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**Presented to the House  
of Commons pursuant  
to section 7 of the  
Government Resources  
and Accounts Act 2000**

**Ordered by the House of  
Commons to be printed  
on 13 July 2011**

**HC 1216  
London:  
The Stationery Office  
£15.50**

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ISBN: 9780102973402

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office  
ID: 2437301 07/11

Printed on paper containing 75% recycled fibre content minimum

## Contents

<b>About this document</b>	<b>06</b>
<b>About the Design Council</b>	<b>06</b>
<b>Chair's foreword</b>	<b>07</b>
<b>2010–11 context</b>	<b>09</b>
<b>Forecast return on investment</b>	<b>10</b>
<b>Achievements in detail</b>	<b>11</b>
<b>Financial review</b>	<b>22</b>
<b>Future plans</b>	<b>24</b>
<b>Remuneration report</b>	<b>25</b>
<b>Statement of the Council's and Chief Executive's responsibilities</b>	<b>29</b>
<b>Statement on internal control</b>	<b>30</b>
<b>The Certificate of the Comptroller and Auditor General to the Houses of Parliament</b>	<b>33</b>
<b>Statement of financial activities for the year ended 31 March 2011</b>	<b>36</b>

## About this document

This Annual Report and Accounts covers the financial year 2010–11: the first part includes a review of the activities carried-out during the year, the second part contains the financial statements. This document is available on the Design Council's website [www.designcouncil.org.uk](http://www.designcouncil.org.uk).

## About the Design Council

For more than 60 years the Design Council has promoted design for the public good. In 2010–11, the Design Council was an executive non-departmental public body (NDPB) sponsored jointly by the Department for Business, Innovation and Skills (BIS) and the Department for Culture, Media and Sport (DCMS).

The Design Council places design at the heart of growth and renewal in Britain. As one of the world's leading design institutions, it is a centre of new thinking and insight into new ways to do business. It actively demonstrates how design can help build a stronger economy and improve everyday life.

A list of past Trustees is on page 20 and current Trustees on page 24.

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

Registered Address:  
34 Bow Street  
London  
WC2E 7DL

## Chair's foreword

As the Chair of the Design Council Trustee Board, in post since 01 April 2011, I am signing-off this Annual Report and Accounts for 2010–11, which will be the last that the Design Council produces as a non-departmental public body.

As for many in the public sector, 2010–11 was a challenging year that saw a sea-change in the government's approach to how the public services are run.

The Government commissioned an independent review of the Design Council's role and status which I chaired.

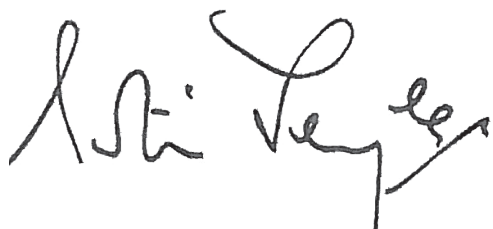
The review's recommendations were endorsed by Government, which recommended that the Design Council should move outside of government to operate as an independent charity. To achieve this, the Design Council has gone through an immense amount of change, refocusing its work programme and restructuring its staff, as well as amending its Royal Charter and constitutional arrangements.

Despite all of this upheaval, the Design Council has continued to successfully demonstrate the value of design, save public services money and build the value of UK Plc as well as achieving significant outcomes for design's role in economic and social renewal.

Our Designing Demand mentoring programme was chosen by BIS as the only design-led business support tool, to be part of their *Solutions for Business* programme; this is an outstanding endorsement. An evaluation of our public services mentoring programme showed the design support had the potential to deliver a social forecast return on investment of 26:1.

Following the success of our partnership with the Department of Health and the NHS, the Design Council continued to focus on the important issue of healthcare by showing how our demonstrations can lead to commercially viable products. Six products from our Design for Patient Dignity programme are now being ordered and a further two are on trial.

This Report reflects on the success of the achievements made by Design Council staff right across the work programme under the leadership of Lord Bichard. As Lord Bichard steps down, I would like to personally thank him and all of the outgoing Council Members for their outstanding contribution to the Council over the last year.

A handwritten signature in black ink, appearing to read 'Martin Temple'.

Martin Temple, CBE, Chair, Design Council



## 2010–11 Context

As part of the Government's Public Bodies Review, David Willetts MP, Minister of State for Universities and Science announced a review to consider the future role and status of the Design Council. Martin Temple CBE, Chair of the Engineering Employers Federation and a member of the Design Council, was invited to lead the review which reported in September 2010. The Temple Review recommended that the Design Council should continue to be funded by government, but should no longer be an NDPB. Rather, it should continue its work as a Royal Charter charity, and focus its activities on delivering even greater value to the tax-payer.

The Comprehensive Spending Review (CSR) resulted in a reduction in funding for the Design Council from £5.6m in 2010–11 to £4.0m for 2011–12, with a similar amount earmarked for the spending review period.

The combined outcome of the Temple Review and the CSR led to a process of restructure and redundancies at the Design Council from the Autumn of 2010 to the end of March 2011. Alongside this transition programme, the Design Council was negotiating with the Department for Communities and Local Government and the Department for Culture, Media and Sport to acquire the assets and TUPE transfer certain staff members of the Commission for Architecture and the Built Environment (CABE) necessary to carry out certain activities after it ceased to operate on 31 March 2011. This negotiation continued until the 31 March, when it was agreed that CABE Commissioners could sign a partial transfer of undertaking and complete the TUPE transfer.

## Forecast return on investment

£9.90 of gross value added (GVA) for every £1 spent on the Designing Demand business mentoring programme

Estimating the potential national impact of Designing Demand, Rindl Consulting (2010)

£26 of social value for every £1 spent on Public Services by Design public sector mentoring programme – and an efficiency gain for each client of £750,000

Independent evaluation of Public Services by Design, Centrifuge Consulting (2010)

Forecast return on investment of £23 for every £1 spent an additional £11.3 million in turnover for participating manufacturers and designers involved in the Design Bugs Out project to develop hospital equipment and furniture that is more easily cleaned

The Impact Evaluation of Design Bugs Out, Ekosgen (2010)

## Achievements in detail

The Design Council places design at the heart of growth and renewal in Britain. As one of the world's leading design institutions, it is a centre of new thinking and insight into new ways to do business. It actively demonstrates how design can help build a stronger economy and improve everyday life.

### **Objective 1: Insight – Inspire new ways to do business**

#### Evidence of the economic role of design in national policy

In partnership with the Institute for Government and NESTA, the Design Council held a series of six high-level roundtables to bring together representatives from Government and the private sector to consider the role of design in citizen-centred services in delivering the Government's Big Society agenda. This formed the evidence-base for the strategic development of Design Council projects and provided evidence to the Temple Review.

The Design Council contributed to a number of Government consultations over the year. These included responses to:

- BIS and Her Majesty's Treasury (HMRC) Digital & Creative Industries Growth Review *The path to strong, sustainable and balanced growth*
- HMT and Her Majesty's Revenue and Customs consultation on *Corporate tax reform part 2B*  
The taxation of innovation and intellectual property
- the HMT Spending Review
- BIS consultation on *Economic opportunities for an ageing population*
- BIS and Department of Energy and Climate Change on *Meeting the low carbon skills challenge*
- House of Commons Science and Technology Committee *Inquiry into strategically important metals*
- House of Lords Science and Technology Committee *inquiry into public procurement as a tool to stimulate innovation.*

The Design Council also worked with the Associate Parliamentary Design and Innovation Group and scoped two parliamentary enquiries which will gather evidence on design education and public service reform, with the first session early in 2011–12.

#### Awareness of the value of design to target sectors

The Design Council delivered a number of debates and discussion opportunities for Government and business to consider how design can play a role in economic and social renewal. In partnership with the London School of Economics (LSE), the Design Council held a series of five seminars with a focus on design in public sector innovation launched by the Minister, David Willetts and Lord Bichard, attended by delegates from national and local government, universities and commercial public service providers.

The Design Council collaborated with the Public Management and Policy Association (PMPA) to host the Chairman's Lecture, in which Lord Bichard set-out a strategic vision for the public role of design and innovation. The Design Council contributed to the establishment of the joint BIS and DCMS Creative Industries Council, chaired by Ed Vaizey MP, Minister for Culture, Communications and Creative Industries.

Throughout this time, the Design Council worked closely with BIS Innovation Partner bodies including the Intellectual Property Office and the British Standards Institution. An event was hosted by the Design Council on behalf of the BIS Innovation Family during London Design Festival. This provided opportunities for design and businesses to engage with BIS Innovation partners. A new interactive online tool, created collaboratively by the Design Council and BSI was launched.

The Prince Philip Designers Prize was awarded to Bill Moggridge, interaction designer, director of Cooper-Hewitt National Design Museum. An event was held in the presence of His Royal Highness the Duke of Edinburgh.

## Objective 2: Challenges – Turning big problems into innovation

The Design Council continued to refine this area of business, creating open innovation challenges that demonstrate the power of design in tackling big societal challenges, and in so doing stimulating enterprise. This year the Design Council launched five new Challenges in the areas of health, security, and the environment and completed all five strands of the Design Out Crime programme.

### Healthcare

#### — Design Bugs Out and Design for Patient Dignity

Two design challenges that concluded in the previous financial year, continued to increase their impact. In the Design Bugs Out challenge four designers teamed-up with British manufacturers to develop and prototype five new pieces of hospital furniture to help reduce healthcare acquired infections. Five Bugs Out products are now a commercial reality having successfully been sold into both the NHS and foreign healthcare markets. In Design for Patient Dignity challenge, six teams of designers and manufacturers, as well as healthcare design specialists from the Royal College of Art: Helen Hamlyn Centre, came-up with designs to solve privacy and dignity issues. Six Dignity products have orders placed from the NHS, two of which are currently in trial.

The Impact Evaluation of Design Bugs Out, Ekosgen (2010) showed forecast return on investment of £23 per £1 investment and additional £11.3 million in turnover for participating manufacturers and designers involved in the Design Bugs Out project.

#### — Reducing Violence and Aggression in A&E by Design

During 2010–11, the newest healthcare design challenge and collaboration with the Department of Health and the NHS was shaped and launched. It is now underway and garnering strong interest by media, designers and industry.

### Crime and Security

This year saw the conclusion of the Design Out Crime programme, which aimed to demonstrate how designers can stimulate innovation and provide solutions to big problems such as crime in our homes, schools and businesses and to produce *hot products* and reduce alcohol related crime. Initiatives within the programme covered a wide range of issues such as supporting crime reduction in communities with the Neighbourhood Watch Network and reducing bicycle and car theft.

This year the pint glass concept, redesigned to prevent the horrific injuries associated with “glassings”, moved significantly from conceptual prototype to production item. The designs were displayed in both the Houses of Parliament and the Home Office.

## Sustainable Environment

The Design Council continued its work with Southern Water, engaging schools in conserving water through design. Meanwhile Southern Water's Universal Metering Programme, designed to engage consumers with the idea of water conservation, is being seen as a great success thanks to the work of the Design Council in bringing service design agencies to the challenge.

## Sustainable Communities

### — The Designs of the Time (DottCornwall)

The DottCornwall initiative, a collaboration between the Design Council, Cornwall Council, University College Falmouth and the Technology Strategy Board generated a significant amount of engagement with local communities involving more than 3,000 people in projects throughout the county, as well as 45 teachers, 1,100 pupils and 50 designers. The project concluded at the end of the year with the Intersections '11 conference at the Eden Project that attracted an international group of thought leaders and practitioners. Among the projects, more than 200 residents on the Pengegon housing estates worked with designers to look at community facilities and services. Serious Play set-out to inspire children and harness the energy of play co-designing playground equipment, co-creating sustainable power and co-building a playground. Dott brought together communities, residents, service delivered and designers to create practical solutions to tough social and economic issues.

An important legacy is that Cornwall Council created the new role of Chief Designer, showing their commitment to embedding the principles of design-led, citizen-centred innovation in public services.

### — Independent Living

Building on a successful scoping exercise last year, the Design Council launched an open innovation challenge on Independent Living for older adults with the Technology Strategy Board. A consortia of designers and industry are being engaged in the development of ideas to improve nutrition and mobility for older adults. In addition, schools are working with older adults in order to create concepts that will improve inter-generational connections.

## London 2012 Olympic Games

As a special engagement, the Design Council was consulted by the London Organising Committee of the Olympic Games (LOCOG) in the design of the Olympic relay torch. The Design Council advised on the setting-up of a national design competition in order to attract and identify the best of the British design industry to tackle such an iconic challenge. The up-and-coming agency Barber Osgerby was selected and the torch design and development programme is well under way.

### **Objective 3: Support – Creating new value out of competition**

The Design Council continued to develop and deliver its mentoring services for business, the public sector and the technology and science sectors.

#### Business

The mentoring and support service for small and medium-sized businesses helps them use design to become more innovative, competitive and profitable. A total of 150 design projects were completed in the year through the Designing Demand programme. Following the Government's restructure of regional administration and the decision to abolish the Regional Development Agencies, the Design Council developed a new streamlined operating model for Designing Demand. Demonstrating its value to Government, Designing Demand was retained within the Government's Solutions for Business offer, following a rationalisation and reduction of the number of services.

The findings from an impact study of Designing Demand by Rindl Associates in August 2010 showed that since 2006, for every £1 spent on design it returns £9.90 national forecasted GVA; and that the forecast impact is estimated to be £160m in additional sales for small to medium sized enterprises and £9m estimated new turnover for the design industry. In addition, More than 3,000 jobs are estimated to have been created and safeguarded.

#### Commercialising Science and Technology

The mentoring service for scientists and innovators in UK universities helps them use design to develop new applications for their research and increase the chances of it being commercialised. A pilot was completed with 6 universities and the findings disseminated to highlight how design can play a key role in the exploitation of scientific research to inspire HEIs, investors and the Knowledge Transfer community. An evaluation study by Ekosgen in July showed that design positively impacted commercialisation strategies with 19 out of 24 projects stating the mentoring had helped to de-risk their work.

The technology transfer projects that we have supported have helped to secure license deals and access over £1m of fresh investment. Over 80% of projects reported a reduction in risk by using design early in the commercialisation process and 50% reported that design had increased IP value. Over £200,000 has been invested in design.

#### Public Sector

Public Services by Design is a mentoring service for public sector managers, which helps them use design tools and techniques to innovate and deliver customer focused services. The mentoring service for the public sector, sponsored by BIS, led to five organisations successfully commissioning design projects. These were HMRC/ Companies House, The Youth Justice Board, Suffolk County Council, Lewisham Council and the North East Regional Improvement Partnership. Findings were subsequently referenced in the Temple Review and by the Minister, David Willetts.

The initial evaluation report by Centrifuge Consulting in September 2010 showed the potential for substantial efficiency gains resulting from participation in the Design Council's programme, with a social forecast return on investment at a scale of 26:1. The evaluation also found that the average leverage of additional design spend in the projects that have reached commissioning stage is 1:1.2, that is, every £1 of project spend levers in £1.20 additional design spend.



## **Objective 4: Investment – Growing design to support UK business**

### Design in Education

#### — Schools Challenges

The Eco Design Challenge 2010, funded by Cornwall County Council, delivered an Inspiration day to 35 secondary schools in the area. Of these, twelve schools went on to take part in the project. The Water Design Challenge 2010 pilot, funded by Southern Water, invited five secondary schools from across the South East to take part. All five schools were matched with a Design Ambassador and presented their ideas to a panel of judges at a dragons den style celebration event in July 2010. The winning school was Sholing Technology College with their idea for the World's Smallest Water Museum, which also went on to win the BP Innovative Engineering Award at the Big Bang 2010. Year two of the Water Design Challenge was rolled-out to a further ten schools in the South East and the new challenge, Keeping Connected, was developed as a cross-curricula project with 15 schools from across the UK looking at ways to address isolation for older adults.

#### — Multidisciplinary Design Network

As part of the conclusion of the multidisciplinary design network, knowledge exchange visits were made to Korea and China to learn from designers and companies such as Samsung and SK Telecom (Korea), as well as universities including Seoul National University, Korea Advanced Institute for Science and Technology, Tsinghua, the Central Academy of Fine Arts in Beijing. The concluding event brought together leading academics to share knowledge on international practice.

### Connecting Design and Business

#### — UK Design Alliance

Over 30 organisations from design, business and education joined the UK Design Alliance. The Alliance is a partnership of national design bodies, businesses and regional design networks working together to meet the ambition set-out in the Temple Review to create a more highly networked sector within itself and with others involved in innovation.

#### — Small Grants

The Design Council launched a new initiative investing in local, regional and national design promotion with £100,000 worth of small grants being awarded to 18 organisations, which delivered activities around the country to help promote the value of design to business including creating and publishing video content, a website, week-long showcases, a training programme, conferences and networking events involving thousands of designers.

## **Objective 5: Organisation and operation**

In light of the external context, the focus was on delivery against government efficiency targets and preparations in readiness for the organisations transfer to become an independent charity in April 2011.

Work in this area therefore focussed on the Design Council's restructure and redundancy programme which was successfully delivered to help ensure that the organisation was fit-for-purpose as an independent charity. Significant transition planning and implementation included a refresh of the Royal Charter and the establishment of a new Trustee Board.

## **Management structure**

In 2010–11, the Design Council had a non-executive Council, which was led by the Chairman Lord Bichard and a Board of executive directors which was and continues to be led and overseen by the Chief Executive, David Kester.

The Secretaries of State for BIS and DCMS jointly appointed Council Members according to the principles of the Office for the Commissioner for Public Appointments. All Council Members complied with a code of practice. All members received an induction on appointment and were involved in an annual strategy day.

The organisation's operating framework comprises the requirements set-out in its Royal Charter, its Management Statement and its Financial Memorandum. Additionally, relevant Charity Commission requirements as well as central government directions were fully complied with.

The Council set the strategic direction and ensured the effective and efficient use of all funds. It monitored and reviewed how the organisation performed against its objectives on behalf of government. In 2010–11, there were two subcommittees of the Council: Audit and Remuneration.

The Council Members complied with the duty in section 4 of the Charities Act 2006 to have due regard to guidance published by the Charity Commission. In addition systems and procedures were followed by the Trustees to manage major risk.

A list of related party transactions is on page 50.

The following non-executive Council Members served during 2010–11:

Name	Date appointed	Date retired/resigned	Committee membership
Lord Bichard (Chair)*	01.01.08	Resigned on 01.04.11	Remuneration (Chair)
Sebastian Conran	01.02.09	Resigned on 01.04.11	
Bonnie Dean*	01.01.05	Resigned on 01.04.11	Audit
Joe Ferry	01.02.09	Resigned on 01.04.11	
Jonathan Kestenbaum	01.03.06	Retired on 31.10.10	
Professor Geoff Kirk	01.01.05	Retired on 31.12.10	Audit
Professor Alan Livingston	01.02.09	Resigned on 01.04.11	Audit
Professor Jeremy Myerson	01.02.09	Resigned on 01.04.11	
Professor Eddie Obeng	01.02.09	Resigned on 01.04.11	
Martin Temple	01.02.09	Resigned on 01.04.11	
Sophie Thomas	01.02.09	Resigned on 01.04.11	
Janet Walker	01.03.06	Resigned on 16.11.10	Audit (Chair) Remuneration
Peter Williams	01.03.06	Resigned on 01.04.11	Audit (Chair as of 04.11.10)
Richard Williams*	01.01.05	Resigned on 01.04.11	
Professor Chris Wise*	01.01.05	Resigned on 01.04.11	Remuneration

\* Members who were reappointed during the year

A register of interests of the Council Members and executive directors is kept and is available on request

The following were executive directors during 2010–11:

Name	Date appointed	Date resigned	Job title
David Kester	24.04.03		Chief Executive
David Godber	02.06.08	31.12.10	Deputy Chief Executive
Christopher Exeter	04.01.10	24.12.10	Director of Policy
Mat Hunter	11.01.10		Chief Design Officer
Ellie Runcie	17.03.97		Director of Design Innovation & Networks

In November 2010, Nick Lewis FCCA was appointed as Interim Chief Financial Officer pending the recruitment of a salaried director. In addition in November 2010 Judith Tolland was appointed Transition Director and Interim Company Secretary.

## **Employer philosophy**

We are an equal opportunity employer committed to providing equal pay and to treating all team members and job applicants equally. Discrimination, harassment, or victimisation is not tolerated. We promote effective consultation and communication with staff at quarterly company meetings and other regular forums. We are an accredited Investor in People. We welcome diversity and we have a range of modern HR policies and practices.

## **Personal Data Related Incidents**

There were no incidents in the year.

## **Absence days recorded during the year**

Total absence days recorded for the year were 178.5 days for sickness and maternity, which equates to: 2.7 days per person per year. One member of staff was on maternity leave for six months of the year. Absence as a percentage of worked days (lost time rate): 1.06%. These statistics relate to all employees in the year (including staff that have now left).

## **Sustainability**

We are committed to using resources efficiently, procuring materials and goods on the basis of their environmental, social and economic impact. We consider and actively promote sustainability and sustainable design through our operational activity and our programmes.

## **Professional advisors and bankers**

### Internal auditors:

Baker Tilly UK Audit LLP

46 Clarendon Road, Watford, Hertfordshire WD17 1JJ

### External auditors:

National Audit Office

157–197 Buckingham Palace Road, London SW1W 9SP

### Commercial legal advisors:

Olswang

90 High Holborn, London WC1V 6XX

### Charity and public legal advisors:

Bates Wells & Braithwaite

2 – 6 Cannon Street, London EC4M 6YH

### Bankers:

Lloyds TSB Plc

22 – 24 Southampton Street, London WC2E 7JB

## Financial review

This Annual Report and Accounts is prepared on a going concern basis in accordance with the Accounts Direction issued by the Secretary of State, and it complies with the government's Financial Reporting Manual (FReM) and the Charities Statement of Recommended Practice (SORP).

Though the Design Council lost its NDPB status on 31 March 2011 £4m of funding was secured from the Department for Business Innovation & Skills and £2.75m from the Department for Communities and Local Government for 2011/12. The Design Council is confident that this level of funding will help underpin operations in the 2011–12 year and allow it to meet its liabilities as they fall due.

### Overview

Incoming resources for the year were £9,214k (2010 £10,343k) and total resources expended were £8,705k (2010 £10,089k), resulting in a net surplus, before transfers, of £509k (2010 £208k).

BIS provided £5,618k Grant-in-Aid as core funding (2010 £6,115k, including £80k of capital).

The Design Council continues to broaden its income base beyond core Grant-in-Aid. Such sources amounted to £3,591k of incoming resources in total from other charitable activities, which equated to 39% of total income for the year. In 2010 the corresponding amount for other charitable activities was £4,223k, equal to 41% of total income. These monies are expended on key design projects mainly in the public sector.

The total days payable for suppliers in 2010–11 was 22.

### Charitable donations

The Design Council neither made nor received any charitable donations in the year.

### Pensions

Except for the Chief Executive, the organisation operates a defined contribution pension scheme, with both employer and employee contributions, such that there are no defined benefit liabilities. Further details can be found in the Remuneration Report. A separate defined benefits scheme previously existed but has now been wound-up.

### Reserves

At 31 March 2011, the Design Council had net assets of £1,968k (2010 £1,459k), being £439k of restricted funds, which are held over for activities planned in future financial years, and £1,529k of unrestricted funds, being general reserves held for contingency.

### Financial risk management

The Design Council is not exposed to any material interest rate risk, as the organisation does not borrow commercially and bank interest receivable 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 10 days if no due date has been agreed, in accordance with the Better Payment Practice Code.

In 2010–11 the Design Council paid 50% (2010 67%) of invoices received in accordance with the above target. Ongoing challenges with the timely receipt and processing quality of invoices and coding are being addressed.

### **Internal auditors**

Baker Tilly UK Audit LLP conducted an annual internal audit programme for which the fee in 2010–11 was £10k (2010 £27k).

### **External audit**

The annual audit fee was £35k (2010 £35k). No non-audit services were provided.

### **Disclosure of relevant audit information**

As far as the Accounting Officer is aware, there is no relevant information of which the Design Council'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 information reportable to the auditors and to confirm that the Design Council's auditors are aware of that information.

## Future plans

From 01 April 2011, the Design Council became an independent enterprising charity, no longer a part of government. At the same time, the Commission for Architecture and the Built Environment (CABE) became part of the Design Council.

Going forward, the Design Council's role will be to be a strong voice for the full spectrum of design, architecture and the built environment. The principle risk will be around securing sufficient funding to deliver on the Design Council's charitable objectives. A rolling programme of work with key funding stakeholders will help minimise this risk.

Together, as a leaner and more focused enterprising charity, the Design Council will put design in its widest sense at the heart of Britain's economic and social renewal.

2011-12 will still be very much a transition year. We will be ensuring new governance structures are put-in-place including setting-up a new expanded council, undertaking consultation and review of our new wider remit, and embedding new ways of working.

Against this background, we will focus on these key areas:

- Influencing policy – stimulating debate about the role of design in national policy
- Market making – develop the next open innovation challenge
- Mentoring services – continue to deliver direct services providing support to local communities, businesses and the public sector
- Design Review – continue to deliver the nationally significant schemes
- Networks – connecting design and business to promote the value of design.

### Appointment of the new Trustee Board

Name	Date appointed	Committee & Board membership
Martin Temple	01.04.11	HR & Remuneration
Peter Williams	01.06.11	FA&GP (Chair)
Paul Finch	01.06.11	Design Council CABE (Chair)
Pam Alexander	01.06.11	HR & Remuneration, Design Council CABE
Rab Bennetts	01.06.11	Design Council CABE
Sandeep Dwesar	01.06.11	FA&GP
Jim Eyre	01.06.11	FA&GP, Design Council CABE
Wayne Hemingway	01.06.11	Design Council CABE
Sir Mark Jones	01.06.11	HR & Remuneration (Chair)
Simon Waterfall	01.06.11	
Deborah Meaden	09.06.11	
Marek Reichman	09.06.11	

Design Council CABE is a company limited by guarantee with a Board of 5 directors, as listed above

FA&GP is the Finance, Audit and General Purposes Committee



## Remuneration report

The Remuneration Committee is established to review general terms and conditions of employment and specific salary matters in relation to the Design Council's Chief Executive, and, periodically, directors and any staff with a salary in excess of £50,000. Ministers approve the annual staff Pay Remit in line with HM Treasury's public sector pay guidance.

During the year the following Trustees were members of the Remuneration Committee:

— Lord Bichard

— Janet Walker

— Professor Chris Wise

The Chief Executive is paid a salary and a performance-related bonus. This bonus can be up to 20% of basic salary and is determined by the Remuneration Committee based on the extent to which agreed annual objectives have been exceeded, in consultation with our sponsor department. In the year the Chief Executive declined his bonus and there was a pay freeze in line with public sector pay policy.

Staff salaries are reviewed in line with the annual pay review process in July of each year and are reviewed against satisfactory performance, and are within the limits set by the Pay Remit via the Remuneration Committee and approved by the relevant BIS Minister.

The Design Council reward structure is based on a 16 band structure, and is supported by robust market data and a job evaluation system.

The Chair and Council Members of the Design Council are appointed by the Secretaries of State in accordance with guidance from the Commissioner for Public Appointments. These appointments are unpaid, but expenses incurred on Design Council business are reimbursed. Expenses totalling £9,150 for travel, subsistence, entertaining and air fares were reimbursed to Council members during the year (2010 £8,607).

The Chief Executive is subject to a twelve-month notice period. Directors are on permanent contracts. New directors are subject to a six-month probationary period. Senior managers are also on permanent contracts. All staff are subject to a three-month probationary period.

Some specialists are on short fixed-term contracts (no longer than 12 months), and are also on three month probationary periods, after which an individual is confirmed in post, if satisfactory.

Up to confirmation, all contracts may be terminated on a week's notice. Once confirmed in post, the length of notice is set-out in the individual's employment contract; notice periods vary from one month to six months, as above.

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

The following table provides a summary of the potential liability should the contract of any director in position at 31 March 2011 be terminated early.

Name	Title	No of complete years employment	Early termination liability
David Kester	Chief Executive	8	£135k (12 month)
Mat Hunter	Chief Design Officer	1	£23k (3 months)
Ellie Runcie	Director of Design Innovation & Networks	14	£34k (6 months)

Subject to audit

### Directors' emoluments

The following table summarises the Directors' emoluments.

Name	Date joined the Board	Date left the Board	2011				2010			
			Total	Salary	Pension	Benefits	Total	Salary	Pension	Benefits
David Kester Chief Executive	22.04.03		156	135	20	1	180	159	20	1
David Godber Deputy Chief Executive	02.06.08	31.12.10	83	76	7	-	110	101	9	-
Ruth Hasnip Director of Dott	04.01.02	23.06.10	65	63	2	-	94	85	8	1
Christopher Exeter Director of Policy	05.01.10	24.12.10	81	81	-	-	23	23	-	-
Richard Quinn Finance & Commercial Director	04.01.10	05.05.10	12	12	-	-	22	22	-	-
Mat Hunter Chief Design Officer	11.01.10		90	90	-	3	22	22	-	-
Ellie Runcie Director of Design Innovation & Networks	01.11.10		72	68	3	-	-	-	-	-
Subject to audit										

Ms Runcie's above pay covers the entire year 2010-11.  
Mr Hunter was not a member of the pension scheme at 31 March 2011.

Mr Exeter after resigning from the Board carried-out some consultancy work totalling £12k.

## Employees' remuneration

The number of employees, whose remuneration was over £50k (being salary and taxable benefits in kind but excluding employer's pension costs) falls within the ranges shown below:

Band	2011	2010
50,000 – 59,999	7	9
60,000 – 69,999	3	4
70,000 – 79,999	2	1
80,000 – 89,999	1	1
90,000 – 99,999	4	2
100,000 – 109,999	–	–
110,000 – 119,999	–	–
120,000 – 129,999	–	–
130,000 – 139,999	1	1

Subject to audit

## Staff exit packages

The number of employees who left with exit packages is as below:

Band	2011	2010
00,000 – 9,999	6	–
10,000 – 19,999	9	–
20,000 – 29,999	–	–
30,000 – 39,999	1	–
40,000 – 49,999	1	–

Subject to audit

## Pension contributions

The Chief Executive has a separate personal defined contribution pension scheme into which the Design Council pays 15% of his salary, which is invested through Standard Life.

Directors and all staff can join the Group Personal Pension scheme, immediately after successful completion of their probationary period; thereafter they have one opportunity per annum to join the scheme in July of each year. This scheme is invested through Aviva.

At the beginning of the financial year the pension contribution policy was for staff to contribute 4%, senior managers 5% (if they joined before June 09) and directors 5% of their basic salary. The Design Council correspondingly matches these amounts for staff and contributes up to 10% for directors.

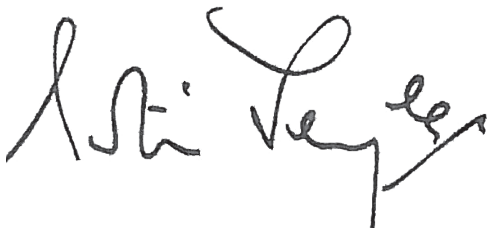
Based on the above, the total pension charge for everyone was £92k (2010 £101k). At the year-end, no outstanding payments were due to Standard Life and £10k was payable to Aviva.

### Other benefits

Staff are entitled to a choice of one of the following benefits: health club membership, private healthcare or childcare schemes. In addition all staff are entitled to be covered by life assurance from day one of employment. The benefit is three times their annual salary and payable to a nominated beneficiary.



David Kester, Chief Executive  
30 June 2011



Martin Temple, CBE, Chair  
30 June 2011

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

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, as agreed by HM Treasury. The financial statements are to be 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 regarding its incoming resources, the application of those resources, the other financial activities and the 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, 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. 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 BIS has designated the Chief Executive of the Design Council as the Accounting Officer for the Design Council. The relevant responsibilities of an 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 HM Treasury and published in Managing Public Money.

## Statement on internal control

In the following Statement on Internal Control 'we' refers to the Accounting Officer (Chief Executive) and Chair, and 'I' refers solely to the Chief Executive.

### Scope of responsibilities

As Accounting Officer and Chair, we have responsibility for maintaining a sound system of internal control that supports the achievement of the Design Council's aims and objectives as set-out in our three year plan, while safeguarding the public funds and assets, for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned in Managing Public Money. During the year it was Lord Bichard as Chair who was responsible with the Accounting Officer for maintaining a sound system of internal control.

As Chief Executive and Accounting Officer, I am accountable to the Secretary of State for BIS and parliament for ensuring that the Design Council distributes its funds with due regularity and propriety and to the Chair and Council for the economic, effective and efficient use and control of all funds. I advise the Council on the Design Council's performance and ensure that its governance responsibilities are discharged in accordance with established criteria.

### Existence and purpose of the system of internal control

The system of internal control is designed to manage risk to the achievement of policies, aims and objectives to a reasonable level, rather than eliminate all risk of possible failure. It has operated throughout the year and is based on ongoing processes which identify and prioritise the required mitigation of significant risks, evaluate the likelihood of those risks being realised and their likely impact should they be realised, and enables management to manage them effectively, efficiently and economically.

### Capacity to handle risk

The Audit Committee, on behalf of the Council, leads and is responsible for reviewing the implementation of the risk management processes. At executive level, I have charged the Chief Financial Officer with the operational responsibility of maintaining an effective risk management system; in his absence the Finance Working Group carries this responsibility.

The Executive Board regularly reviews strategic risks, and individual executive directors are responsible for managing and monitoring these as well as project and operational risks. Staff also actively consider risks as part of the management of individual projects and activities.

### **Internal audit**

Baker Tilly UK Audit LLP carries out internal audit work according to Government Internal Audit Standards. Its annual internal audit strategy is risk-based, focusing on areas of potential risk in addition to a core programme examining financial controls. Their analysis of risk and internal audit plans is reviewed by the Executive Board and the Audit Committee. Audit recommendations are made to the Audit Committee and to the Executive Board, with responses and implementation of recommendations managed by the Chief Financial Officer.

### **Information risks**

The Design Council considers information security a high priority. There are key measures in place to protect information and minimise the risk of any breaches of security. These were added to in the year to ensure the Design Council maintains good information security policies.

An upgrade of IT policies and procedures, to reflect best practice and the requirements in the Cabinet Office's Security Policy Framework was carried-out to minimise the risk of any information security breaches.

The Chief Financial Officer acts as Senior Information Reporting Officer, with responsibility for information risk and security.

There were no known data losses during 2010–11.

### **Pay remit**

No remit was submitted to Ministers this year in view of the public sector pay freeze.

### **Review of effectiveness of internal control systems**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive directors, 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.

Baker Tilly UK Audit LLP's internal audit team provide me with regular reports on their internal audit activity and their annual report to the Audit Committee includes their opinion on the adequacy and effectiveness of the Design Council's system of internal control. For 2010–11 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 me as Accounting Officer to rely on.

### **Change of Status**

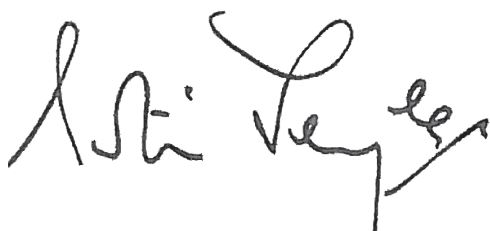
From 1 April 2011 the Design Council ceased to be an NDPB but will continue to operate under a new Royal Charter as a charity.

## Conclusion

As Chief Executive, I have therefore concluded that, although yet further improvements to systems can always be made, and the Design Council is committed to continuous improvement in its corporate processes and affairs, there have been no significant internal control problems during the year.

A handwritten signature in black ink, appearing to read 'David Kester', written in a cursive style.

David Kester, Chief Executive  
30 June 2011

A handwritten signature in black ink, appearing to read 'Martin Temple', written in a cursive style.

Martin Temple, CBE, Chair  
30 June 2011



# The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements of the Design Council for the year ended 31 March 2011 under the Royal Charter of 1976. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set-out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Council, Chief Executive and Auditor

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

My responsibility is to audit and express an opinion on the financial statements in accordance with the Royal Charter of 1976. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of the Design Council's affairs as at 31 March 2011 and of its incoming resources and application of

- resources for the year then ended;
- the financial statements have been properly prepared in accordance with the Royal Charter of 1976 and directions issued thereunder by the Secretary of State.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Royal Charter of 1976; and
- the information given in the Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which I report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit.
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157 – 197 Buckingham Palace Road  
London SW1W 9SP

**Date**

# Financial statements

# Statement of financial activities for the year ended 31 March 2011

	Note	Unrestricted funds £ 000	Restricted funds £ 000	2011 total funds £ 000	2010 total funds £ 000
<b>Incoming resources</b>					
Voluntary income		5,618	–	5,618	6,115
Investment income		5	–	5	5
<b>Incoming resources from generated sources</b>	2	<b>5,623</b>	<b>–</b>	<b>5,623</b>	<b>6,120</b>
<b>Incoming resources from charitable activities</b>	2	<b>1,180</b>	<b>2,411</b>	<b>3,591</b>	<b>4,223</b>
<b>Total incoming resources</b>	2	<b>6,803</b>	<b>2,411</b>	<b>9,214</b>	<b>10,343</b>
<b>Resources expended</b>					
Costs of charitable activities		5,644	2,953	8,597	9,925
Governance costs		108	–	108	164
<b>Total resources expended</b>	7	<b>5,752</b>	<b>2,953</b>	<b>8,705</b>	<b>10,089</b>
Cost of capital charge	4	–	–	–	46
<b>Total resources expended including notional costs</b>		<b>5,752</b>	<b>2,953</b>	<b>8,705</b>	<b>10,135</b>
Net incoming/(outgoing) resources before transfers		1,051	(542)	509	208
Movement/increase of funds	9	(278)	278	–	–
<b>Net incoming/(outgoing) resources before other recognised gains &amp; losses</b>		<b>773</b>	<b>(264)</b>	<b>509</b>	<b>208</b>
Cost of capital reversal	4	–	–	–	46
<b>Net movement in funds</b>		<b>773</b>	<b>(264)</b>	<b>509</b>	<b>254</b>
Funds brought forward at 1 April 2010	9	756	703	1,459	1,205
Net movement in funds	9	773	(264)	509	254
<b>Funds carried forward at 31 March 2011</b>		<b>1,529</b>	<b>439</b>	<b>1,968</b>	<b>1,459</b>

## Notes:

- Total funding received from BIS in the year 2010–11 was £5,640k
- All operations of the Design Council are continuing
- There were no recognised gains and losses in the year other than those shown above
- The notes on pages 39 to 51 form part of these accounts

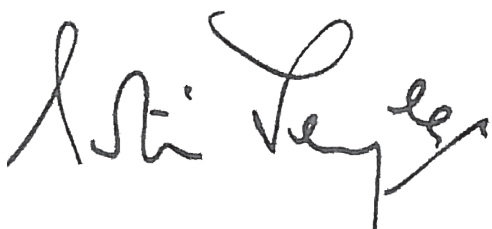
## Balance sheet as at 31 March 2011

	Note	2011 £ 000	2010 £ 000
<b>Fixed assets</b>			
Tangible fixed assets at net book value	11	343	446
		<b>343</b>	<b>446</b>
<b>Current assets</b>			
Investment	12	–	1,000
Prepayments and debtors	13	972	1,551
Cash at bank	14	2,530	789
<b>Total current assets</b>		<b>3,502</b>	<b>3,340</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	15	(1,683)	(2,147)
<b>Net current assets</b>		<b>1,819</b>	<b>1,193</b>
Provisions for dilapidations	16	(194)	(180)
<b>Total assets less liabilities</b>		<b>1,968</b>	<b>1,459</b>
<b>Funds</b>			
Unrestricted funds	8	1,529	756
Restricted funds	9	439	703
<b>Total funds</b>		<b>1,968</b>	<b>1,459</b>

The notes on pages 39 to 51 form part of these accounts



David Kester, Chief Executive  
30 June 2011



Martin Temple, CBE, Chair  
30 June 2011

## Cash flow statement for the year ended 31 March 2011

	Note	2011 £ 000	2010 £ 000
Net cash inflow/(outflow) from operating activities	20	776	(19)
<b>Forecast return on investments and servicing of finance</b>			
Interest Received	6	5	5
<b>Capital expenditure and financial investment</b>			
Acquisition of fixed assets	11	(40)	(152)
Investment (made)/liquidated	12	1,000	(1,000)
<b>Net cash inflow/(outflow) overall</b>		<b>1,741</b>	<b>(1,166)</b>

The Net Cash Inflow / (Outflow) from Operating Activities includes a provision of £14k for Corporation Tax to cover the Design Council's non-charitable activities

The notes on pages 39 to 51 form part of these accounts

# Notes to the accounts

## 1. Statement of accounting policies

### a. Accounting conventions

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 and the Statement of Recommended Practice (SORP): Accounting & Reporting by Charities 2005, and guidance issued by HM Treasury.

The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis. The Design Council has secured £4m in 2011/12 from the Department for Business Innovation & Skills with a similar amount earmarked for the period of the spending review, and £2.75m per year for two years for 2011/12 and 2012/13 from the Department for Communities and Local Government.

### b. Incoming resources

All incoming resources are recognised within the Statement of Financial Activities (SOFA) where:

- The organisation is entitled to the income
- It is certain that the resource will be received
- The resource can be quantified with reasonable accuracy
- Where incoming resource is Grant-in-Aid it is treated as voluntary income.

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 only recognised when the activity providing an entitlement to this income has taken place.

### c. Recognition of grants receivable

Income is accounted for when earned and matched to expenditure. Any grant paid in advance is treated as deferred income on the balance sheet. Grants are categorised as either restricted or un-restricted. In the case of GIA funding received from the Department for Business Innovation & Skills this is treated as un-restricted in line with the funding letter.

### d. Resources expended

Expenditure is accounted for on an accruals basis, and allocated to the appropriate heading in the Financial Statements. Charitable activities' expenditures enable the Design Council to meet its charitable aims and objectives, consistent with good governance. In Note 7 costs are attributable to the four categories of charitable expenditure on an actual basis with the exception of support costs which

are allocated as a proportion of total directly attributable costs.

#### e. Grants payable and constructive obligations

Under FRS12, a charity like the Design Council must account for all constructive obligations by charging specific commitments fully in the year made and other commitments when paid, also noting the latter is noted as a contingent liability pending payment.

#### f. Liquid resources

Design Council's liquid resources are all cash.

#### g. Funds accounting

Funds held by the Design Council are either:

- **Unrestricted Funds:** these are funds which in general have been received from the sponsoring department, the Department for Business Innovation & Skills (BIS), which can be deployed for any purpose as seen fit by the Design Council within a broadly agreed envelope with BIS.
- **Restricted Funds:** these are funds received by the Design Council to be deployed in pursuit of specific projects which currently include design support of SME's through Regional Development Agency funding and Independence Matters where funding was received from the Technology Strategy Board.

#### h. Reserves policy

Generally, the Design Council maintains a small balance of unrestricted reserves as a contingency, in line with charity commission guidelines, being the unrestricted funds.

#### i. Fixed assets and depreciation

Tangible Fixed Assets costing less than £1k are not capitalised and are written off in the year of purchase. Assets are capitalised at cost and are kept under review for any impairment.

In accordance with the recommendations of the SORP and Urgent Issues Task Force (UITF) 29 (website development costs) all website costs are expensed in the year in which they are incurred.

Fixed assets are written off on a straight line basis over the assets' expected useful lives as follows:

Leasehold improvements	Over the period of the lease
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



#### j. Pension costs

Pension Costs are charged to the accounts on an accruals basis, in accordance with the requirements of FRS 17.

#### k. Leases

Any lease which entails taking substantially all the risks and rewards of ownership of an asset is treated as a finance lease and is recorded in the balance sheet as a tangible fixed asset at its fair value, and 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.

#### l. Value Added Tax (VAT)

The 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 2010–11 there was a change in accounting policy in that the calculation and implementation of cost of capital was abolished by HM Treasury.

#### n. Provisions

The Design Council renegotiated a new lease to its 34 Bow Street premises in 2007 for a further 10 years. Extensive refurbishment work took place in 2008 and 2009 to modernise the office space. A provision has been made in these financial statements, for the 2017 cost of restoring 34 Bow Street to its original condition.

Additionally, an annual provision is made for normal dilapidations. Both provisions have been discounted to present day values by using the HMT rate of 2.2% p.a.

#### o. Allocation of overheads

The Design Council estimated a cross-charge from unrestricted to restricted expenditure to represent overhead costs attributable to that project. This was apportioned based upon the number of staff working on that project as a proportion of total Design Council staff in post. Where costs could not be accurately apportioned, they were entirely funded from unrestricted funds.

#### p. Investments

Where investments are held they are accounted for at fair market value.

#### q. Fund transfers

Funds are transferred from un-restricted to restricted only to cover any funding shortfalls.

## 2. Incoming resources

### Analysis of income from generated sources

	2011 £ 000	2010 £ 000
Revenue Grant-in-Aid	5,640	6,035
Capital Grant-in-Aid	–	80
<b>Total voluntary income</b>	<b>5,640</b>	<b>6,115</b>
Investment income – interest receivable	5	5
<b>Incoming resources from generated sources</b>	<b>5,623</b>	<b>6,120</b>
<b>Incoming resources from charitable activities</b>		
Grants	138	566
Business programme fees	2,273	3,239
Income from ancillary trades	1,049	328
Design related external income	131	90
<b>Total incoming resources from charitable activities</b>	<b>3,591</b>	<b>4,223</b>
<b>Total incoming resources</b>	<b>9,214</b>	<b>10,343</b>

The voluntary income is Grant-in-Aid supplied by Department for Business Innovation & Skills. Of the total incoming resources of £9,283, £6,803k is unrestricted and £2,480k is restricted. Income from ancillary trade includes historical VAT settlement.

## 3. Staff costs

	2011 £ 000	2010 £ 000
Salaries	2,611	2,859
Social security costs	299	314
Pension costs	92	101
Staff benefits	27	30
Redundancy	232	–
<b>Total payroll staff costs</b>	<b>3,261</b>	<b>3,304</b>
Total temporary and contract staff costs	489	157
<b>Total staff costs</b>	<b>3,750</b>	<b>3,461</b>

### Number of employees

The average number of salaried full time equivalent employees employed by the Design Council in the year ended 31 March 2011 was as follows:

	2011 Number	2010 Number
Permanent (payroll)	63	66
Other staff (other)	4	2
<b>Total (full-time equivalent)</b>	<b>67</b>	<b>68</b>

#### 4. Cost of capital

In accordance with HM Treasury guidance, the nominal cost of capital has been abolished from 2010/11 onwards (2010 – 3.5%)

	2011 £000	2010 £000
Cost of capital	–	46

#### 5. Other operating charges

	Note	2011 £000	2010 £000
External auditors' remuneration		35	35
Travel, subsistence and hospitality:			
Staff		61	111
Council members		9	9
Operating leases – plant and machinery	18	13	13
Operating leases – other	18	827	818
Depreciation	11	111	129

#### 6. Net interest receivable

	2011 £000	2010 £000
Bank interest receivable	5	5

#### 7. Total resources expended

Analysis of income from generated funds as deployed in the year:

	Grants payable £ 000	Staff costs £ 000	Other direct costs £ 000	Total costs £ 000	Allocation of support costs £ 000	2011 Total £ 000	2010 Total £ 000
<b>Direct charitable expenditure</b>							
Design Policy	65	1,095	381	1,541	1,132	2,673	2,785
Design for Business	6	421	444	871	640	1,511	1,863
Design for the Public	275	621	1,211	2,107	1,567	3,674	4,209
Design Knowledge	85	283	58	426	313	739	1,068
	<b>431</b>	<b>2,420</b>	<b>2,094</b>	<b>4,945</b>	<b>3,652</b>	<b>8,597</b>	
Governance costs	–	65	43	108	–	108	164
<b>As at 31 March 2011</b>	<b>431</b>	<b>2,485</b>	<b>2,137</b>	<b>5,053</b>	<b>3,652</b>	<b>8,705</b>	<b>10,089</b>
<b>As at 31 March 2010</b>	<b>230</b>	<b>1,987</b>	<b>4,143</b>	<b>6,360</b>	<b>3,729</b>	<b>10,089</b>	<b>–</b>

### Grants payable

The majority of the grants payable went to supporting DottCornwall which was a rural regeneration scheme in collaboration with Cornwall County Council with all payments going to the Council. In addition grants were also given in support of a number of small design initiatives and as part of formulating design policy. These included the Royal Society of Arts, the London Design Festival and Bath Spar University.

### Design policy

Design policy covers the support functions to run projects including marketing and communications support.

### Design for business

Design for business includes design mentoring and supporting SMEs.

### Design for the public

Design for the public is primarily the matching up of design agencies with public sector bodies to deliver design projects.

### Design knowledge

Design knowledge includes research conducted to further build design knowledge.

### Governance costs

Governance costs are those incurred in connection with the administration of the charity and compliance with constitutional and statutory requirements.

Support costs are shown below and include those relating to business support, including human resources, general administration expenses and executive management and information systems. Support costs have been allocated to the charitable activities based upon each department's proportion of total staff and direct costs.

### **Support costs**

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
Communications	–	136
Government relations	237	160
Facilities	1,514	1,720
Human resources	423	318
IT	144	135
Finance	747	452
Depreciation	111	129
Other	476	679
<b>Total support costs</b>	<b>3,652</b>	<b>3,729</b>

## 8. Unrestricted funds

	Note	2011 Total funds £000	2010 Total funds £000
1 April 2010		756	778
Transfer to restricted reserves	9	(278)	(207)
Net incoming/(outgoing) resources		1,051	139
Cost of capital reversal	4	–	46
<b>As at 31 March 2011</b>		<b>1,529</b>	<b>756</b>

## 9. Analysis of funds

	At 1 April 2010 £ 000	Incoming resources £ 000	Outgoing resources £ 000	Transfers from unrestricted reserves £ 000	At 31 March 2011 £ 000
<b>Unrestricted totals</b>					
Opening balance	756	6,803	(5,752)	(278)	1,529
<b>Total unrestricted funds</b>	<b>756</b>	<b>6,803</b>	<b>(5,734)</b>	<b>(278)</b>	<b>1,529</b>
	At 1 April 2010 £ 000	Incoming resources £ 000	Outgoing resources £ 000	Transfers to restricted reserves £ 000	At 31 March 2011 £ 000
<b>Restricted funds</b>					
<b>Designing Demand – Regional Development Agencies (RDAs)</b>					
Advantage West Midlands	97	58	(145)	–	10
East of England RDA	71	19	(101)	11	–
East Midlands RDA	199	–	(267)	68	–
London RDA	35	52	(52)	–	35
North West RDA	49	65	(65)	–	49
South East England RDA	9	12	(12)	–	9
South West RDA	52	68	(78)	–	42
Yorkshire Forward	97	111	(142)	–	66
Design Demand Implementation	–	9	–	–	9
<b>Other Programmes</b>					
Innovate for Universities	25	21	(29)	–	17
Public Services by Design	(20)	107	(199)	112	–
Designing Out Crime	–	740	(748)	8	–
Designing Out Bugs	–	–	(40)	40	–
Design for Patient Dignity	48	–	(28)	–	20
Sustainable Water	18	185	(230)	27	–
Independence Matters 1 & 2	11	418	(328)	–	101
Design Challenge	–	153	(93)	–	60
Multi Disciplinary Design Network	–	18	(17)	–	1
Olympics	–	79	(79)	–	–
Home Energy Management	12	–	(2)	–	10
The A&E Experience	–	198	(198)	–	–
Design for Dementia	–	45	(51)	6	–
Diffusion of Innovation	–	–	(4)	4	–
Careers Strategy	–	25	(23)	–	2
CPNI	–	8	–	–	8
London Design Festival	–	20	(22)	2	–
<b>Total restricted funds</b>	<b>703</b>	<b>2,411</b>	<b>(2,953)</b>	<b>278</b>	<b>439</b>
<b>Total funds</b>	<b>1,459</b>	<b>9,214</b>	<b>(8,705)</b>	<b>–</b>	<b>1,968</b>

## Restricted funds

Under the Charities SORP, we are required to show the gross movement of all restricted income and expenditure, which is shown below.

Thus there was net movement of £278k from unrestricted funds to restricted funds to offset the net negative movement of restricted funds.

Within the outgoing resources there is a cross charge from Restricted Expenditure of £508k being the overhead recovery relating to the above projects.

Where costs could not be clearly apportioned they were funded from unrestricted funds.

## 10. Analysis of net assets between funds

	Note	Unrestricted funds £000	Restricted funds £000	Total £000
Tangible fixed assets	11	343	–	343
Current assets	12,13,14	1,800	1,702	3,502
Current liabilities	15	(420)	(1,263)	(1,683)
Creditors: amounts due after one year	16	(194)	–	(194)
<b>Total Net Assets at 31 March 2011</b>		<b>1,529</b>	<b>439</b>	<b>1,968</b>
<b>Total Net Assets at 31 March 2010</b>		<b>756</b>	<b>703</b>	<b>1,459</b>

## 11. Fixed assets

	Leasehold improvements £ 000	Furniture & fittings £ 000	IT £ 000	Total £ 000
<b>Cost</b>				
At 1 April 2010	2,752	496	332	3,580
Additions	6	5	29	40
Impairments	–	–	(32)	(32)
<b>31 March 2011</b>	<b>2,758</b>	<b>501</b>	<b>329</b>	<b>3,588</b>
<b>Depreciation</b>				
At 1 April 2010	2,463	449	222	3,134
Charge for Year	41	21	49	111
<b>31 March 2011</b>	<b>2,504</b>	<b>470</b>	<b>271</b>	<b>3,245</b>
<b>Net book value</b>				
At 31 March 2011	254	31	58	343
At 31 March 2010	289	47	110	446

## 12. Investments

	Restricted 2011 £000	Unrestricted 2011 £000	Total £000	2010 £000
Lloyds TSB money Market deposit	-	-	-	1,000

## 13. Prepayments and debtors: amounts falling due within one year

	2011 £000	2010 £000
Prepayments and accrued income	310	298
Trade debtors	614	1,241
Other debtors	48	12
<b>Total</b>	<b>972</b>	<b>1,551</b>

## 14. Cash

	2011 £000	2010 £000
Cash at bank	2,530	789
<b>Total</b>	<b>2,530</b>	<b>789</b>

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

	2011 £000	2010 £000
Trade creditors	296	75
Tax & social security	73	294
Other creditors	50	12
Accruals	759	1,071
Deferred income	505	695
<b>Total</b>	<b>1,683</b>	<b>2,147</b>

The total days payable for 2010/11 was 22.

## 16. Provisions & dilapidations

	2011 £000	2010 £000
Provision for dilapidations	194	180
<b>Total</b>	<b>194</b>	<b>180</b>

The provision for dilapidations is based on an independent surveyors report of what the required remedial work would need to be on exiting 34 Bow Street. This has been discounted at 2.2% in line with HM Treasury guidelines to 23 June 2017 the lease termination date.

This has given rise to an addition provision of £14k in the financial year covering extra costs due to wear and tear and the unwinding of the discount on the provision. The extra wear and tear accounts for £9k and the unwinding of the discount accounts for £4k.

## 17. 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	417	–	765	–
Balances with local authorities	18	–	6	–
Balances with NHS trusts	18	–	–	–
Balances with Public corporations/trading funds	–	–	–	–
<b>Subtotal of intra-govt balances</b>	<b>453</b>	<b>–</b>	<b>771</b>	<b>–</b>
Balances with bodies external to government	519	–	912	–
<b>At 31 March 2011</b>	<b>972</b>	<b>–</b>	<b>1,683</b>	<b>–</b>
<b>At 31 March 2010</b>	<b>1,551</b>	<b>–</b>	<b>2,147</b>	<b>–</b>

## 18. Operating leases

The annual commitments under non-cancellable operating leases are shown below, analysed according to expiry date of the leases.

Operating Leases:	2011 £000	2010 £000
<b>Land and buildings</b>		
Expiry after 5 years	827	818
<b>Total</b>	<b>827</b>	<b>818</b>
<b>Other</b>		
Expiry within one year	2	–
Expiry after one year but not more than 5 years	11	13
<b>Total other</b>	<b>13</b>	<b>13</b>

## 19. Capital commitments

At 31 March 2011 there were no outstanding capital commitments.



## 20. Analysis of changes in cash flow statement

### Analysis of changes in net funds

	Note	2011 £000	2010 £000
Net Cash Inflow / (Outflow) Overall		1,741	(1,166)
Cash Balance at 1 April		789	1,955
<b>Cash balance at 31 March 2011</b>	14	<b>2,530</b>	<b>789</b>

### Reconciliation of operating (deficit)/surplus to operating cash flows

	Note	2011 £000	2010 £000
Net (incoming)/outgoing resources, before other recognised gains and losses		509	208
Interest receivable	6	(5)	(5)
Depreciation charge	11	111	129
Impairment of assets	11	32	–
Cost of capital charge	4	–	46
(Increase)/decrease in debtors	13	579	(925)
Increase/(decrease) in creditors	15	(464)	348
Dilapidations	16	14	180
<b>Net cash (Inflow)/outflow from operating activities</b>		<b>776</b>	<b>(19)</b>

In the year there was a Corporation Tax payment made of £39k. A three month Treasury Deposit of £1m was liquidated and the proceeds deposited into the Design Council main bank account.

## 21. Contingent liabilities

The Design Council Pension Scheme (DCPS), assets and liabilities were transferred to a third party when it was wound up in 2005. While unlikely claims could arise in the future which the Design Council may have to meet, the possible financial effect of any such claims cannot be estimated.

The Design Council could be liable for a possible “claw back” of income should there be an identification of further historical ineligible expenditure of the Design for Business project NE002474A with ONE North East. The financial effect of any such “claw back” cannot be estimated.

The Design Council could be audited in the next three years by the EU on Designing Demand project in the North East and should its procurement/expenditure not be found to be fully compliant with EU guidelines then the Design Council might be liable for “claw back” identified by and sought by the auditors.

## **22. Corporation taxation**

Generally, Corporation Tax is not payable on the charitable activities of the Design Council. However, the Design Council paid £38k Corporation Tax for the years up to and including 2009–10 in 2010–11 on its non-charitable activities.

In addition for the year 2010–11 a provision of £14k has been made again for non-charitable activities.

## **23. Related party transactions**

During the financial year the Design Council had various material transactions with BIS, which was regarded as a related party.

DCMS is a co-sponsor for the Design Council although no direct financial support was received in 2010–11.

In addition to this, the Design Council has had various material transactions with other government bodies. In particular the Design Council has carried-out work on behalf of the Department of Health and the Home Office as well as Regional Development Agencies. These sources constitute the bulk of restricted income that the Design Council received during 2010–11.

Where Council members, directors or key managerial staff or other related parties have undertaken any material transactions with the Design Council during the year, these are disclosed as appropriate. One council member was remunerated for undertaking work awarded through proper tender processes. Professor Obeng's company – Pentacle Limited was paid £581.

Jonathan Kestenbaum is on the Governing Board of TSB who provided funding for the Design Council Independence Matters contract. In addition he was Chief Executive Officer for NESTA until December 2010 and provided funding in-year in respect of the Multidisciplinary Design Network.

Lord Bichard is a founder Director and Senior Fellow of the Institute for Government. The Design Council spent £7,483 on a Big Society seminar with the Institute for Government during the year.

A retiring Council Member received a gift to the value of £16 during the year.

## **24. Financial instruments**

Ordinarily the Design Council has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risks.

### Credit risk

The amounts exposed to credit risk are shown below.

The Design Council's exposure to credit risk is concentrated among a small number of customers, mainly government departments, with whom contracts or agreements are in place. The Design Council expects its ongoing debtor balances to be recovered in full in the ordinary course of events, as customers' past payment histories are satisfactory.

Cash balances are held in a standard bank account that earns minimal interest.

	2011 £000	2010 £000
Total debtors (excluding prepayments)	662	1,253
Cash at bank and in hand	2,530	789
Investment	–	1,000
<b>Total</b>	<b>3,192</b>	<b>3,042</b>

### Liquidity risk

The Design Council is provided with Grant-in-Aid by BIS for the core working capital of the organisation.

Cash balances are maintained at a reasonable level each month to ensure payment of creditors as they fall due.

### Market risks

#### — Currency risk

The foreign currency risk to the Design Council is minimal as all sales invoices are raised in sterling and very little foreign currency trading is undertaken. All material monetary assets and liabilities are held in sterling.

#### — Interest rate risk

All cash balances were positive during the reporting period and held in standard current accounts. The investment is held in an interest bearing account.

#### — Other price risk

The Design Council had no significant other price risk.

## **25. Fair value**

There is no material difference between the book value and fair value of the Design Council's financial assets and liabilities as at 31 March 2011.

## **26. Post balance sheet events**

On 1 April 2011 the Design Council ceased to be a Non Departmental Public Body of the Department for Business Innovation and Skills. In addition the Design Council acquired part of the Commission for Architecture and Build Environment on 1 April 2011

These accounts were authorised for issue by the Accounting Officer on 30 June 2011.



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ISBN 978-0-10-297340-2



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