> • We embedded smart, online ways of working across our global operations, reducing the need for travel. Our digital operations have accelerated, including computer-based testing, learning English and delivering events online. For example, with the increase in online IELTS testing in China, related trips reduced by approximately 60% in 2021–22. • We have developed new recycling initiatives across the network – from Tunis, where recycling in all teaching centre classrooms is supporting our environment ambitions and raising awareness in students, to Pakistan, where our Exams teams are recycling question papers. • We developed more energy-efficient approaches to heating and cooling. Newly installed geothermal heat pumps are helping the Madrid School in Spain cut emissions. The school expects to reduce its energy use in the Early Years building by more than half.

Our results from 2021–22

We remain on track to deliver our 2025 interim targets. Actuals for 2021–22 for scope 2 and scope 3 are lower than our target for 2025–26, primarily as a result of the continued disruption last year from Covid-19 which kept offices closed and ensured low levels of travel. During 2022–23 we will continue to manage this closely and revise and update policies to deliver against our environment commitments. In the UK our scope 1 and 2 emissions have reduced due in part to 2021–22 being the first full year of reporting on our new global headquarters, which is an exemplar of sustainable development with a Building Research Establishment Environmental Assessment Method (BREEAM) outstanding rating.

	2020–21 actuals (tCO2e)		2021–22 actuals (tCO2e)		2025–26 target (tCO2e)	
	Gross	Net	Gross	Net	Gross	Net
Scope 1 emissions Direct greenhouse gas emissions occur from sources that are owned or controlled by the British Council, e.g. from boilers, generators or vehicles	1,057	1,057	1,026	1,026	885	885
Scope 2 emissions Indirect greenhouse gas emissions are from the generation of purchased electricity and heat consumed by the British Council	12,512	12,411	9,420	9,242	10,260	10,250
Scope 3 emissions All other indirect emissions occurring at sources we do not own or control across the entire value chain	5,820	5,790	5,568	5,524	22,580	22,580
Total¹	19,389	19,258	16,014	15,792	33,725	33,715

Exclusions to scope include teaching partnership sites, residential properties, any unknown transport data (including commuting, transportation of exam papers and of artworks), and materials (paper usage is not recorded by all sites).

¹ Carbon emissions are reported for the global estate and calculated using the operational control approach in line with GHG Protocol. Data collected includes: electricity and natural gas usage at locations, water usage, waste generated, as well as travel for business purposes. Data has been estimated for missing electricity, water and waste data. Gas and travel data was not estimated due to the variable nature of these data elements.

Governance statement

3

Legal structure

Constitution and charitable purpose

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

The Royal Charter governs our work and states the British Council's charitable purpose in its objects. The Royal Charter was updated during 2021–22.

Until 15 December 2021 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.'

Since 15 December 2021 the British Council's objects have been:

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

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

The Trustees have given consideration to the Charity Commission for England and Wales's and the Office of the Scottish Charity Regulator's guidance to ensure that there is clear evidence of how the aims of the British Council are carried out through the activities undertaken for public benefit. Further information on activities undertaken during 2021–22 can be found within the Activity and Performance section of this Annual Report and Accounts (pages 13–32).

Group structure

The British Council heads a corporate group structure which includes subsidiary undertakings in the UK and overseas. These have been established, for reasons of legal and tax compliance, to further the British Council's charitable objects and to generate income for use by the charity. The names, countries of registration and principal activities of the subsidiary entities in the group during 2021–22 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 2021–22

The British Council receives grant-in-aid from, and is sponsored by, the Foreign, Commonwealth and Development Office (FCDO), from which the British Council has operational independence. 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 2021–22 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, the UK government and the devolved governments in Northern Ireland, Scotland and Wales. They also draw on our understanding and assessment of the needs of our partners overseas. The Corporate Plan 2022–23 to 2024–25 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 in 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 55.

Stevie Spring CBE served as Chairman throughout the reporting year. Rachel Lomax served as Deputy Chair until 2 December 2021. The Deputy Chair post then remained vacant for the remainder of the financial year. Sarah Sands was appointed as our new Deputy Chair from 19 September 2022. 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 Board of Trustees section of the British Council website.

An externally facilitated review of the effectiveness of the Board of Trustees and its committees was conducted during 2021–22. Overall, the review found that all elements of the *Charity Governance Code* were met to a 'good' or 'excellent' level. It also concluded that the Board of Trustees had steered the organisation through the Covid-19 pandemic effectively, by coming together regularly as a team and guiding and supporting the executive throughout. Meetings and Board business were seen as well conducted and with good decision-making. Induction of new Trustees was seen as a strength.

Trustee recruitment and induction

The Nominations Committee identifies the Selection Panel for the appointment of new Trustees. As and when required, the Chairman leads the recruitment of a new Deputy Chair, and the Deputy Chair leads the recruitment of a new Chairman.

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

- Until 15 December 2021, the Secretary of State for Foreign, Commonwealth and Development Affairs had the right to nominate one Trustee. Since 15 December 2021, under the revised Royal Charter and Bye-Laws, the Secretary of State for Foreign, Commonwealth and Development Affairs has the right to nominate three persons as Trustees. During 2021–22 these posts were filled by Thomas Drew CMG, Richard Hookway and David Lefevre.
- One Trustee post was filled by the Chair of the Northern Ireland, Scotland or Wales country committees (further information on page 41), co-opted on a rotating basis for a two-year period. During 2021–22 this was held by the Chair of the Wales Committee, Robert Humphreys CBE FLSW, until 10 June 2021. This Trustee post has been held by the Chair of the Scotland Committee, Dame Seona Reid DBE, since 11 June 2021.
- All other Trustees, including the Chairman and the Deputy Chair, were elected by the Board following an open recruitment process, with appointment to the Chairman and the Deputy Chair posts also subject to the prior approval of the Secretary of State for Foreign, Commonwealth and Development Affairs.

Elected Trustees are appointed to the Board for a term of three years, with the possibility of re-election for a further three years. Re-election to the Chairman and the Deputy Chair posts is also subject to the prior approval of the Secretary of State for Foreign, Commonwealth and Development Affairs. Nominated Trustees are appointed for one or more terms of up to six years in total. 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 2021–22

There were seven formal Board meetings held in 2021–22. There were also separate meetings held to consider the revised Royal Charter and Bye-Laws and to consider a major commercial transaction. In addition, there were regular calls throughout the year to review progress in managing the impact of Covid-19.

Overall, the increased level of Board activity observed during the year reflected what continued to be an exceptional and difficult period for the British Council, as it continued to manage the significant impact of Covid-19 and responded to geopolitical events.

Matters considered by the Board during the year included:

- the continued 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 of discontinued operations (see note 12(d)) and reviewing our wider examinations strategy
- funding provided by the FCDO
- the outcome of the successful search for a new Chief Executive, who was appointed by the Board and took up their position on 1 September 2021.

Trustees also provided strategic input into the development of the Corporate Plan 2022–23 to 2024–25 during the year, which extended into the following year and was approved by the Board in July 2022.

In addition to the matters above, the Board continued to receive regular updates from its committees and from senior management. This included financial updates and organisational performance and impact reports.

During 2021–22 the Board approved a restructuring of its committees and updated related terms of reference. Further information on this can be found in the Board's committees section of this Governance statement.

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

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

The Board's committees

The Board's decision-making is supported by detailed scrutiny carried out by its committees. The Board was supported by five standing committees throughout the majority of 2021–22. A Board review of the standing committee structure during the year led to some changes. These came into effect late on in the reporting year and their implementation was phased to meet organisational needs.

Until March 2022, the five standing committees were: Audit and Finance, Commercial, Nominations, Remuneration, and Risk. Since March 2022, the five

standing committees have been: Audit and Risk, Commercial, Finance, Nominations, and Remuneration and People.*

The key changes made to the standing committee structure can be illustrated as follows:

Until March 2022	Since March 2022	Key changes
Audit and Finance Committee	Audit and Risk Committee	<ul style="list-style-type: none"> New committee took on responsibilities for risk management and related scrutiny (excluding people-related risks) (separate Risk Committee no longer needed and removed from structure). New committee kept responsibility for external reporting and external audit but no longer had responsibility for financial planning and monitoring.
	Finance Committee (since February 2022)	<ul style="list-style-type: none"> New committee took on responsibility for financial planning and monitoring, to strengthen Board-level oversight on a continued basis.
Commercial Committee	Commercial Committee	<ul style="list-style-type: none"> Committee took on an additional advisory role to the Board in respect of new income and fundraising opportunities.
Nominations Committee	Nominations Committee	<ul style="list-style-type: none"> No material changes.
Remuneration Committee	Remuneration and People Committee	<ul style="list-style-type: none"> Committee took on additional responsibility for people-related risks and related scrutiny.
Risk Committee	-	<ul style="list-style-type: none"> As outlined above.

The membership of the standing committees as at the end of February 2022 and as at the end of March 2022, respectively, is shown on page 55. The Board's committees have continued to meet regularly following the end of the reporting year.

Minutes of standing committee meetings, excluding those of the Remuneration and People Committee (formerly 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.

Audit and Finance Committee (until March 2022)

Chaired by Mark Beddy, the Audit and Finance Committee maintained an overview of financial risk management and governance processes across the British Council Group, ensuring that the system of internal financial control was satisfactory to deliver regulatory compliance, financial probity and value for money. The Committee reviewed and challenged the British Council's financial plans and performance in the interest of the long-term financial viability of the British Council. It oversaw external and internal audit arrangements and reviewed and approved the annual internal audit plan and the internal audit charter.

During 2021–22 the Committee held five formal meetings. Matters considered by the Committee included review of the 2021–22 budget prior to submission to the Board for approval, updates from the temporary Cashflow Committee (until February 2022), and updates on the internal control environment. Consistent with past years, the Committee also considered management accounts, internal and external audit reports, and findings from fraud investigations.

The Committee held its final meeting on 15 March 2022 to review the 2020–21 Annual Report and Accounts, prior to submission to the Board for approval. Updates on this were received by the Committee over the course of the year, with the Committee giving its particular attention to the going concern assessment. Alongside this the Committee also supported and challenged the executive in its work to develop a new reserves policy.

* During 2021–22 a Cashflow Committee was also in place, until February 2022. This temporary Committee was set up by the Board in 2020–21, to help steward the organisation's response to the financial impact of Covid-19. Since February 2022, its responsibilities have been assumed by the newly formed Finance Committee. However, the newly formed Finance Committee first met in February 2022, before the Audit and Finance Committee in place under existing arrangements held its final meeting, in March 2022. This led to a brief overlap of less than one month.

Audit and Risk Committee (since March 2022)

Chaired by Richard Hookway, the Audit and Risk Committee held its first meeting on 28 March 2022. The Committee maintains an overview of key aspects of the British Council Group's systems of governance, risk management and internal control. Its responsibilities include scrutinising risk appetite and risk strategy and advising the Board in these areas, supporting the Board in determining and monitoring the principal risks profile, oversight of the internal control environment, oversight of internal and external audit arrangements and related activity, and reviewing external financial reporting to provide assurance to the Board.

Matters considered by the Committee at its only meeting of 2021–22 included an update on the principal risks profile, approval of the 2022–23 internal audit plan, and a report on concerns raised (whistleblowing) and serious incidents to be reported to the Charity Commission for England and Wales.

Risk Committee (until March 2022)

Chaired by Rachel Lomax until 2 December 2021,* the Risk Committee reviewed the organisation's principal and emerging risks, excluding finance-related risks that were reviewed by the Audit and Finance Committee. The Risk Committee held the executive to account for identifying and managing risks in line with the risk appetite articulated by the Board of Trustees.

During 2021–22 the Risk Committee held two formal meetings. Matters considered by the Committee included review of the statement of risk appetite prior to submission to the Board, cybersecurity update reports, and an update on the insurance renewal strategy. The Committee also considered the principal risks profile, as well as reports on 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 47–50.

Commercial Committee

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

During 2021–22 the Committee held eight formal meetings. Matters considered by the Committee included the planning and performance of the British Council's commercial businesses (with a focus on particular countries), post-Covid-19 recovery, the strategy and direction for examinations, and the group's partnerships and investments related to digital products.

Finance Committee (since February 2022)

Chaired by Mark Beddy, the Finance Committee took on the responsibilities of the temporary Cashflow Committee and the financial monitoring remit of what had been the Audit and Finance Committee. The Committee scrutinises financial plans, performance and forecasts, reviews cash forecasts (including delegated authority from the Board for related decisions), and reviews cases for investment in excess of £15 million before they go to the Board for approval.

During 2021–22 the Committee held its first two formal meetings. Matters considered by the Committee included review of the monthly management accounts, consideration of cashflow forecasts, and scrutiny of the proposal for a new loan facility for BC Holdings (United Kingdom) Limited, for Board approval.

*

Due to the Board's planned changes to the standing committee structure at the time, it was agreed not to appoint a new Risk Committee Chair. The Risk Committee held its final meeting in November 2021, though formally remained in place as a standing committee until March 2022.

Nominations Committee

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

During 2021–22 the Committee held four formal meetings. Matters considered by the Committee included the appointment of a new Chief Executive and the process to appoint a new Deputy Chair, which extended into the following year.

Remuneration Committee (until March 2022) and Remuneration and People Committee (since March 2022)

Chaired by Rachel Lomax until 2 December 2021, and by Stephen Deuchar for the remainder of 2021–22, the Remuneration and People Committee (formerly 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 63–70.

The Committee annually reviews remuneration packages for staff that exceed £100,000 per year. 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.

Since March 2022, the reformed Committee also maintains oversight of risks related to our workforce (people) and equality, diversity and inclusion.

During 2021–22 the Remuneration Committee held four formal meetings and one formal meeting as the Remuneration and People Committee.

UK country advisory committees

The Board of Trustees, the Chief Executive and the British Council's country teams in Northern Ireland, Scotland and Wales draw on the professional advice and external perspective of the British Council's UK country advisory committees for Northern Ireland, Scotland and Wales. Members of the country advisory committees who served during 2021–22 are listed on page 56. Further information about the committees 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 2021–22 are listed in the remuneration report on pages 63–70. Kate Ewart-Biggs OBE was Interim Chief Executive and Accounting Officer until 31 August 2021. Scott McDonald has been the Chief Executive and Accounting Officer since 1 September 2021.

Appointments to the Senior Leadership Team are filled through open recruitment. New members receive induction briefings which include our governance arrangements. A register of interests of members of the Senior Leadership Team is published on the British Council’s website and is updated annually. On 31 March 2022 the Senior Leadership Team comprised one woman and nine men. In addition to the members of the Senior Leadership Team, Senior Leadership Team meetings are attended by the Director Communications, Secretary to the Board and, on a rotating basis, by a Regional Director.

The Remuneration and People Committee (formerly 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 including equality, safeguarding, the environment, fair competition, information governance, complaints, and our 'zero tolerance' policy towards fraud, bribery and corruption. The Global Policy Statements are reviewed and approved by the Chief Executive annually. They apply to all British Council employees and govern any others working on British Council premises, including partners of, and suppliers to, the British Council.

During 2021–22 a new Speak Up Policy was issued to employees, replacing the previous Raising Concerns Policy. This sets out how employees can raise concerns about malpractice or wrongdoing confidentially and without fear of victimisation or disadvantage. It provides details of internal contacts and external agencies to whom employees can report concerns, including how concerns can be raised anonymously. Alongside the roll-out of the new policy, an executive-level Speak Up Committee was established to provide governance and oversight of the Speak Up arrangements. The Committee, which draws its membership from the Senior Leadership Team and wider Global Leadership Team, ensures that concerns are correctly investigated and that appropriate follow-up action is taken.

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.

During 2021–22, the British Council continued to develop and strengthen its information governance and security framework, to ensure ongoing compliance with the General Data Protection Regulation (GDPR), the UK Data Protection Act 2018 (DPA), and best practice.

As part of the British Council's project management standards, technical security and data protection impact assessments (DPIAs) continue to be carried out against all new projects, systems and initiatives that process personal information. Improved standardisation of the DPIA process and the appointment of a DPIA Quality Assurance Manager have strengthened compliance monitoring and the support available to the business in this area.

During the reporting year, we initiated a significant programme of work to ensure the British Council meets the requirements of new privacy laws in China. This work includes the development of a China Data Protection Strategy and the recruitment of a dedicated Data Protection Officer in the country.

A project to review the use of multi-factor authentication across British Council systems has been initiated following the end of the reporting year, ensuring that all systems accessed across unsafe networks are secure. Work to review and improve the management and oversight of cookies across British Council websites has been ongoing, adjusting to new caselaw and guidance as required.

The International Data Transfer Agreement and Addendum issued by the Information Commissioner's Office (ICO) during the reporting year has been incorporated into the British Council's standard contractual clauses for use within our procurement processes.

During 2021–22 we reported one personal data incident to the ICO and to the Charity Commission for England and Wales. The incident related to a vulnerability identified in relation to a third-party processor and was contained once identified. We then worked with the processor to consider and put in place additional security arrangements. Following the end of the reporting year we reported a further personal data incident to the Charity Commission for England and Wales, related to an incident reported to the ICO by our sponsor department during the reporting year.

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 £424,500 (2020–21: £359,500). In addition to this fee, total audit fees of £480,474 (2020–21: £526,799) were payable to the auditors of the group's component audits. Further disclosures regarding the auditors are given on page 58 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 Risk Committee (and previously the Audit and Finance Committee). The Director of Internal Audit formally reports to both the Chair of the Audit and Risk Committee (functional line) and the Chief Operating Officer (administrative line). The Audit and Risk Committee reviews and approves internal audit's annual work plan and receives reports on delivery against that plan and audit findings. Following the end of the financial year the Audit and Risk Committee receives a summary of the results from internal audit's work during the year.

In 2021–22 internal audit provided assurance on overseas operations as well as assurance over programmes, information technology and other principal risk areas. Due to some resourcing challenges and business recovery from the impact of Covid-19, there was some risk-based prioritisation of the audit plan to ensure sufficient coverage across all key risk areas. In 2021–22, there were no reports with an unacceptable assurance rating. For 2021–22, the FCDO conducted a Central Assurance Assessment of the British Council which concluded that the British Council has the systems and processes in place to operate an effective system of governance and internal control overall. This resulted in an overall 'moderate assurance' assessment. The review evaluated the organisation against the five pillars of the FCDO due diligence framework: governance and internal control, ability to deliver, financial stability, downstream delivery, and safeguarding.

To further strengthen governance and control, the organisation has set up the Internal Control and Compliance (ICC) team to provide stronger central oversight and management of the Internal Control Environment (ICE).

Based on work undertaken in 2021–22 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 2022.' This is in line with previous years' assurance opinions. A total of 19 audits were delivered in the financial year. None of the audit reports provided an 'unacceptable' assurance rating. As a result of the audits completed, work is being undertaken to further enhance aspects of our control environment related to procurement and expenditure, change management, and data protection and information governance.

Monitoring of audit actions remains an ongoing process. Significant progress was made in 2021–22 in the implementation of long outstanding audit actions as well as the timely closure of more recent actions. At the end of the year the average age of outstanding audit actions improved by 64%.

Risk management and control

Approach to risk management

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

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

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

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

They maintain oversight of the principal risks facing the British Council through periodic review, in order to satisfy themselves that the risks are being adequately mitigated and managed. This oversight is partly managed by the Audit and Risk Committee (and formerly the Risk Committee, with some exceptions under the previous committee arrangements).

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

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

Risk management is continually evolving and maturing, and progress has continued to be made this year. We have continued to refine and improve the articulation of our principal risks, enhanced reporting structures, and more closely aligned our principal risks with our insurance portfolio and internal audit activities. In addition, risk management is becoming further aligned and integrated within corporate performance monitoring routines, and insights from risk reporting across the organisation continue to improve.

Risk profile

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

The order of the following risk areas does not indicate priority, severity or ranking. Next to each risk we highlight how we mitigate these risks and the plans that are put in place to further reduce the organisation's risk exposure. The key mitigations reported have been extracted from the overall control framework which manages these risks.

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

Risk area	Mitigations and ongoing actions
<p>Financial sustainability</p> <p>Risks related to our cash flow, liquidity, and going concern status; cost base and efficiency; and overall financial sustainability.</p>	<p>Progress continues to be made against efficiency targets and establishing a lower cost operating model, and the 2021–22 financial outcome was positive. Funding, which includes a loan, has been agreed with the FCDO, and the continued delivery of transformation will further reduce cost base, improve operating efficiency, and allow investment in new products and services to grow income and surplus. A Board Finance Committee is in place to provide strategic oversight of financial performance and sustainability.</p>
<p>Commercial performance in English and Exams</p> <p>Risks related to the relevance and performance of our products and services in English and Exams, and our ability to meet customer needs.</p>	<p>We continue to maximise our support for and response to the recovering international education mobility market post-Covid-19. Continuing disruption to our ability to deliver face-to-face teaching is being mitigated by an ongoing English Online offer, which is part of a portfolio of digital English propositions being developed. A fully digital IELTS Indicator product is also available, and a successor product is under development. We are transforming our face-to-face teaching network to leverage opportunities for multi-country working, and a project is underway to review and improve customer experience across all products and services.</p>

Risk area	Mitigations and ongoing actions
<p>Reliance on key geographies and products</p> <p>Risks relating to the reliance of our financial model on the sustained performance of our business across key geographies and products, and the impact that disruption in these markets would have on global financial sustainability.</p>	<p>We have developed risk analysis and plans in relation to a range of possible scenarios impacting our key geographies and products. In addition, our ongoing investment in digital capabilities and product diversification will in the long term reduce and limit the extent of our reliance. We continue to make progress on delivering a more flexible cost model and continue to maintain close working relationships with host government agencies, UK missions in country, and across HMG departments, to ensure agility in times of stress.</p>
<p>Cultural Engagement income diversification</p> <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 our ongoing ability to secure funding required to sustain and grow our Cultural Engagement impact.</p>	<p>Our sector and client engagement teams, in place at global and regional levels, enable us to effectively gather insight and understand changing dynamics, evaluate demand, and scope opportunities. We have completed a portfolio review to align our Cultural Engagement programmes with FCDO geographic and thematic grant-in-aid allocations and agreed a new global partnerships framework and strategy. In addition, our new operating model has been designed and substantial progress made in implementation, and we are implementing a new approach to business development, including full-cost recovery contracts.</p>
<p>Relevance in a digital world</p> <p>Risks related to our ability to maintain relevance to our stakeholders and customers in a digital world and build an efficient, data-led organisation.</p>	<p>We have developed and disseminated a Digital Strategy and embedded digital thinking and practices into our overall organisational strategy. We have also improved digital skills training and awareness, particularly among leadership roles, and embedded digital KPIs within performance management targets and processes. Our Digital and Technology functions are now part of Global Operations, enabling us to ensure holistic management of shared operational infrastructure, and we've established dedicated Digital Lead and Product Owner roles in English and Exams and Cultural Engagement Strategic Business Units.</p> <p>The development of our digital roadmap continues with defined digital initiatives and milestones, and our operating model transformation will enable further integration with business units.</p>

Risk area	Mitigations and ongoing actions
<p>Success of transformation</p> <p>Risks related to failing to deliver the benefits of transformation – a sustainable and effective organisation, supported by the right processes and culture, and able to continue to change.</p>	<p>We have a dedicated Transformation Programme Team, ensuring effective governance, co-ordination, oversight, and assurance, and our Internal Audit function were engaged during the programme set-up phase to provide additional advice and assurance. Operating model changes have been delivered across Teaching, Marketing, Global Operations, Cultural Engagement, and the Global Network to provide sustainability, with the focus now on ensuring effectiveness within these structures. Market engagement for Professional Services transformation is complete, and the next stage of the process is underway. The transformation programme continues, with workstreams focused on improving business processes to ensure we can work efficiently and effectively, and organisational culture so that our people can succeed. We are also focused on ensuring that the post-transformation organisation has the capability to continue to adapt and change as needed going forwards.</p>
<p>Political</p> <p>Risks relating to our relationship with His Majesty's Government (HMG) and all four governments of the UK, and our ability to effectively respond to a fast-moving and complex political landscape.</p>	<p>Our Policy and External Relations Team is in place to co-ordinate strategic engagement and consistent messaging across all stakeholders, including HMG, select committees and devolved governments, particularly in times of a changing political environment. We maintain an ongoing commitment to supporting the international ambitions of all four governments of the UK and have senior-level meetings and ongoing discussions throughout the year. Regular British Council–FCDO Strategic Forums create the opportunity for closer relationships and agreed KPIs and associated targets are regularly tracked to ensure delivery against shared priorities. We also build advocacy through close working relationships with embassies at-post, and inclusion of British Council activities in overseas ministerial visits.</p>
<p>Business integrity</p> <p>Risks relating to our ability to maintain the integrity of our activities, and to meet internal and external control and compliance requirements.</p>	<p>We have dedicated, specialist second-line-of-defence compliance functions in place for key areas and have embedded risk management within these functions. We have established a Compliance Working Group to enable collaboration and alignment across functions, and a new Internal Control and Compliance function is now in place to provide central oversight and co-ordination. Priority initiatives are being developed, informed by external benchmarking and consultancy support. A new 'Speak Up' Framework has been developed and launched, incorporating improved governance and senior oversight, to ensure that concerns can be raised and incidents investigated effectively. We continue to be subject to a range of external assurance reviews, and a recent FCDO Central Assurance Assessment resulted in a positive outcome.</p>

Risk area	Mitigations and ongoing actions
<p>Information security</p> <p>Risks relating to the confidentiality, integrity, and availability of our data and IT systems.</p>	<p>We have invested significantly in recent years to deliver improvements to a range of technical and organisational measures and capabilities to improve our security posture. We have improved security on end user devices and conducted a detailed review to ensure compliance with cyber laws globally. Budget arrangements are in place to ensure agility in responding to changing security needs, and we are developing plans to further improve vulnerability management, widen multi-factor authentication, and more effectively monitor and enforce policy compliance.</p>
<p>People and culture</p> <p>Risks related to our ability to attract and retain the right skills and experience to meet our organisational needs, and to foster successful organisational values and culture.</p>	<p>We continue to develop and deploy pay and reward initiatives, including exceptional interventions targeted at high-risk business areas, and are developing a business case for reward adjustment and flexibility frameworks to enable us to recruit and retain key talent more effectively. This year we have adopted embedded hybrid working policies and continued delivery of our Well-being Strategy including training 100+ mental health first aiders. The British Council code of conduct, equality and diversity policies and strategies are in place, and we've carried out an employee survey to evaluate employee engagement and enablement, with action plans developed to address areas of improvement. We remain committed to, and have progressed delivery of, our Anti-Racism Action Plan, and a review of our approach to equality, diversity and inclusion, including resourcing, is underway. Finally, a comprehensive review of our organisational culture has been launched, linked to our wider transformation programme.</p>

Risk appetite

Following the end of the 2021–22 financial year, the Board of Trustees approved a revised Risk Appetite Statement. Our risk appetite is dynamic and is updated as necessary to reflect any significant changes in the context in which we operate.

As we consider and maintain our risk appetite to reflect context and changing environmental factors, there may be circumstances, such as those experienced dealing with the Covid-19 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 British Council's purpose is to support peace and prosperity by building connections, understanding and trust between people in the UK and countries worldwide. We combine the expertise of the UK's cultural and education sectors with our global presence. We share our values and export ideas, having difficult discussions and finding common ground. We work directly with individuals to gain skills and confidence and to build networks. We work with governments and sector partners, in the UK and globally. With a global presence and large, varied, and often complex operations, the risks we face are significant and wide-ranging.

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

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

The British Council has a cautious and balanced appetite for risk. Our preference is for reduced risk and uncertainty, but we acknowledge that some risk taking will be required, and that it is not possible, nor desirable, to eliminate all risk inherent in our activities. We will need to take risks to strengthen our impact in priority areas and respond to the challenges we face. Risks will be mitigated 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 governance, management and administration. In addition to the Board's accountability for risk management, guidance issued by the Charity Commission for England and Wales states: *'The trustees should, at least annually, ensure a review is conducted of the effectiveness of the charity's internal financial controls.'*

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

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

- A Central Assurance Assessment undertaken by the FCDO, which concluded that the British Council has the systems and processes in place to operate an effective system of governance and internal control overall. This resulted in an overall 'moderate' assurance assessment.
- An ongoing assessment of governance and internal control across the organisation, including policies, procedures, systems and processes. Continuing work in this area will benefit from the formation of the Internal Controls and Compliance Team in January 2022. Its initial focus has included identifying and classifying global policies and controls, validating requirements around annual returns and compliance checks, and leading the response to the FCDO's Central Assurance Assessment.
- Assurance work conducted by the British Council's financial policy and compliance, legal, counter-fraud, information governance, and risk management teams among others.
- A process of quarterly assessment of compliance with key financial controls by all countries and subsidiaries, providing assurance that the organisation's financial controls are monitored and reported on and plans are in place to address any control gaps identified.
- The work of internal audit, which provides an independent and objective opinion on the adequacy of processes around risk, control, governance and finance systems. The overall assurance status is rated as 'Moderate' as per the previous year.
- The Audit and Finance Committee and, at the end of the year, the Audit and Risk Committee, providing oversight and guidance on the work of finance and internal audit and considering 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 2021–22, and up to the date of signature, to have been effective.

Stevie Spring CBE
Chairman, British Council,
on behalf of the Board of Trustees
13 December 2022

Scott McDonald
Chief Executive and Accounting Officer,
British Council
13 December 2022

Board and committee membership

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The tables on page 55 list all those who served on the Board of Trustees during 2021–22. The tables also indicate Trustees who served on the Board's standing committees as at the end of February 2022 and as at the end of March 2022, respectively, reflective of changes made to the committee structure during the year.

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

Sarah Sands was appointed as Deputy Chair with effect from 19 September 2022 and Professor Wendy Alexander was appointed as a Trustee with effect from 1 October 2022. There were no other changes after the end of the year.

External members of the Board's committees

Throughout 2021–22, Lindsay Croisdale-Appleby CMG served as an external member of the Remuneration Committee (and later the Remuneration and People Committee). Rajiv Garodia served as an external member of the Commercial Committee throughout the year and Peter Phippen served as an external member of the Commercial Committee until 18 September 2021. Nazim Girnary served as an external member of the Audit and Finance Committee until March 2022 and then the Audit and Risk Committee following changes made to the committee structure.

UK country committees

The members of the British Council's UK country advisory committees for Northern Ireland, Scotland and Wales during 2021–22 are listed on page 56. Further information about each committee is available on the British Council website.

Members of the Board of Trustees during 2021–22 and the Trustees serving on its standing committees

April 2021 to February 2022	Start/end of term if not a Trustee for the full year	Board meeting attendance ¹	Membership of the standing committees on 28 February 2022				
			Audit and Finance	Commercial	Nominations	Remuneration	Risk
Stevie Spring CBE (Chairman)		6/6			X		
Rachel Lomax (Deputy Chair)	End: 02/12/21	4/4	X		X	X	X
Mark Beddy		6/6	X	X	X		
James Cronin	End: 21/09/21	3/3	N/A				
Sir Stephen Deuchar CBE		6/6				X	X
Yasmin Diamond CB		5/6		X		X	
Thomas Drew CMG		4/6			X		
Deborah Forster MBE	End: 31/08/21	3/3	N/A				
Richard Hookway	Start: 12/10/21	3/3		X			
Rob Humphreys CBE	End: 10/06/21	2/2	N/A				
David Lefevre	Start: 12/10/21	2/3		X			
Rageh Omaar		3/6	N/A				
Malcolm Press		6/6	N/A				
Clare Reddington		4/6	N/A				
Dame Seona Reid DBE	Start: 11/06/21	4/4				X	
Sushil Saluja		6/6		X			
Fiona Salzen		6/6	X	X			X

March 2022	Start/end of term if not a Trustee for the full year	Board meeting attendance ¹	Membership of the standing committees on 31 March 2022				
			Audit and Risk	Commercial	Finance	Nominations	Remuneration and People
Stevie Spring CBE (Chairman)		1/1			X	X	
Mark Beddy		1/1	X		X	X	
Sir Stephen Deuchar CBE		1/1					X
Yasmin Diamond CB		1/1		X			X
Thomas Drew CMG		1/1				X	
Richard Hookway	Start: 12/10/21	1/1	X				
David Lefevre	Start: 12/10/21	1/1		X			
Rageh Omaar		0/1	N/A				
Malcolm Press		1/1	X				
Clare Reddington		1/1	N/A				
Dame Seona Reid DBE	Start: 11/06/21	1/1					X
Sushil Saluja		1/1		X	X		
Fiona Salzen		1/1	X	X	X		

¹ In this column the first number shows the number of Board meetings attended, the second the number of Board meetings that the person was eligible to attend as a Trustee for the period.

Membership of the UK country committees

Committee	Members during 2021–22	Start/end of term if not a member for the whole year
Northern Ireland	Alan Shannon CB (Chair)	End: 31 January 2022
	Katy Radford (Chair)	Start: 2 February 2022
	Gren Armstrong	
	Mike Brennan (ex officio)	
	Gordon Brown (ex officio)	Start: 13 April 2021
	Linsey Farrell (ex officio)	Start: 7 December 2021
	John Greer	
	Liam Hannaway	Start: 13 April 2021
	Fiona Hepper (ex officio)	End: 12 April 2021
	Dr Andrew McCormick (ex officio)	End: 12 April 2021
	John McGrillen	End: 9 March 2022
	Tom Reid (ex officio)	Start: 10 August 2021
	Professor Ian Montgomery (ex officio)	End: 12 April 2021
	Terri Scott (ex officio)	Start: 10 August 2021
	Maeve Walls (ex officio)	
	Michael Wardlow	
Scotland	Dame Seona Reid DBE FRSE (Chair)	
	Professor Anne Anderson OBE FRSE	End: 1 September 2021
	Russell Bain (ex officio)	End: 6 July 2021
	Beth Bate	
	Professor Graham Caie CBE FRSE FEA FRSA	End: 1 September 2021
	Sarah Deas	End: 1 June 2021
	Sandra Gunn	
	Janette Harkess	
	Gary Kerr	Start: 7 March 2022
	Asif Khan	
	Steven Kidd	
	Alan MacKay	
	Dr Bill Maxwell	
	Mariam Omari	End: 7 March 2022
	John Primrose	Start: 6 July 2021
	Dr Cindy Sughrue OBE FRSA	End: 1 September 2021
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)	End: 10 February 2022
	Karl Napieralla OBE	End: 5 October 2021
	Catherine Paskell	
	Zenny Saunders (ex officio)	Start: 11 February 2022
	Lleucu Siencyn	
	Gary Williams (ex officio)	Start: 11 February 2022
	Rhiannon Wyn Hughes MBE FRSA	

Reference and administrative details

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

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

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

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

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

External auditors:

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

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

UK legal advisers: The British Council draws on advice from a range of legal firms according to the jurisdiction and subject matter on which advice is required. The British Council's main providers of external legal advice in the UK during 2021–22 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, 24 King William Street, London EC4R 9AT, 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 2021–22 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 during the reporting year. We continued to ensure that our procedures were compliant with the UK GDPR and Data Protection Act (2018) and did not receive any complaints about British Council fundraising activities during the year.

Statement of the Trustees' and Accounting Officer's responsibilities

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

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

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

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

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

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

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

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
13 December 2022

Scott McDonald
Chief Executive and Accounting Officer,
British Council
13 December 2022

Senior Leadership Team remuneration report

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Senior Leadership Team remuneration report – part one

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 2021–22, 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 their total remuneration, if they are successful in meeting a number of targets and objectives. Bonuses paid to the Senior Leadership Team are solely related to performance levels attained and are made as part of the appraisal process. The bonuses reported in 2021–22 relate to performance in 2020–21.

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 2021–22 (in bands of £5,000) £'000	Salary 2020–21 (in bands of £5,000) £'000	Bonus payments 2021–22 (in bands of £5,000) £'000	Bonus payments 2020–21 (in bands of £5,000) £'000	Value of pension benefits for single total figure of remuneration for 2021–22 (to the nearest £1,000) £'000	Value of pension benefits for single total figure of remuneration for 2020–21 (to the nearest £1,000) £'000	Total salary benefits 2021–22 (in bands of £5,000) £'000	Total salary benefits 2020–21 (in bands of £5,000) £'000
McDonald, S ¹ Chief Executive Full year equivalent	145–150 245–250	N/A	N/A	N/A	56,000	N/A	200–205	N/A
Ewart-Biggs, K ¹ Deputy Chief Executive Full year equivalent ¹	145–150	130–135	0–5	N/A	104,000	84,000	250–255	215–220
Devane, C ² Chief Executive Full year equivalent	N/A	145–150 195–200	N/A	N/A	N/A	57,000	N/A	205–210
Williams, A Chief Operating Officer	120–125	140–145	0–5	N/A	98,000	45,000	220–225	185–190
Robson, M Director English and Exams	165–170	165–170	0–5	N/A	64,000	64,000	225–230	230–235
Arthurs, K ³ Interim Director Arts Full year equivalent	N/A	25–30 90–95	N/A	N/A	N/A	11,000	N/A	35–40
Stephens, M Director Cultural Engagement	115–120	125–130	0–5	N/A	20,000	69,000	140–145	190–195
Thomas, R ⁴ Chief Financial Officer	135–140	135–140	0–5	N/A	N/A	N/A	140–145	135–140
Horton, A Director Digital, Partnerships and Innovations	120–125	120–125	0–5	N/A	48,000	48,000	170–175	170–175
Ward, C ⁵ Global People Director	N/A	145–150	N/A	N/A	N/A	N/A	N/A	145–150
Patel, S ⁶ Chief People Officer Full year equivalent	120–125	5–10 115–120	0–5	N/A	350,000	27,000	475–480	35–40
Walker, M ⁷ Director Transformation Full year equivalent	115–120	25–30 115–120	0–5	N/A	114,000	19,000	235–240	45–50
Walker, C ⁸ Director Global Network Full year equivalent	115–120	25–30 115–120	0–5	N/A	113,000	39,000	235–240	65–70

1. Ms K Ewart-Biggs was promoted to Interim Chief Executive from 1 January 2021 to 31 August 2021 (full year equivalent banded salary of £140,000–£145,000). After this period she became the Deputy Chief Executive (full year equivalent banded salary of £145,000–£150,000). 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. Ms K Arthur's appointment was a temporary promotion from 21 May 2018 to 19 July 2020.

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

5. Ms C Ward's service ended on 31 March 2021.

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

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

8. Mr C Walker's initial appointment was a temporary promotion from 1 January 2021 to 30 June 2021. This appointment 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 Chairman 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 55.

Senior Leadership Team remuneration report – part two

Pension benefits

Name and position	Accrued pension at pension age as at 31 March 2022 (in bands of £5,000) £'000	Accrued lump sum at pension age as at 31 March 2022 (in bands of £5,000) £'000	Real increase (decrease) in pension at pension age (in bands of £2,500) £'000	Real increase (decrease) in lump sum at pension age (in bands of £2,500) £'000	CETV at 31 March 2022 (to nearest £1,000) £'000	CETV at 31 March 2021 (to nearest £1,000) £'000	Real increase (decrease) in CETV funded by employer (to nearest £1,000) £'000
McDonald, S Chief Executive	0–5	N/A	2.5–5	N/A	45	N/A	34
Ewart-Biggs, K Deputy Chief Executive	50–55	90–95	5–7.5	5–7.5	928	803	76
Devane, C Chief Executive	N/A	N/A	N/A	N/A	N/A	414	N/A
Williams, A Chief Operating Officer	45–50	95–100	5–7.5	5–7.5	919	794	76
Robson, M Director English and Exams	55–60	N/A	2.5–5	N/A	937	850	48
Arthurs, K Interim Director Arts	N/A	N/A	N/A	N/A	N/A	239	N/A
Stephens, M Director Cultural Engagement	55–60	45–50	0–2.5	0	1,022	963	3
Thomas, R Chief Financial Officer	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Horton, A Director Digital, Partnerships and Innovations	15–20	N/A	2.5–5	N/A	220	178	27
Patel, S Chief People Officer	55–60	135–140	15–17.5	37.5–40	1,183	812	322
Walker, M Director Transformation	35–40	N/A	5–7.5	N/A	555	447	79
Walker, C Director Global Network	30–35	90–95	5–7.5	15–17.5	735	590	118

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 switched 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 their 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 or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Senior Leadership Team remuneration report – part three

Pay multiples

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

The banded full year equivalent remuneration of the highest-paid director in the British Council in the financial year 2021–22 was £245,000 – £250,000 (2020–21: £195,000–£200,000), which is a 25% increase from the previous year. This was six times (2020–21: five) the median remuneration of the workforce. The remuneration ratio has changed due to a change of the most highly paid director, which was the appointment of the new Chief Executive.

The median remuneration of the workforce was £43,347 (2020–21: £41,642). This is a 4% increase from the previous year.

	2021–22		
	Total remuneration	Salary	Ratio
25th percentile of all UK-appointed staff	£31,168	£22,750	8
Median of all UK-appointed staff	£43,347	£38,755	6
75th percentile of all UK-appointed staff	£61,036	£56,966	4

In 2021–22, no employee (2020–21: no employee) received remuneration in excess of the highest-paid director. Remuneration ranged from £20,000 – £250,000 (2020–21: £20,000 – £199,000).

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

13 December 2022

Scott McDonald
Chief Executive and Accounting Officer,
British Council

13 December 2022

Financial review

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Financial highlights

	2021–22 £ Million	2020–21 £ Million	Change %
Total income from normal operations	897	925	(3)
Net expenditure from normal operations	(49)	(91)	(46)
Total reserves	447 ^a	333	34
Free reserves^b	93	4	N/A
Grants paid	106	210	(50)
	£	£	
Income raised for every £1 received from grant-in-aid	3.9	5.4	

Summary of results

Total income generated from normal operating activities by the British Council dropped by approximately 3.1% to £897 million (2020–21: £925 million), principally due to the reduction in contract income as the Erasmus+ scheme came to an end.

For every £1 of government grant-in-aid from the FCDO, an additional £3.9 was generated from other sources compared to £5.4 last year.

Total pre-tax expenditure from normal operating activities improved by 7.2% to £935 million (2020–21: £1,008 million) as the British Council adjusted its operational expenditure globally to mitigate the impact of Covid-19 and started winding down the Erasmus+ scheme.

Included in income and expenditure above are net foreign exchange loss of £7 million (2020–21: £15 million losses) mainly arising from the strengthening of sterling against other major currencies over the course of the year.

The net expenditure from normal operating activities improved by £42 million to £49 million (2020–21: £91 million). This was driven by enhanced cost saving measures and the reduction of grants paid under the Erasmus+ scheme.

Total reserves increased overall by £114 million to £447 million (2020–21: £333 million), while the British Council's free reserves increased by £89 million to £93 million (2020–21: £4 million), primarily due to the proceeds of discontinued operations (see note 12(d)).

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

a)
Total reserves include net gain of £129 million generated from the proceeds of discontinued operations (see note 12(d)).

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

Income

Donations

The main element of this is government grant-in-aid income of £183 million (2020–21: £145 million). The proportion of total income from grant-in-aid has increased by 4.7% to 20.4% (2020–21: 15.7%).

Income from charitable activities

Income from charitable activities dropped by 7.3% to £706 million compared to £762 million in 2020–21. (For a breakdown of this income by charitable activities please see note 4 of the accounts).

The British Council's teaching and exams income increased by 14.5% to £513 million this year (2020–21: £448 million), as the British Council reopened most of its teaching and exams operations following the easing of Covid-19 restrictions in most jurisdictions. However, during the financial year, the British Council's teaching and exams operations were still impacted by new restrictions in key markets, in particular China.

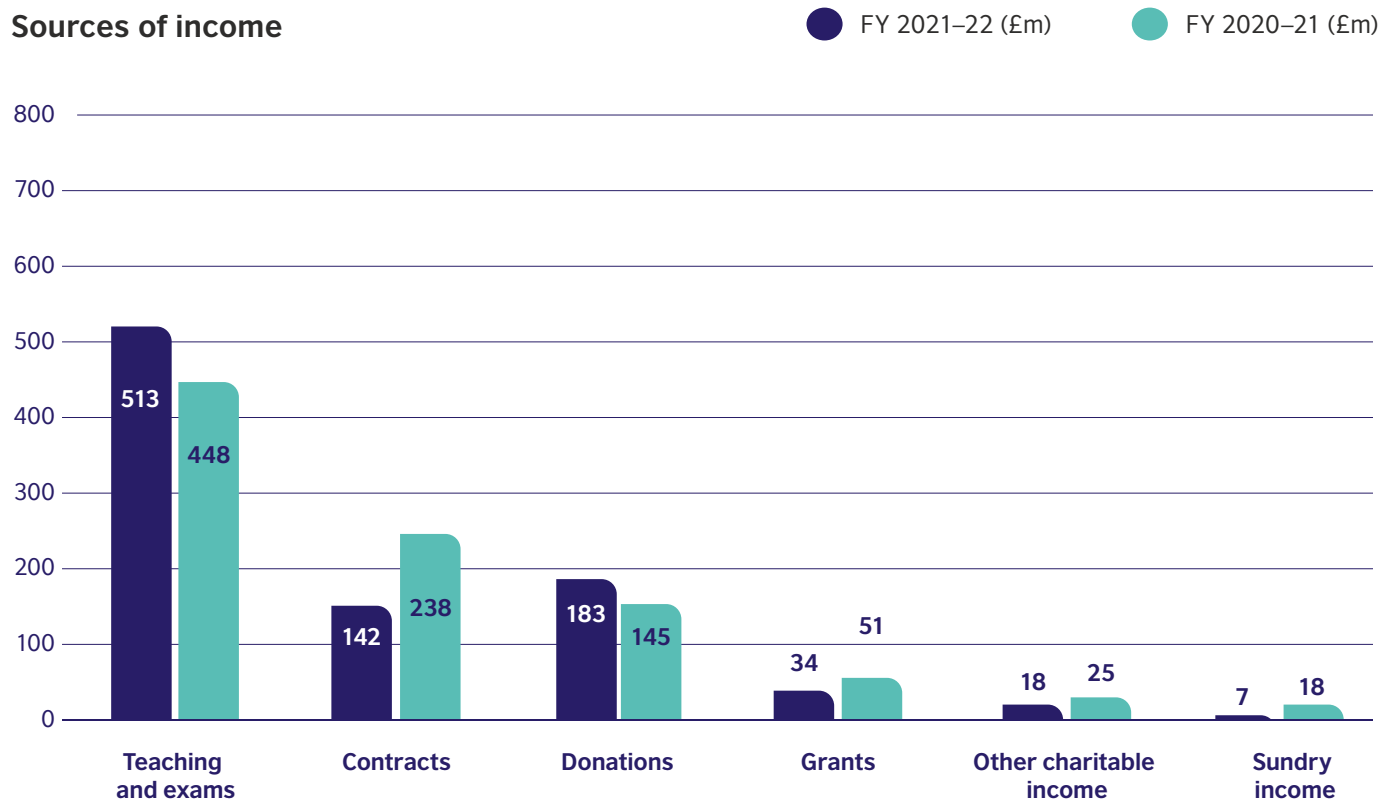
The British Council also receives contract and grant income mainly for the delivery of programmes in Cultural Engagement. Contract income decreased by 40% to £142 million (2020–21: £238 million). Grant income also decreased by 33.3% to £34 million (2020–21: £51 million). Erasmus+ contributed income of £52 million in 2021–22, a decrease of £107 million on 2020–21 due to a reduction in activity as the scheme winds down. Excluding Erasmus+, other contract and grant income reduced by £7 million.

The British Council received other charitable income of £18 million (2020–21: £25 million).

Sundry income

Income from other trading activities, predominantly sponsorship income, was £0.3 million (2020–21: £0.5 million). Income from investments dropped to £1 million (2020–21: £2 million). Other income was composed of predominantly foreign exchange gains which dropped to £5 million (2020–21: £9 million). This is offset by foreign exchange losses of £12 million.

Sources of income



Expenditure

Expenditure on charitable activities

Expenditure on charitable activities decreased by 7.2% to £935 million compared to £1,008 million in 2020–21 as the British Council reduced costs due to the impact of 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 2021–22, £106 million of grants were payable to individuals and institutions, a 49.5% decrease from £210 million in 2020–21, mainly driven by a decrease in Erasmus+ activity.

Direct costs increased by 5.7% to £667 million (2020–21: £631 million) as a result of the increase in the British Council's income-generating activities, predominantly teaching and exams. Total exchange losses of £12 million (2020–21: £24 million) are included within direct costs.

Support costs decreased by 3% to £162 million (2020–21: £167 million). The 2021–22 figure for support costs includes £15 million (2020–21: nil) in respect of restructuring.

The British Council received £145 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.

In addition, the FCDO granted the British Council £38 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 £30 million (2020–21: £13 million). Capital expenditure also includes £7 million (2020–21: £17 million) relating to such projects. These projects involve investments in new technology and processes to support sustainability.

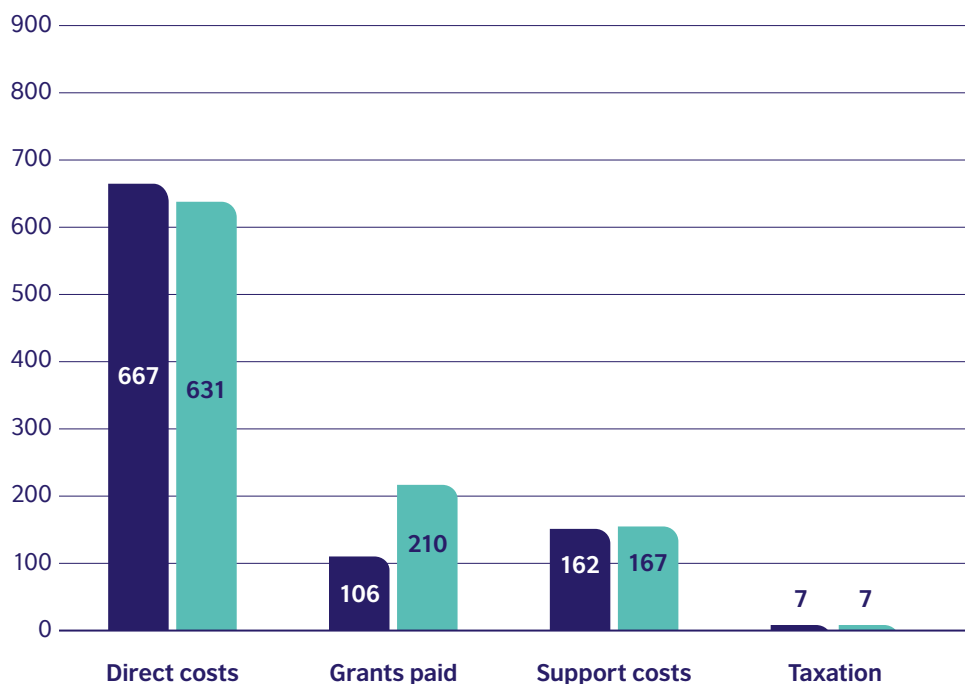
Taxation

The tax charge of £7 million (2020–21: £7 million) includes no exceptional prior period costs (2020–21: £1 million) as the British Council resolved its historic tax status in certain overseas jurisdictions.

Resources expended

● FY 2021–22 (£m)

● FY 2020–21 (£m)

**Revaluation of land and buildings**

The British Council revalued approximately one-fifth of its portfolio of land and buildings as at 31 March 2022. 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 increase in property value of £2 million which has been recognised within the Revaluation Reserve.

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

Fair competition

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

Fraud prevention and detection

The British Council is committed to its policy of zero tolerance to fraud and to being transparent in its management of counter-fraud. During 2021–22, 130 instances (2020–21: 124 instances) of fraud were recorded with gross losses of £0.21 million (2020–21: £0.14 million).

Further information including details on sanctions applied to cases can be obtained in the *British Council Counter Fraud Cases Report 2021–22*, 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 2022 had a liability of £1 million arising from open contracts (31 March 2021: £0.6 million). Other foreign exchange needs are met by spot transactions as they are required. Further details on how the British Council manages its exposure to foreign currency risk are set out in note 24 of the accounts.

b. Cash management

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

c. Short-term investments

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

Information on payment policy

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

During the financial year, 95% (2020–21: 73%) 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 2021–22 was 14,942 (2020–21: 31,758).

Trade creditor days for the British Council's UK activity for the year ended 31 March 2022 were 14 days (2020–21: 14 days).

Reserves

The British Council Group has £447 million total reserves (2020–21: £333 million), of which £106 million is restricted (2020–21: £93 million). Restricted funds are those that are held for specific purposes and relate primarily to the British Council's arts collection and amounts held in trusts. Unrestricted reserves comprise the Capital, Revaluation and unrestricted Heritage Asset Reserves, together with the General Account, Risk Reserve, Limited Access Reserve and Investment Fund. The Capital Account, Revaluation Account and unrestricted Heritage Asset Reserve, which amount to £248 million, can only be released through the sale of those assets (2020–21: £236 million).

The British Council's free reserves of £93 million (2020–21: £4 million) is represented by the balance in the General Account, Limited Access Reserve and Risk Reserve.

The Limited Access Reserve is designated to cover funds that are not readily available for use, including trapped cash, the non-distributable reserves of subsidiaries (for the group accounts) and bank bonds and guarantees. At 31 March 2022, the British Council had sufficient free reserves to cover the sum of these balances, which was £53.6 million.

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

Going concern 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 2021–22, 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 £129 million through an agreement with IDP not to compete in the IELTS exams market in India and through the disposal (to IDP) of its subsidiary in India which provided local administrative support services to the British Council in respect of the British Council's IELTS sales to customers based in India.
- Following the 2021 Spending Review, it agreed a grant-in-aid settlement with the FCDO covering the three years from 2022–23 of £511 million in total, £396 million for ODA with the balance for non-ODA activities. This provides much 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 2024, 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 next financial year.

The Trustees recognise that the pandemic and its associated restrictions continue to affect operations, and the impact, combined with geopolitical events, on the British Council's commercial activities remains unclear. To help manage this downside risk, the British Council continues to include contingencies in its projections and has set aside part of the proceeds from the transaction with IDP to build cash reserves to help cover 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 2021–22 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. The proceeds from the transaction with IDP, combined with the continued impact of Covid-19, have resulted in the year-end free reserve position of £93 million. Cash flow projections indicate the British Council will require this reserve over the coming months to support activities and it is recognised that it will take a number of years to achieve the target. In the absence of adequate reserves, the British Council will remain reliant on the 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

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

Opinion on financial statements

I have audited the financial statements of the British Council and its Group for the year ended 31 March 2022.

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

- The Consolidated and British Council Balance Sheets as at 31 March 2022;
- The Consolidated Statement of Financial Activities, The Consolidated Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

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

In my opinion, the financial statements:

- give a true and fair view of the state of the British Council and its Group's affairs as at 31 March 2022 and 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 and the Charities Act 2011.

Opinion on regularity

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

Material uncertainty relating to going concern

I draw attention to Note 27 of the financial statements, which describes material uncertainties that may cast significant doubt over the British Council's ability to continue as a going concern in the future, in relation to the level of longer-term support that would be needed if certain risks, including the impact of Covid-19 and geopolitical events in key markets, were to materialise.

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

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

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

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 nor my auditor's report. The Trustees and Accounting Officer are responsible for the other information.

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

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

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

I have nothing to report in this regard.

Opinion on other matters

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

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

Matters on which I report by exception

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

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

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

Responsibilities of the Trustees and Accounting Officer for the financial statements

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

- 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 the 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; and
- assessing the British Council and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees and the Accounting Officer either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- the nature of the sector, control environment and operational performance including the design of the British Council and its Group's accounting policies, key performance indicators and performance incentives.
- 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 and its Group'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 and its Group's controls relating to the British Council's compliance with 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 and involving relevant internal and external specialists, including Overseas Tax support, Heritage assets, Land and Buildings Valuations regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

Audit response to identified risk

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

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

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

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

Other auditor's responsibilities

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

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

Report

I have no observations to make on these financial statements.

Use of our report

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

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

Gareth Davies

Comptroller and Auditor General

14 December 2022

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

Accounts

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Accounts

Consolidated Statement of Financial Activities for the year ended 31 March 2022

		Continuing operations Unrestricted	Discontinued ² operations Unrestricted	Continuing operations Restricted	2021–22 Total	Continuing ¹ operations Unrestricted	Discontinued ^{1,2} operations Unrestricted	Continuing ¹ operations Restricted	2020–21 ^{1,2} Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income and endowments from:									
Donations and legacies	3	35,196	–	148,245	183,441	13,001	–	131,500	144,501
Charitable activities									
Developing a wider knowledge of the English language		525,054	10,219	12,954	548,227	449,141	30,175	17,508	496,824
Encouraging educational co-operation and promoting the advancement of education		25,975	–	73,015	98,990	23,055	–	186,479	209,534
Encouraging cultural, scientific and technological co-operation		1,515	–	8,581	10,096	468	–	9,490	9,958
Building capacity for social change		9,984	–	38,832	48,816	14,937	–	31,108	46,045
Total income received to promote cultural relationships and the understanding of different cultures	4	562,528	10,219	133,382	706,129	487,601	30,175	244,585	762,361
Other trading activities		287	–	–	287	323	–	–	323
Investments		1,486	–	–	1,486	2,207	–	–	2,207
Profit on disposal of fixed assets		146	–	–	146	6,604	–	–	6,604
Foreign exchange gains		5,167	–	–	5,167	8,969	–	–	8,969
Total income		604,810	10,219	281,627	896,656	518,705	30,175	376,085	924,965
Expenditure on:									
Raising funds		44	–	–	44	69	–	–	69
Charitable activities									
Developing a wider knowledge of the English language		592,270	7,676	35,696	635,642	525,254	24,245	39,432	588,931
Encouraging educational co-operation and promoting the advancement of education		37,192	–	137,821	175,013	22,789	–	243,442	266,231
Encouraging cultural, scientific and technological co-operation		11,157	–	52,499	63,656	27,100	–	43,475	70,575
Building capacity for social change		7,887	–	53,031	60,918	34,359	–	48,144	82,503
Total resources expended to promote cultural relationships and the understanding of different cultures	5(a)	648,506	7,676	279,047	935,229	609,502	24,245	374,493	1,008,240
Taxation	8	6,687	351	–	7,038	6,112	693	–	6,805
Total expenditure		655,237	8,027	279,047	942,311	615,683	24,938	374,493	1,015,114

Consolidated Statement of Financial Activities for the year ended 31 March 2022 (continued)

		Continuing operations Unrestricted	Discontinued ² operations Unrestricted	Continuing operations Restricted	2021–22 Total	Continuing ¹ operations Unrestricted	Discontinued ^{1,2} operations Unrestricted	Continuing ¹ operations Restricted	2020–21 ^{1,2} Total
Notes	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure on:									
Profit on sale of discontinued operations		–	128,910	–	128,910	–	–	–	–
(Loss)/Gain on equity investments	12(b)	(705)	–	–	(705)	(657)	–	–	(657)
Net (expenditure)/income		(51,132)	131,102	2,580	82,550	(97,635)	5,237	1,592	(90,806)
Transfers between funds:									
Transfer of unrestricted heritage asset reserve to restricted funds	18(a), 18(b)	(12,434)	–	12,434	–	(502)	–	502	–
Other recognised gains/ (losses):									
Funds spent from restricted reserves	18(a)	1,562	–	(1,562)	–	3,940	–	(3,940)	–
(Losses)/Gains on revaluation of tangible fixed assets	18(a)	1,767	–	–	1,767	(7,092)	–	–	(7,092)
Gains on revaluation of intangible fixed assets	18(a)	230	–	–	230	716	–	–	716
Gains on revaluation of heritage assets	18(a)	29,010	–	–	29,010	9,178	–	–	9,178
Transfer from revaluation reserve	18(a)	–	–	–	–	(5,836)	–	–	(5,836)
Transfer between unrestricted reserves	18(a)	131,102	(131,102)	–	–	5,237	(5,237)	–	–
Foreign exchange differences arising on consolidation of foreign operations	18(a)	1,343	–	–	1,343	(37)	–	–	(37)
Net movement in funds		101,448	–	13,452	114,900	(92,031)	–	(1,846)	(93,877)
Total funds brought forward		239,651	–	92,919	332,570	331,682	–	94,765	426,447
Total funds carried forward		341,099	–	106,371	447,470	239,651	–	92,919	332,570

The British Council's non-consolidated total incoming resources for 2021–22 were £921.2 million (2020–21: £813.9 million); total resources expended were £823.5 million (2020–21: £904.3 million); and total net incoming resources were £97.7 million (2020–21: net outgoing resources of £90.4 million).

Restricted activity includes £37.6 million (2020–21: £145.5 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 £14.4 million (2020–21: £8.3 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 94 to 140 form part of these accounts.

¹ The comparatives for the financial year 2020–21 have been restated to match the updated format of the Consolidated Statement of Financial Activities for the financial year 2021–22.

² These columns represent the income and expenses of the sale of BCEESIPL and the net sale proceeds of the non-complete arrangement with IDP (see note 12(d)).

Consolidated and British Council Balance Sheet at 31 March 2022

	Notes	Group		British Council	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Non-current assets					
Intangible fixed assets	9	15,061	14,234	14,963	14,022
Tangible fixed assets	10	154,922	159,879	148,730	153,783
Heritage assets	11	182,154	153,144	182,154	153,144
Investments	12(a)	120	120	547	547
Investments in joint venture	12(b)	1,429	1,277	1,429	1,277
Total non-current assets		353,686	328,654	347,823	322,773
Current assets					
Loans to subsidiaries	12(f)	–	–	1,139	2,268
Loans to joint ventures	12(c)	227	1,024	–	–
Stock		509	633	466	590
Debtors	13	171,368	143,075	202,374	152,518
Short-term investments	14(b)	116,643	62,594	109,711	52,479
Cash at bank	14(a)	376,169	367,858	311,809	314,040
Total current assets		664,916	575,184	625,499	521,895
Liabilities: amounts falling due within one year					
Creditors (amounts falling due within one year)	15(a)	(457,612)	(527,357)	(447,930)	(515,697)
Short-term provision for liabilities and charges	16	(27,434)	(15,394)	(26,670)	(15,022)
Net current assets		179,870	32,433	150,899	(8,824)
Total assets less current liabilities		533,556	361,087	498,722	313,949
Liabilities: amounts falling due after more than one year					
Creditors (amounts falling due after more than one year)	15(c)	(56,800)	–	(56,800)	–
Terminal gratuity	17	(29,286)	(28,517)	(25,391)	(25,045)
Net assets		447,470	332,570	416,531	288,904

Consolidated and British Council Balance Sheet at 31 March 2022 (continued)

	Notes	Group		British Council	
		2022	2021	2022	2021
		£'000	£'000	£'000	£'000
Funds and reserves					
Unrestricted funds					
General account	18(a)	–	3,607	–	(33,750)
Limited access reserve	18(a)	53,600	–	29,800	–
Risk reserve	18(a)	39,009	–	38,161	–
Investment fund	18(a)	–	–	–	–
Capital account	18(a)	81,605	87,732	77,938	87,228
Revaluation account	18(a)	88,378	86,381	85,755	80,577
Heritage asset reserve – unrestricted	18(a)	78,506	61,930	78,506	61,930
Total unrestricted funds		341,098	239,650	310,160	195,985
Restricted funds					
Income reserve – restricted	18(b)	2,578	1,562	2,578	1,562
Expendable endowment reserve	18(b)	145	143	145	143
Heritage asset reserve – restricted	18(b)	103,648	91,214	103,648	91,214
Total restricted funds		106,371	92,919	106,371	92,919
Total charity funds		447,469	332,569	416,531	288,904
Minority interest	18(a)	1	1	–	–
Total funds		447,470	332,570	416,531	288,904

Approved by the Board of Trustees and signed on its behalf on 13 December 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	2021–22		2020–21	
		£'000	£'000	£'000	£'000
Net income/(expenditure) (as per the Consolidated Statement of Financial Activities)			82,550		(90,806)
Adjustments for:					
Interest receivable		(1,486)		(2,207)	
Interest and commitment fees on FCDO loan		939		441	
Depreciation charges including impairments	10	9,358		11,756	
Amortisation charges including impairments	9	3,674		4,600	
(Gain) on the sale of tangible fixed assets		(1)		(761)	
(Gain) on the sale of non-current investments		(3)		(31)	
Loss on equity investment	12(b)	705		657	
Interest on loan to joint venture		(22)		(2)	
Taxation charge	8	7,038		6,805	
Decrease in stock		124		100	
(Increase)/decrease in debtors excluding foreign exchange translation		(30,790)		35,363	
(Decrease)/increase in creditors excluding overseas corporation tax creditors, loan from FCDO and foreign exchange translation		(17,704)		11,662	
Increase in provisions excluding foreign exchange translation		12,963		7,517	
Revenue from sale of discontinued operations		(133,746)		–	
Total adjustments			(148,951)		75,900
Net cash flow from operating activities			(66,401)		(14,906)

Consolidated cash flow statement for the year ended 31 March 2022

		2021–22		2020–21	
	Notes	£'000	£'000	£'000	£'000
Cash flows from operating activities:					
Net cash flow from operating activities		(66,401)		(14,906)	
Overseas corporation tax paid		(1,933)		(5,271)	
Net cash provided by/(used in) operating activities			(68,334)		(20,177)
Cash flows from investing activities:					
Interest receivable		1,486		2,207	
Purchase of intangible fixed assets	9	(4,268)		(3,943)	
Purchase of tangible fixed assets	10	(4,804)		(12,353)	
Proceeds from the sale of of tangible fixed assets		541		5,615	
Purchase of non-current investments	12(b)	(796)		(448)	
Proceeds from sale of non-current investments		3		21	
Revenue from sale of discontinued operations		133,746		–	
Net payments into short-term deposits	14(b)	(54,049)		25,348	
Net cash provided by/(used in) investing activities			71,859		16,447
Cash flows from financing activities:					
Loan impaired/(to) joint venture	12(c)	797		(609)	
Loan from FCDO (net)	15	4,475		52,000	
Interest and commitment fees on FCDO loan		(939)		(441)	
Net cash provided by/(used in) financing activities			4,333		50,950
Movements in cash and cash equivalents in the year			7,858		47,220
Change in cash and cash equivalents due to foreign exchange rate movements			453		(2,361)
Cash and cash equivalents at start of year	14(a)		367,858		322,999
Cash and cash equivalents at end of year	14(a)		376,169		367,858

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 2021–22 (the FRM), where this exceeds but does not conflict with the SORP.

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

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

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

(b) Consolidation

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

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

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

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

(c) Going concern

The accounts for the year ended 31 March 2022 have been prepared on a going concern basis: both the Board of Trustees and management believe that this is an appropriate basis of preparation. Note 27 details how the British Council has reached this assessment.

(d) Foreign exchange

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

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

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

(e) Key accounting estimates and judgements

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

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

(i) Valuation of property

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

(ii) Heritage assets

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

(iii) Provisions

Taxation

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

Redundancy

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

2 Accounting policies

(a) Fund accounting

Funds are classified as either unrestricted or restricted.

(i) Unrestricted funds

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

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

(ii) Restricted funds

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

(iii) Transfer between funds

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

(b) Income

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

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

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

(i) Income from donations

Income from donations comprises:

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

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

(ii) Income from charitable activities

Income from charitable activities comprises:

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

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

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

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

Income from charitable activities is analysed by activity. The British Council's charitable objects changed in December 2021 (see the Governance statement on page 34 for more information). The analysis of income and expenditure by activity has been kept on the same basis to reflect the previous objects that applied for the majority of the year. The analysis will be updated in the next financial year.

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 2021–22, the British Council used volunteers to provide logistical and administration support, for example at some British Council events in the UK and overseas.

(c) Recognition of expenditure

All expenditure is accounted for on an accruals basis.

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

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

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

(d) Classification of expenditure

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

(i) Expenditure on charitable activities

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

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

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

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

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

(e) Taxation

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

(i) Income tax

The British Council as a registered charity is exempt from UK Corporation Tax on its income and gains falling within Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objects. Accordingly, no UK Corporation Tax has been incurred by the charity during 2021–22.

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

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

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

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

(ii) Value added tax

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

(f) Intangible fixed assets

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

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

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

(g) Tangible fixed assets

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

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

(i) Depreciation

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

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

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

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

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

(ii) Valuation basis

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

Land and buildings are valued by 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 the heritage assets are included in the Balance Sheet. Heritage assets are not depreciated as they are considered to have an indefinite life.

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

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

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

In 2021–22, the top 100 items by value and a sample of other items in other categories were revalued. Please see note 11 for details of work revalued during the financial year.

The valuations are either by a professional external valuer or by the Head of Collection and Collection Manager, who make the valuations by reference to sales of comparable items at auction. A professional external valuer was used in 2021–22.

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

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

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

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

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

(i) Non-current investments

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

(j) Current assets and liabilities

(i) Assets and liabilities

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

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

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

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

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

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

(ii) Financial instruments

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

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

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

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

(k) Leases

(i) Operating leases

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

The British Council does not have any finance leases.

(l) Pension schemes and other post-employment benefits

(i) Civil Service pension arrangements

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

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

Early retirement in the Civil Service pension arrangements

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

(ii) Other pension schemes

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

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

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

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

(iii) Terminal gratuities

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

(m) Redundancy costs

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

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

(n) Contingent liabilities

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

3 Donations and legacies

	2021–22			2020–21		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Grant-in-aid – revenue	35,190	148,245	183,435	13,000	131,500	144,500
Donated services, goods and facilities	6	–	6	1	–	1
Total donations	35,196	148,245	183,441	13,001	131,500	144,501

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	2021–22 Total
	£'000	£'000	£'000	£'000	£'000
Unrestricted					
Contract income	9,658	22,088	708	9,596	42,050
Teaching and exams	512,789	185	–	–	512,974
Other income	12,826	3,702	807	388	17,723
Total unrestricted income	535,273	25,975	1,515	9,984	572,747
Restricted					
Contract income	6,961	59,950	3,130	29,533	99,574
Grants for delivering specific charitable activities	5,993	13,065	5,451	9,299	33,808
Total restricted income	12,954	73,015	8,581	38,832	133,382
Total					
Contract income	16,619	82,038	3,838	39,129	141,624
Grants for delivering specific charitable activities	5,993	13,065	5,451	9,299	33,808
Teaching and exams	512,789	185	–	–	512,974
Other income	12,826	3,702	807	388	17,723
Total income received to promote cultural relationships and the understanding of different cultures	548,227	98,990	10,096	48,816	706,129

Included in the charitable income analysis above is £nil (2020–21: £1.78 million) received under the UK Government Coronavirus Job Retention Scheme to cover the wages of employees on temporary leave (furlough).

	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

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	2021–22 Total
	£'000	£'000	£'000	£'000	£'000
Grants payable	3,328	67,910	19,778	15,207	106,223
Direct costs	516,209	90,393	30,410	30,097	667,109
Support costs	116,105	16,710	13,468	15,614	161,897
Total resources expended to promote cultural relationships and the understanding of different cultures	635,642	175,013	63,656	60,918	935,229

	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

Included in the above resources expended are costs of £282 million (2020–21: £374 million) relating to restricted expenditure. Also included are costs of £1.2 million (2020–21: £0.44 million) relating to finance charges on the loan received from the FCDO.

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

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

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

Included in the above support costs are foreign exchange losses of £11.8 million (2020–21: £23.8 million).

(b) Audit and non-audit fees

Included in direct costs and support costs are fees of £0.42 million payable to the National Audit Office for the audit of the Consolidated and British Council 2021–22 Annual Report and Accounts (2020–21: £0.36 million). There were no fees payable to the National Audit Office in respect of non-audit work.

In addition, total audit fees of £0.48 million (2020–21: £0.53 million) were payable to the auditors of the group's component audits. These comprise the audits of the group's subsidiaries and the British Council's overseas branches where an audit is required by local regulations.

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

	2021–22	2020–21
	£'000	£'000
Assurance	20	51
Tax advisory	220	134
Other advisory or accountancy	291	620
Total	531	805

(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	2021–22 Total
	£'000	£'000	£'000	£'000	£'000
Property and related costs	32,836	4,726	3,809	4,416	45,787
IT	28,216	4,061	3,273	3,795	39,345
Finance	14,028	2,019	1,627	1,886	19,560
General administration	12,899	1,856	1,496	1,734	17,985
Human resources	10,403	1,497	1,207	1,399	14,506
Governance	5,501	792	638	740	7,671
Other	12,222	1,759	1,418	1,644	17,043
Total support costs	116,105	16,710	13,468	15,614	161,897

	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
Finance	11,158	1,568	2,041	2,952	17,719
General administration	13,161	1,849	2,407	3,482	20,899
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

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

Included in the above table are support costs in relation to grant-making activities of £19.1 million (2020–21: £37.8 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	2021–22 Total
	£'000	£'000	£'000	£'000	£'000
Universities	29	43,764	5,406	1,099	50,298
Charities, NGOs and social enterprises	–	11,104	648	11,318	23,070
Colleges	–	5,663	170	82	5,915
Schools	–	2,223	22	–	2,245
Other bodies	3,280	331	–	1,245	4,856
Local government bodies	–	2,660	263	9	2,932
Arts bodies	–	1,126	11,951	1,257	14,334
Environmental groups	–	65	–	81	146
National and international government bodies	–	–	59	–	59
Total grants to institutions	3,309	66,936	18,519	15,091	103,855
Grants to individuals	19	974	1,259	116	2,368
Total grants payable to promote cultural relationships and the understanding of different cultures	3,328	67,910	19,778	15,207	106,223

	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
Charities, NGOs and social enterprises	–	14,457	495	7,979	22,931
Colleges	–	10,193	38	2	10,233
Schools	–	17,917	–	251	18,168
Other bodies	2,193	42,717	–	3,196	48,106
Local government bodies	–	6,049	101	84	6,234
Arts bodies	–	2,475	12,476	2,368	17,319
Environmental groups	–	1,516	–	193	1,709
National and international government bodies	–	1,536	175	–	1,711
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

The following institutions received £750,000 or more of grants from the British Council during 2021–22. Together these grant awards account for a total of £32.8 million (2020–21: £74 million):

Birmingham City University	University College London
Cardiff Council	University of Birmingham
Cardiff University	University of Edinburgh
Coventry University	University of Exeter
Council for Technical Education and Vocational Training	University of Glasgow
Durham University	University of Gloucestershire
Everything is Possible	University of Hull
INASP	University of Kent
International Links Global Ltd	University of Leeds
King's College London	University of Nottingham
Lancaster University	University of Oxford
Loughborough University	University of Sheffield
Nottingham Trent University	University of Surrey
The University of Manchester	University of Warwick
Twin Training International	We Are Unlimited Arts

7 Staff emoluments and related costs

(a) Total staff costs

	2021–22	2020–21
	£'000	£'000
Wages and salaries – permanent staff	256,585	284,480
Wages and salaries – non-permanent staff	66,308	56,498
Social security costs	11,554	12,133
Other pension costs	34,997	22,234
Early retirement costs	6,187	709
Total staff costs	375,631	376,054

Included in non-permanent wages and salaries is £56 million (2020–21: £48 million) relating to English language oral examiners, examination markers and invigilators who are paid on an hourly/daily rate. The remaining costs for non-permanent wages and salaries relate to contracted staff who are filling vacant roles.

(b) The average number of employees by headcount

	2021–22	2020–21
	Average no. of staff	Average no. of staff
United Kingdom		
Management and administrative (senior managers – 297 (2020–21: 281))	1,059	1,119
Overseas		
Management and administrative (senior managers – 239 (2020–21: 249))	6,814	7,681
Teachers	1,988	2,331
Total employees	9,861	11,131

(c) Redundancy and other departure costs

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

	2021–22	2020–21	2021–22	2020–21	2021–22	2020–21
	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages by cost band	
<£10,000	2	–	5	3	7	3
£10,000 – £25,000	1	1	7	5	8	6
£25,000 – £50,000	–	–	14	3	14	3
£50,000 – £100,000	–	–	6	6	6	6
Total number of exit packages	3	1	32	17	35	18
Total resource cost (£)	25,988	14,119	1,140,218	671,414	1,166,206	685,533

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

	2021–22	2020–21	2021–22	2020–21	2021–22	2020–21
	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages by cost band	
<£10,000	154	168	88	96	242	264
£10,000 – £25,000	38	54	10	16	48	70
£25,000 – £50,000	55	10	3	7	58	17
£50,000 – £100,000	13	1	1	2	14	3
Total number of exit packages	260	233	102	121	362	354
Total resource cost (£)	3,935,218	1,909,848	499,539	957,533	4,434,757	2,867,381

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

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

(d) The current Chief Executive's full-time equivalent emoluments for the financial year 2021–22 was £325,750 comprising salary of £250,000, plus pension contributions of £75,750. The current Chief Executive was appointed on 1 September 2021. Therefore, no comparative emoluments have been provided.

The previous Interim Chief Executive's full-time equivalent emoluments for the financial year 2020–21 was £174,276 comprising salary of £133,750 plus pension contribution of £40,526. This appointment ended on 31 August 2021.

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

	2021–22	2020–21
	No. of staff	No. of staff
£60,000 – £70,000	175	183
£70,001 – £80,000	117	111
£80,001 – £90,000	89	89
£90,001 – £100,000	40	44
£100,001 – £110,000	44	34
£110,001 – £120,000	27	20
£120,001 – £130,000	16	13
£130,001 – £140,000	5	7
£140,001 – £150,000	6	8
£150,001 – £160,000	5	2
£160,001 – £170,000	2	6
£170,001 – £180,000	4	1
£180,001 – £190,000	–	1
£190,001 – £200,000	1	–
£220,001 – £230,000	–	1
Total number of employees	531	520

(f) Off-payroll engagements

For all off-payroll engagements as at 31 March 2022, for more than £245 (2020–21: £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	5
Between one and two years at time of reporting	3
Between two and three years at time of reporting	2
Between three and four years at time of reporting	1
Four or more years at time of reporting	2
Total no. of existing engagements as at 31 March 2022	13

For any new off-payroll engagements, or those that reached six months in duration, between 1 April 2021 and 31 March 2022, of more than £245 (2020–21: £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 2021 and 31 March 2022	11
Of which:	
Number assessed as within the scope of IR35	5
Number assessed as outside the scope of IR35	6
Total no. of new engagements, or those that reached six months in duration, between 1 April 2021 and 31 March 2022	11

For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 April 2021 and 31 March 2022

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

(g) Travel expenses reimbursed to seven members (2020–21: six members) of the Board of Trustees amounted to £6,400 (2020–21: £3,994).

No Trustees or any persons connected with them received any remuneration for their services during the year ended 31 March 2022 (2020–21: 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 2021–22, employers' contributions of £14,608,280 were payable to the PCSPS (2020–21: £15,282,970) at one of four rates in the range 26.6% to 30.3% 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 2021–22 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 £146,126 were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8.0% to 14.75% of pensionable earnings. Employers also match employee contributions up to 3.0% of pensionable earnings. In addition, employer contributions of £5,136: 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill-health retirement of these employees.

Contributions due to the partnership pension providers at the Balance Sheet date were £12,644 (2020–21: £9,857). Contributions prepaid at that date were £nil (2020–21: £nil). Employer contributions of £152 were also payable to the National Employment Savings Scheme (NEST) for employees auto-enrolled in that scheme (2020–21: £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 2022 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)

	2022	2021
	£'000	£'000
Fair value of scheme assets	17,662	17,193
Present value of scheme liabilities	8,064	8,772
Surplus/(deficit) in scheme	9,598	8,421
Unrecognised surplus/(deficit)	9,598	8,421
Asset/(liability) to be recognised	–	–

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

	2022	2021
	£'000	£'000
Scheme liabilities at 1 April	8,772	9,734
Interest cost	171	216
Actuarial (gains)/losses	(469)	(487)
Benefits paid and death in service insurance premiums	(410)	(821)
Past service cost	–	130
Scheme liabilities at 31 March	8,064	8,772

Details of the insured pensioners' annuities for the scheme are not included in the disclosures as the value of the assets and liabilities are equal and their inclusion would make no difference to the balance sheet. It is recognised that in the unlikely event that the insurer becomes insolvent, the British Council is ultimately liable for these liabilities in the scheme.

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

	2022	2021
	£'000	£'000
Fair value of scheme assets at 1 April	17,193	18,811
Interest income	338	422
Administration fee paid from scheme assets	(146)	(134)
Actuarial gains/(losses)	687	(1,085)
Benefits paid and death in service insurance premiums	(410)	(821)
Fair value of scheme assets at 31 March	17,662	17,193

The actual return on the Scheme assets over the year ending 31 March 2022 was a loss of £1.03 million (2020–21: loss of £0.66 million).

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

	2022	2021
	£'000	£'000
Interest cost	171	216
Interest income	(171)	(216)
Total (income)/expense recognised in the Consolidated Statement of Financial Activities	–	–

Statement of total recognised gains and losses

	2022	2021
	£'000	£'000
Actual return less expected return on pension scheme assets gain/(loss)	687	(1,085)
Experience gains and losses arising on the scheme liabilities gain/(loss)	469	487
Changes in the assumptions underlying the defined benefit obligation gain/(loss)	(1,010)	862
Total actuarial gain/(loss) before restriction due to some of the surplus not being recognisable	146	264
Effect of limit on amount of surplus recognised due to some of the surplus not being recognisable gain/(loss)	(146)	(264)
Total amount recognised in the statement of total recognised gains and losses	–	–

Assets

	2022	2021
	£'000	£'000
Equity	9,391	9,307
Bonds	3,707	4,207
Property	3,777	3,434
Cash	787	245
Total assets	17,662	17,193

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

	2022	2021
	% per annum	% per annum
Inflation	4.30%	3.40%
Salary increases	N/A	N/A
Rate of discount	2.60%	2.00%
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	3.40%	2.50%
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:

	2022	2021
	No. of years	No. of years
Male retiring today at age 65	22.1	22.1
Female retiring today at age 65	24.5	24.4
Male retiring in 20 years at age 65	23.4	23.4
Female retiring in 20 years at age 65	25.9	25.9

Expected long-term rates of return

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

Amounts for the current and previous year

	2022	2021
	£'000	£'000
Fair value of scheme assets	17,662	17,193
Present value of scheme liabilities	8,064	8,772
Surplus/(deficit) in scheme	9,598	8,421
Experience adjustment on scheme assets	687	(1,085)
Experience adjustment on scheme liabilities	469	487

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 £44,543 excluding VAT (2020–21: £45,963 excluding VAT) during the year. Two other trustees were paid fees totalling £3,937 excluding VAT (2020–21: two trustees paid £3,410) during the year. There were no travel expenses to be reimbursed during the year (2020–21: one trustee paid £48).

(j) Union officials

Total number of employees who were union officials

	2021–22	2020–21	2021–22	2020–21
	Number of employees who were relevant union officials during the relevant period		Full-time equivalent employee number	
Employees who were union officials	14	15	14	15

The number of employees that spent the following on facility time

	2021–22	2020–21
	No. of staff	No. of staff
1% – 50%	13	14
51% – 99%	–	–
100%	1	1

Percentage of the pay bill spent on facility time

	2021–22	2020–21
	£'000	£'000
Total cost of facility time	160	150
Total pay bill	81,105	85,238
Percentage of the total pay bill spent on facility time	0.20%	0.18%

Paid trade union activities

	2021–22	2020–21
	%	%
Time spent on paid trade union activities as a percentage of total paid facility time hours	–	–

8 Taxation

(a) Charge/(credit) for the year

	2021–22	2020–21
	£'000	£'000
Tax charge for the current year		
Overseas tax	7,008	6,213
Total current year tax	7,008	6,213
Tax under provided in previous years		
Overseas tax	30	592
Total prior year tax	30	592
Total tax charge	7,038	6,805

No deferred tax has been recognised for the year (2020–21: £nil).

(b) Factors affecting the current tax charge

	2021–22	2020–21
	£'000	£'000
Net (expenditure) after tax	82,550	(90,806)
Total tax charge	7,038	6,805
Net income / (expenditure) before taxation	89,588	(84,001)
Tax charge at standard UK corporation tax rate of 19% (2020–21: 19%)	17,022	(15,960)
Losses not relieviable against current income	2,652	3,148
Expenses not deductible for tax purposes	2,240	721
Irrecoverable withholding tax on repatriated funds	1,393	810
Tax under provided in previous years	30	592
Net (income)/expenditure not subject to tax (primarily due to charitable exemptions)	(14,175)	15,789
Higher taxes on overseas taxable surpluses	(2,124)	1,705
Current tax charge for year	7,038	6,805

(c) Factors that may affect future tax charges

The group has unrecognised deferred tax assets totalling £nil (2020–21: £0.7 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

	2022	2021
	£'000	£'000
Modified cost or valuation		
At 1 April	24,580	20,784
Exchange rate differences	8	(24)
Additions	4,268	3,950
Transfers of completed assets from assets under construction	–	(7)
Disposals	–	(3)
Impairment	–	(58)
Revaluations	(588)	(62)
At 31 March	28,268	24,580
Amortisation		
At 1 April	(10,346)	(6,598)
Exchange rate differences	(5)	13
Charge for the year	(3,674)	(4,572)
Disposals	–	3
Impairment	–	30
Revaluations/backlog amortisation	818	778
At 31 March	(13,207)	(10,346)
Net book value		
At 31 March	15,061	14,234
At 1 April	14,234	14,186

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

	2022	2021
	£'000	£'000
AUC cost at 1 April	3,284	334
Transfers of completed assets to additions	–	(7)
Additions to AUC	4,265	2,957
Total AUC cost at 31 March	7,549	3,284

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

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

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

*Prior period adjustment

During the year, the British Council reviewed the underlying assets of its portfolio of land and buildings and reclassified assets with an approximate current net book value of £11.4 million from freehold land and property to leasehold land and property. The opening cost of freehold land and property has been restated by reducing the balance by £13.6 million. The corresponding opening balance of accumulated depreciation has been restated by reducing the balance by £2.2 million. The opening cost of leasehold land and property has been restated by increasing the balance by £13.6 million. The corresponding opening balance of accumulated depreciation has been restated by increasing the balance by £2.2 million.

Included in tangible fixed assets are assets to the value of £47.5 million (2020–21: £40.9 million) which have been fully depreciated. These assets are still in use and provide value to the business.

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

Approximately one-fifth of all freehold and long leasehold land and buildings were revalued by CBRE with effective valuation date of 31 March 2022. The valuation exercise was done by physical inspection of the properties and a desk review where there was no physical inspection. This resulted in no impairment charge to the Consolidated Statement of Financial Activities (2020–21: £0.38 million).

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

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

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

The British Council undertook a full review of title to all properties in the financial year 2020–21 as part of the revaluation exercise. For a small number of properties, there are restrictions on the British Council's rights to the property, which include:

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

There is one property where the British Council is entitled to use the whole property, but would only be entitled to a portion of the proceeds of sale if the building were sold. The existing use value represents use of the whole property and exceeds the amount the British Council would be entitled to on sale by £9.7 million (2020–21: £9.7 million).

Within the freehold land and properties category, there is one building allocated a useful life of 60 years in 2009 that will expire in 2069. The current book value is £0.78 million (2020–21: £0.83 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 million (2020–21: £0.03 million), which are occupied by subsidiaries.

During the year, the British Council reviewed the underlying assets of its portfolio of land and building and reclassified assets with an approximate current net book value of £2.1 million from freehold land and property to leasehold land and property.

	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)
Reclassification*	(13,596)	13,596	-	-	-	-
Revaluations	(8,705)	(2,488)	-	-	-	(11,193)
At 31 March 2021	88,136	108,763	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
Reclassification*	2,225	(2,225)	-	-	-	-
Revaluations	2,852	1,249	-	-	-	4,101
At 31 March 2021	(3,998)	(40,450)	(8,238)	(6,820)	(9,262)	(68,768)
Net book value						
At 31 March 2021	84,138	68,313	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

*Prior period adjustment

During the year, the British Council reviewed the underlying assets of its portfolio of land and buildings and reclassified assets with an approximate current net book value of £11.4 million from freehold land and property to leasehold land and property. The cost of freehold land and property has been restated by reducing the balance by £13.6 million. The corresponding balance of accumulated depreciation has been restated by reducing the balance by £2.2 million. The opening cost of leasehold land and property has been restated by increasing the balance by £13.6 million. The corresponding opening balance of accumulated depreciation has been restated by increasing the balance by £2.2 million.

11 Heritage assets

	2022	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000
Modified cost or valuation					
At 1 April – cost	3,513	3,513	3,465	3,275	3,050
At 1 April – valuation	149,631	140,453	129,757	131,139	131,206
Total value at 1 April	153,144	143,966	133,222	134,414	134,256
Additions – purchased	–	–	48	191	225
Additions – donated	–	–	28	–	19
(Decrease)/increase in valuation	29,010	9,178	10,668	(1,383)	(86)
At 31 March	182,154	153,144	143,966	133,222	134,414
Unrestricted	78,506	61,930	53,254	46,859	47,895
Restricted	103,648	91,214	90,712	86,363	86,519
Total heritage assets	182,154	153,144	143,966	133,222	134,414

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

The following were reviewed and valued externally at 31 March 2022 by the Coram James – an independent arts and antique valuation firm – and are included at the valuations reached above:

- a sample of sculptures and paintings.

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

The following were reviewed and valued internally at 31 March 2022 by the Head of Collection and Collection Manager and are included at the valuations reached above:

- a sample of works across the following classification: time-based media and work on paper.

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

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

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

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

The increase in valuation figure is a net amount and includes disposals of £nil (2020–21: £80).

12 Investments

(a) Total investments

	Group		British Council	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Quoted investments	120	120	120	120
Investment in subsidiaries	–	–	427	427
Total investments	120	120	547	547

(b) Investments in joint ventures

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

	Group		British Council	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Opening balance	1,277	1,665	1,277	1,665
Investment during the year	796	426	–	–
Share of profit/(loss)	(705)	(657)	91	(231)
Exchange rate differences	61	(157)	61	(157)
Total investment in joint ventures	1,429	1,277	1,429	1,277

(1) Investment in IELTS Inc.

	Group		British Council	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Opening balance	1,277	1,665	1,277	1,665
Investment during the year	–	–	–	–
Share of profit/(loss)	91	(231)	91	(231)
Exchange rate differences	61	(157)	61	(157)
Total investment in joint venture	1,429	1,277	1,429	1,277

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	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Opening balance	–	–	–	–
Investment during the year	796	426	–	–
Share of profit/(loss)	(796)	(426)	–	–
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	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Opening balance	–	–	–	–
Investment during the year	–	–	–	–
Share of profit/(loss)	–	–	–	–
Exchange rate differences	–	–	–	–
Total investment in joint venture	–	–	–	–

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

(c) Loans to joint ventures

	Group		British Council	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Joint venture				
BC EnglishScore Limited	227	203	–	–
IELTS UK Services Ltd	–	821	–	–
Total loans to joint ventures	227	1,024	–	–

The loan to IELTS UK Services Ltd was impaired during the year.

(d) Subsidiary undertakings

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

(d) Subsidiary undertakings (continued)

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

*BC English and Examinations Services India Private Limited was sold on 29 July 2021 to IDP's local Indian subsidiary. This was part of an agreement with IDP, its Australia-based IELTS partner, for the British Council not to compete in the IELTS exams market in India. BCEESIP's primary activity was to provide local administrative support services to the British Council under an inter-company agreement in respect of the British Council's IELTS exams sales to customers based in India. Prior to its sale, BCEESIP's other exams and English service operations were transferred to a newly incorporated subsidiary, BC Education India Private Limited, which is wholly owned by the British Council Group. These transactions were completed for total consideration of £129 million on a debt-free and cash-free basis.

In the year to 31 March 2022, a new subsidiary was incorporated in Bangladesh. Additional investment was made in BC Education India Private Limited and British Council in France.

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	BC Holdings (United Kingdom) Limited	BC Education Consulting (Beijing) Co. Ltd	BC Management Services Private Limited	British Council (Singapore) Limited	British Council (Vietnam) LLC	Other subsidiaries
Registration number	07108783	91110105095353700	U74140UP2010FTC100142	201202363R	0107581903	
	£	£	£	£	£	£
Investment at 1 April 2020	1	3,360,000	961,855	-	53,000	5,580,389
Additions	-	-	-	-	-	57,626
Investment at 31 March 2021	1	3,360,000	961,855	-	53,000	5,638,015
Investment at 1 April 2021	1	3,360,000	961,855	-	53,000	5,638,015
Additions	-	-	-	-	-	3,862,642
Disposal	-	-	-	-	-	(1,739)
Impairment	-	-	-	-	-	(2,142,624)
Investment at 31 March 2022	1	3,360,000	961,855	-	53,000	7,356,294

The Disposal relates to the investment held in BC English and Examinations Services India Private Limited (see note 12(d)).

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

Entity name	BC Holdings (United Kingdom) Limited	BC Education Consulting (Beijing) Co. Ltd	BC Management Services Private Limited	British Council (Singapore) Limited	British Council (Vietnam) LLC	Other subsidiaries
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2022						
Assets	17,436	48,150	6,054	17,315	13,243	67,497
Liabilities	(16)	(28,958)	(4,336)	(12,281)	(14,021)	(68,341)
Reserves	17,420	19,192	1,718	5,034	(778)	(844)
At 31 March 2021						
Assets	16,662	35,883	5,015	15,223	12,676	56,844
Liabilities	(26)	(11,164)	(2,489)	(9,175)	(11,460)	(50,654)
Reserves	16,636	24,719	2,526	6,048	1,216	6,190
2021–22						
Income	63,361	60,887	7,219	16,212	12,665	129,379
Expenditure	(62,577)	(68,322)	(8,062)	(17,771)	(14,644)	(139,118)
Net income/(expenditure)	784	(7,435)	(843)	(1,559)	(1,979)	(9,739)
Donation of profits to the British Council	-	-	-	-	-	53
2020–21						
Income	7,184	57,395	8,701	17,116	15,412	84,840
Expenditure	(642)	(51,234)	(8,706)	(19,024)	(15,678)	(91,714)
Net income/(expenditure)	6,542	6,161	(5)	(1,908)	(266)	(6,874)
Donation of profits to the British Council	130	-	-	-	-	39

(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	
	2021–22	2020–21	2021–22	2020–21
Subsidiary	£	£	£	£
British Council in France	–	–	1,138,758	2,267,514
BC Holdings (United Kingdom) Limited	–	–	1	1
Total loans from the British Council to subsidiaries	–	–	1,138,759	2,267,515

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	
	2021–22	2020–21	2021–22	2020–21
Subsidiary	£	£	£	£
British Council Trading Services (Nigeria) Limited	5,105	7,174	206,965	276,320
British Council Indonesia Foundation	5,703	8,632	24,515	318,712
Total loans between subsidiaries	10,808	15,806	231,480	595,032

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 £1.1 million (2020–21: £2.3 million).

13 Debtors (amounts falling due within one year)

Analysis by type

	Group		British Council	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade debtors	38,191	43,502	33,191	35,089
Balances resulting from activity under contracts and agreements	67,520	43,959	66,991	43,911
Other debtors	8,704	8,450	5,599	5,223
VAT debtor	2,165	5,036	1,136	1,048
Prepayments and accrued income	54,788	42,128	44,686	28,778
Amounts due from subsidiary undertakings	–	–	50,771	38,469
Total debtors	171,368	143,075	202,374	152,518

14 Cash at bank and short-term investments

(a) Cash at bank

	Group		British Council	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Cash and cash equivalents held in:				
Sterling	154,088	95,004	142,608	83,560
Euros	99,316	160,152	98,719	159,042
US dollars	8,133	8,199	7,395	7,450
Other currencies	114,632	104,503	63,087	63,988
Total cash at bank	376,169	367,858	311,809	314,040

The total cash at bank balance includes cash held overseas of £27.1 million (2020–21: £13.7 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 at bank above is £80.6 million (2020–21: £135.9 million) which can only be spent on Erasmus+ grant making activities.

(b) Short-term investments

	Group		British Council	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Short-term deposits maturing in under one year held in:				
Sterling	76,037	41,000	76,037	41,000
Euros	22,689	–	22,689	–
Other currencies	17,917	21,594	10,985	11,479
Total short-term investments	116,643	62,594	109,711	52,479

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

15 Creditors

(a) Amounts falling due within one year

Analysis by type

	Group		British Council	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Trade creditors	38,651	30,470	34,751	25,957
Balances resulting from activity under contracts and agreements	105,184	100,147	110,541	103,762
Other creditors	21,769	33,128	21,690	30,129
Taxation and social security	7,292	9,755	6,255	5,931
VAT creditor	3,522	2,200	1,505	1,483
Deferred income	125,681	126,257	101,074	109,133
Accruals - grants payable	92,286	112,918	92,286	112,918
Accruals - other	63,227	60,482	48,486	46,581
Loan *	–	52,000	–	52,000
Amounts due to subsidiary undertakings	–	–	31,342	27,803
Total creditors falling due within one year	457,612	527,357	447,930	515,697

* The balance on the revolving credit facility of £145 million with the FCDO that had a repayment date of 31 December 2021 was repaid during the year.

(b) Analysis of deferred income

	Group		British Council	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
At 1 April	126,257	130,271	109,133	111,240
Unrealised loss on exchange rate	515	4	181	1
Income recognised during the year	(125,707)	(130,076)	(109,124)	(111,148)
Income deferred during the year	124,616	126,058	100,884	109,040
At 31 March	125,681	126,257	101,074	109,133

(c) Amounts falling due after more than one year**Analysis by type**

	Group		British Council	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Loans *	56,800	–	56,800	–
Total creditors falling due after more than one year	56,800	–	56,800	–

* The new facility with FCDO of £200 million is in two tranches with a final repayment date of 31 March 2024:

- The first tranche is a revolving credit facility of £100 million, which had a balance of £40 million at year end. The revolving credit facility is unsecured with a repayment date of 31 March 2024. Interest has been charged at SONIA (the Sterling Overnight Index Average administered by the Bank of England) plus 1.5% per annum. The commitment fee on the undrawn portion of the loan has been charged at 0.525% per annum.
- The second tranche is a loan of £100 million, available until 31 March 2023 (after which any balance owed is added to the revolving credit facility with a repayment date of 31 March 2024). This tranche had a balance of £16.8 million at year end. The loan is unsecured. Interest has been charged at SONIA plus 1.5% per annum and the commitment fee on the undrawn portion of the loan has been charged at 0.525% per annum.

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

	Early retirement	Other staff	Legal	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2021	210	564	796	13,824	15,394
Exchange rate differences	–	(5)	(8)	296	283
Net amounts utilised or reversed	(165)	(439)	(627)	(974)	(2,205)
Charged to expenditure	–	11,296	79	2,587	13,962
At 31 March 2022	45	11,416	240	15,733	27,434

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

17 Terminal gratuity

Amounts falling due after one year

	2022	2021
	£'000	£'000
At 1 April	28,517	29,300
Exchange rate differences	109	(2,009)
Net amounts utilised or reversed	(4,016)	(3,513)
Charged to expenditure	4,676	4,739
At 31 March	29,286	28,517

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

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

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

18 Movements on funds and reserves

(a) Movement in unrestricted funds

	General account	Limited access reserve	Risk reserve	Investment fund	Capital account	Revaluation account	Heritage asset reserve	Total unrestricted funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2021	3,607	–	–	–	87,732	86,381	61,930	239,650
Net income	79,970	–	–	–	–	–	–	79,970
Revaluation account movement on land and buildings	–	–	–	–	–	1,767	–	1,767
Revaluation account movement on intangible fixed assets	–	–	–	–	–	230	–	230
Revaluation of heritage assets	–	–	–	–	–	–	29,010	29,010
Foreign exchange differences arising on consolidation of foreign operations	1,806	–	–	–	(463)	–	–	1,343
Transfer to/from limited access reserve	(53,600)	53,600	–	–	–	–	–	–
Transfer to/from risk reserve	(39,009)	–	39,009	–	–	–	–	–
Transfer to/from restricted heritage asset reserve	–	–	–	–	–	–	(12,434)	(12,434)
Transfer to/from restricted grant reserve	1,562	–	–	–	–	–	–	1,562
Transfer to/from capital account	5,664	–	–	–	(5,664)	–	–	–
At 31 March 2022	–	53,600	39,009	–	81,605	88,378	78,506	341,098
Minority interest	–	–	–	–	–	–	–	1
Total capital employed	–	53,600	39,009	–	81,605	88,378	78,506	341,099

Cumulative foreign exchange losses of £11.8 million (2020–21: £12.4 million) and foreign exchange gains of £7.9 million (2020–21: £8.4 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 the British Council's subsidiaries in Thailand (see note 12(d)).

Reserves policy

The British Council's unrestricted reserves include reserves representing fixed assets: the Capital Account, Revaluation Reserve and Heritage Asset Reserve. These represent funds that are not available for other purposes, until the assets are sold. The British Council also has a Limited Access Reserve that is designated to cover other funds that are not readily available for use.

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

Limited Access Reserve

The Limited Access Reserve is designated to cover funds that are not readily available for use, including trapped cash, the non-distributable reserves of subsidiaries (for the group accounts) and bank bonds and guarantees. At 31 March 2022, the British Council had sufficient free reserves to cover the sum of these balances, which was £53.6 million.

Risk Reserve

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

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

Investment Fund

The purpose of the Investment Fund is to fund change programmes that support the British Council's strategic objectives, for example developments in products, systems or infrastructure. The balance at 31 March 2022 was £nil (2020–21: £nil). Investment activity carried out during the next financial year will be met from trading surpluses generated during the year and the FCDO term loan (see note 24 for more information about the term loan).

General Account

At 31 March 2022, the balance on the General Account was £nil (2020–21: £3.6 million). This represents non-ODA grant-in-aid that was received but not spent before the year end, where the FCDO has agreed that it can be spent in the following financial year.

(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 2021	1,562	143	91,214	92,919
Transfer from unrestricted funds; heritage assets	–	–	12,434	12,434
Funds spent from reserves	(1,562)	–	–	(1,562)
Net income	2,578	2	–	2,580
At 31 March 2022	2,578	145	103,648	106,371

Expendable endowment reserve

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

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

(c) Analysis of group net assets between funds

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

	Unrestricted funds	Restricted funds	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

19 Commitments**(a) Capital commitments**

	2022	2021
	£'000	£'000
Contracted expenditure	1,238	92

Contracted expenditure includes £0.45 million (2020–21: £0.02 million) relating to subsidiary capital commitments.

(b) Specific charitable projects (grants)

	2022	2021
To be undertaken:	£'000	£'000
In one year or less	4,091	2,278
Between one and five years	1,560	878
In five years or more	–	–
Total future minimum payments for charitable projects (grants)	5,651	3,156

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

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

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

Grants to be undertaken in the following year include £0.99 million (2020–21: £nil) relating to subsidiary charitable commitments.

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

	2022			2021		
	Land and buildings	Other	Total	Land and buildings	Other	Total
Payments to be made:	£'000	£'000	£'000	£'000	£'000	£'000
In one year or less	16,025	1,999	18,024	17,267	718	17,985
Between one and five years	26,138	3,498	29,636	26,982	682	27,664
In five years or more	56,194	–	56,194	60,891	–	60,891
Total future minimum lease payments	98,357	5,497	103,854	105,140	1,400	106,540

The total amount of lease payments recognised as an expense in the Consolidated Statement of Financial Activities is £26.3 million (2020–21: £25.8 million).

20 Analysis of changes in net debt

	At 1 April 2021	Cash flows	Foreign exchange movements	At 31 March 2022
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash at bank	367,858	7,858	453	376,169
	367,858	7,858	453	376,169
Borrowings:				
Due within one year	(52,000)	(4,800)	–	(56,800)
	(52,000)	(4,800)	–	(56,800)
Total	315,858	3,058	453	319,369

21 Losses and special payments

During the year ended 31 March 2022, there were 270 losses totalling £1,062,863 as defined in *Managing Public Money* (2020–21: 435 cases totalling £791,216). This includes fraudulent and non-fraudulent business losses.

There were eight cases totalling £140,974 that fall within the category of special payments as defined in *Managing Public Money* (2020–21: one case totalling £1,989). Where required, they were approved by HM Treasury on a value for money basis.

The British Council incurred realised foreign exchange losses of £6,998,000 (2020–21: £3,263,322).

22 Related party transactions

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

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

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

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

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

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

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

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

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
			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	–	–

23 Contingent liabilities

The British Council and its subsidiaries are currently involved in a number of legal proceedings in respect of employment and contract disputes, copyright and other legal claims. These claims include disputes with former employees with a maximum value of £2.9 million (2020–21: £1.9 million). The British Council believes that no significant losses will arise from these proceedings. The British Council has £1.5 million (2020–21: £1.4 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 2022.

24 Financial instruments

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

Credit risk

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

Liquidity risk

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

The FCDO provided the British Council with a £100 million revolving credit facility (RCF) with a maturity date of 31 March 2024 (with the FCDO option to extend by one year). The purpose of the RCF is to provide liquidity to the British Council for working capital purposes. As at the Balance Sheet date, the British Council had drawn down £40 million of this facility.

The FCDO also provided the British Council with a £100 million term loan. The term loan is for the specific investment purposes set out in the Investment Plan agreed with the FCDO. As at the Balance Sheet date, the British Council had drawn down £16.8 million of this facility.

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

Currency risk

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

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

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

The British Council operates a foreign exchange forward programme to cover up to 80% of Indian rupee 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 2022 (2020–21: £nil). At 31 March 2022, the fair value of the forward foreign exchange contracts held in Indian rupees and Chinese yuan was an unrealised loss of £1.0 million (2020–21: £0.6 million).

25 Contract activity as an agent

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

The resources from these contracts are analysed as follows:

	2021–22	2020–21
	£'000	£'000
Contract income	6,229	415
Contract expenditure	6,229	415

26 Post-Balance Sheet events

In accordance with the requirements of FRS 102, events after the end of the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General. There were no post-Balance Sheet events to report.

27 Going concern

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

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 2021–22, 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 £129 million through an agreement with IDP not to compete in the IELTS exams market in India and through the disposal (to IDP) of its subsidiary in India which provided local administrative support services to the British Council in respect of the British Council's IELTS exams sales to customers in India.
- Following the 2021 Spending Review, it agreed a grant-in-aid settlement with the FCDO covering the three years from 2022–23 of £511 million in total, £396 million for ODA with the balance for non-ODA activities. This provides much 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 2024, 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 next financial year.

The Trustees recognise that the pandemic and its associated restrictions continue to affect operations, and the impact, combined with geopolitical events, on the British Council's commercial activities remains unclear. To help manage this downside risk, the British Council continues to include contingencies in its projections and has set aside part of the proceeds from the transaction with IDP to build cash reserves to help cover 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 2021–22 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. The proceeds from the transaction with IDP, combined with the continued impact of Covid-19, have resulted in the year-end free reserve position of £92.6 million. Cash flow projections indicate the British Council will require this reserve over the coming months to support activities and it is recognised that it will take a number of years to achieve the target. In the absence of adequate reserves, the British Council will remain reliant on the 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

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

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

The list of offices below is as of 31 March 2022.

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

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