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Foreword by the Chief Executive

As the UK's leading cultural relations organisation, the British Council plays a crucial role in building overseas influence for the UK by developing mutual understanding between peoples, societies and countries. Our activity and programmes deliver benefits for Britain at home and abroad.

This plan outlines the focus of our work over the 2008–11 spending period. By the end of 2011 the British Council will have changed significantly and made a bigger difference than ever in the world.

We will maintain our commitment to having a presence in a minimum of 100 countries. But we will continue to shift our emphasis from physical offices to programmes and partnerships as a reflection of our ambition to build on a strong global presence to deliver even greater impact.

We will move from smaller projects to focus on larger-scale programmes and partnerships, increasing impact in our priority regions – the Middle East, Near East and North Africa, Central and South Asia – as well as in China, India and Brazil as the emerging economies of the 21st century.

Over this three-year spending period our activity will be centred on three programme areas: intercultural dialogue; the UK creative and knowledge economy; and climate change.

The programme areas are our response to some of the principal political and strategic challenges and opportunities facing the UK. We believe that the British Council has a unique role in each of these areas. We have a wealth of experience of working across cultures and building relationships and intercultural dialogue between peoples. We have a long and established history of taking the best of UK creativity, innovation, talent and culture to the world and bringing the best of the world back to the UK, fuelling the creative and knowledge economy. Finally, our excellence in bringing together leaders and influencers from many countries and the UK to share agendas on public policy issues means we are well placed to create climate change programmes that will identify and bring together the young leaders who will have impact in their communities, societies and countries in building a more sustainable future.

In addition we will continue to ensure that learners and teachers of English all over the world have access to high-quality products as well as skills and ideas from the UK.

In the recent Comprehensive Spending Review we maintained the current funding levels of our core Foreign and Commonwealth Office grant (£193 million annually over three years). In addition we were given a total of £9 million over the period towards the costs of our efficiency and modernisation programme and received an extra £6 million towards our Reconnect programme, working with networks of young leaders to build trust and promote dialogue, to counter violent extremism.

I view this financial settlement as an endorsement of the value of our work from our government sponsors. It does mean, though, that not only will we need to find further substantial efficiency savings to live within our means over this period but also that we must look to alternative income sources if we wish to expand our activity.

To respond effectively to the major opportunities and challenges that exist for us, we aim to work on a much larger scale than we have done up to now. We need to make our grant stretch even further. We already match every pound of core funding from government grant with two pounds we generate ourselves through commercial and contract work and partnerships. We have ambitious targets to increase our earned income even more from activities such as teaching English and administering UK examinations abroad over this period. We also recognise that, to achieve the kind of growth in activity we are looking for, we need to work in close partnership with others. We need to create new relationships, involve partners from the outset and make sure that existing partnerships are really productive for all involved.

Finally, we celebrate our 75th birthday in 2009. When we were founded in 1934 Britain was almost alone among leading European nations in not promoting its culture, ideas and language as a means of encouraging understanding and developing relationships. As our spending review settlement underlines, we have little need to make the case for our cultural relations work to government; however, we do need to continue to work hard to explain to our UK audience what we do and the benefit we bring to them.

A handwritten signature in black ink, appearing to read 'Martin Davidson', with a stylized flourish at the end.

Martin Davidson CMG
Chief Executive
British Council

1 Introduction

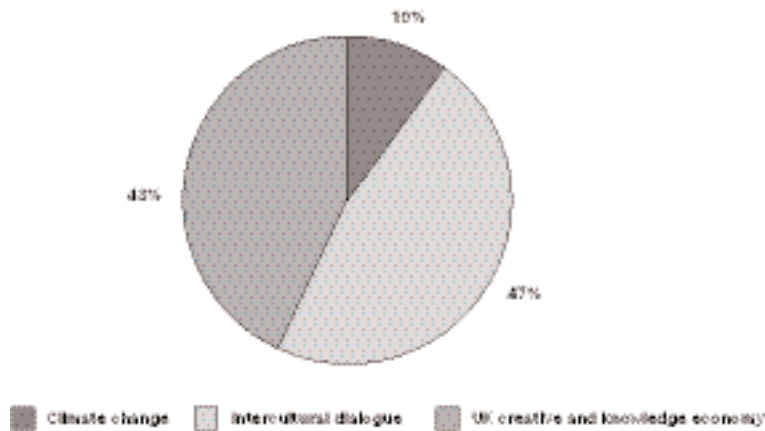
Programme areas and outcomes

We have agreed three programme areas that will cover the full range of the British Council's activity over the next three years. We believe these broad themes allow us to continue to support long-term government objectives while identifying the unique contribution that the British Council can make to building influence for the UK overseas.

The programme areas and outcomes are listed opposite. It is worth noting that we are not dividing our resources equally across all three areas but have prioritised our work in intercultural dialogue and in the UK creative and knowledge economy, as set out below:

Planned spend on large-scale programmes

2008-09



Outcomes by programme area

Intercultural dialogue	UK creative and knowledge economy	Climate change
<p>Strengthen understanding and levels of trust between people in the UK and other societies</p> <p>Strengthen the consensus for rejecting extremism in all its forms</p> <p>Increase the ability of individuals and organisations to contribute to positive social change and the strengthening of civil society</p> <p>Increase the use of English as a tool for international communication and intercultural understanding</p>	<p>Increase the value to the UK of its share of the market for international education</p> <p>Enhance the UK's reputation as a source of expertise and a partner for skills development, including in the teaching and learning of English</p> <p>Strengthen the international profile and engagement of the UK's creative sector</p> <p>Increase the UK's contribution to international co-operation in research and innovation</p> <p>Ensure that every teacher and learner of English worldwide has access to high-quality language services from the UK</p>	<p>Increase understanding of the case for tackling climate change</p> <p>Increase support for the achievement and implementation of international agreements that address the threats of climate change</p> <p>Strengthen relationships and networks that lead to action on climate change mitigation and adaptation</p>

How we achieve our outcomes

In working towards our corporate outcomes, we seek to influence and facilitate change in four ways:

- perception change: changing significantly the level of understanding or opinion held by our target audience on a particular issue
- agenda setting: changing the priority given to a particular issue among opinion-formers and decision-makers
- capacity building: changing the capacity – skills, personnel, institutions and resources – to engage in or react to a particular issue
- institutional change: changing policy, organisational or civic structures, legal or regulatory frameworks relating to a particular issue.

Our audiences

To best achieve our outcomes we segment and target our audiences. We break our audiences down as set out below:

- 1 **High-level decision-makers and leaders** overseas and in the UK.
- 2 **Influencers** who are gatekeepers to other target groups including leading professionals, group, network or community leaders, policy-makers and business partners.
- 3 We also reach (through face-to-face but, more often, through indirect/remote means and via influencers) a **wider group of aspirants**. Aspirants are **people with potential** who are pre-career, or in their early career. Often they are in education or their first or second jobs. These are the young opinion-formers/trendsetters, potential successor generation and leading members of networks and online communities.
- 4 **Wider groups of educated people** and the **general population**.

Our performance targets

The British Council operates a performance scorecard. Through it we assess our performance in a range of dimensions including customer and stakeholder satisfaction, our reputation, the perceptions of our staff and the impact of our projects.

What we are measuring

We can assess the immediate success of our work by measuring, for example, the numbers of people who benefit from our teaching or training. It is imperative that we also understand the longer-term outcomes we achieve through our work. Since 2005–06, we have gathered this information through evaluative research with leaders and influencers, which we call the Evaluation of long-term outcomes. For the planning period, we will continue to use the Evaluation of long-term outcomes as an indicator of our impact. However, as we shift our resources to a smaller number of larger-scale projects, we are also developing the tools we use for project evaluation and we will increasingly report on the impact we are achieving through individual projects.

We collect detailed information on customer satisfaction, our reputation with customers and Foreign and Commonwealth Office Heads of Mission around the world, based on analyses of questionnaire data.

To meet our goals we need to have the leadership capability and staff profile to match. We conduct an annual staff survey and use the data to assess the quality of leadership and how we can support our staff better. The Diversity Assessment Framework (DAF) measures compliance with equal opportunities and diversity policy and legislation across our network, and how far the diversity agenda has been brought into the mainstream across the

organisation. We are measuring our performance and setting targets in this area as it reflects our belief that recognising and valuing diversity is at the very heart of cultural relations.

The targets that we have set

The targets are shown in the table below. They reflect our desire to maintain high quality while increasing the scale and reach of our activities. We see these measures as minimum standards for the organisation, where:

- scores below 75 would represent an unsatisfactory level of performance and require remedial management action
- scores in the range 75 to 80 reflect an acceptable to good level of performance
- scores above 80 represent very good performance.

The equal opportunities and diversity target (on a spectrum from 1 to 5) is to have a portfolio of evidence that shows that the diversity agenda has been brought into the mainstream across the organisation by 2010–11.

In order to sustain customer satisfaction scores in the 80 to 85 range, we are offering professional support to our operations, conducting annual ‘mystery shopping’ surveys in all our overseas operations and introducing the government’s Customer Service Excellence standard as a benchmark against which to assess and improve our performance.

We have set demanding targets for leadership to ensure that we have the capability to carry the organisation forward. While our current staff survey results put us at the top end of the UK public sector we recognise that the challenges that we face mean we need to benchmark ourselves against the very best organisations regardless of sector.

Performance scorecard

Performance targets			
Key performance indicator	2006–07 results	2007–08 target	2008–11 target
Evaluation of longer-term outcomes	80	83	80–85
Customer satisfaction measure	80	82	80–85
British Council reputation measure	81	82	80–85
Heads of Mission rating	87	87	80–85
Equal opportunities and diversity rating	1	2	4
Leadership rating	59	None set	75+

2 Intercultural dialogue

This programme has as its objective to strengthen understanding between and within different cultures, to promote active and constructive participation in society and to counter deficits of trust. Over the three-year period our international activity will place priority on programmes for young people and young leaders in the UK, Middle East, Near East and North Africa and Central and South Asia regions.

Context

Globalisation has been accompanied by economic growth spread widely but unevenly around the world. The costs of communication have fallen for many and access to transnational means of communication is easier and in more varied forms than ever before. Yet, a smaller, more interconnected world is also a more fractious one and the gap of trust between the UK and critical regions in the world has grown over the last five years. A world of vastly increased communication is experiencing the paradox of a decline in genuine dialogue and the associated exchange of perspectives, which is the basis for mutual trust and understanding.

The programme

Against this background, our intercultural dialogue programme will consolidate strong relations and networks as a foundation for positive cultural relations. It will specifically address the deficits of trust and understanding that exist both within and across communities. In doing so, we aim to reduce disaffection and the perceptions of disenfranchisement that currently exist, for example, among segments of the large youth populations in the Middle East, North Africa, Central and South East Asia and some minority populations in Europe. Ultimately, increasing levels of trust will reduce the potential for future conflict and inter-community violence.

Global Xchange

Global Xchange is a pioneering cross-cultural youth volunteering programme that links young people and communities in the UK with those overseas. In the first phase some 5.5 million people in wider communities were reached through nine exchanges. This year the programme will be linking communities in the UK with communities in Pakistan, Nigeria and Bangladesh among others.

We will also assist in the development of skills to meet the needs of reform agendas in education and other areas. We will work with young people, and those who influence them, to build capacity in leadership and to encourage participation in civil society.

Education reform in Pakistan's North-West Frontier Province

Our Supported Open Learning Centre in Peshawar serves as a centre for English language and intercultural studies for *madaris* and *wafaqs* (religious schools) and provides online and printed materials for teachers, teacher trainers and the heads of other educational institutions in the public sector. The Supported Open Learning Centre has worked closely with the Ministry of Religious Affairs and the Ministry of Education of the government of the North-West Frontier Province.

The UK makes an important contribution to the exploration and negotiation of cultural diversity and difference and in so doing influences strategies across the world in education, cultural debate, language access and social development. Many UK organisations have international strategies. We will develop large-scale projects with strong UK partnerships involving organisations with global aspirations and reach. These projects will provide opportunities for our partners to build their skills, knowledge and comparative experience while achieving greater impact for our work as a whole.

The outcomes to which we will work:

- strengthen understanding and levels of trust between people in the UK and other societies
- strengthen the consensus for rejecting extremism in all its forms
- increase the ability of individuals and organisations to contribute to positive social change and the strengthening of civil society
- increase the use of English as a tool for international communication and intercultural understanding.

Examples of some of the projects we will develop and deliver are highlighted in the following tables.

Programme outcome	Project outcomes	Project examples	Project outputs
<p>Strengthen understanding and levels of trust between people in the UK and other societies</p>	<p>Enable school-to-school partnerships involving teachers and pupils and facilitate mobility within and between communities</p>	<p>Our Global Schools project will build and support links between schools in the UK and communities worldwide to enable collaboration and dialogue between young learners and the cross-border exchange of expertise between education professionals. We will place renewed emphasis in our work on developing UK links with schools and classrooms in Pakistan, Saudi Arabia and Egypt</p>	<p>8,000 extra schools worldwide will benefit from direct international agreement and exchange</p> <p>Changed perceptions, priorities and international understanding among young people</p>
<p>Strengthen the consensus for rejecting extremism in all its forms</p>	<p>Creating space and opportunity for sharing experiences</p> <p>Providing the time, place, resources and opportunity to exchange perspectives and experience</p>	<p>We will work with Islamic universities, building on the work we do in Indonesia and Egypt, to engage large numbers of students in public debate and online discussions about interfaith dialogue and intercultural relations</p>	<p>Individuals with influence and policy-makers will set new agendas, become more aware about difference and diversity and contribute to better cultural relations worldwide</p> <p>Changing profile of project partners and engaged institutions – share of projects involving civil society organisations working with the British Council for the first time</p>

Programme outcome	Project outcomes	Project examples	Project outputs
<p>Increase the ability of individuals and organisations to contribute to positive social change and the strengthening of civil society</p>	<p>Create a powerful network of young leaders who, as influencers in their respective communities, will seek to bring about positive change with the active participation of young people</p>	<p>We will adapt our InterAction African leadership programme for use across our global network to build capacity and skills for young future leaders in priority countries</p> <p>The Reconnect initiative in Pakistan is targeted at young people susceptible to extremism. We will develop and deliver a series of bespoke projects that strengthen moderate and reform-minded influencers and institutions in Pakistani society</p> <p>In Near East and North Africa we will use our Performance project to promote changed perceptions in UK and NENA through theatrical performance and build relationships between theatre professionals</p>	<p>Directly engage with and qualify through our projects 25,000 young leaders</p> <p>Disseminate, via young leaders, and indirectly engage with 300,000 members of the wider community</p> <p>Changed perceptions, priorities and international understanding among young people</p>
<p>Increase the use of English as a tool for international communication and intercultural understanding</p>	<p>Support the needs of English language teachers in classroom language development; the use of new teaching methodologies, ICT skills and the attainment of professional qualifications through courses</p>	<p>TeachingEnglish – Classroom Language and the development of TeachingEnglish training videos</p> <p>Development of a cadre of second-language English teachers to reach less accessible young people</p>	<p>Teachers with English as a second language successfully qualified and supported through materials and networks</p>

3 UK creative and knowledge economy

This programme will promote the UK's role as a global hub, linking creative and knowledge economies. We will build relationships and networks of direct benefit to the UK economy, provide opportunities for talent and ideas to be shared into and out of the UK and help position the UK as a cultural focal point.

Context

Sharing knowledge and ideas is fundamental to the success of modern economies. For economic development to be sustainable, and for it to reach further than social elites, knowledge needs to be accessible and new ideas need the right conditions in which to emerge. Above all, societies, increasingly dependent on the engine of knowledge for their well-being, need to connect to the global market in ways that go beyond traditional trading and that pay attention to the particular nature of knowledge.

Over the last 15 years the UK has established one of the world's most vibrant economies driven by its ideas and creativity. We recognise the importance of this success: our effective shift from a manufacturing economy to a knowledge economy is one of the ways in which we have secured our current economic well-being. To maintain this position as a major hub within the global creative and knowledge economy, the UK must continue to focus on its global connectedness in education, creativity, research and innovation. In doing so, we recognise the continuing centrality of the arts and creativity to our work.

The programme

We will help to enhance the UK's reputation as a world leader in creativity, knowledge development and innovation, and strengthen its reputation within the global competitive market, particularly in the field of education. We will support the best of UK talent to connect with worldwide demand and bring the best world talent and ideas to the UK, catalysing new creative developments.

British Council International Young Creative Entrepreneur Awards

The programme identifies young creative entrepreneurs, aged 25 to 35, who have the passion and skills to be leaders in their local industry and put the best of their local creative talent on the global map. Each year national finalists from ten countries in emerging markets come to the UK to gain an understanding of their sector, and the development of the UK creative economy and are given a unique opportunity to meet important industry contacts.

Working with partners across the creative and knowledge economy, we will seek to position the UK as a source of expertise and a partner for skills development.

Creative Lives

We will provide the opportunity for creative young people across East and West Africa to increase their employability within the creative industries. Some 20,000 creative entrepreneurs will benefit directly from a core skills building programme, developed by leaders in the UK's creative economy. A quarter of a million young people will actively engage in developing artistic platforms to support social change and 1.5 million young people will access the skills package online. Fifty well-known creative entrepreneurs and artists will be involved as trainers and mentors across the region.

Working with public and private sector organisations we will increase the UK's international contribution to research and innovation. In addition we will continue to increase access to high-quality English language services worldwide.

Go4english.com

This website for Arab users provides support to learners of English and professional educators. Go4english is used by more than 200,000 learners and teachers of English. The site also supports primary school links between the UK and Egypt, Jordan, Lebanon, Morocco and the Palestinian Territories, involving thousands of children.

The outcomes to which we will work

- Increase the value to the UK of its share of the market for international education.
- Enhance the UK's reputation as a source of expertise and a partner for skills development, including in the teaching and learning of English.
- Strengthen the international profile and engagement of the UK's creative sector.
- Increase the UK's contribution to international co-operation in research and innovation.
- Ensure that every teacher and learner of English worldwide has access to high-quality language services from the UK.

Examples of some of the projects we will develop and deliver are highlighted in the following tables.

Programme outcome	Project outcomes	Project examples	Project outputs
<p>Increase the value to the UK of its share of the market for international education</p>	<p>The UK remains a world leader in the provision of international education</p>	<p>Our contribution to the second Prime Minister's Initiative (PMI2), a five-year strategy to secure the UK's position as a leader in international education, will range across four interconnected strands: marketing UK education; the quality of the student experience; building strong strategic overseas partnerships; and market diversification and consolidation</p>	<p>Exchange of learning and experience leading to beneficial institutional change and structural reform including wider acceptance of UK-awarded qualifications</p> <p>Number of countries where UK institutions is partnering reform of VET systems</p> <p>Incremental growth of 70,000 international students in UK HE and 30,000 students in UK FE</p>
<p>Enhance the UK's reputation as a source of expertise and a partner for skills development, including in the teaching and learning of English</p>	<p>Structural reform of quality assurance systems in higher education in the Middle East is supported systemically by the UK</p>	<p>Excellence in higher education: access to UK and Middle East education will be improved and research capacity in Middle East institutions will be developed. Some universities in the Middle East will develop enterprise centres, and university–industry links with associated sponsored research will be fostered</p>	<p>15,000 students from the Middle East studying in UK higher and further education, of which 2,000 will complete research degrees</p> <p>20 institutional partnerships created and ten institutions will visit the UK</p>

Programme outcome	Project outcomes	Project examples	Project outputs
<p>Strengthen the international profile and engagement of the UK's creative sector</p>	<p>Creating opportunities for the UK's creative sector to raise its international profile</p> <p>5,000 cultural leaders will have an increased capacity to contribute to and draw on international expertise and experience and will be recognised as agents of change with real vision and an international outlook</p>	<p>Venice Biennales of art and architecture The oldest and most influential of all the art and architecture biennales, Venice provides an outstanding opportunity for the British Council to present the very best of the UK's leading artists and architects in a truly international setting</p> <p>The International Cultural Leadership Project (ICLP) is a seven-year cross-regional programme in the UK, Europe, North America, the Near East, the Middle East and North Africa that drives the development of a new generation of cultural leaders</p>	<p>The British Council supports the presentations of the devolved administrations at the Biennale, as well as commissioning and organising the principal exhibition held in the British pavilion</p> <p>Design of cultural leadership development programme components and engagement of first 100 participants</p>
<p>Increase the UK's contribution to international co-operation in research and innovation</p>	<p>Positioning the UK's education and research sectors as partners of choice among influencers and future leaders in emerging economies</p>	<p>Through our UK-India Education and Research Initiative (UKIERI) we will substantially improve educational links between India and the UK ensuring that in the longer term we become each other's partner of choice in education. A similar programme in China is planned</p>	<p>UK established as India's partner of choice in education</p>

<p>Programme outcome</p> <p>Ensure that every teacher and learner of English worldwide has access to high-quality language services from the UK</p>	<p>Project outcomes</p> <p>We will deliver services that meet the needs of learners of English and practitioners and policy-makers in the field of English language teaching worldwide</p> <p>We will develop models of operation with an income stream and the income we generate will significantly increase our reach and impact</p>	<p>Project examples</p> <p>Our Premier Skills project will bring together two global brands – English and football. Working in partnership with the English Premier League, we will have impact in English, leadership and football coaching. We will develop an exciting, branded package of English language resources that will be shared with a global audience through a variety of distribution channels – including our English language websites</p>	<p>Project outputs</p> <p>Teachers and learners have access through whichever means are appropriate, to innovative and stimulating resources that support the teaching and learning of English</p>
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4 Climate change

This programme strengthens the understanding among decision-makers, influencers and future leaders that we need to tackle climate change; it also builds networks and relationships among influencers worldwide to do so.

Context

The UK government has made tackling climate change both an international and domestic priority. It has set demanding targets for Britain's carbon dioxide emissions and plays a leading role in securing international consensus and action to reduce the impact of climate change.

Climate change will increasingly threaten the way we live and interact, ecosystems and our collective security and may ultimately trigger catastrophic changes in economic and social systems worldwide. As the UK government's influential *Stern Review on the Economics of Climate Change* concluded, the worst impacts of climate change can be avoided if strong action is taken now and the costs of doing so will be significantly less than if action is delayed. Manageable solutions do exist.

The United Nations Framework Convention on Climate Change discussions at Bali demonstrated that achieving a global consensus on future action can be demanding. One way of achieving political consensus is to improve the understanding and engagement of the public around the causes and consequences of climate change. This can support and build the political will to bring about the necessary attitudinal and behavioural changes. People can themselves play a significant role in mitigating the future impact of climate change by changes in their behaviour now.

However, surveys of public attitudes towards climate change in the UK (e.g. *Tipping Point or Turning Point?* – Ipsos-MORI, 2007) and internationally (e.g. the BBC World Service survey, 2007) demonstrate that while many people are aware of climate change and agree that action to mitigate its causes is necessary, currently only a small percentage take action themselves.

The programme

With many international practitioners, state and non-state, and significant resources engaged at a variety of levels, this is a challenging setting in which to operate. We believe that our unique contribution must be based on our international relationships, reputation and ability to develop programmes that have a direct impact on leaders, influencers and aspiring leaders in countries across the world. We will build understanding of the need to tackle climate change and support the drive to develop international consensus for a low carbon and secure future.

We will use our global reach and our experience of working with young people, influencers and the institutions that support them to contribute to the UK's efforts to develop a global approach to tackling climate change and its impacts.

International Climate Champions (ICC)

International Climate Champions identifies young leaders in Brazil, Canada, China, France, Germany, India, Italy, Japan, Mexico, Russia, South Africa, the USA and the UK and supports their campaigns on climate change. 'Champions' are of secondary school age and develop peer and community initiatives that build understanding of climate change and propose local responses to the problem. They will also work with influencers and decision-makers to help achieve a low carbon future. In 2008 the Champions will deliver a communiqué at the G8 Environment Ministers' meeting in Kobe, Japan.

The outcomes to which we will work

Activities within our climate change programme, Low Carbon Futures, are being designed to meet one or more outcomes:

- increase understanding of the case for tackling climate change and finding solutions
- increase support for the achievement and implementation of international agreements that address the threats of climate change
- strengthen relationships and networks that lead to action on climate change mitigation and adaptation.

Examples of some of the projects we will develop and deliver are highlighted in the following tables.

<p>Programme outcome</p> <p>Increase understanding of the case for tackling climate change</p>	<p>Project outcomes</p> <p>Changing the level of understanding and awareness of the challenge of climate change among young people</p> <p>Through the activities of the young people to engage leaders, influencers and wider publics around the issues of climate change</p>	<p>Project examples</p> <p>The International Climate Champions (ICC) initiative engages young people, local partners and influencers around the world to build understanding of and action on climate change. It was launched in 2007 by means of competitions in partnership with local organisations in Brazil, Canada, China, France, Germany, India, Italy, Japan, Mexico, Russia, South Africa, the USA and the UK. The Champions develop networks and a calendar of initiatives to involve schools, the media and communities, but also participate in international events that communicate the issue, engage decision-makers and promote the role young people can play in tackling climate change now. In the countries of the East Asia region we will deploy an innovative web-based project to engage with larger numbers of students and young professionals to encourage their development as role models in respect of climate change</p>	<p>Project outputs</p> <p>Changed perceptions and level of understanding of climate change issues among young people</p> <p>Directly engage with 20,000 young people through the ICC project, of which 2000 are the Climate Champions, national and international</p> <p>Engage via the web on climate change issues with ten million young people</p>
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<p>Programme outcome</p> <p>Increase support for the achievement and implementation of international agreements that address the threats of climate change</p>	<p>Project outcomes</p> <p>Develop and strengthen the capacity of specialists responsible for advising policy-makers and developing adaptation strategies</p>	<p>Project examples</p> <p>In three public diplomacy projects – in Brazil, Canada and China – we are already working with the British Embassies and High Commissions, other UK bodies and local partners to engage future leaders and influencers directly with the challenge of climate change. For example we are supporting young people from Canada and other important countries in a sea voyage to the Arctic in 2008. The project will highlight the impact of climate change in the region, communicate the experience to other young people in Canada and elsewhere and generate educational materials that will be distributed across schools in Canada</p>	<p>Project outputs</p> <p>Acquisition of skills and access to networks of expertise by influencers and climate change specialists in countries most vulnerable to the effects of climate change</p>
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Programme outcome	Project outcomes	Project examples	Project outputs
<p>Strengthen relationships and networks that lead to action on climate change mitigation and adaptation</p>	<p>In countries more vulnerable to the impacts of climate change we will develop young specialists who will be responsible for advising policy-makers, undertaking international negotiations and developing adaptation strategies</p> <p>Encourage young people to take responsibility for changing their own behaviour and encourage them to action</p> <p>Provide the means for young people to interact and learn from each other and provide access to the best of British knowledge and learning</p> <p>Encourage young people to share their understanding with peers, their communities, the media and their leaders both nationally and internationally</p>	<p>We will design a project, ready for roll-out in 2008, that specifically addresses the adaptation needs of the regions most vulnerable to the impact of climate change, for example sub-Saharan Africa. This project, focused on young people, will influence policy development in their countries</p> <p>In Europe we are targeting the young leaders of the future with a project called Low Carbon Challenge. In this project we recruit a group of promising young influencers of diverse professional backgrounds and experience and provide these climate change advocates with access to the skills and know-how of local and international experts. We will seek to inspire them to investigate climate change issues from a multi-disciplinary perspective through real-world case studies, visits and investigations and will facilitate direct engagement between the advocates and senior decision-makers and influencers.</p> <p>During 2008 we will broaden the advocates' network both within and where possible outside Europe</p>	<p>We will qualify through our projects 3,000 analysts, activists and young leaders in priority countries</p> <p>In Europe the programme will produce a network of 2,000 young leaders regarding climate change as a priority issue who exemplify positive behaviours and exert influence on their communities and ultimately their national leaders</p> <p>Achieve the active engagement of 800 specialists and policy-makers as mentors and advisers</p>

5 Business and income

Context

The outcome of the Comprehensive Spending Review, which determines our FCO grant-in-aid funding for the three years from April 2008, was as follows:

Figures in £ millions

	2007-08 baseline	2008-09 settlement	2009-10 settlement	2010-11 settlement
Core FCO grant	185.1	185.1	185.1	185.1
Capital	7.8	7.8	7.8	7.8
Additional funding for modernisation programme		2.0	6.0	1.0
Additional funding for Reconnect programme		1.0	2.0	3.0
Total FCO grant	192.9	195.9	200.9	196.9

The British Council achieved a 'flat cash' settlement for its core FCO grant. Our capital allocation was also maintained at the 2007-08 level and we will be given one-off grants of £9 million over three years towards our efficiency and modernisation programme and £6 million towards our priority Reconnect programme. This settlement shows that a high value is still placed by government on the work of the British Council but it also gives us significant challenges for the future.

No increase to the core grant for the next three years means a cut in real terms of over £18 million, taking account of likely inflation. We have efficiency and modernisation plans that will enable us to live within our grant, and which will also mean cost savings for our non-grant-funded activities.

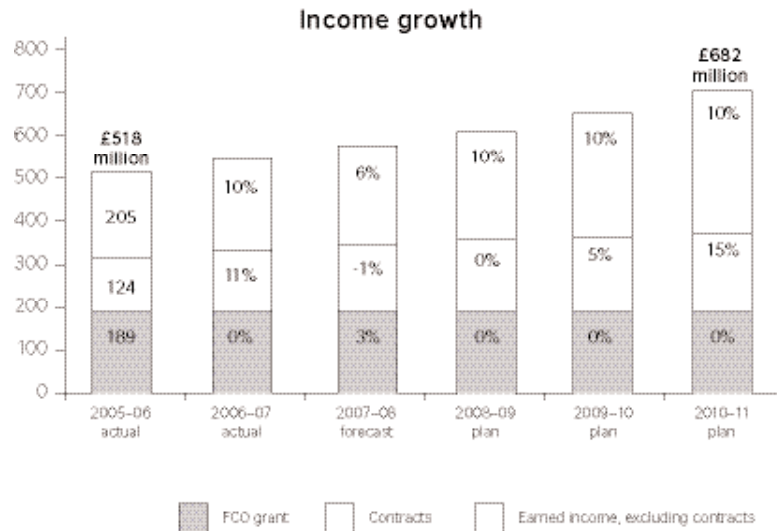
Another dimension to our grant management over the next three years is that, in common with the Foreign and Commonwealth Office, our grant will no longer be adjusted for the impact of overseas inflation and variations in exchange rates in relation to sterling. This will expose our grant activity to greater risk than was previously the case. Although our experience is that over the last ten years these adjustments have largely balanced out, in any given year they can mean a shift of as much as £3 million. We are developing treasury policies, including hedging, to manage exchange risks on the grant as well as on revenue-generating activity.

We have a static core grant at a time when we want to increase significantly the scale and impact of our activities. Our response is to move from large numbers of small-scale projects to fewer, larger-scale programmes, which will mean lower development costs through economies of scale and more impact through greater focus. Other approaches are to increase impact through expanding our earned income activity and to work for a major stepping up of our partnerships with other organisations. Increasing our turnover from teaching, examinations and contracts activity will increase our impact by reaching important audiences in many countries as well as generating surpluses for reinvestment.

Earned income

Since 1999, our grant and our earned income have increased more or less in step – both growing by over 40 per cent during this period. Over the last years three years, however, our rate of income growth has increased and averaged out at nine per cent a year. For the next three years we are aiming for an ambitious increase in our earned income, excluding contracts, of ten per cent each year from 2008-09. On contracts, we plan to increase our business in stages, forecasting zero growth in 2008-09 with the reduction in the Foreign and Commonwealth-funded Chevening Scholarship scheme but reaching 15 per cent annual growth by 2010-11.

The graph on the opposite page illustrates the proposed growth in non-grant income. By 2010-11, every £2 of grant we receive will be matched by nearly £5 of income from other sources.



How we will achieve our objectives

This section sets out how we plan to achieve our income growth targets in different business areas:

Teaching English

In 2007-08 we will have taught English to over 300,000 learners in 50 countries. This activity, which directly supports our corporate outcomes in the programme areas of intercultural dialogue and UK creative and knowledge economy is self-financing and conducted without any call on our grant funding. In 2007-08 our global network of English teaching centres will earn income of over £100 million. Over the plan period we will increase our income annually and at least maintain surplus as a percentage of sales growth. We will continue to aim for excellent customer satisfaction by further improving standards of customer service and the quality of educational engagement in our teaching network. In 2008-09 we will continue to develop new, more flexible models for extending the reach of our teaching network, so that in subsequent years we will be able to increase our reach and impact as well as steadily improve business performance.

Examinations

In 2007-08 we will have delivered over 1.5 million English and other UK educational and professional examinations to 1.2 million candidates worldwide. This activity, which is also conducted without any call on our grant funding, will generate over £30 million of export earnings for UK examination boards annually. Demand for UK qualifications has been growing steadily worldwide, most notably for IELTS, the flagship English language test, which we co-own with Cambridge Assessment and IDP Australia. Over the plan period we aim to meet this growing demand, so increasing rates of annual income and surplus growth, as well as delivering increased UK educational export earnings. We will diversify the range of examinations available to our customers, considering, for instance, qualifications offered by professional bodies and the City of London. At the same time we aim to improve further the standards of customer service we provide to examination candidates and UK examination boards. We will also continue to be involved in UK examination boards' programmes for moving towards internet-based examination delivery.

The growth in our teaching and examinations businesses is achievable given the current market for these services. We will manage fluctuations in market demand through measures such as minimising our fixed costs and limiting our currency exposure. However, there are significant risks such as the anticipated global downturn and a possible flu pandemic – we are assessing the impact of these risks on our business and planning for alternative scenarios.

Full-cost recovery contracts

Our contracts business has, to date, enabled British Council engagement with critical target audiences through contracts won in highly competitive and complex markets. Initially client funded, these contracts build longer-term networks and contacts as well as contributing directly to our outcomes on governance, civil society, education and social development.

The British Council's full-cost recovery business has managed to deliver a fairly even level of turnover over recent years and reduced its costs. The reduction in contracts from the Department of International Development has been largely offset by the big EC contracts – with Comenius, Erasmus and Youth in Action won on a full-cost recovery basis in 2006–07. We believe, though, that for the future, there are significant opportunities for us in the donor-funded technical assistance market and we will position ourselves to take them.

We aim to improve further the quality of our research and analysis into the future pipeline of business in regions to match our success in Africa. We will build up our business development capacity in the UK and overseas to enable us to respond to opportunities quickly. We will concentrate, in future, on fewer, larger project opportunities, which contribute clearly to our corporate outcomes.

Partnerships

Increasing the scale and impact of our activity will involve a far greater degree of partnership working with commercial sponsors and with organisations with which we share common purpose.

Over the medium to long term, it is our objective to match our grant contribution to projects with resources from sponsors, co-funding partners and commercial income. The financial plan at section 8 assumes annual growth of partnership income of 12 per cent by 2010–11.

Grant funding can be used as a contribution towards collaborative partnerships, which can achieve a much wider impact than would be possible using grant alone. We believe there is substantial scope to increase our income from within the corporate social responsibility budgets of major national and international corporations in the short to medium term. However, this alone is unlikely to achieve our full ambitions. Sponsorships and activities, where sponsors derive some commercial value in exchange, will also play a part.

We will pursue the following strategy during the plan period to secure and manage the increase in partnership working:

- develop the skills, capacity and culture to operate with partnership and co-funding as the norm
- ensure that partnership is embedded within our product development process from the earliest stages
- exploit opportunities for commercial income generation consistent with supporting the needs of our customers
- extend successful partnership models like UKIERI in India to other regions and contexts.

The benefits of the partnering approach will become more evident as the new large-scale products are launched. These products are being designed with partnership working and third-party income as objectives.

Working in partnership

Global Xchange is a volunteering programme running in partnership in six regions overseas, with Voluntary Service Overseas and a range of other partners both in the UK and overseas. Another example is Connecting Classrooms, a school linking programme that aims to link all UK schools with international partner schools from across the world. This programme is being delivered in partnership with the Department for Children, Schools and Families, the Department for International Development and the BBC.

6 Geographical priorities

Our overseas network is managed through 12 regions:

Central and South Asia; China; East Asia; India and Sri Lanka; Latin America and the Caribbean; Middle East; Near East and North Africa; East and West Africa; Southern Africa; Russia and North Europe; South-East Europe; and West Europe and North America.

Between 2008 and 2011 we are prioritising:

- countries and regions where there is, or may be potential for, a lack of trust with the UK (Middle East, Near East and North Africa and Central and South Asia)
- emerging economies (China, India and Brazil)
- countries and territories where, because of conflict or a lack of access, the environment is particularly challenging (Iran, Iraq, Afghanistan, Palestinian Territories, Zimbabwe, and Burma).

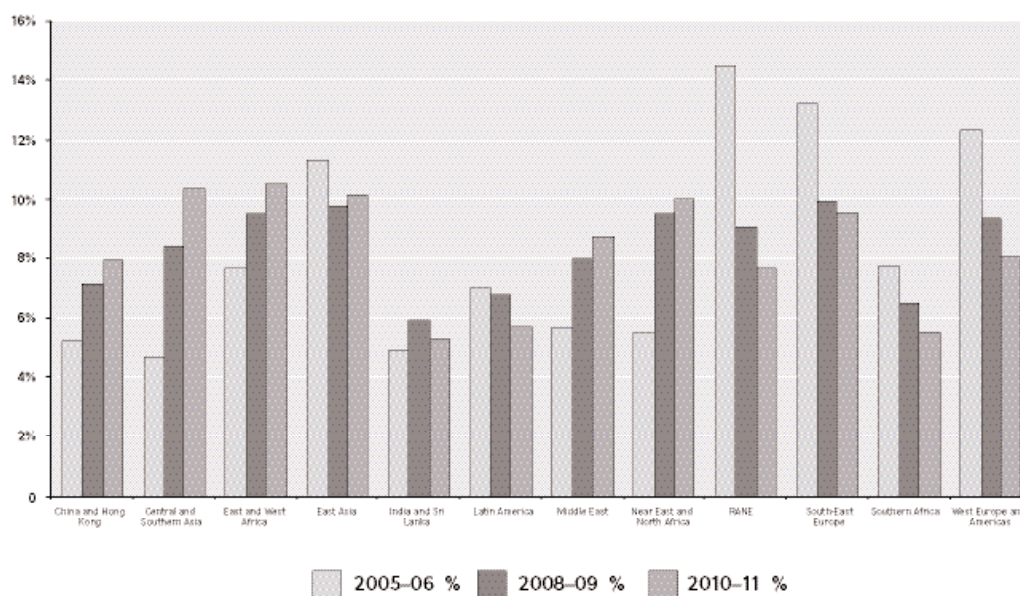
Shifting resources

We are moving 30 per cent of our grant funding out of EU Europe by 2010–11. This shift is a result of our Europe strategy, which involves fundamental changes to the way in which we work within Europe. Over two-thirds of the funding released will go into high-priority regions such as Central and South Asia, the Middle East and Near East and North Africa.

By maintaining the overall reach of our network we will maintain the contact essential to long-term relationships built on trust. However, we must also be flexible enough to move resources quickly to new priorities as they arise. The graph below illustrates the major grant resource shifts between regions since 2005–06 and now. It also shows how the use of grant by regions will further shift by 2010–11. The table on the following page shows grant by region for 2008–09.

As well as making these extensive grant shifts between regions we will also be making efficiency savings and reductions to meet our efficiency target of £8.7 million from the overseas network by 2010–11. They will come mainly from regional shared services and from reductions in the physical network overseas.

% Overseas grant by region for 05–06 / 08–09 / 10–11

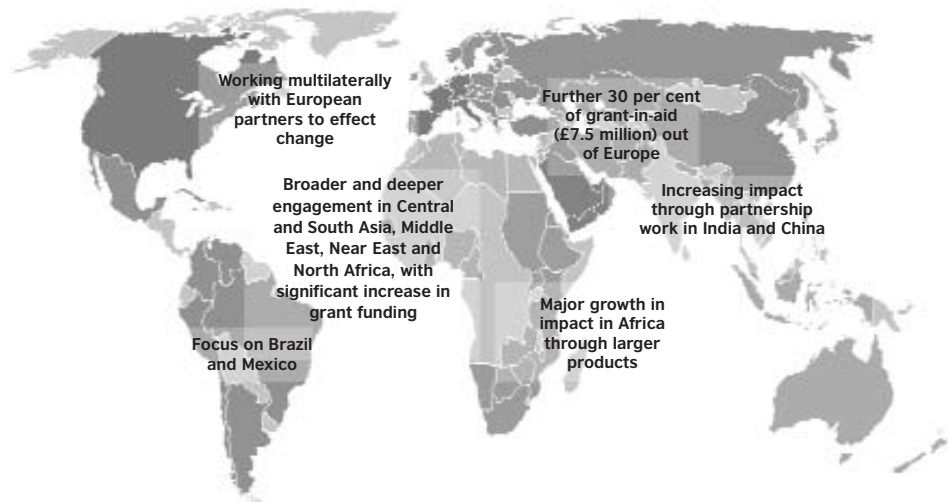


Grant by region	
Region	2008–09
China and Hong Kong	8.9
Central and Southern Asia	10.5
East and West Africa	11.9
East Asia	12.2
India and Sri Lanka	7.4
Latin America	8.5
Middle East	10.0
Near East and North Africa	11.3
Russia and Northern Europe	10.8
South-East Europe	12.4
Southern Africa	8.1
West Europe and Americas	11.7
Overseas total	124.8
UK	71.0
Global total	195.8

Reducing our physical footprint without reducing impact

We will make reductions to our physical network to reflect our changing priorities and to contribute to our efficiency targets. We continue to reduce our fixed costs to enable us to live within our means and to operate more flexibly. We are examining a range of options including closure of offices, closure of public access, localising posts and providing support to countries from within the region.

As part of our Strategy for 2010 we made it clear that we planned to maintain a global presence in a minimum of 100 countries. We still need to be on the ground around the world to build relationships and understand our audiences. However, we are shifting emphasis from physical offices to programme and partnership working, reflecting our desire to make the most of our resources to achieve maximum impact.



Regional focus

Middle East, Near East and North Africa and Central and South Asia

Instability and conflict mark a number of countries in the region, particularly Iraq and Afghanistan, but also those caught up in the tensions between the Palestinian Territories and Israel. Seventy per cent of the population in the **Middle East** and **Near East and North Africa** are under 30 and 100 million new jobs will be needed by 2025. Education reform, particularly vocational education, is a top priority and one in which governments are investing heavily to meet these needs. There are major opportunities and a huge demand for access to English language for employability, building on the British Council's strong reputation and track record in English in the region.

We will explore and build shared values particularly among young people, using the creativity of arts and science, challenging stereotypes between the UK and the region. Many young people want to engage in and put right UK perceptions of their culture – and there are many who wish to work in partnership with the UK. There are opportunities to build UK links and partnerships to increase social inclusion and participation in civil society, building the skills of young people to be active citizens through leadership training, school linking and volunteering opportunities, particularly in the **Near East and North Africa** region.

Example programmes

Connecting Classrooms

A five-year programme for Middle East and UK schools with 270 schools involved in partnerships by the end of the second year. Schools are supported by training in ICT, school leadership, joint curriculum funding and support for exchanges. Young people in the UK and the Middle East will increase their awareness and understanding of each other's cultures as a result of taking part in activities.

English language teaching at Al-Azhar University, Cairo

We are developing English language teaching capacity at Al-Azhar University, in Cairo. This is one of the leading Islamic universities in the world. Work carried out by the British Council with Al-Azhar over the last two years has established that, with a few exceptions, less than 20 per cent of students and staff have a basic proficiency in English. Our project, jointly funded by the Foreign and Commonwealth Office, will give essential English language skills to both students and staff.

Within **Central and South Asia**, Pakistan, Bangladesh, Iran and Afghanistan are obviously of high importance to the UK. Our work in these countries will be central to developing intercultural understanding of and trust with the UK. This region presents a number of operating challenges – instability in some countries, combined with political tension, the presence of Al-Qaeda, natural disasters and low levels of literacy and education standards, notably in Pakistan and Bangladesh.

China, East Asia, India and Latin America

The **China** and **East Asia** regions range from mature economies to lower output economies, from stable democracies to military rule in Burma. The strongest demands for the British Council's services come from the countries' desire to develop their knowledge economy combined with a huge interest in UK education. In addition, China, Japan, Indonesia and Australia are vital to global climate security. Indonesia is a focus for our intercultural dialogue activities.

India's consistently high growth rate, developing capacity in IT and knowledge economy and role as a leading world democracy make it an important partner. In addition, India is committed to becoming a global leader in cutting-edge science and technology research and a major player in climate change. It offers us huge scope to broker transnational educational partnerships and deliver educational services.

Brazil's economic and social development continues. It is, of course, also a critical player in global efforts to address climate change. Across the **Latin American and Caribbean** region, macroeconomic indicators are increasingly positive, although in most countries, issues of poverty, social inequality, drug trafficking, organised crime and violence deter both inward investment and tourism.

Most national governments are implementing major education reform programmes and English language ability is increasingly considered a core skill. UK experience is welcomed in both areas.

Example programmes

UK-India Education and Research Initiative (UKIERI)

This initiative aims to increase the UK's contribution to international co-operation in research and development leading to a change in the amount and quality of research collaboration between two countries.

Low Carbon Futures: Climate Cool

Building a network of young people in China to raise awareness and encourage individual action on climate change.

Europe, Russia and North America

Europe and the **USA** continue to be principal partners for the UK. There is a clear and continuing demand for UK experience and joint working on the challenges facing Europe, the USA and Canada.

We have realigned our operations in Europe based on a radically different approach and a differentiated strategy. In established EU countries we are extending our English language teaching and examinations work in response to customer demand, and developing partnerships to work on major issues within and beyond Europe (migration, integration, and Muslims within Europe).

We continue to focus on EU accession countries and countries aspiring to join the EU. We are working on the adoption and development of EU norms, government and institution building, skills development for innovation and competitiveness. In the Black Sea neighbourhood, we are focusing on reform, skills for competitiveness and development and on conflict avoidance.

Climate change is a major feature of our work in Canada. Both in Europe and the USA we are targeting the next generation, building the networks and links for the future. This also includes building transatlantic links between young people.

Example programmes

Inclusion and diversity in education programme

Focusing on 5,000 next generation and authority generation leaders in eight countries. The project aims to share thinking and ideas on how best to integrate migrants into the education system.

Next generation scientists programme

Engaging 5,000 young scientists in Europe and North America on topics including climate change, genetic engineering and stem cell research.

Our shared Europe

Programme in ten countries to build better understanding of the Muslim contribution to European civilisation and culture, and foster stronger European Islamic identity.

Transatlantic 2020 programme

Strengthening the UK's relations with the EU and the USA by building a European–United States-wide network of young 25- to 35-year-old professionals in leading positions engaged with the UK.

We are deeply committed to **Russia** but our work has been affected by the tense diplomatic relationship between the British and Russian governments. In January 2008 we had to suspend our operations in St Petersburg and Yekaterinburg. We will continue to work with partners and customers and to provide services from our office in Moscow and seek to put our relationship with the Russian authorities on a more positive footing.

East and West Africa and Southern Africa

These regions are among the poorest in the world, suffering the effects of economic mismanagement, corruption, conflict and the legacy of colonialism and slavery. But (with some exceptions) there is a growing democratic credibility and expanding economies although GDP growth is not keeping pace with the growth in global world trade. In addition there is significant continual risk of instability and international and civil conflict, particularly in Zimbabwe and the Horn of Africa. There is concern over links to international terrorism, particularly in the Horn of Africa, and South and East Africa.

Over 70 per cent of the population is under 30 and large numbers of young people want their voice to be heard and are asking for greater life opportunities. This is therefore an opportune time to develop programmes that meet these needs and address the distrust between communities there and in the UK.

Example programme

Bring the Noise brings together musicians, artists and film-makers from Africa and the UK to collaborate, create and perform. Artists will explore issues of identity, culture and heritage in new pieces of work that will be performed across sub-Saharan Africa and the UK. Bring the Noise aims to challenge perceptions that UK audiences have about African music by encompassing a range of contemporary African music genres including reggae, hip hop, jazz, electronica, gospel, and groundbreaking VJ (visual-jockey) artwork. Bring the Noise is one of several projects that aim to increase appreciation of African music in the UK and to highlight the power and beauty of creative fusions in the arts resulting from the criss-cross of influences between Africa and the UK.

7 Developing the organisation

Context and aims

We will continue to improve the effectiveness and efficiency of our operations. We aim to:

- increase impact and become more efficient by working on larger-scale programmes and projects; our target is that 80 per cent of our programme spend will be on a regional or global scale by 2010–11
- make efficiency savings to enable us to meet government efficiency targets of three per cent annually and live within our 'flat cash' core grant; our target is to make savings of £18.2 million annually by 2010–11
- develop more flexible models for our support services that are more adaptive to new business needs and priorities as well as being cost efficient
- streamline our business processes by the implementation of our global finance and business system on SAP, which will be completed in the last overseas regions in 2009 and by the creation of a number of shared service centres
- increase our impact through improved engagement with customers and stakeholders online
- manage our operating risks by reviewing our status in each country in which we operate and, where necessary, taking action to ensure we are operating to the most up-to-date legal and taxation framework
- improve organisational performance through the performance of our people.

In describing our costs, we use the terms 'corporate platform' and 'local platform'. 'Corporate platform' describes the finance, information systems, human resources and estates functions that support operations across the world. 'Local platform' describes the core overseas costs of maintaining a presence in countries and regions. These costs include regional and country directors, local support staff and premises costs.

Corporate platform: our target is to reduce the costs of our corporate platform as a proportion of our income from ten per cent to seven per cent over the plan period. In real terms this is a reduction of £8 million or 16 per cent on the 2007–08 baseline of £54 million.

Local platform: our target is to reduce the cost of our local platform by £9 million (18 per cent) in real terms over the same period on a baseline of £49 million.

In order to realise these savings and support the development of the business, we will be building on the changes we have already implemented as part of our Strategy 2010. To summarise, these were:

- creation of a network of 13 (now 12) overseas regions
- setting up change programmes for each region to ensure the benefits of regionalisation, including the delivery of efficiency savings
- restructuring of our UK operations to increase flexibility and deliver post savings
- production of a Corporate Services Review to identify efficiencies in the corporate platform and explore future options for global support services
- introduction of integrated financial and business system on SAP worldwide on a new global IT platform.

These changes are enabling us to meet our government efficiency target of £13 million by March 2008 as well as giving us a firm foundation for future development.

How we will achieve our objectives

Working more efficiently and effectively

The main strategies for making efficiency savings and working more effectively are:

- exploiting our worldwide integrated finance and business system (FABS) on SAP – for example, we will make efficiency savings by streamlining processes to save time and enable procurement savings through ready access to globally consistent data
- developing regional and global shared service hubs; enabled by FABS these will replace individual country and departmental support, producing efficiencies of scale and effectiveness improvements by consistent application of good practice
- reducing corporate service costs including relocating service departments out of London.

The establishment of the regional approach to managing our overseas operations has already had a major impact on how support services are provided and provides a sound basis for making further efficiencies. As well as increasing efficiency we will reduce the actual cost of our global platform by continuing to standardise and simplify our business processes.

Our new finance and business system is now live in the UK and over half of our overseas regions. It has enabled us to establish hubs for accounting services in Beijing (serving the China and East Asia regions), Delhi (serving India and Sri Lanka) and Warsaw (serving the South-East Europe and Russia and North Europe regions). By the end of the roll-out in mid 2009 we expect to handle all of our overseas accounting services from four globally managed shared service centres and will explore the potential to handle other aspects of financial administration more efficiently in this way.

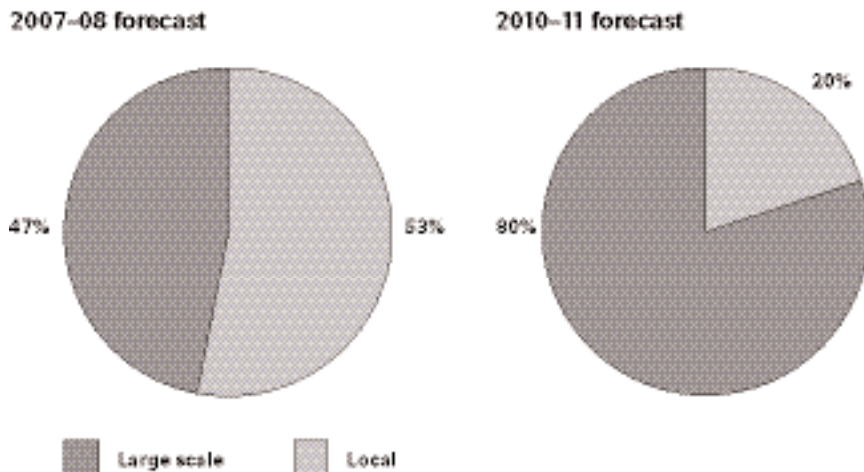
We are also planning to implement a significant transformation of our operation in the UK to improve its efficiency and make it more adaptive to new business needs. This will encompass everything we do in all five of the UK locations (London, Manchester, Cardiff, Belfast and Edinburgh) where we currently have a presence. Our aim is to achieve the optimum scale, configuration and distribution of our UK-based activities to enable support for our global operation to be provided more flexibly and cost-effectively than is currently possible. We will use a mix of in-house and outsourced service provision, whichever is the most appropriate to our business needs. We will apply best practice in flexible working based on the experience of other organisations in both the public and private sectors. We have accepted, in principle, the Lyons Review's position that, if a job currently done in London can be done as well or better in another part of the UK, it should be relocated. This will mean a further shift of posts and functions from London to our offices in Manchester, Cardiff, Belfast or Edinburgh during the planning period.

These are significant change programmes. Having viewed our proposals in the Comprehensive Spending Review, HM Treasury has awarded the British Council a total of £9 million phased over the three years of the plan, as a contribution to the investment costs required.

Moving to larger-scale projects and programmes

The British Council is developing programmes that are designed to reach wide audiences, based on demand expressed to us across the world. These multimillion pound programmes will be created and delivered with major partners.

By 2011, 80 per cent of our programme spend will be on large-scale products – at global and regional level. We will have a small number, probably between eight and 12 at any one time, of products operating globally. These global products will be tailored to meet customer needs at regional and local levels. There will, in addition, be a larger number of regional large-scale products. They will be delivered with or by business partners – products delivered solely by the British Council being the exception. Some of our products will have been commissioned entirely through external sources. In addition, we will have a larger number of large-scale products that will be piloted at regional level.



In 2007-08 we forecast that we will have increased the proportion of our programme spend on large scale activity to 47 per cent. We will make the change to 80 per cent (by 2011) progressively over the plan period. The target for 2008-09 is that 55 per cent of programme expenditure will be on large-scale programmes.

Improving our online services

We are running a programme to transform our online presence and services. The aim is to develop the capabilities and flexibility to engage more effectively with our target audiences and stakeholders.

Our new online presence will exemplify our commitment to building stronger international relationships and cultural understanding by increasing the use and citation of our online resources, facilitating active networks, stimulating user-generated content to 30 per cent over the next three years, and improving 50 per cent of our products and services based on this interaction.

For customers overseas, it will offer high levels of interaction and participation through:

- world-class English language learning and teaching resources
- authoritative guidance about the UK's educational products and services
- worldwide creative opportunities for young professionals in the arts and sciences.

For stakeholders in the UK and overseas it will offer the best reporting and analysis on how the cultural relations agenda contributes to the UK's international reputation.

Status

A programme of work is under way to ensure that our status in each country in which we operate reflects the latest legal and taxation framework for that country. As part of the same programme we are also removing diplomatic status from our staff except in exceptional cases where it is a necessary operating condition, for example for reasons of security.

Environmental policy

The British Council is committed to improving, managing and measuring our environmental impact. We are reviewing our Corporate Environmental Policy and implementing an Environmental Management System (EMS). We are seeking accreditation to ISO14001 (the international environmental management standard). We are adapting the EMS for overseas

offices, and setting and monitoring minimum standards to help us to meet the standards we promote through such initiatives as ZeroCarbonCity.

Staff

A strengthened performance management approach will be implemented globally from April 2008 as a business process that aligns individual and team planning, effort and performance with corporate planning and organisational performance. The approach will provide effective links to pay, reward and motivation, identify talent and support staff deployment.

Our strategy for leaders will allow recognition and growth of the skills and professionalism the British Council needs and provide a modern leadership and professional development framework.

Equal opportunities and diversity

Our work on international aspects of equal opportunities and diversity to date positions the British Council as an emerging authority. We are bringing equal opportunities into the mainstream by:

- a Diversity Assessment Framework, which specifies standards, aggregated to provide a result and related targets to drive performance
- comprehensive UK staff equality data, demonstrating overall good reflective diversity performance, which is being extended across our overseas network
- an annual staff survey, which includes an equality index
- a statutory Integrated Equality Scheme that applies organisation-wide.

Our equal opportunities and diversity work has enhanced our reputation with professionals in this field and that of intercultural dialogue, which, importantly, allows us to support and value our staff during a time of ambitious change.

8 Financial plan

The financial plan for the British Council for the next three years is summarised in the following three tables. The first table shows the total income and expenditure figures and the expected balance sheet positions. This is followed by a summary of grant and partnership funding and, finally, full-cost recovery activities.

The 2007–08 forecast is based on actual performance to October 2007 and our forecast of performance for the second half of the year.

The balance sheet figures are summarised to show the net asset value of the British Council. This shows what we have invested in capital assets and gives our reserves position. The reserves are a combination of reserves generated from full-cost recovery and grant-in-aid. The reserves held for full-cost recovery reflect the business risks that this part of the business faces and to ensure that the grant-in-aid would not be called upon to fund any of these business risks. The general reserves for the grant represent the net working capital position at the end of the year.

Grant and partnership funding

- The financial tables reflect the Comprehensive Spending Review settlement for the British Council's FCO grant-in-aid, which was announced in October 2007. Details of the settlement are given on page 22.
- Within the three years covered by the spending review, annual variances are within end-of-year flexibility.
- The capital allocation is £7.8 million annually from 2008–09 net of asset disposals. Our strategy continues to be to move to more flexible arrangements through leasing buildings and outsourcing information services though with heavier investment in research and development of products. We expect to show efficiency savings against our asset base, which will contribute to our efficiency targets.
- The plan assumes an increase in income through partnerships, sponsorship and co-funding, growing by up to 12 per cent a year over the three years to £61 million.
- The grant-in-aid settlement does not now allow for future adjustments for movements in exchange rates as in previous years. The management of risks to our overseas expenditure will be addressed through our foreign exchange strategy to minimise the impact as far as possible.

Full-cost recovery

- Full-cost recovery activities comprise teaching, examinations and contract delivery. These activities must deliver a net surplus after taking their share of the costs of corporate services.
- The outlook and plans for our revenue earning activity are described on page 28 in the business and income section of this plan.
- The plan assumes steady growth in the teaching and examinations businesses. Contract income remains flat during the first year of the plan to reflect a number of major contracts coming to an end. The market place remains very competitive but the plan assumes significant growth by 2010–11.
- Our full-cost recovery business will generate funds that will be invested in the business. The areas of investment will be in new delivery models for teaching and examinations, in developing new products and services in the three programme areas and in 'platform' improvements.
- The plan assumes growth in our reserves by 2010–11 commensurate with the expansion of the business. We identify, mitigate and manage our business risks through measures such as minimising fixed costs and limiting currency exposure. In addition we maintain a level of reserves to ensure that there would never be any call on grant funding by our full-cost recovery activity even in the severest business downturn.

British Council financial plan 2008–11

Summary of activity (£ million)

	2006–07 actual	2007–08 forecast	2008–09 plan	2009–10 plan	2010–11 plan
Income					
Grant and partnership funding	308	282	282	299	305
Full-cost recovery activities	243	286	313	336	377
Total	551	568	595	635	682
Expenditure					
Grant and partnership funding	309	283	278	298	304
Full-cost recovery activities	236	274	306	330	372
Total	545	557	584	628	676
Grant and partnership funding	(1)	(1)	4	1	1
Full-cost recovery activities	7	12	8	6	5
Net surplus	6	11	12	7	6

Capital and reserves

Capital reserve	109	107	106	105	104
General reserve	10	21	33	40	46
Total reserves	119	128	139	145	150

British Council financial plan 2008–11: Grant and partnership funding

Summary of activity (£ million)

	2006–07 actual	2007–08 forecast	2008–09 plan	2009–10 plan	2010–11 plan
Income					
FCO grant-in-aid	188	193	196	201	197
Other grants	7	7	7	7	7
Sponsorship, partnership and other income	45	44	49	55	61
Contract income	68	38	30	36	40
Total income	308	282	282	299	305
Expenditure					
Contract activity	68	38	30	36	40
Programme and other costs	201	203	206	221	225
Total direct costs	269	241	236	257	265
Gross surplus	39	41	46	42	40
Share of corporate platform	40	42	42	41	39
Net surplus	(1)	(1)	4	1	1

Grant-in-aid carry forward position

Under/(over)spend brought forward from previous year	2	0	(2)	0	(0)
Current year net surplus	(1)	(1)	4	1	1
Capital adjustment	2	(1)	(1)	(1)	(1)
Cash contribution to Central Bureau pension scheme	(3)	n/a	n/a	n/a	n/a
Under/(over) spend carried forward	0	(2)	0	(0)	(0)

Grant-in-aid capital expenditure targets

Target	8	8	8	8	8
Net capital expenditure	5	8	8	8	8

British Council financial plan 2008–11: Full-cost recovery activities

Summary of activity (£ million)

	2006-07 actual	2007-08 forecast	2008-09 plan	2009-10 plan	2010-11 plan
Income					
Teaching	96	100	107	114	122
Exams	85	96	108	122	138
Contract income	62	90	98	100	117
Total income	243	286	313	336	377
Expenditure					
Teaching	89	92	98	102	109
Exams	71	81	90	101	112
Contract activity	60	89	97	96	113
Total expenditure	220	262	285	299	334
Gross surplus					
Teaching and Exams	21	23	28	32	38
Contracts	2	1	1	4	4
Gross surplus	23	24	29	36	42
Investment			8	19	27
Share of corporate platform	15	12	12	12	11
Net surplus	7	12	9	5	4

Full-cost recovery reserves

Reserves brought forward	18	26	40	51	58
Current year net surplus	7	12	9	5	4
Add back depreciation	3	4	4	4	4
Net capital spend	(2)	(2)	(2)	(2)	(2)
Reserves carried forward	26	40	51	58	64

