

# Annual Report and Accounts

# 06/07

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# 1. Annual report

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## 1.1 Introduction

The Design Council is the national strategic body for design.

Its purpose is to strengthen and support the UK economy and society by inspiring and enabling the best use of design. We do this by delivering UK-wide business change programmes, running education and public engagement activity and supporting knowledge transfer across business, education, government and design.

Our work is divided into five broad areas:

- **Design Policy:** influencing national policy through a joined-up design strategy.
- **Design Innovation:** initiating new thinking on the application of design.
- **Design for Business:** directing a support programme for UK firms.
- **Design for the Public:** driving a biennial national design promotion.
- **Design Knowledge:** providing the UK with authoritative design research, knowledge and signposting.

Our goal is that UK management is the best user of design in the world, supported by the most capable and skilled design professionals.

The Design Council has a history of success and delivery against national priorities – from our inception post-war as the Council of Industrial Design, through Britain Can Make It, the Festival of Britain and the familiar product ‘swing tag’, to the present day. We have calculated that for every £1 of Design Council and partner money spent directly on programmes, £5 is generated in the economy.

Created in 1944, we are an executive non departmental public body (NDPB) which during the 2006/07 financial year was sponsored by the Department of Trade & Industry (DTI) and the Department for Culture Media & Sport (DCMS). The DTI was sole grant in aid funder of the organisation and the Secretary of State for Trade & Industry was accountable to parliament for the activities and performance of the Design Council.

The Design Council was incorporated by Royal Charter in 1976 and is a registered charity number 272099.

Following the announcement on 28 June 2007 about the way government is organised, the DTI ceased to operate as the DTI. The Department for Innovation, Universities and Skills (DIUS) will now assume some of the work of the DTI including sponsorship and funding of the Design Council.

## 1.2 Performance against objectives

### Overview

Design has a critical role to play in increasing our economic prosperity, enhancing our quality of life and making the most of our creativity as a nation. The Design Council's purpose is to strengthen and support the UK economy and society by inspiring and enabling the best use of design, helping businesses to become more successful, public services more efficient and designers more effective.

This annual report marks the end of both our three-year and our one-year strategies. Therefore, we can review performance over two timescales: in the long term against the 2004-07 objectives; and in the last year, against the 2006-07 objectives.

A summary of our corporate (three-year) and business (one-year) objectives is provided below:

	Objectives 2004-07	Objectives 2006-07
<b>Design Policy</b>	<ul style="list-style-type: none"><li>– Influence opinion-formers in key government departments and agencies to encourage strategic design thinking and applications.</li><li>– Help to strengthen design sector infrastructure around training, representation and education.</li></ul>	<ul style="list-style-type: none"><li>– Support and advance the timely implementation of the Cox Review.</li><li>– Establish and co-ordinate the implementation of the UK design sector skills development plan, in partnership with Creative &amp; Cultural Skills.</li><li>– Sustain momentum around national design policy development including strengthening a national network of leaders and opinion-formers.</li></ul>
<b>Design Innovation</b>	<ul style="list-style-type: none"><li>– Demonstrate, through practical interventions, the role of design in modernising public services.</li><li>– Create new models of public procurement in which the value of design is a key element.</li></ul>	<ul style="list-style-type: none"><li>– Create a programme of cross sectoral partnership work developing public service innovation, with a view to these being developed at scale.</li><li>– Strengthen the practice and expertise around design for service innovation and transformation.</li><li>– Identify and develop long term policies and plans for broadening the use and application of strategic design within UK public services.</li><li>– Lead and engage with national and international debate on transforming public services, achieving positive social and economic development, and the contribution that design can make.</li></ul>
<b>Design for Business</b>	<ul style="list-style-type: none"><li>– Develop, support and influence practical and nationally accessible programmes which assist UK managers seeking to transform their businesses by design.</li><li>– Demonstrate design's strategic role within business innovation and the commercialisation of new technology with robust and inspiring first-hand evidence.</li><li>– Facilitate stronger educational links between design and other business and organisational disciplines.</li></ul>	<ul style="list-style-type: none"><li>– Maintain the ongoing growth and development of the Design for Business programme (Designing Demand).</li><li>– Establish a delivery unit with appropriate funding in order to meet the targets for national roll-out, as set out in the Cox Report.</li><li>– Devise and implement a communication programme to share the findings, knowledge and outcomes from the programme.</li></ul>

## Performance against objectives continued

	Objectives 2004-07	Objectives 2006-07
<b>Design for the Public</b>	<ul style="list-style-type: none"><li>– Initiate a public engagement programme which promotes the practical power of design.</li></ul>	<ul style="list-style-type: none"><li>– Oversee the implementation of Designs of the time 2007 (Dott 07).</li><li>– Determine the nature, funding and location of the 2009 national design promotion (Dott 09).</li><li>– Maximise the national impact of Dott and ensure that it has a strong fit with the Design Council and its brand.</li></ul>
<b>Design Knowledge</b>	<ul style="list-style-type: none"><li>– Connect business advisors, front-line managers, and educators with the best and latest design examples and methodologies that reflect international best practice.</li></ul>	<ul style="list-style-type: none"><li>– Continue to grow and develop the website to provide the UK with the most extensive, authoritative and visited on-line hub for design.</li><li>– Enhance the publishing and commissioning of new research and knowledge on design in order to maximise content across diverse audiences.</li><li>– Strengthen the Design Council's mechanisms for knowledge transfer to ensure the cross-fertilisation of ideas, methods and information across its activity base.</li></ul>

## Performance over the last three years

From 2004-2007 the government invested approximately £7 million a year in Design Council activities. During this time we worked with government, designers, business, educators and public sector bodies to deliver programmes and projects that produced real results.

## Top ten headlines for the period

### **National business support programme developed and delivering results**

700 businesses made more competitive; jobs created; further £20 million invested in the regions to deliver support for more than 5,000 businesses.

### **Innovation service created to help high-tech start-ups commercialise technology**

100 businesses taken through our programme; further roll-out in three UK regions, funded by RDAs.

### **National policies on design and competitiveness enacted**

Universities, businesses, government and industry taking steps to drive up the use of, and investment in, design.

### **Plans unveiled for new university schools bridging design and business**

A new wave of multi-disciplinary university schools funded by HEFCE will broaden the capability, understanding and skills of tomorrow's business leaders, creative specialists, engineers and technologists.

### **Seven new specialist units to help innovative SMEs take advantage of R&D tax credits**

As a direct result of the Cox Review's recommendations, the Design Council is working with government to raise awareness of incentives for design-related activity.

### **New teaching modules created for university courses producing tomorrow's entrepreneurs**

Materials have so far helped 1000 students understand the key role of design in triggering new business ideas.

### **Design industry employers draw up a comprehensive UK skills plan**

In partnership with Creative and Cultural Skills, the Design Council is increasing the skills of the UK design industry so it remains competitive and equipped to meet 21st century global economic challenges.

### **Sustainability at the heart of North East England's plans to become the new UK design hub**

Communities in the North East are designing sustainable solutions to local problems from school transport and waste recycling to domestic energy use.

### **New public services, designed around the people that use them, are being developed and tested through the innovative application of design practices**

The Design Council, collaborating with NHS patients, the Bolton Diabetes Network and Kent County Council has developed new and more effective ways to manage chronic disease.

### **Knowledge transfer programme developed and delivered**

Online regional business/economic reports available for a national and international network of users accessing the UK's most visited online hub for design.

The following tables provide more detail on the achievement against our corporate objectives and key performance indicators. We have used a colour rating to show how well we have performed against our objectives or targets, with arrow symbols showing whether performance is improving, is as before, or is worsening, and a brief description of the issues faced where relevant.

Green	Achieved	↑	Improved
Amber	Partially achieved; some issues	→	As previously
Red	Not, or only partially, achieved; major obstacles	↓	Worsened



## Performance against objectives continued

### Corporate Objectives 2004-07

Performance against our objectives is shown in the table below. Our objectives have been honed and focus tightened over the period since the strategy was written but the original aims hold true. Good progress has been made across nearly all of the objectives, with major initiatives underway.

	Objectives 2004-07	Achieved	Projects
Design Policy	– Influence opinion-formers in key government departments and agencies to encourage strategic design thinking and applications.	Green	Cox Review – progress on tax credits, Centres of Excellence, IDX, Designing Demand.  Ongoing opinion former programme and magazine DCM.
	– Help to strengthen design sector infrastructure around training, representation and education.	Green	Cox Centres of Excellence Design Skills Plan with Creative & Cultural Skills – Advisory Board in place, consultation complete and plan launched April 2007.
Design Innovation	– Demonstrate, through practical interventions, the role of design in modernising public services.	Green	Dott 07 public commissions, with a focus on sustainability and solving everyday issues.
	– Create new models of public procurement in which the value of design is a key element.	Amber	OGC are adopting procurement recommendations from the Cox Review. Issue: still to be implemented.
Design for Business	– Develop, support and influence practical and nationally accessible programmes which assist UK managers seeking to transform their businesses by design.	Green	Designing Demand programme created and being rolled out nationally, with funds committed from all RDAs for delivery.
	– Demonstrate design's strategic role within business innovation and the commercialisation of new technology with robust and inspiring first-hand evidence.	Green	Innovate service being rolled out nationally within Designing Demand.
Design for the Public	– Facilitate stronger educational links between design and other business and organisational disciplines.	Green	Nearly £4m allocated by HEFCE to develop Cox Centres of Excellence; Idea Play design module and tools developed and rolling out to HEIs via licence.
	– Initiate a public engagement programme which promotes the practical power of design.	Green	Dott 07 launched in the NE, ran until October 2007.
Design Knowledge	– Connect business advisors, front-line managers and educators with the best and latest design examples and methodologies that reflect international best practice.	Green	New website and content live in December 2007.

## Key Performance Indicators 2004-07 – trends by audience

We tracked the numbers of people benefiting from and accessing our knowledge as well as funds committed over the last three years. These are proxy indicators of progress towards our ultimate goal of changing the performance of the managers and organisations with whom we engage.

Trends show that over time we have reached increasing numbers of people each year and have increased income and leveraged funding for key projects. One exception is funding for public sector work, but this is partly mitigated through Dott 07 funding and activity. It is clear that with programmes such as Designs of the time (Dott) and Designing Demand already rolling out to large audiences there will be measurable impacts across whole sectors over the period of the next corporate strategy, 2008-11.

	2004-05 Actual	2005-06 Actual	2006-07 Actual	Trend
<b>Business</b>				
– Business managers benefited from our programmes	1,355	1,580	2,457	↑
– Business managers accessed our knowledge/ information	56,248	82,136	130,281	↑
– Funds committed by RDAs/ others to Design for Business [now Designing Demand]	£679,918	£810,602	£829,500	→
<b>Public Sector</b>				
– Public sector managers benefited from our programmes	70	190	581	↑
– Public sector managers accessed our knowledge/ information	36,638	53,850	86,099	↑
– Funds committed by other government departments & agencies for public sector work	£209,554	£440,186	£87,000	↓
<b>Design Sector</b>				
– Students, designers and the public benefited from our programmes	461	1,032	3,012	↑
– Students, designers and the public access our knowledge/ information	151,461	221,289	359,569	↑
– Funds committed by other organisations to skills & public engagement (Dott)	£26,958	£639,733	£1,611,250	↑

## Performance against objectives continued

### Performance over the last year

Performance over the last year is assessed against objectives in the business plan 2006-07, by looking at success factors and key performance indicators. Headline achievements over the last year include:

- **Implementation of the Cox Review recommendations:** particularly Designing Demand, R&D tax credits and education.
- **Increased support for Designing Demand:** all Regional Development Agencies (RDAs) are supportive through a central steering group and funding. Already, around 50 design projects have begun, with expected additional or safeguarded sales of some £10 million or more and more than 1,100 jobs created or safeguarded.
- **Improved communication platforms and tools:** we launched a new website; the Value of Design Factfinder online research tool; and DCM our new magazine for key opinion formers.
- **Increased public engagement:** the design sector skills industry plan and Dott 07 have already engaged thousands and have laid the foundations for delivery over the coming months.

The following tables provide more detail on our achievement against 2006-07 success factors and key performance indicators.

### Success Factors 2006-07

The success factors are analysed below and indicate good progress across the year. Less has been achieved in the area of public service transformation than anticipated, but Dott is contributing in this area and budget and plans are in place to progress this next year.

	Success Factors 2006-07	Achieved	Projects
Design Policy	— Cox recommendations well supported with implementation on track.	Green →	£4m funding for Centres of Excellence; IDX feasibility underway; tax credits new guidelines; OGC plan procurement upgrade.
	— Design Sector Skills Development Plan published and well-supported.	Green →	Consultation complete (engaged 9000 people); Report to be published in April 08.
	— New Design Council opinion-former programme established.	Green →	Magazine DCM launched, sent to 5,400 opinion formers; high readership levels.
	— Strong funding outlook for core UK design policies within CSR2007.	Amber →	Invest to Compete – 4 year strategy.
	— Design Council and design well represented within DCMS Creative Economy Programme Report.	Green →	Senior level participation in 6 out of 8 working groups. Advised on and contributed to research programme. Detailed policy response to working papers.

	Success Factors 2006-07	Achieved	Projects
Design Innovation	– One new RED demonstration project informing UK policy development.	Amber →	Kitchen Cabinet project reported to 80 MPs and other interested parties.
	– Public sector research and evidence published.	Red →	Strategy change due to resource prioritisation. Will start in 2007-08. Dott using transformative techniques in Public Commissions. Bolton and Kent taking forward health work.
	– Viable plans agreed within CSR for embedding strategic ('transformation') design within the public sector.	Amber →	Invest to Compete – 4 year strategy in place to influence across government.
Design for Business	– Design for Business programme running successfully in 3 regions.	Green →	Running in 3 regions – South Yorkshire, AWM and SEEDA.
	– New name, brand and marketing attracting right firms.	Green →	Brand name and materials developed; launched in new regions; website launched.
	– 700 businesses and 100 business advisers benefit and provide new stories and impact analysis.	Amber ↑	467 businesses engaged and 60 business advisors. Delay in central government funding has delayed delivery; All RDAs now committed to central funding.
	– Design Council subsidiary established with funding for national roll-out.	Amber ↑	Subsidiary not currently planned, but have agreement for central business unit with funding from RDAs. RDA steering group.
	– Implementation, impact and insights successfully communicated.	Green →	Evaluation toolkit for RDAs and evidence update. Updated communication materials.
	– Skills training: 400 business and technology students and 200 designers and design mentors trained.	Green →	540 students and mentors engaged, plus 1,357 engaged through Dott 07.
Design for the Public	– Dott 07 launched nationally and achieving strong media presence.	Amber →	Launched in the region with national support from Q1; media impact being monitored.
	– Spring activities well supported and full programme on track.	Green →	Programme activity on track. Website launched with more than 150,000 visitors.
	– Region for Dott 09 identified and agreed.	Amber →	RDA consultation complete: 8 submission packs requested; region identified by April.
Design Knowledge	– New website launched.	Green →	Website live in December 2006; increase in returning visitors and time spent on site; marketing from Q1 2007.
	– New Value of Design Factfinder launched; well received by users.	Green →	Successful launch in May 2006 with more than 23,000 users to date.

## Performance against objectives continued

### Key Performance Indicators 2006-07 – by audience

Achievement against our key performance indicators has been strong, with exceptions highlighted and explained in the notes against each measure.

	2006-07 Target	2006-07 Actual	Achieved	Notes
<b>Business</b>				
– Business managers benefited from our programmes.	3,000	2,457	Amber ↑	TARGET PARTIALLY ACHIEVED: Data mainly based on participants in Designing Demand, where the delay in funding impacted on delivery.
– Business managers accessed our knowledge/information.	100,000	130,281	Green →	TARGET HIT: online visitors increased.
– Funds committed by RDAs/ others to Design for Business.	£1,500,000	£829,500	Amber ↑	TARGET PARTIALLY ACHIEVED: All RDAs committed to central funding and to programme delivery. Delay in funding model delayed contracts.
<b>Public Sector</b>				
– Public sector managers benefited from our programmes.	400	581	Green →	TARGET HIT: Dott 07 and RED activity
– Public sector managers accessed our knowledge/information.	70,000	86,099	Green →	TARGET HIT: online visitors increased
– Funds committed by other government departments & agencies for public sector work.	£550,000	£87,000	Red →	TARGET MISSED: This has not impacted on reaching other public sector targets above, as Dott 07 funding and activity are contributing towards these.
<b>Design Sector</b>				
– Students, designers and the public benefited from our programmes.	1,200	3,012	Green →	TARGET HIT: Designing Demand, Dott 07, participants in skills training and skills consultation.
– Students, designers and the public access our knowledge/information.	280,000	359,569	Green →	TARGET HIT: online visitors increased
– Funds committed to design skills & public engagement.	£1,200,000	£1,611,250	Green →	TARGET HIT: ONE funding secured

## 1.3 Future plans

The next chapter of our work will build on the cornerstones and successes of our previous strategy. Our aspirations are outlined in a new strategic plan, Invest to Compete, which offers three long-term options for government.

Our major themes for the upcoming four years are tied to national priorities:

- **Business competitiveness:** productivity and growth of UK firms depends on design to differentiate and add value to goods and services.
- **Innovation performance:** a modern knowledge economy depends on design to exploit new ideas and technologies.
- **Sustainable prosperity:** tomorrow's environmental impact depends on today's design decisions.

## 1.4 Management

### Overview

As a registered charity, the Design Council is led by an unpaid board of trustees, or Council, which includes Chairman Sir George Cox and 15 leading social and business entrepreneurs, academics and designers, who are accountable to Parliament for the performance of the organisation. Chief Executive David Kester leads a team of 76 staff, including designers, business change specialists, researchers, marketers and public policy professionals.

### Government sponsors

During 2006/07 the DTI and DCMS jointly sponsored the Design Council, with the Secretary of State for Trade & Industry being accountable to Parliament for the activities and performance of the organisation. We work in the context of a number of government regulatory documents, including the financial memorandum and management statement, both available on the Design Council website.

### Council members

Our Council has responsibility for agreeing the overall strategic direction of the organisation and monitors the performance of the organisation against its objectives. It ensures that efficient and effective use is made of staff and other resources and reviews key strategic, operational and programme risks once a quarter. A new risk management strategy was implemented in August 2006.

The Chairman and members are appointed jointly by the Secretaries of State for Trade & Industry and Culture Media and Sport in accordance with the principles established by the Office of the Commissioner for Public Appointments (OCPA). No other bodies are authorised to appoint members.

All new members receive a one-to-one induction with the Chief Executive and are issued with a code of conduct which complies with HM Treasury guidance relating to corporate governance. In addition, members are offered a design induction, speciality portfolios and an annual strategy retreat.

There were 15 members of Council on 31 March 2007. Members of Council who served during 2006-07 were as follows:

<b>Council Member</b>	<b>Appointed</b>	<b>Left</b>	<b>Audit Committee</b>
Sir George Cox (Chairman)	01.10.2004	31.12.2007	
John Hazelwood (Deputy Chairman)	01.01.1998	31.12.2006	* old chair
Bonnie Dean	01.01.2005		*
Penny Egan	01.01.1999		
John Hollar	01.01.2005		*
Jim Hytner	01.03.2006	01.04.2007	
Jonathan Kestenbaum	01.03.2006		
Geoff Kirk	01.01.2005		
Geoff Mulgan	01.03.2006		
Stuart MacDonald	01.01.2005	31.05.2007	
Paul Priestman	01.01.2005	31.12.2006	
Jonathan Sands	01.01.2000		
Janet Walker	01.03.2006		* new chair
Peter Williams	01.03.2006		*
Richard Williams	01.01.2005		
Chris Wise	01.01.2005		

Audit Committee members are marked with an asterisk. Two Council members were reappointed – Penny Egan on 01.01.05 for three years, and Jonathan Sands on 01.01.06 for two years.

### Executive directors

The Chief Executive and Accounting Officer David Kester heads a board of executive directors who are entrusted by Council to run the organisation day-to-day and to develop and manage the strategies and projects which enable us to achieve our purpose and goal. The executive directors ensure that public funds are spent responsibly and are accountable to Council for the performance of the organisation.

### Register of interests

A register of all Directors' and Council Members' interests is available on the Design Council's website.

### Employees

We are an equal opportunity employer committed to treating all team members and job applicants equally. We take all reasonable steps to employ and promote team members on the basis of their abilities and qualifications irrespective of their race, religion, colour, sex, age, religious beliefs, disability or sexual orientation. We appoint, train, develop and promote on the basis of merit and ability.

We support equal opportunities in employment and ensure that male and female team members doing the same or broadly similar work are given equal pay. Discrimination, harassment, or victimisation are not tolerated and may be considered as gross misconduct which can result in summary dismissal.

The Design Council is an accredited Investor in People.

## Sustainability

Sustainability is one of the Design Council's brand values and we are committed to using resources efficiently and procuring materials and goods on the basis of their environmental, social and economic impact. We also consider and promote sustainability and sustainable design through our programmes. Our activities include:

### Operational activity

- Our procurement policies include a requirement to consider suppliers' approach to sustainability.
- We consider the impacts of products and materials we use across their whole lifecycle, we favour products that are biodegradable or post-consumer recycled.
- All lighting, heating, air conditioning, printers, computers and other ancillary electrical equipment is switched off at 9pm every night and does not run on weekends.
- All food is ethically sourced and local seasonal produce is favoured to reduce food miles.
- We offer a cycle purchase loan scheme.
- We recycle all materials, where possible, including paper, CDs, batteries, toner cartridges, PET plastic, glass, cardboard and aluminium.

### Programme activity

We reach many people through our programmes and activities so we try to champion sustainable design through our major national programmes. Through our Designs of the Time initiative ([www.dott07.com](http://www.dott07.com)), we have funded work with communities in the North East of England, to explore how design can contribute to a more sustainable region.

Projects include:

- **Eco Design Challenge for Schools:** working with year eight students from 85 schools to demonstrate how design can have a positive impact and reduce their schools' carbon-footprints.
- **Low Carb Lane:** one street in Northumberland cutting their carbon emissions and reducing their demand on the national grid by up to 60 per cent.
- **Move Me:** looking for ways to improve transport energy efficiency and provision within a rural community.
- **OurNewSchool:** ideas to improve people's experiences of being at school.
- **Alzheimer 100:** investigating how design can improve the daily life of people with dementia and their carers.
- **DaSH (Design and Sexual Health)** seeks to improve screening and treatment provision for sexual health in Gateshead in consultation with service users.

## Joint ventures

Dott 07/Designs of the Time Ltd, a joint venture with One North East was incorporated as a company limited by guarantee on 21 March 2006. The activities of Dott 07 have been consolidated with those of the Design Council using the gross equity method. During the year Dott 07 received income of £1.86 million and had £0 million net assets at the year end.

## Professional advisers

Internal auditors – Baker Tilly, 46 Clarendon Road, Watford, Hertfordshire WD17 1JJ.

Legal advisors – Olswang, 90 High Holborn, London WC1V 6XX.

## Banking

Bankers – Lloyds TSB Plc, 22-24 Southampton Street, London WC2E 7JB.



## 1.5 Financial review

### Treasury accounts direction

The accounts have been prepared on a going concern basis in accordance with the Accounts Direction issued on behalf of the Secretary of State for Trade & Industry on 11 May 2006. This Annual Report and Accounts 2006-07 complies with the Government Financial Reporting Manual (FRoM) and the 2005 Charities Statement of Recommended Practice (SORP).

### Overview

Incoming resources for the year were £7.81 million (2006 £8.96 million) and total resources expended were £8.32 million (2006 £9.03 million) resulting in net outgoing resources before transfers of £516k for the year (2006 £71k).

The DTI provided £6.035 million (2006 £6.605 million) grant in aid as core funding. In addition the DTI provided £1 million in continued support for the Design for Business programme (Designing Demand).

Income of £300k was provided by two RDAs to finance the Design for Business Programme (Designing Demand). The need to broaden our income base beyond the core Grant in Aid was identified in the 2004-07 corporate plan, which established the goal of generating 30 per cent from other sources. In 2006-07 such sources accounted for 23 per cent of total income for the year, representing considerable progress against this objective.

The Design Council neither made nor received any charitable donations in excess of £200 during the year.

### Financial position

At 31 March 2007 the Design Council had net assets of £1.02 million (2006 £1.48 million).

The organisation is heavily dependent on continued funding from the DTI, without which it could not operate on such a scale. The continued support of the DTI was set out in the SR2004 funding allocation to the end of 2007. Beyond this period, the government's 2007 comprehensive spending review will determine the level of funding and the future viability of the organisation. However, as the organisation's resources are not being subjected to a 'zero based' review the organisation is hopeful that it will be operating with a continued level of support in the medium term.

Dott 07/Designs of the Time Ltd, a joint venture with One North East was incorporated as a company limited by guarantee on 21 March 2006.

### Reserves

At 31 March the Design Council held total reserves of £1.02 million (2006 £1.48 million) of which £30k are restricted (2006 £254k).

Restricted funds represent income recognised, but as yet unspent, that can only be allocated to specific purposes agreed with the funder. No restricted funds are in deficit.

Unrestricted reserves represent cumulative historical retained surpluses, rather than a consciously held level of reserves. Such unrestricted reserves represent only 12 per cent of total resources expended for the year; this level reflects the relative certainty of income streams and operating cycles in the recent past. Increasingly, however, as the organisation implements the Designing Demand programme and starts to work through third party vehicles it will be necessary to review this position to ensure that the organisation retains adequate operational flexibility and protection against financial uncertainty.

Management will conduct a review of the reserves policy in 2008-09, though any change will require the approval of the DTI and increased flexibility in the organisation's financial memorandum, which currently limits the holding of reserves.

### Investment policy

The Design Council does not hold investments, however it earns interest on its sterling bank balance. Also, as far as it is operationally possible, the organisation keeps grant in aid balances to a minimum, drawing down funding only as it is required.

### Financial risk management

The Design Council is not exposed to any interest rate risk, as the organisation does not borrow commercially and investment income is a negligible source of revenue.

### Better payment practice code

Our policy is to pay all properly authorised invoices by the due date, or within 30 days if no due date has been agreed, in accordance with the Better Payment Practice Code.

In November 1998, the Late Payment of Commercial Debts (Interest) Act came into force, providing small businesses (and all public sector bodies) with the opportunity to claim interest on payments that are more than 30 days overdue. Amended legislation (the Late Payment of Commercial Debts Regulations 2002) came into force on 7 August 2002 providing all businesses, irrespective of size, with the right to claim statutory interest for the late payment of commercial debts. No such claims were received during the reporting year.

In 2006–07 the Design Council paid 79 per cent (2006 80 per cent) of invoices received in accordance with the above target.

### External auditors

The external auditor of the Council is the Comptroller and Auditor General. The annual audit fee was £30,000 plus VAT. No non-audit services were provided.

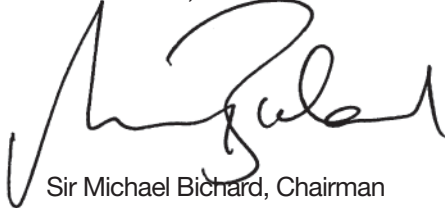
### Disclosure of relevant audit information

So far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.



David Kester, Chief Executive

Date 19 February 2008



Sir Michael Bichard, Chairman

Date 19 February 2008

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## 2. Remuneration report

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Made up of the Chairman and two other members of Council (as nominated by the Chairman), the Remuneration Committee meets once a year, and more often if required. The Remuneration Committee is established to review general terms and conditions of employment and specific salary matters in relation to the Design Council Chief Executive, directors and any staff with a salary in excess of £70,000. The setting of salaries other than for the Chief Executive is part of the Treasury's 'Pay Remit' process.

The Chief Executive is paid a salary and a performance-related bonus. This bonus may vary between 10 per cent and 20 per cent of the basic salary and is determined by the Remuneration Committee based on the extent to which agreed annual objectives have been met.

Other senior managers are wholly salaried and while there is no explicit link to performance, an appraisal system exists which assists in determining the extent of annual pay increase within the limits set by the Pay Remit exercise.

Trustees are not remunerated.

Most staff and all senior managers are on permanent contracts, though some individuals offering skills only required for short periods of time will be offered short-term contracts (no longer than 12 months).

The first three months of all contracts are considered to be 'probationary', after which an individual is confirmed in post. Up to confirmation, a contract may be terminated without any notice. Once confirmed in post, the length of notice is set out in the employment contract and varies from one to three months. All directors except the Chief Executive are subject to three months notice. The Chief Executive is on a six-month notice.

If an individual is made redundant and has worked with the organisation for at least two years, then a compensatory payment will be made. The extent of this payment will depend upon the length of continuous service with the organisation, with a maximum of six months pay in addition to any other contractual entitlements.

The following table provides an indication of the potential liability should the contract of any director in position at 31 March 2007 be terminated early.

<b>Name</b>	<b>Title</b>	<b>No of complete years in contract</b>	<b>Early termination liability £'000</b>
David Kester	Chief Executive	3	74
Harry Rich	Deputy Chief Executive	8	33
Deborah Fitzgerald	Director - Media & Communications	1	-
Helen Jacobs	Director - Finance & Resources	-	-
Ruth Hasnip	National Programme Director Dott	5	13

The following section provides audited details of the remuneration and pension interests of the Chief Executive and directors of the organisation.

Name	Date joined	Date left	2007				2006		
			Total	Salary	Pension	Benefits	Salary	Pension	Benefits
David Kester Chief Executive	22.04.03		167	147	19	1	149	19	1
Harry Rich Deputy Chief Executive	01.03.99	05.10.07	110	100	9	1	98	7	1
Hilary Cottam RED Director	01.07.01	30.11.06	57	51	5	1	46	6	1
Deborah Fitzgerald Director - Media & Communications	17.08.05	27.10.07	101	91	9	1	56	2	-
Helen Jacobs Director - Finance & Resources	02.01.07		23	23	-	-	-	-	-
Ruth Hasnip National Programme Director Dott	04.01.02		53	44	8	1	81	6	1
Wendy Lanchin Director – Media, Marketing & Partnerships	23.07.07		-	-	-	-	-	-	-
Richard Eisermann Director – Design and Innovation	23.06.03	12.05.06	12	11	1	-	84	6	-
Toby Scott Planning Director	25.11.02	20.12.05					60	4	1
Robin Murray RED Director	01.11.04	31.10.05					44	-	-

During the year (21.11.2005–21.06.2007) £245,317 was paid to an agency for the services of Jeremy Brown, who lead the business re-engineering programme Design our Business and acted as interim Planning Director.

A severance payment of £12,000 was made to Richard Eisermann, Director of Design and Innovation in the year.

The Chief Executive has his own personal pension scheme, which is a defined contribution scheme into which the Design Council pays.

During the year all other directors had the opportunity to participate in the Design Council's Group Personal Pension fund, a defined contribution money purchase scheme. The fund is managed by Scottish Equitable and the Design Council contributes 3 per cent, 5 per cent or 10 per cent of basic salary depending on the seniority of staff (directors receive a 10 per cent contribution).

The total pension charge for all staff for the year was £104,066 (2006 £85,296). At the year end £9,898 was payable to the Group Personal Pension fund. Total pension contributions in the year for all staff (other than directors) paid more than £60,000 for the provision of defined contribution schemes was £6,120.

All staff, including directors, are entitled to benefits in kind in the form of gym membership, healthcare or childcare vouchers.

The Chairman and members of the Design Council are appointed by the Secretary of State for Trade & Industry, in accordance with guidance from the Commissioner for Public Appointments. The appointments are unpaid but expenses incurred on Design Council business are reimbursed. Expenses totalling £8,717 for travel, subsistence, entertaining and air fares were reimbursed to six Council Members during the year.

Remuneration report continued

The number of employees whose emoluments was over £60,000, (including taxable benefits in kind but excluding employer's pension costs) is shown below

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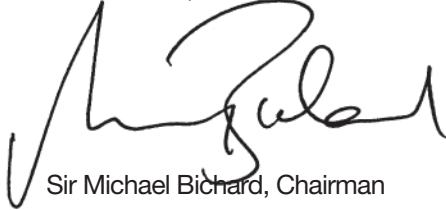
	2007	2006
60,000 - 69,999	2	2
80,000 - 89,999	-	2
90,000 - 99,999	1	1
100,000 - 109,999	1	-
140,000 - 149,999	1	-
150,000 - 159,999	-	1

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David Kester, Chief Executive

Date 19 February 2008



Sir Michael Richard, Chairman

Date 19 February 2008

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## 3. Statement of the Council's and the Chief Executive's responsibilities

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Under Byelaw 20 of its Royal Charter the Council is required to prepare financial statements for each financial year in the form and on the basis directed by the Secretary of State with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Design Council's state of affairs at the year end and incoming resources and application of resources, financial activities and cash flows for the financial year.

In preparing the financial statements the Council is required to:

- Observe the accounts direction issued by the Secretary of State for Trade and Industry, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis, unless it is inappropriate to assume that the Design Council will continue in operation.

Under law applicable to charities in England and Wales, the Council is responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and which enable the Council to ensure that the financial statements apply with applicable law. The Council is also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer for the Department of Trade and Industry has designated the Chief Executive of the Design Council as the Accounting Officer for the Design Council. His relevant responsibilities as Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper records and for safeguarding the Design Council's assets, are set out in the Non-Departmental Public Bodies Accounting Officer Memorandum, issued by the Treasury and published in Managing Public Money.

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# 4. Statement on internal control

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## Scope of responsibilities

As Accounting Officer and Chairman of the Design Council, we have responsibility for maintaining a sound system of internal control that supports the achievement of the Design Council's policies, aims and objectives as set out in the Corporate Plan 2004–07 agreed by the Council and by the Department for Trade and Industry (DTI), while safeguarding the public funds and assets for which the Accounting Officer is personally responsible in accordance with the responsibilities assigned to him in Government Accounting.

The Design Council is an executive Non-Departmental Public Body (NDPB) core funded by the DTI. As Chief Executive I am directly responsible to the Chairman of the Design Council for strategic and operational matters, and as Accounting Officer I am responsible to the Secretary of State for Trade and Industry and accountable to Parliament for the Design Council's performance and use of public funds. The Design Council's operations are managed by an executive board which I chair; all directors are members of this team and there are no non-executive members.

## Purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Design Council for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

## The risk and control framework

Leadership for risk management is vested in the Chief Executive who delegates day-to-day management to the Finance & Resources Director. The Design Council operates a well established risk management system combining several different elements:

### Governance structures

The DTI, as our key stakeholder, is directly involved in the risk and control framework. Our Management Statement and Financial Memorandum reflect our current risk profile. These documents will be revised periodically to ensure that they continue to provide an effective basis of control.

The Executive Board meets regularly throughout the year and is responsible for assessing all organisational risks on behalf of the Council and ensuring that appropriate steps are taken to mitigate them. The Council reviews strategic risks every quarter as well as any risks highlighted to it by the Executive Board.

The Audit Committee was active in managing the governance agenda and met four times during the year to receive assurance on the Design Council's systems of corporate governance, risk management and internal control. The range of audit committee activities has supported the accounting officer in signing a satisfactory statement of internal control.

### Internal & external audit

An internal audit function is provided by Baker Tilly, with an annual audit strategy agreed with the Audit Committee. Implemented through a number of audit visits, the strategy is risk-based, focusing on areas of potential risk in addition to a core programme examining financial controls. Audit recommendations are made to the Audit Committee and to the Executive Board with responses and implementation of recommendations managed by the Finance & Resources Director.

## Business planning process

In 2006–07 the organisation was in the final year of a three-year corporate plan, approved by the DTI. Each year a business plan is developed that sets out the strategy and activities for the year. As part of this exercise potential risks associated with each work-stream are identified and incorporated within the risk register.

## Project monitoring

Activities are planned and monitored within a project framework. This ensures that as projects are initiated the risks attached to each one are identified and fed into the corporate risk structure.

Projects are monitored throughout their life cycle, with issues, risks and progress against agreed objectives fed into monthly progress reports and quarterly reviews. Both reports are reviewed by directors, with the quarterly review also approved by Council and the DTI and DCMS.

Where projects are considered to have an additional level of risk or complexity, additional management and governance structures have been put in place.

A new project management system was introduced during 2006–07.

## Internal controls

The organisation operates a comprehensive system of controls and procedures communicated to all staff through a series of handbooks. These systems consider issues both financial and non-financial including, but not limited to, the segregation of duties, value for money in procurement, protection of intellectual property etc. Essentially these frameworks are dynamic, changing to ensure that they remain suited to the structure and nature of the organisation.

## Review of effectiveness

As Accounting Officer and Chairman of the Design Council, we also have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the directors within the Design Council, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

We have been advised on the implications of the results of our review of the effectiveness of the system of internal control by the Council and the Audit Committee and a plan to address weaknesses and ensure that continuous improvement of the system is in place. Processes which inform our review are:

- An annual business planning process which aligns programmes to corporate objectives set out in the three year Corporate Plan 2004–07.
- A ‘bottom up’ system of risk assessment and management, including completion and regular review of a risk register, quarterly review of risks across the organisation and allocation of risk ownership.
- An Executive Board that meets weekly to consider the plans, strategic direction and operational issues relating to the organisation.
- Monthly finance meetings to identify and anticipate any new financial risks.
- An Audit Committee which meets regularly and reports back to the Council.
- Periodic reports from the Design Council’s internal auditors, to standards defined in the Government Internal Audit Standards, and sent to the Chief Executive for dissemination to the Executive Board.
- A comprehensive budgeting system with an annual budget which is reviewed and agreed by the Executive Board under the chairmanship of the Chief Executive.
- Regular reviews by the Executive Board of periodic and annual financial reports which indicate financial performance against budget and subsequent forecasts.
- Setting targets to measure financial and other performance and monitoring them on a quarterly basis.
- Clearly defined capital investment control guidelines.
- Formal project management disciplines including a monthly progress report that allows for a regular review of all projects and their status with relevant directors and quarterly review by the Executive Board.



## Statement on internal control continued

The Design Council has contracted Baker Tilly to carry out internal audit work on its behalf. The Baker Tilly team works according to the Government Internal Audit Standards. Their work includes an analysis of the risks to which the Design Council is exposed, and annual internal audit plans are based on this analysis. Their analysis of risk and internal audit plans are approved by us and endorsed by the Audit Committee.

Baker Tilly's internal audit team provide us with regular reports on their internal audit activity. Their annual report includes their opinion on the adequacy and effectiveness of the Design Council's system of internal control. For 2006-07 they concluded that there are no significant matters arising from internal audit visits and the systems in place are efficient, effective and reliable, sufficient for us to rely on.

These financial statements were to have been presented to Parliament by the summer recess 2007. The reason for the delay was twofold, partly due to changes in the finance team, and partly due to pay remit related issues, which delayed the certification of the 2005-06 accounts until July 2007. The senior members of the Design Council finance team were all newly appointed in January 2007 and, given the late clearance of the 2005-06 accounts, the Council decided it would be unrealistic for the 2006-07 accounts to be prepared and submitted by the summer recess. It was therefore agreed to delay the audit until autumn 2007. In 2005/06 the Design Council implemented a pay remit which gave rise to pay growth above Treasury Guidelines, and this led to the qualification of the accounts in respect of regularity. The Design Council immediately took steps to strengthen its finance function and improve the rigour of controls surrounding the pay remit. The decision on the 2005/06 remit was not resolved until January 2007. The 2006/07 remit was breached (by 0.42 per cent). As in 2005/06 this breach primarily related to the pension scheme - due this time to a higher than expected uptake of the scheme by the staff. The Design Council was fined £10,000 for not adhering to approved processes and the caveats attached to the remit approval, and these monies are being used to fund an audit aimed at ensuring similar breaches do not occur. Further process improvements have been made, including regular monthly reviews of the forecast pay remit position by the Design Council Executive Board.

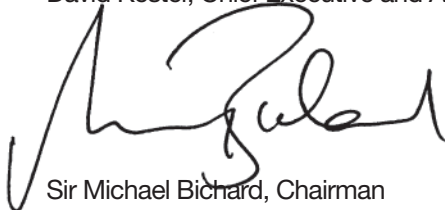
On 31 December 2007, Sir George Cox stood down as Chairman of the Design Council, this being the end of his tenure, and Sir Michael Bichard commenced his appointment as Chairman on 1 January 2008.

Sir Michael has sought appropriate assurances from his predecessor, and on the basis of the assurances received he has signed this Statement on Internal Control.



David Kester, Chief Executive and Accounting Officer

Date 19 February 2008



Sir Michael Bichard, Chairman

Date 19 February 2008

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# 5. The certificate of the Comptroller and Auditor General to the Houses of Parliament

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I have audited the financial statements of the Design Council for the year ended 31 March 2007 under the Royal Charter of 1976. These comprise the Statement of Financial Activities, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Chief Executive and auditor

The Design Council and Chief Executive as Accounting Officer, are responsible for preparing the Annual Report, the Remuneration Report and the financial statements and for ensuring the regularity of financial transactions funded by Parliamentary grant (grant-in-aid). These responsibilities are set out in the Statement of the Council's and the Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made by the Secretary of State. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Financial Review, is consistent with the financial statements. I also report whether in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Design Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Design Council's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Design Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Design Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or

error, and that in all material respects the expenditure, income and resources funded by grant in aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

### Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Charities Act 2003 and directions made by the Secretary of State, of the state of the Design Council's affairs as at 31 March 2007 and of its incoming resources and application of resources for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made by the Secretary of State; and
- information given within the Annual Report, which comprises the Financial Review, is consistent with the financial statements.

### Audit Opinion on Regularity

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



T.J. Burr  
Comptroller and Auditor General

Date 18 March 2008

National Audit Office  
151 Buckingham Palace Road  
Victoria London SW1W 9SS

# 6. Financial statements for the year ended 31 March 2007

## Statement of financial activities for the year ended 31 March 2007

	Note	Unrestricted Funds £'000	Restricted Funds £'000	2007 Total Funds £'000	As Restated 2006 Total Funds £'000
<b>Incoming resources</b>					
Grant in Aid		6,035	-	6,035	6,605
Investment Income		71	-	71	61
Incoming resources from generated sources	2	6,106	-	6,106	6,666
Share of joint venture income	12	934	-	934	-
Incoming resources from charitable activities	2	367	1,333	1,700	2,289
Total group income		7,407	1,333	8,740	8,955
Deduct share of joint venture income	12	(934)	-	(934)	-
<b>Total incoming resources</b>	<b>2</b>	<b>6,473</b>	<b>1,333</b>	<b>7,806</b>	<b>8,955</b>
<b>Resources expended</b>					
Costs of charitable activities	7	6,430	1,557	7,987	8,661
Governance costs	7	291	-	291	313
Cost of capital charge	4	44	-	44	52
<b>Total resources expended</b>	<b>7</b>	<b>6,765</b>	<b>1,557</b>	<b>8,322</b>	<b>9,026</b>
Net incoming/(outgoing) resources before transfers		(292)	(224)	(516)	(71)
Cost of capital reversal	4	44	-	44	52
Net incoming/(outgoing) resources before other recognised gains & losses		(248)	(224)	(472)	(19)
Share of joint venture operating profit	12	-	-	-	-
Gain/(loss) on revaluation of fixed assets for charity's own use		12	-	12	30
Net movement in Funds		(236)	(224)	(460)	11
Funds brought forward at 1 April 2006		1,226	254	1,480	1,469
<b>Funds carried forward at 31 March 2007</b>		<b>990</b>	<b>30</b>	<b>1,020</b>	<b>1,480</b>

All operations are continuing. There were no recognised gains and losses in the year other than those shown above. The notes on pages 31 to 40 form part of these accounts.

The reason for the restatement of the 2006 figures is given in note 7. The restatement affects resources expended only.

## Group Balance Sheet as at 31 March 2007

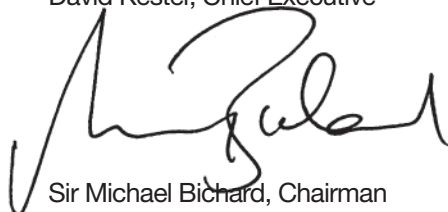
	Notes	2007 £'000	2006 £'000
<b>Fixed Assets</b>			
Tangible fixed assets	11	288	785
Investment in joint ventures:			
Share of gross assets	12	188	0
Share of gross liabilities	12	(188)	0
		<b>288</b>	<b>785</b>
<b>Long term debtors</b>			
Debtors: amounts falling due after one year	16	10	10
<b>Current Assets</b>			
Debtors	13	687	821
Cash at bank	14	1,238	1,801
		<b>1,925</b>	<b>2,622</b>
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	15	1,203	1,892
		1,203	1,892
Net Current Assets		<b>722</b>	<b>730</b>
Total Assets Less Current Liabilities		1,020	1,525
Long term liabilities			
Creditors: amounts falling due after one year	17	-	45
Total Assets Less Liabilities		<b>1,020</b>	<b>1,480</b>
<b>Reserves</b>			
Restricted funds	9	30	254
Unrestricted funds	8	990	1,226
Total Funds		<b>1,020</b>	<b>1,480</b>

The notes on pages 31 to 40 form part of these accounts



David Kester, Chief Executive

Date 19 February 2008



Sir Michael Bichard, Chairman

Date 19 February 2008

## Charity Balance Sheet as at 31 March 2007

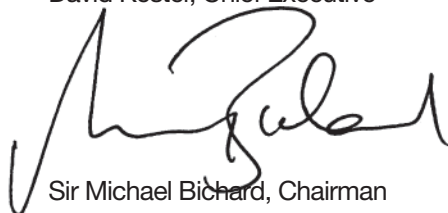
	Note	2007 £'000	2006 £'000
<b>Fixed Assets</b>			
Tangible fixed assets	11	288	785
Investments in joint ventures	12	-	-
		<b>288</b>	<b>785</b>
<b>Long term debtors</b>			
Debtors: amounts falling due after one year	16	10	10
<b>Current Assets</b>			
Debtors	13	687	821
Cash at bank	14	1,238	1,801
		<b>1,925</b>	<b>2,622</b>
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	15	1,203	1,892
		1,203	1,892
Net Current Assets		<b>722</b>	<b>730</b>
Total Assets Less Current Liabilities		1,020	1,525
Long term liabilities			
Creditors: amounts falling due after one year	17	-	45
Total Assets Less Liabilities		<b>1,020</b>	<b>1,480</b>
<b>Reserves</b>			
Restricted funds	9	30	254
Unrestricted funds	8	990	1,226
Total Funds		<b>1,020</b>	<b>1,480</b>

The notes on pages 31 to 40 form part of these accounts



David Kester, Chief Executive

Date 19 February 2008



Sir Michael Richard, Chairman

Date 19 February 2008

## Cash flow as at 31 March 2007

	Note	2007 £'000	2006 £'000
Net cash outflow from operating activities		(632)	(4,894)
<b>Return on investments and servicing of finance</b>			
Interest received	6	71	61
<b>Capital expenditure and financial investment</b>			
Acquisition of assets	12	(2)	(180)
Proceeds from disposal of fixed assets		-	3
Increase / (Decrease) in cash		<b>(563)</b>	<b>(5,010)</b>
<b>Analysis of changes in net funds</b>			
Analysis of changes in net funds			
Net cash outflow		(563)	(5,010)
Cash balance at 1 April 2006		1,801	6,811
Cash balance at 31 March 2007	14	<b>1,238</b>	<b>1,801</b>
<b>Reconciliation of operating (deficit)/surplus to operating cash flow</b>			
Net incoming/(outgoing) resources before other recognised gains and losses		(472)	(19)
Investment Income		(71)	(61)
Depreciation charge	11	511	479
(Increase)/Decrease in debtors	13,16	134	(468)
Increase/(Decrease) in creditors	15,17	(734)	(4,825)
Net cash outflow from operating activities		<b>(632)</b>	<b>(4,894)</b>

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# Notes to the accounts

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## 1. Statement of accounting policies

### a. Accounting convention

The financial statements have been prepared in accordance with the Accounts Direction issued by the Secretary of State, applicable Accounting Standards issued by the UK Accounting Standards Board, the Statement of Recommended Practice: Accounting & Reporting by Charities 2005 and guidance issued by HM Treasury.

The financial statements are prepared under the historical cost convention (as modified by the revaluation of certain fixed assets by reference to current costs).

The accounts have been prepared on a going concern basis.

### b. Joint ventures

Dott 07/Designs of the Time Ltd, a joint venture with One North East was incorporated as a company limited by guarantee on 21 March 2006. In accordance with FRS9 the joint venture has been consolidated using the gross equity method.

### c. Incoming resources

All incoming resources are recognised within the SOFA where:

- The organisation is legally entitled to the income
- It is certain that the resource will be received
- The resource can be quantified with reasonable accuracy.

Where entitlement to incoming resources requires a specific performance to be achieved (a contract or performance related grant) then incoming resources are recognised only to the extent that the performance has taken place. Where monies are received in advance of entitlement they are deferred and recognised when the activity providing an entitlement to this income has taken place.

Incoming resources in relation to intellectual property are recognised when granted and are recognised regardless of the extent to which the intellectual property is applied unless the agreement conferring the property rights states otherwise.

### d. Resources expended

Expenditure is accounted for on an accruals basis and allocated to the appropriate heading in the accounts. Charitable activities expenditure enables the Design Council to meet its charitable aims and objectives.

Governance costs are associated with the governance arrangements of the charity and relate to the general running of the organisation. Support costs are those costs which enable charitable activities to be undertaken.

### e. Grants payable and constructive obligations

Under FRS12 the charity recognises within resources expended liabilities relating to any constructive obligations. Such obligations are likely to arise where the organisation has made a specific commitment to provide grant funding beyond the current reporting period and has communicated this directly to a grant recipient. Where the organisation retains discretion, within the terms of its grant contract, to avoid the expenditure a liability will not be recognised and will be treated as a contingent liability.



Notes continued

#### f. Funds accounting

Funds held by the charity are either:

- Unrestricted funds: these are funds which can be used in accordance with the charitable objects at the discretion of the Council. Included within unrestricted funds are surpluses relating to Revenue Grant in Aid from the DTI.
- Restricted funds: these are funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Transfers between funds are made in the following situations:

- From the Deferred Capital Grant in Aid to match the impact on unrestricted reserves of depreciation on assets purchased through capital Grant in Aid.
- To ensure that funds reflect any restrictions placed upon them.

The nature and purpose of each restricted fund is explained in note 9.

#### g. Reserves policy

As an organisation with a largely predictable income stream and operating cycle it has not historically been necessary for the organisation to carry reserves to provide against unforeseen circumstances. Furthermore the ability to hold unrestricted reserves has been limited by the organisation's Financial Memorandum with the DTI and DCMS.

The Audit Committee has the duty to consider whether such a policy remains suitable given the organisation's income profile and the nature of its activities.

#### h. Fixed assets

As required by HM Treasury, the value of tangible fixed assets is reassessed annually by reference to current costs calculated using appropriate indices. Where the value is materially different from the net book value, the assets are revalued accordingly and any surpluses treated as a revaluation reserve. The cost or revaluation of tangible fixed assets is written off on a straight line basis over the assets' expected useful lives less any residual value as follows:

<b>Leasehold improvements</b>	<b>Over the period of the lease</b>
Leasehold fixtures and fittings	5 years, or over the period of the lease if less
Furniture and equipment	5 years
Computer hardware & software	2–5 years
Servers and associated licenses	5 years
Laptops and associated licenses	3 years

Tangible Fixed Assets costing less than £1,000 are not capitalised and are written off in the year of purchase.

Website costs have in previous years been capitalised and depreciated over a two year period, however in accordance with the recommendations of the SORP and UITF 29 (website development costs) all website costs are expensed in the year in which they are incurred.

#### i. Pension costs

Pension costs for the defined contribution scheme are charged to the accounts on an accruals basis in accordance with the requirements of FRS 17.

#### j. Leases

Any lease which entails taking substantially all the risks and rewards of ownership of an asset is treated as a finance lease, is recorded in the balance sheet as a tangible fixed asset at its fair value and is depreciated over the term of the lease. Future instalments, net of finance charges, are included in creditors. Rentals payable are apportioned between the finance element, which is charged to the income and expenditure account, and the capital element, which reduces the outstanding obligations for future instalments.

All other leases are accounted for as operating leases and rentals are charged to the income and expenditure account on a straight line basis over the life of the lease.

#### k. Foreign currency

Transactions in foreign currency are recorded using the exchange rate ruling at the date of the transaction. Profits or losses on exchange are included in other operating income/charges for the year. Non-sterling assets and liabilities are recorded using the exchange rate ruling at the balance sheet date.

#### l. Value Added Tax

Design Council incurs irrecoverable VAT on many of its operations. In such instances transactions are stated inclusive of VAT. Where a transaction relates to an activity where the input VAT is recoverable, such items are stated net of VAT. Where fixed assets have been stated inclusive of VAT, VAT is then written off over their useful lives.

#### m. Cost of capital

In accordance with HM Treasury guidance the Design Council has included a non-cash cost of capital in the results for the year calculated at a rate of 3.5 per cent on average net capital employed. This cost is added back to determine the movement on reserves.

## 2. Incoming resources

	2007 £'000	2006 £'000
<b>Analysis of income from generated funds</b>		
Grant in Aid is from DTI		
Revenue Grant in Aid	6,033	6,425
Capital Grant in Aid (non specific)	2	180
Total voluntary Income	6,035	6,605
Investment Income - interest	71	61
	6,106	6,666
<b>Analysis of income from charitable activities</b>		
Grants	1,350	2,087
Business Programme Fees	279	121
Income from Ancillary trades	71	81
	1,700	2,289
Total	7,806	8,955

Notes continued

### 3. Staff costs

	2007 £'000	Restated 2006 £'000
Salaries	2,598	2,788
Social security costs	298	313
Pension costs	104	85
Staff benefits	40	54
Total payroll staff costs	3,040	3,240
Total temporary and contract staff costs	529	425
<b>Total staff costs</b>	<b>3,569</b>	<b>3,665</b>

Staff benefits comprise gym membership, healthcare and childcare vouchers. The 2006 comparative figures have been restated to disclose benefits regarding gym membership, healthcare and childcare vouchers. 2006 costs have been restated to include temporary and contract staff.

#### Number of employees

The number of salaried full time equivalent employees employed by the Design Council in the year ended 31 March 2007 was as follows

	2007 Number	2006 Number
Average number of employees		
Projects	58	60
Support	18	17
<b>Total (full-time equivalent)</b>	<b>76</b>	<b>77</b>
Permanent	60	73
Other staff	16	4
<b>Total (full-time equivalent)</b>	<b>76</b>	<b>77</b>

### 4. Cost of capital

In accordance with HM Treasury guidance, the cost of capital is calculated based on average total assets less liabilities during the year, at the agreed HM Treasury rate of 3.5 per cent (2006 - 3.5 per cent)

	2007 £'000	2006 £'000
Cost of capital	44	52

### 5. Other operating charges

The operating deficit for the financial year is stated after charging:

Auditors' remuneration for audit work	35	30
Travel, subsistence and hospitality		
Staff	90	122
Council members	9	15
Operating leases – plant and machinery	28	26
Operating leases – other	240	241
Depreciation	511	479

## 6. Net interest receivable and similar charges

	2007 £'000	2006 £'000
Bank interest receivable	71	61

## 7. Total resources expended

Analysis of Total resources expended

	Grants Payable £'000	Staff Costs £'000	Other Direct £'000	Allocation of support Costs £'000	2007 Total	Restated 2006 Total
Direct Charitable Expenditure						
Design Policy	-	417	433	697	1,547	2,162
Design Innovation	-	155	177	273	605	1,240
Design for Business	-	619	667	1,055	2,341	2,495
Design for the Public	350	54	136	443	983	790
Design Knowledge	-	422	957	1,132	2,511	1,974
	350	1,667	2,370	3,600	7,987	8,661
Other costs						
Governance costs	-	209	82	-	291	313
Cost of capital	-	-	44	-	44	52
<b>Total Resources Expended</b>	<b>350</b>	<b>1,876</b>	<b>2,496</b>	<b>3,600</b>	<b>8,322</b>	<b>9,026</b>

Governance costs are those incurred in connection with the administration of the charity and compliance with constitutional and statutory requirements. This includes audit, legal and professional advice for Council members and a proportion of payroll costs of certain directors and support staff.

Support costs include those relating to business support including human resource, general administration expenses, executive management and information systems. The support costs are allocated to the direct charitable activities as a direct proportion of total grants payable, staff costs and other direct costs.

The 2006 comparative figures have been restated to show the comparison on a more meaningful basis as there was a restructuring of the departments' half way through the year. The opportunity was also taken to further refine the methods used to determine governance costs and to allocate support costs.

The following support costs have been allocated to the charitable activities based upon each department's proportion of total staff and direct costs.

	2007 £'000	2006 £'000
Communications	859	856
Government Relations	129	112
Facilities	871	1,008
Human Resources	311	357
IT	169	186
Finance	188	185
Depreciation	511	480
Other	562	775
<b>Total</b>	<b>3,600</b>	<b>3,959</b>

## 8. Unrestricted funds reserve movement

	Total Reserves £'000
1 April 2006	1,226
Net outgoing resources	(292)
Cost of capital reversal	44
Revaluation of fixed assets	12
31 March 2007	<b>990</b>

## 9. Analysis of funds

Funds balanced at 31 March 2007 are represented by:

	At 1 April 2006 £'000	Incoming Resources £'000	Outgoing Resources £'000	Revaluations £'000	At 31 March 2007 £'000
Unrestricted Funds	1,226	6,473	(6,721)	12	990
	<b>1,226</b>	<b>6,473</b>	<b>(6,721)</b>	<b>12</b>	<b>990</b>
<b>Restricted Funds</b>					
DTI – ‘Change Process’ <sup>a</sup>	40		(10)		30
Great Expectations <sup>b</sup>	164		(164)		0
DTI – Project Funding <sup>c</sup>	0	1,000	(1,000)		0
Bolton Diabetes Network <sup>d</sup>	25		(25)		0
Kent County Council <sup>e</sup>	25		(25)		0
IDX funding <sup>f</sup>	0	33	(33)		0
One Northeast <sup>g</sup>	0	200	(200)		0
SEEDA <sup>g</sup>	0	100	(100)		0
	254	1,333	(1,557)	0	30
Total Reserves	<b>1,480</b>	<b>7,806</b>	<b>(8,278)</b>	<b>12</b>	<b>1,020</b>

### Notes

- To support the Design Council's organisational restructuring
- This represents a surplus of funding received from the DTI in 2000 to fund an international touring exhibition to promote British Design. The DTI authorised the attribution of this reserve to the UK Biennial and it was carried forward to fund Dott 07 in the financial year.
- To support the implementation of the DTI's Innovation project
- To support the health campaign
- To support the health campaign
- To support the International Design Exchange feasibility study.
- To support the Designing Demand central function costs for the four year Designing Demand programme.

## 10. Analysis of group net assets between funds

Funds balances at 31 March 2007 are represented by:

	Unrestricted funds £'000	Restricted funds £'000	Total £'000
Tangible fixed assets	258	30	288
Long term debtors	10	-	10
Current assets	1,264	661	1,925
Current liabilities	(943)	(260)	(1,203)
Short term loan to restricted funds	401	(401)	-
Long term liabilities	-	-	-
Total Net Assets at 31 March 2007	<b>990</b>	<b>30</b>	<b>1,020</b>

## 11. Fixed assets

### Tangible Fixed Assets

	Leasehold improvements £'000	Furniture & equipment £'000	Information technology £'000	Website development £'000	Total £'000
<b>Cost</b>					
1 April 2006	2,403	719	391	993	4,506
Additions	-	2	-	-	2
Disposals	0	(15)	0	0	(15)
Revaluation	63	13	(25)	0	51
31 March 2007	2,466	719	366	993	4,544
<b>Depreciation</b>					
1 April 2006	1,987	443	298	993	3,721
Charge for year	340	103	68	-	511
Disposals	0	(15)	0	0	(15)
Revaluation	52	9	(22)	0	39
31 March 2007	2,379	540	344	993	4,256
<b>Net Book Value</b>					
31 March 2007	<b>87</b>	<b>179</b>	<b>22</b>	-	<b>288</b>
31 March 2006	<b>416</b>	<b>276</b>	<b>93</b>	-	<b>785</b>

## 12. Joint ventures

### Investment in joint ventures

Designs of the Time/Dott 07 Limited 'Dott 07', a company limited by guarantee, was created to provide a vehicle for the public engagement programme, Dott 07. It was a year of community projects, events and exhibitions based in North East England that explored what life in a sustainable region could be like – and how design can help achieve this. The company is incorporated in Great Britain and operates in North East England. It has two guarantors—the Design Council and One North East both of whom have an equal level of operational control.

Its principal place of business is The Robert Stephenson Centre, Sussex Street, Newcastle upon Tyne, NE1 3PD

### Key financial results of the joint venture

	2007 £'000	2007 Council Share £'000
<b>Profit and loss values comprised</b>		
Income	1,864	932
Interest receivable	3	2
	1,867	934
Expenditure	(1,867)	(934)
Profit for the period	0	0
<b>Balance Sheet values comprised</b>		
Fixed assets	5	3
Current assets	370	185
Current liabilities	370	185
Long term liabilities	5	3
Gross assets	375	188
Gross liabilities	375	188
Investments in Joint Ventures are calculated on the basis of the Council's share of net assets as detailed below		
Dott 07 / Design of the Time Ltd	0	0

Notes continued

### 13. Debtors: amounts falling due within one year

	2007 £'000	2006 £'000
Other debtors	148	184
Prepayments and accrued Income	539	637
	<b>687</b>	<b>821</b>

### 14. Cash

Cash at bank	1,238	1,801
	<b>1,238</b>	<b>1,801</b>

### 15. Creditors: amounts falling due within one year

Trade creditors	309	667
Tax & Social Security	97	129
Other creditors	99	170
Accruals	449	812
Deferred income	249	114
	<b>1,203</b>	<b>1,892</b>

The £114k of deferred income shown as at 31.03.06 was released to income in the year 2006/07 as the projects were completed in the year. The deferred income at March 2007 represents new funds received for two projects which were subsequently completed during 2007/08. The recognition of this income is therefore deferred.

### 16. Debtors falling due after one year

Supplier deposit	10	10
	<b>10</b>	<b>10</b>

### 17. Creditors: amounts falling due after more than one year

<b>Other creditors</b>		
Rent free provision	0	19
Redundancy payments	0	13
Archive provision	0	13
	<b>-</b>	<b>45</b>

All these provisions were utilised in the year ended 31.03.07

## 18. Intra government balances

	Debtors: amounts falling due within one year £'000	Debtors: amounts falling due after more than one year £'000	Creditors: amounts falling due within one year £'000	Creditors: amounts falling due after more than one year £'000
Balances with central government bodies	412	-	(134)	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	(95)	-
Balances with bodies external to government	275	10	(974)	-
<b>At 31 March 2007</b>	<b>687</b>	<b>10</b>	<b>(1,203)</b>	<b>0</b>
<b>At 31 March 2006</b>	<b>821</b>	<b>10</b>	<b>(1,892)</b>	<b>(45)</b>

## 19. Operating leases

The amounts payable next year due under non-cancellable operating leases are shown below analysed according to the expiry date of the leases.

	2007 £'000	2006 £'000
<b>Other leases:</b> commitments in respect of leases		
Expiring within one year	6	1
Expiring between two to five years	14	9
Expiring after five years	-	1
<b>Property leases:</b> expiring within one year	-	317
	<b>20</b>	<b>328</b>

The lease on our property at 34 Bow Street expired on 23 June 2007 and a new lease for 10 years was signed on 12 October 2007. The amount payable under this lease during 2007/08 is £822k.

## 20 Capital commitments

At 31 March 2007 there were no capital commitments (2006 £nil)

## 21 Other financial commitments

During the year the Design Council funded the joint venture Dott 07 in conjunction with One North East. Both organisations have agreed to fund the project; with the Design Council undertaking to provide £1m (£218k has been charged last year, a further £325k contributed in 2006-07 and £457k to be funded in 2007-08). This funding is, however, contingent on certain milestones being reached and this has been communicated in the funding letter to Dott 07 (and therefore there is no constructive obligation under FRS12).

## 22 Contingent liabilities

At 31 March 2007 there remains a contingent liability relating to the Design Council Pension Scheme (DCPS) which was fully wound up during 2005. As part of the winding up process, DCPS liabilities were transferred to a third party. However, there remains a possibility that unforeseen claims could arise, which the Design Council would have to meet, although the financial effect of these cannot be estimated. Currently there would be no reimbursement from another party to cover any DCPS liability arising.



Notes continued

## 23 Taxation

The Design Council is exempt from the payment of Corporation Tax.

## 24 Related party transactions

The Design Council is a Non Departmental Public Body sponsored in 2006/07 by the Department of Trade and Industry. During the year the Design Council had various material transactions with the DTI, which is regarded as a related party. In addition to this the Design Council has had various material transactions with other government bodies. The DTI is the controlling party of the Design Council.

Council members, in relation to Council responsibilities, are remunerated for expenses only. None of the Council members, directors or key managerial staff or other related parties has undertaken any material transactions with the Design Council during the year except:

- Membership subscriptions totalling £257 were paid to the Royal Society of Arts (of which the Chief Executive of the Design Council is a Council member).

## 25 Financial instruments

Derivatives and other financial Instruments, require disclosure of the role financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the wholly non-trading nature of its activities and the way in which Non-Departmental Public Bodies are financed, the Design Council is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. As permitted by FRS 13, the following disclosures exclude short-term debtors and creditors.

The Design Council has no powers to borrow and limited power to invest surplus funds or conduct transactions in foreign currency. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Design Council in undertaking its activities.

There is one debtor, a deposit of £10,000 held by a supplier, which matures or becomes payable after 12 months from the balance sheet date.

## 26 Fair values

There is no difference between the book value and fair value of any of the Design Council's financial assets and liabilities as at 31 March 2007

## 27 Post balance sheet events

The Department for Trade and Industry was the sponsoring body responsible for the Design Council during the 2006-07 financial year. Following the announcement by the Prime Minister on 28 June 2007 about the way Government is organised, the Department for Trade and Industry ceased to operate as the DTI. The Department for Innovation, Universities and Skills will now assume some of the work of the DTI, including sponsorship and funding of the Design Council.

The lease on our property at 34 Bow Street expired on 23 June 2007 and a new lease for ten years was signed on 12 October 2007, at a rental of £822k per annum.

On 31 December 2007, Sir George Cox, Chairman, stood down at the end of his tenure and Sir Michael Bichard commenced his appointment as Chairman on 1 January 2008.

These accounts were authorised for issue by the Comptroller and Auditor General on 18 March 2008.

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The Design Council is the national strategic body for design.

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**The Design Council is the national strategic body for design.**

Its **purpose** is to strengthen and support the UK economy and society by inspiring and enabling the best use of design.

Its **goal** is that UK managers become the best users of design supported by the most skilled and capable design professionals.

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