

Design Council Annual Report and Accounts

For the year ended 31 March 2018

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About Design Council

Design Council's purpose is to make life better by design.

We are an independent charity and the government's advisor on design. Our vision is a world where the role and value of design is recognised as a fundamental creator of value, enabling happier, healthier and safer lives for all.

Through the power of design, we make better places, better products, better processes and better performance.

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The trustees submit this Annual Report for the year ended 31 March 2018 along with the financial statements for the year ended 31 March 2018, which comply with the current statutory requirements and which have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

The value of design

For more than seventy years, the Design Council has made a significant and tangible contribution to addressing some of the UK's most complex challenges. We do this by providing design advice, support and capacity building to bring about positive sustainable change. We continue to build on this legacy using design to address issues of national significance.

Britain has world-renowned design capabilities that deliver immense value to the UK economy. The Design Economy 2018 builds on our 2015 research, a world first state-of-design report. It demonstrated how design drives growth and innovation to create significant value for the UK economy. Our latest research shows that the design economy generated £85.2bn in gross value added (GVA) to the UK in 2016. This is equivalent to 7% of UK GVA and equivalent to the size of the distribution, transport, accommodation and food sectors.

In 2017, we published *Designing a Future Economy* which analysed the value of design skills to the UK, showing they were worth £209bn of GVA. 2.4 million people use design skills in their day-to-day work and workers using these skills are 47% more productive than the average UK worker, delivering almost £10 extra per hour in GVA. Additionally, our research found that 43% of workers using design skills are in jobs requiring and generating innovation, compared with an average for the wider UK workforce of just 6%. However, skills shortages and gaps amongst those already working in design-skilled occupations cost the UK economy £5.9bn per year.

Design Council Support and Business Survival and Growth, published in 2018, looked at the legacy value of a historic programme, Designing Demand, and to the small and medium-sized enterprises (SMEs) who had been part of it. We found that SMEs supported by this programme grew by around 40% between 2005 and 2015, more than double of those who had no design support. 91% of businesses we supported were still trading after five years, compared to 49% of a control group. Design Council support appears to have played a key role: even after accounting for wider government support programmes accessed by participating businesses, 85% of those supported by Design Council survived compared to 48% in a control group.

In 2017/18 we worked closely with the UK government to ensure our research is relevant to, and sets the agenda for the role and value of design in its Industrial Strategy (2017). This Industrial Strategy sets a vision for the UK to be the world's most innovative economy: creating higher earning jobs; significantly upgrading infrastructure; being the best place to start and grow a business; and, spreading prosperity across the UK. Central to making this happen, is developing strategic policy and practice to deliver innovative, more productive places that can drive inclusive growth across the country.

Our research¹ shows that design plays a direct role in delivering innovation in places, products and services. We have shown how design unlocks innovation in business, places, infrastructure and skills and we believe design can play a more significant role in improving economic and social outcomes. Furthermore, design can drive more effective policy, commissioning and practice to create ever better conditions for growth and innovation.

As we move closer to the post Brexit period after March 2019, this research provides evidence of the potential value of design to the UK. Design could not be needed more. Both to sustain the UK's competitive edge in the world economy and to grow it in new markets.

You can look at our [research online](#).

¹ *The Design Economy* (2015), *Designing a Future Economy* (2017/18), *Design Council Support and Business Survival and Growth* (2018)

Objectives and activities

History

We were founded in 1944 by Churchill's Conservative war cabinet as the Council for Industrial Design and developed by Attlee's government when Labour came to power in 1945.

Our original role was to elevate the UK's industrial design standards and support economic recovery in post-war Britain. For most of the following years the Design Council was part of government and its purpose and activities evolved over time, responding to external factors. In 1976, we became a charity incorporated by Royal Charter, still as a part of government.

The Commission for Architecture and the Built Environment (CABE) was the direct successor to the Royal Fine Art Commission, originally established in 1924. CABE was founded in 1999 as an executive non-departmental public body in government, jointly funded by the Department for Culture, Media and Sport (DCMS) and the then Department for Communities and Local Government (DCLG). CABE was the government's advisor on architecture, urban design and public space in England. Its role was to influence and inspire the people making decisions about the built environment. It championed well-designed buildings, spaces and places, ran public campaigns and provided expert, practical advice. It worked directly with architects, planners, designers and clients.

In 2011, the Design Council changed status from being a public body to an independent charity. In the same year, CABE merged with Design Council. All trade and assets were transferred and Design Council's Royal Charter was updated to reflect the changes, broadening our remit to cover environmental as well as social and economic issues.

Objects of the charity

Design Council is a charity incorporated by Royal Charter. The objects of Design Council are for the public benefit and are as follows:

The advancement of British industry and public services by the improvement of design in their products and services;

The protection, enhancement, improvement and revitalisation of the natural and built environment (including architecture), and the advancement of the education of the public in such subjects and in subjects relating to sustainable development and sustainable living, and to promote study and research in such subjects provided that the useful results of such study are disseminated to the public at large;

Sustainable development means "development which meets the needs of the present without compromising the ability of future generations to meet their own needs".

Vision, mission and values

Following a review of our vision, purpose and values in 2017/18, we have updated these and our restated purpose and vision are below:

Design Council's purpose is to make life better by design. We are an independent charity and the government's advisor on design. Our vision is a world where the role and value of design is recognised as a fundamental creator of value, enabling happier, healthier and safer lives for all. Through the power of design, we make better places, better products, better processes and better performances, happen for people.

Our independence, impartiality and ability to convene enables us to bring together strategic expertise and insight to identify, highlight and amplify issues and challenges of national significance. Our unparalleled network of over 400 design and built environment experts, combined with our programmes, methodologies and processes enable us to provide strategic advice, support and insight which assist in addressing major societal challenges.

We exist for the benefit of people; engaging government, public, private and third sectors, including local government, businesses, entrepreneurs, schools, universities, non-profit organisations and design communities. Our sphere of influence is significant both nationally and internationally.

In order to make life better by design we:

- Ensure design skills are understood as both a taught and learnt mindset and skillset, combining 'head, heart and hand'.²
- Demonstrate the role and value of design now and in the future in a variety of ways, based on our evidence, research and insights.

Our aim is to ensure these are both done well and understood widely. We can then use evidence and examples to show clearly why design is of vital importance to our future. The services we deliver reinforce the value of design supporting the development of better places, products, processes and performance for people.

Our values demonstrate what we believe in and how we will behave. We are:

- Committed to improving people's lives.
- Focused on effectiveness.
- Collaborative in how we work with others.

These are all in pursuit of the reason we exist: to **make life better by design**.

Inclusivity and bias were highlighted in *The Design Economy* research as a key issue facing the design sector.

² *Skills = Head (visualization / conceptualization), heart (connecting to people / finding solutions to problems), hand (drawing, coding, modelling)

Good design is people centered, and by understanding the needs of diverse populations, individuals and business, we are able to unlock new ideas that change the experiences of a wider range of consumers, business, communities and society at large. We will champion inclusivity and ensure there is diversity of experiences and voices informing our research and practice and a diversity of people benefitting from our work. We aim to champion design through using open and accessible language to maximise understanding of the value design can offer to sectors, places and people across the country.

Our programmes and services

Our research provides evidence that design has the power to unlock complex problems, add further value to the economy, tackle challenging social issues and improve the quality of the built environment.

Our programmes and services are designed, using insights from our research, to address issues of national significance, and deliver positive change and social impact.

We combine our work on policy, research and thought leadership, with practical demonstration through our programmes and services, applying our design methods and processes to address national issues and sharing the knowledge and insights we generate.

Our programmes and services are currently focused on addressing key aspects of health and wellbeing, education, economic growth, housing and infrastructure and the transformation of public services.

Our income is derived from a combination of grants, partnerships and commissioned, paid-for services.

A key element of our activities is a grant programme we deliver for the Department for Business, Energy and Industrial Strategy (BEIS). In 2016, as part of the last Spending Review, the then Department for Business, Innovation and Skills (BIS) endorsed Design Council's role as the UK government's adviser on design and the continuation of grant funding with an indication of funding to 2019/20 confirmed. The grant was worth £3.35m in 2017/18.

- This grant is to make the case and grow the market for design in areas of the economy where it is underused. We do this by growing the evidence base on the value and impact of design and using our national remit to provide both knowledge and insight from across the country on design. Our programmes focus on issues of national importance, aligned with both BEIS objectives and wider government priorities.
- We champion the value of design in a number of ways. These include: through providing expert insight to government and public, private and third sector organisations; our contributions at events and conferences nationally and internationally; our engagement with national and international delegations; our services and our extensive media reach.

We also provide programmes and services under grant agreements across a range of other programmes with a range of partners. In 2017/18, these included:

- **Design Council Spark:** a support and funding programme designed to help entrepreneurs turn their product ideas into a commercially successful product. Since its creation in 2014, Design Council Spark has helped more than 150 innovators and entrepreneurs to develop their product ideas. 44 of these have been intensively supported with mentoring, funding and specialist workshops in order to fast track progress to market.
- **Design in the Public Sector:** our work to transform public services aims to grow the public sector's skills and capacity to deliver efficient and effective public services which improve people's lives. Run with the Local Government Association (LGA), we focus on applying design methods to tackle public health challenges such as social isolation, obesity, inactive populations, frailty and sexual health, with a focus on prevention. Since 2013, Design in the Public Sector has supported 67 services challenges in 63 local authorities.
- **Transform Ageing:** a pioneering social innovation programme to improve people's experience of ageing, taking a community and design-led approach. This Big Lottery funded programme is being delivered in Devon, Somerset and Cornwall over three years (2016-2019) with our partners UnLtd, the South West Academic Health Science Network (SWAHSN) and the Centre for Ageing Better. The programme engages people in later life, health and social care commissioners and entrepreneurs to collectively define ageing challenges, such as mobility, transport, social isolation and loneliness. These inform innovation calls to social entrepreneurs to develop products and services that address these challenges. Selected social entrepreneurs received a range of financial and mentoring support to develop their products and services. The programme fosters and evidences the value of a people-centred collaborative approach and the role of design in developing innovative solutions and creating conditions for social innovation to flourish.

Our services are also commissioned by a range of clients including central and local government, infrastructure bodies and commercial enterprises. These include:

- **Design advice service for places, local authorities and organisations:** we believe that good design plays a vital role in creating better places that enrich the local community, can transform people's quality of life, stimulate the economy and enhance the environment. Our service provides independent and expert design advice to support the development of well-designed, sustainable places which can achieve their commercial and social potential. Our comprehensive service brings together local knowledge and world-class built environment and design expertise. We have advised infrastructure providers and are supporting places across the country facing housing growth.

- **Design Academy:** we train undergraduates through our four-day course which complements existing curricula in design, business and engineering schools. The course helps students to develop the creative and problem-solving skills that will help them thrive in the workplaces of the future. These are skills highlighted by the World Economic Forum in 2017 as integral to high value jobs globally. We have supported more than 400 students in the last four years. 93% of students surveyed felt it helped them to apply design approaches to real world problems and 62% felt it had improved their employment prospects.
- **Design Council innovation services:** we run these with a number of private, public and third sector organisations to support them in addressing complex challenges and to drive innovation and transformation, using our well-established design methods.

Objectives in short and long term

In April 2017, a new Chief Executive, Sarah Weir OBE, was appointed and trustees instigated a midpoint review of our current 2016-20 strategy during 2017/18. This was a collaborative and iterative process, involving staff and trustees.

The updated strategy provides a clear framework for our work and sets out the objectives we are aiming to achieve by 2020. Our programmes and services are currently focused on addressing issues in health and wellbeing, education, economic growth, housing and infrastructure and the transformation of public services. They address issues of national importance, that underpin economic and environmental growth and sustainability of communities, sectors and places across the country.

Building on the updated strategy we will be undertaking a review of each of our current programmes in 2018/19 to ensure that the work we are undertaking fits within our strategic areas of focus and best fulfils our charitable remit.

For the year to 31 March 2018, our five key objectives were:

1. **Demonstrate design's cross cutting role in sustainable, inclusive, economic growth and value.** This included publishing research, the development of a pan-Design Council evidence framework and a data collection process to support impact measurement, answer key research questions and provide supporting evidence for policy development.
2. **Demonstrate design's role in innovation and service transformation** to address nationally significant issues through our programmes. These focused especially on improving the built environment, accelerating product development, driving innovation in public services, and improving experiences in later life.
3. **Teach design skills and bringing design to new audiences.** Through our research, evidence and insight gathered from our programmes on design and the value of design, we developed our content strategy, to reach a wider and more engaged audience.

4. **Raise Design Council's profile** both on and offline and across government, public, private and third sectors in all relevant areas of design. This was achieved through hosting, presenting and attending events across the country on topics including health, housing, product design and education.
5. **Maintain our focus on financial management and the improvement of systems, processes and facilities.** This ensured we met our 2017/18 budget and put in place conditions to support the delivery of the full strategy to 2020.

We have set out our achievements and performance for the year under review against these priorities and summarised our future plans later in this report.

Public benefit

The charity trustees consider that they have complied with their duty in section 17 of the Charities Act 2011 to have due regard to Public Benefit guidance published by the Charity Commission and that the benefits that the charity provides are not unreasonably restricted.

We exist for the benefit of people and our purpose is to make life better by design.

Grant making

Design Council makes grants to certain beneficiaries under our programmes. Grants made in the year are set out in note 4 to the financial statements. The vast majority of grants paid during the year were to our partners on the Transform Ageing programme, with payments being made quarterly, according to the amount of expenditure incurred in carrying out the programme's deliverables.

Fundraising statement

Section 162a of the Charities Act 2011 requires charities to make a statement regarding fundraising activities. Although we do not undertake fundraising from the general public, the legislation defines fundraising as "soliciting or otherwise procuring money or other property for charitable purposes".

In relation to the above we confirm that all solicitations are managed internally, without involvement of commercial participators or professional fund-raisers, or third parties. The day to day management of all income generation is delegated to the key management personnel as described within the Structure, governance and management section, who are accountable to the trustees.

We have received no complaints in relation to solicitations. Our terms of employment require staff to behave reasonably at all times; as we do not approach individuals for funds we do not consider it necessary to design specific procedures to monitor such activities.

Achievements and performance

Achievements and performance against objectives

We review our performance against a range of key performance indicators ranging from outputs and outcomes of activities undertaken to more financial and operational measures.

Over the last two years we developed a new organisational evidence framework to better understand the impact of our work and to learn and respond to the impact of our services. We involved both external stakeholders and internal delivery teams in this process.

Through using this organisational evidence framework, we have changed how we work, and we are standardising approaches to evaluation and the metrics measured across our programmes. This enables us to report more thematically and identify trends across our programmes. Our organisational evidence framework will inform how we measure our impact in 2018/19. In 2018, we will publish a separate impact report in addition to our annual report and accounts.

In the year under review we made good progress against the key objectives set. Our achievements and performance against the objectives are set out below.

1. Demonstrating design's cross cutting role in sustainable, inclusive, economic growth and value

- Our research and engagement activity has improved the evidence base on the impact and value of design in driving economic growth. Our ground-breaking *Designing a Future Economy* research, published this year, examined the skills that differentiate design from other sectors in the UK economy. The research found that people who use design skills are 47% more productive than the average UK worker, delivering almost £10 extra per hour in GVA.
- We demonstrated the value, impact and potential of design in consultation responses, including the Industrial Strategy Green Paper, Housing White Paper, implementation of the new T-levels as a technical alternative to A levels, the National Infrastructure Assessment and the London Plan.
- We published independent analysis on the survival of SMEs supported by previous Design Council programmes to improve their use of design, in *Design Council Support and Business Survival and Growth (2018)*. This analysis found that these businesses survived longer and grew faster than average UK businesses. 91% of businesses we supported were still trading after five years, compared to 49% of a control group.
- We completed our Healthy Places research to better understand the barriers faced by built environment professionals when creating healthy places. This highlighted the importance of multi-disciplinary collaboration and community engagement to make healthy placemaking happen.

- We commissioned *The Design Economy 2018*, comprising quantitative measurement and analysis of design's role in innovation and updated measurement and analysis of the design economy. It also includes two additional work packages to look at how businesses use design – a large scale survey and a series of case studies, including film.

2. Demonstrating design's role in innovation and service transformation

Through our programmes, we've demonstrated how design can facilitate innovation in a range of sectors.

- Within the context of funding pressures in the delivery of public services, our Design in the Public Sector programme, currently funded by the Local Government Association, supports commissioners to develop innovative interventions through a rigorous design led process. It aims to grow the public sector's skills and capacity to deliver efficient and effective public services which improve people's lives. In 2017/18 we ran the programme with 21 local authority teams across the country focussing on public health.
- Now in its second year our Big Lottery-funded Transform Ageing programme in the south-west of England is tackling the challenges of an ageing society. Working with partners we have brought together people in later life, formal and informal carers, public sector leaders and social entrepreneurs in workshops using design approaches to explore challenges from mobility and transport to social isolation and loneliness. Through a call for applications, we have stimulated innovative product and service responses to these ageing challenges from social entrepreneurs. Selected entrepreneurs receive funding to start or grow their ventures in the south-west.
- We supported finalists with innovative product ideas in our Design Council Spark programme. This programme, which is focused on products which make life better by design, helps individuals and teams to turn their product ideas into reality with support in business planning, marketing and IP. In 2017/18, the call for applicants reached more than 1.5 million people and we supported 23 product ideas, including smart glasses to support non-verbal communication for those with visual impairments.
- We created synergies across our programmes. In Design Academy we enabled students to tackle the 'Ageing Well' challenge. With the support of Big Lottery we drew upon ageing challenges identified within the Transform Ageing programme such as 'Changing attitudes towards ageing' and 'Inclusive design of products'. This allowed challenges identified in the programme to be tackled by student cohorts, building on their understanding of strategic design and how it can drive innovation to address this national issue.

- In our design advice service for places and local authorities, we built on our work with local authorities and developers and won contracts with major infrastructure bodies. We have worked with teams across the country to ensure new infrastructure delivers on wider housing, health and economic growth. We incorporated economic and health indicators into our design advice service process, building and trialling a contextual data tool.

3. Teaching design skills and bringing design to new audiences

- We launched our *Designing a Future Economy* research through a series of roundtables with the Victoria and Albert Museum (V&A). From these we have created a coalition of support around the importance of design skills, with attendees from across academia and government.
- We supported students from seven universities in our Design Academy programme: Plymouth University, London College of Communication, Ravensbourne, Manchester Metropolitan University, Teesside University, Brunel University and Nottingham Trent University. We produced individual skills development profiles for each university, measuring the skills that their students have developed over the Design Academy programme. This measure was created using the skills taxonomy from our *Designing a Future Economy* research.
- We developed our Design for Growth Blueprint with Shared Intelligence and the Black Country Local Enterprise Partnership. We are piloting this in the Black Country, using design approaches to tackle the area's skills challenges including: school performance, helping people into work, upskilling the existing workforce and raising awareness of Black Country success stories.

4. Raising Design Council's profile

- Our engagement activities add value to our policy and delivery work by championing and amplifying the value of design and the opportunities it brings to a broad audience. In 2017/18, we shared design expertise and evidence in 125 articles online on subjects including social innovation, health and social care and the built environment. This content generated over 440,000 visits to our website (a 10% increase compared to 2016/17), and reached millions of people via social media, email and coverage on other media channels.
- We hosted and spoke at over 65 events in 2017/18, chairing discussions at the Conservative and Labour Party Conferences, speaking at the Northern Powerhouse conference in Leeds and Dementia Design conference in Liverpool, among others. We hosted two roundtables with the V&A to discuss the future of design skills and a roundtable with Architecture Journal about the London housing crisis.

- We engaged with industry partners such as Arthritis Research UK to create opportunities for our Design Council Spark programme. We continue to build relations with design bodies and innovation networks to support the programme, The Design Museum hosted our Design Council Spark showcase in 2018/19, giving finalists a high-profile platform to demonstrate their products to investors.
- We were a founder partner of UCL Institute for Innovation and Public Purpose's Mission Oriented Innovation Network. We were represented on AHRC's Design Theme Advisory Board and UKRI Creative Industries Challenge Advisory Group. We progressed with two proposals to the £80m Creative Clusters programme, led by AHRC, partnering with the University of Dundee and the University of Reading.
- We gave evidence to the Culture Media and Sport Select Committee in April 2017 on the impact of Brexit on design. We have provided insight and evidence on the role of design in the built environment, including chairing two sessions on design quality at the launch of the National Planning Policy Framework (NPPF). We were engaged in the process of the National Infrastructure Assessment by the National Infrastructure Commission and submitted a consultation response to the London Plan and NPPF.
- Since joining as Chief Executive in April 2017, Sarah Weir has met well over 100 officials in departments across government and key stakeholders in industry, institutes and organisations. Examples of new partnerships include those with the V&A relating to our design skills and education activity.

5. Maintain our focus on financial management and the improvement of systems, processes and facilities

- Tight cost control was maintained throughout 2017/18 resulting in Design Council ending the year with free reserves and cash ahead of budget. Systems, processes and facilities were strengthened and improved during the year. This included an upgrade to our back-office IT infrastructure.
- We were delighted to extend and expand our arrangement with the Centre for Ageing Better where we granted them a licence to occupy space within our offices in The Angel Building, Islington.

Financial review

Review of the period

The results for Design Council for the year ended 31 March 2018 are set out in the financial statements from page 31 onwards.

In our seventh year as an independent charity the financial results show a deficit of £1.3m compared to a surplus of £3.6m in 2016/17. Our deficit in 2017/18 is due to drawing down £1.3m of expenditure from the restricted fund relating to our Transform Ageing programme. (The grant income of £3.65m from Big Lottery Fund for this three-year programme was recognised fully in 2016/17, in line with our income recognition policy (see note 1 (b) to the financial statements). If the expenditure on Transform Ageing is excluded, we made a small surplus of £0.1m in 2017/18.

Total income for the year amounted to £5.4m (compared to £9.7m in 2016/17, of which £3.65m related to the Transform Ageing grant). Income for 2017/18 comprised £3.4m in the form of a grant from BEIS (£3.4m in 2016/17). The remaining income of £2.0m was raised from a variety of sources including Design Council Spark (£0.6m) and various activities carried out by our Architecture and the Built Environment practice (£0.9m).

Total costs for the year were £6.7m (£6.1m in 2016/17). The increase in costs is driven by a full year of activity on our Transform Ageing programme.

Cash and short-term deposit balances have increased to £2.6m as at 31 March 2018 (£1.5m in 2016/17). Cash balances at 31 March 2018 include balances received and ring-fenced for programme expenditure. This includes £0.4m of monies due to our partners on the Transform Ageing programme and an additional £0.4m relating to awards to be paid out to entrepreneurs on our Design Council Spark programme.

The average number of staff employed during the year has remained consistent at 47 compared with 48 in 2016/17.

Reserves Policy

Total funds held by the Design Council at the end of the year were £4.11m (2016/17: £5.39m). Of this £2.44m were restricted funds (2016/17: £4.07m) a breakdown of which is shown in note 8 of the accounts. The trustees have reviewed the level of reserves required by Design Council to sustain on-going operations. Accordingly, Design Council has adopted a reserves policy whereby the unrestricted funds not committed or invested in tangible fixed assets (the “free reserves”) should be between three and six months of overheads. At 31 March 2018 free reserves were £1.28m (2016/17: £0.92m) against a target level of £0.45m to £0.9m.

Free Reserves

	2018	2017
	£000	£000
Total Unrestricted Funds	1,669	1,320
Less Tangible Fixed Assets	(394)	(405)
Free Reserves	<u>1,275</u>	<u>915</u>

Going Concern

The trustees have reviewed the financial position of Design Council and its subsidiary, its forecast cash flows, liquidity position and potential funding commitments for the foreseeable future. Design Council operates as an independent enterprising charity and there is a level of uncertainty regarding the charity's ability to grow and diversify its income streams. As a consequence, the trustees have used prudent assumptions in assessing the likely size and scale of income opportunities and will only commit funds to charitable activities when they are certain that obligations can be met. The trustees believe that the charity has adequate resources to continue in operational existence for the foreseeable future. As a result, they continue to adopt the going concern basis of accounting in preparing the Annual Report and Accounts.

Subsidiary undertaking and related parties

The Charity wholly owns a subsidiary the Design Council Enterprises Limited, a company registered in England. The subsidiary is used for fund-raising activities that are non-primary purposes trading. The subsidiary is currently dormant. As such, the results of Design Councils Enterprises Limited have not been presented separately and consolidated accounts have not been prepared.

Plans for the future period

In 2018/19, our five key objectives will continue to address the main areas set out and articulated for 2017/18.

For the year to 31 March 2019, our five key objectives are:

- 1. Demonstrating design's cross cutting role in sustainable, inclusive, economic growth and value.** We will provide world-leading research, policy advice and thought leadership on the role and value of design to the economy and society. We will be publishing the second edition of our ground-breaking report on *The Design Economy*, alongside deeper analysis on our unique datasets to provide insight which informs the government's Industrial Strategy's implementation. These include exploring the barriers to greater demographic diversity among designers, as well as greater use of design in places and regions across the country.
- 2. Demonstrating design's role in innovation and service transformation** to address nationally significant issues, especially improving the built environment, accelerating product development, driving innovation in public and third sector bodies, and improving experiences in later life. We will use findings from our research to inform our service delivery on the ground. We will evaluate this delivery to expand the evidence base on the impact of design, providing insight on what works and the challenges and opportunities to improve understanding and adoption of design.
- 3. Teaching design skills and bringing design to new audiences** through our research, evidence and insight gathered from our programmes on design and the value of design. We aim to reach a wider and more engaged audience. We will be publishing more work online, as well as exploring a range of potential partners to work with, strengthening the market for design across the economy. With a focus on themes such as health and wellbeing, education, economic growth, housing and infrastructure and the transformation of public services, we will raise awareness on the value of design in creatively challenging thinking, identifying issues and developing solutions that can solve problems and improves lives.
- 4. Raising Design Council's profile** both on and offline and across government, public, private and third sectors in all relevant areas of design. To be achieved through hosting, presenting and attending events across the country on topics including health, housing, product design and education. We will engage with a wide range of organisations and businesses about the value of design. We will disseminate insight and share best practice through our digital platforms, publications, real life case studies, events and expert advice. We will continue to promote the role and value of design, especially its role in improving economic performance and responding to societal challenges across the UK.
- 5. Maintain our focus on financial management and the improvement of systems, processes and facilities** to meet our 2018/19 budget and continue to grow and diversify our income. The continuation of the strategic review will give us a clearer picture of how our focus on 'People, Pounds, Planning and Processes' can support the delivery of the full strategy to 2020.

Structure, governance and management

Governing document

Design Council is a charity incorporated by Royal Charter that works for public benefit. The Royal Charter was originally granted on 9 May 1976 and amended on 1 April 2011 to reflect Design Council's change in status from being a public body to being a charity and the transfer in of certain activities and assets of the Commission for Architecture and the Built Environment (CABE).

Design Council registered as a charity on 13 October 1976 and the registered charity number is 272099. Our premises are Angel Building, 407 St John Street, London EC1V 4AB.

Structure of the organisation and decision making

At 31 March 2018, the key management personnel of Design Council comprised the trustees, the Chief Executive and the Executive Director of Strategy, Innovation and Design.

The board of trustees is responsible under Design Council's Royal Charter for:

- Ensuring the proper management and administration of the charity.
- For safeguarding the assets of the charity to ensure these assets and resources are used only in furtherance of the charitable objects.
- Ensuring that Design Council has an appropriate strategy and monitoring performance against this agreed strategy.
- Ensuring that the Design Council complies with all legal and regulatory requirements and that the charity has high levels of governance.

The board of trustees takes into consideration the Charity Commission's requirements including guidance on public benefit and trustees must at all times act in the best interests of the charity and must avoid any conflict between their personal or outside interests and those of the charity. The responsibilities of the board of trustees and its committees are set out in terms of reference. The board of trustees met six times during the year under review.

The board of trustees delegates day to day responsibility for managing the charity to the Chief Executive. The Chief Executive is accountable to the board of trustees for achieving the mission and strategic aims, for ensuring the organisation is well run and meets its charitable objects and for ensuring that Design Council remains relevant, contemporary and sustainable in the future. The Chief Executive reports to the Chair of the board of trustees and leads a senior management team.

During the year there were a number of changes to key management personnel. Chief Executive, Sarah Weir joined on 10 April 2017. Prior to Sarah Weir's arrival trustees had appointed Madeline Denmead, Chief Operating Officer & Finance Director, and Clare Devine, Executive Director of Architecture, Built Environment & Design to take over executive responsibility for Design Council alongside their substantive roles from 6 May 2016 until a new Chief Executive joined the organisation.

Other changes included Madeline Denmead leaving on 30 November 2017. Clare Devine started a new role of Executive Director of Strategy, Innovation and Design from 6 July 2017.

Design Council had 47 staff mainly based in our offices at the Angel Building in Islington, London. Three members of staff delivering the Transform Ageing programme are based in Exeter. We draw on the expertise of our 400-strong network of design and built environment practitioners and experts.

Good governance

During 2017/18 we rolled out a series of governance improvements to address the recommendations coming out of an independent review against four themes: clarity of strategy and purpose; trustee engagement and effective use of meetings; skills and diversity of the board; and clarity of roles. The review was based on an early draft of the Charity Governance Code and was instigated to help the board of trustees ensure that the governance arrangements are fit for purpose and to support the organisation's vision for the future and the delivery of its strategy. The review also sought to futureproof our governance arrangements, taking into account likely ways good governance will develop in the future.

Some of the actions carried out during the year included: updating and clarifying the organisation's strategy, updating our organisational evidence framework, conducting a trustee skills audit, updating the trustee role description, updating the process for recruiting new trustees, and appointing two joint deputy chairs.

Trustees agreed that going forward they will adopt the new Charity Governance Code to support continuous improvement and we will continue to enact governance improvements during 2018/19.

Pay and remuneration of key management personnel

The remuneration of key management personnel is reviewed and approved annually by the HR and Remuneration Committee. Remuneration is benchmarked periodically against pay for similar roles in the sector, see note 5. Trustees are not remunerated other than reimbursement of reasonable expenses.

Risk management

The board of trustees identifies and manages potential risks and ensures that activities undertaken do not jeopardise the reputation of the Design Council. Trustees regularly review potential risks and ensure that necessary steps are taken to either minimise or eliminate them.

The board of trustees has responsibility for risk management which is reflected in their terms of reference. The Design Council maintains a risk register that is reviewed quarterly by trustees. Separate individual risk registers are maintained for individual projects or programmes, as appropriate.

The board of trustees commissions expert advisers to provide independent assessments and assurance on a case by case to address specific business needs. During the year we covered health and safety and quality management.

Trustees consider that the key risk facing the Design Council is in growing and developing new income streams to maintain our future as a self-sustaining enterprising charity. Design Council mitigates this risk by regularly reviewing its services to confirm they meet a market need and having a targeted and focussed approach to business development initiatives.

Reference and administrative details

Board of trustees

Trustees who served during 2017/18 are listed on page 23. The board of trustees is overseen by the Chair, Terry Tyrrell. The board of trustees agrees the Design Council's strategic direction, monitors the delivery of our objectives, upholds our values and governance and takes into consideration the Charity Commission's guidance on public benefit. The board of trustees delegates day-to-day responsibility for managing the charity to the Chief Executive.

The board of trustees appointed a new Chief Executive, Sarah Weir, OBE, who took up her position on 10 April 2017. Prior to Sarah Weir's arrival, trustees had appointed Madeline Denmead, Chief Operating Officer & Finance Director, and Clare Devine, Executive Director of Architecture, Built Environment & Design to take over executive responsibility for Design Council alongside their substantive roles from 6 May 2016 until a new Chief Executive joined the organisation.

Following a recommendation from the 2017 governance review to consider appointing a Deputy Chair, the board of trustees appointed two joint Deputy Chairs in February 2018. Pam Alexander, OBE and Tim Stonor, now share the role.

Recruitment, induction and training of trustees

New trustees are recruited through an open process and are appointed by the board of trustees. Trustees may serve up to two consecutive three-year terms, although in exceptional circumstances a third term may be approved. On appointment, new trustees are provided with an induction pack and have meetings with key management personnel to brief them on the activities of the Design Council and their responsibilities as a trustee. Periodically, a confidential survey is used to identify skills gaps and development priorities. Briefings and training are provided for trustees as necessary. Induction and training of trustees is being reviewed as part of implementing recommendations from the governance review.

Four trustees were appointed to serve a second term in the year under review. Furthermore, Sandeep Dwesar and Pam Alexander were both appointed for a third term of one year, in view of exceptional circumstances to provide continued oversight and to allow sufficient time to ensure succession in the Finance, Audit and General Purposes Committee and Cabe Committee.

Two trustees retired during the year and three trustees resigned. No new trustees were appointed during the year. A recruitment campaign for new trustees was in progress during the early part of 2018/19.

Design Council trustees

	Date appointed	Retirement/ reappointment dates	Retirements and notes
Terry Tyrrell (Chair)	31.01.14	31.12.16 31.12.19	
Pam Alexander (Deputy Chair)	01.06.11	31.12.14 31.12.17 31.12.18	<i>Appointed for a third term of one year to 31.12.18. Appointed joint Deputy Chair 8.3.18</i>
Tim Stonor (Deputy Chair)	10.09.15	10.09.18	<i>Appointed joint Deputy Chair 8.3.18</i>
Anne Boddington	10.09.15	10.09.18	
Kieron Boyle	10.09.15	10.09.18	
Martin Darbyshire	10.09.15	10.09.18	
Sandeep Dwesar	01.06.11	31.12.14 31.12.17 31.12.18	<i>Appointed for a third term of one year to 31.12.18.</i>
Jim Eyre	01.06.11	04.02.16 31.12.17	Retired 31.12.17
Dale Harrow	04.02.16	04.02.19	Resigned 15.03.18
Andrew Mackintosh	04.02.16	04.02.19	
Steve Pearce	31.01.14	31.12.16 31.12.19	
Paul Priestman	04.02.16	04.02.16	Resigned 5.10.17
Marek Reichman	09.06.11	31.12.14 31.12.17	Retired 31.12.17
Annika Small	31.01.14	31.12.16 31.12.19	Resigned 26.04.18
Peter Williams	01.06.11	04.02.16 31.12.18	Resigned 20.07.17

Design Council key management personnel

Sarah Weir OBE, Chief Executive (commenced 10.04.17)

Clare Devine, Executive Director of Architecture, Built Environment & Design
(then Executive Director, Strategy Innovation and Design from 6.07.17)

Madeline Denmead, Chief Operating Officer & Finance Director (left 30.11.17)

Committees

Three formal committees assist the board of trustees in overseeing the financial and administrative aspects of Design Council activities as set out below. Each committee has adopted terms of reference approved by the board of trustees and reports back after each meeting to the board of trustees. Other committees may be convened as necessary. We will be reviewing the membership of our committees in 2018/19 and aim to appoint some new committee members from the new intake of trustees currently being recruited.

Design Council committee membership:

Finance, Audit and General Purposes Committee: meets three times a year to monitor financial performance and review the management accounts, budgets and cash flow. It also reviews the annual financial statements, internal controls and risk management, and receives reports from the external auditors.

HR and Remuneration Committee: meets at least once a year to review the performance and remuneration of the Chief Executive and to provide general oversight on staffing structures and remuneration, including pensions.

Design Council Caba Committee: meets quarterly to review the performance of the architecture and built environment programmes.

Sandeep Dwesar (*appointed chair on 21.07.17*)

Peter Williams (*resigned as chair on 20.07.17*)

Terry Tyrrell (*appointed 14.12.17*)

Jim Eyre (*retired 31.12.17*)

Sandeep Dwesar (*appointed chair on 26.04.18*)

Annika Small (*resigned as chair 26.04.18*)

Terry Tyrrell

Pam Alexander (*chair*)

Kieron Boyle

Tim Stonor

Jim Eyre (*retired 31.12.17*)

Administrative details

Registered name and address

Design Council
Angel Building
407 St John Street
London EC1V 4AB

Bankers

Lloyds Bank
Villiers House
48-49 The Strand
London WC2N 5LL

Advisory and Legal

Bates, Wells and Braithwaite
10 Queen Street Place
London EC4R 1BE

**CMS Cameron McKenna Nabarro
Olswang LLP** Cannon Place
78 Cannon Street, London EC4N 6AF

Charity Commission registered number

272099

External Auditors

BDO LLP
55 Baker Street
London W1U 7EU

EEF

Broadway House
Tothill St
London SW1H 9NQ

Statement of Trustees' Responsibilities

The trustees are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law requires the trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for the year. In preparing those financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011 and regulations made thereunder. They are 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 trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Each of the trustees confirms that to the best of his/her knowledge there is no information relevant to the audit of which the auditors are unaware. Each of the trustees also confirms that he/she has taken all necessary steps to ensure that he/she is aware of all relevant audit information and that this information has been communicated to the auditors.

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 March 2018 was 10 (2016/17 - 15). The trustees are members of the charity but this entitles them only to voting rights. The trustees have no beneficial interest in the group or the charity.

Auditors

BDO LLP offer themselves for reappointment as auditors at the Annual General Meeting.

Approved by the trustees on 26 July 2018 and signed on their behalf on 31 July 2018 by

A handwritten signature in blue ink, appearing to read 'T. Tyrrell', written in a cursive style.

Terry Tyrrell
Chair of Design Council board of trustees
31 July 2018

Independent Auditor's Report to the Trustees of the Design Council

Opinion

We have audited the financial statements of Design Council ("the Charity") for the year ended 31 March 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2018 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Charity in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The other information comprises: Trustees' Report. The Trustees are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 require us to report to you if, in our opinion;

- the information contained in the financial statements is inconsistent in any material respect with the Trustees' Annual Report; or
- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charity's trustees, as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

**BDO LLP
Statutory Auditor
London,
United Kingdom**

Date: 2 August 2018

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Design Council Statement of Financial Activities

For the year ended 31 March 2018

	Note	Unrestricted £000	Restricted £000	2018 Total £000	Unrestricted £000	Restricted £000	2017 Total £000
Income from							
Donations and legacies	2	-	-	-	1	-	1
Charitable activities	2	1,131	4,074	5,205	875	8,661	9,536
Other trading activities	3	217	-	217	128	-	128
Investments	3	3	-	3	6	-	6
Total income		1,351	4,074	5,425	1,010	8,661	9,671
Expenditure on							
Charitable activities	4	1,002	5,699	6,701	806	5,269	6,075
Total expenditure		1,002	5,699	6,701	806	5,269	6,075
Net loss on investments		-	-	-	(9)	-	(9)
Net income/(expenditure)		349	(1,625)	(1,276)	195	3,392	3,587
Net movement in funds		349	(1,625)	(1,276)	195	3,392	3,587
Reconciliation of funds							
Total funds brought forward		1,320	4,068	5,388	1,125	676	1,801
Total funds carried forward	8	1,669	2,443	4,112	1,320	4,068	5,388

Notes:

- All operations of Design Council are continuing.
- There were no recognised gains and losses in the year other than those shown above.
- The notes, numbered 1 - 19, form part of these accounts.

The reduction in income and total funds from 2016/17 to 2017/18 is due to the income for the three year Transform Ageing programme being recognised fully in 2016/17, as explained in the Financial Review on page 16.

Design Council Balance Sheets

As at 31 March 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible fixed assets	10	394	405
Total fixed assets		394	405
Current assets			
Debtors	12	3,201	4,770
Short term deposits	13	600	400
Cash at bank and in hand	14	1,970	1,104
Total current assets		5,771	6,274
Current liabilities			
Creditors: amounts falling due within one year	15	1,913	1,151
Net current assets		3,858	5,123
Provisions for liabilities	16	140	140
Net assets	9	4,112	5,388
Funds			
Restricted funds	8	2,443	4,068
Unrestricted funds		1,669	1,320
Total funds		4,112	5,388

The notes at pages 34-45 form part of these accounts.

Approved and authorised by the trustees on 26 July 2018 and signed on their behalf
On 31 July 2018 by



Terry Tyrrell
Chair of Design Council board of trustees
31 July 2018

Design Council Statement of Cash Flows

For the year ended 31 March 2018

	Note	£000	2018 £000	£000	2017 £000
Cash flows from operating activities:					
Net cash provided by/(used in) operating activities	a		1,152		383
Cash flows from investing activities:					
Interest received		3		6	
Purchase of property, plant and equipment		(89)		(19)	
(Purchase)/sale of short term deposits		<u>(200)</u>		<u>(400)</u>	
Net cash provided by/(used in) investing activities			<u>(286)</u>		<u>(413)</u>
Change in cash and cash equivalents in the year			<u>866</u>		<u>(30)</u>
Cash and cash equivalents brought forward			<u>1,104</u>		<u>1,134</u>
Cash and cash equivalents carried forward			<u>1,970</u>		<u>1,104</u>

Note to the statement of cash flows:

Note:

a. Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2018 £000	2017 £000
Net income/(expenditure) for the year	(1,276)	3,587
Interest received	(3)	(6)
Loss on investment	-	9
Depreciation charges	100	90
(Increase)/decrease in debtors	1,569	(3,306)
Increase/(decrease) in creditors	<u>762</u>	<u>9</u>
Net cash provided by/(used in) operating activities	<u>1,152</u>	<u>383</u>

Notes to the Design Council Financial Statements

For the year ended 31 March 2018

1. Accounting policies

The principal accounting policies applied in the preparation of the financial statements are as follows.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102. The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern.

In preparing financial statements it is necessary to make certain judgements, estimates and assumptions that affect the amounts recognised in the financial statements. The accounting policies below include estimates relating to provisions recoverability of debtors, and stage of completion of contract delivery for programme fees.

b) Income recognition

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received, and the amount of income receivable can be measured reliably. In particular:

- Grants are accounted for once a formal offer of funding is received, subject to satisfying any performance-related conditions. In the event that a grant is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period;
- Donations are accounted for on receipt;
- Gifts in kind are assets donated to the charity for its own use or for distribution to beneficiaries. They are included at valuation and recognised as income only when they are used or distributed.

c) Expenditure

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 4 costs are attributable to the 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.

Grants are paid to approved beneficiaries. Grant expenditure is recognised in the period in which eligible activity creates an entitlement in line with the terms and conditions of the grant. Accrued grants are charged to the SOFA and included as part of accruals within the balance sheet.

The Design Council reclaims from HMRC VAT incurred on goods and services in line with the standard method of partial exemption. Irrecoverable VAT is treated as a central cost and allocated with other support costs to the relevant activities on the SOFA.

d) Liquid resources

Design Council's liquid resources are a combination of cash, and short term deposits.

e) Funds accounting

Funds held by the Design Council are either:

- **Restricted Funds:** These are the grant funds received from government, charities, and other public bodies where the use of the funds is restricted to a specific purpose.
- **Unrestricted Funds:** These are funds which have been received from all other programmes.

f) 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.

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

<i>Leasehold fixtures and fittings</i>	<i>10 years, or over the period of the lease</i>
<i>Furniture and equipment</i>	<i>5 years</i>
<i>Computer hardware and software</i>	<i>2 - 5 years</i>

g) Pensions

The charity operates a defined contribution pension scheme on behalf of its employees. The amount charged to the SOFA in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

h) Leases

All 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.

i) Provisions

Provisions are made when the Design Council has a legal or constructive financial obligation, that can be reliably estimated and for which there is an expectation that payment will be made. The obligation is recognised as a liability once the obligation has crystallised.

j) Holiday leave benefits

A liability is recognised to the extent of any unused holiday pay entitlement, which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement and so accrued at the

balance sheet date.

k) **Design Council Enterprises Limited**

The charity owns the whole of the share capital of Design Council Enterprises Limited. Its trading subsidiary was dormant during the year and therefore consolidated accounts are not prepared.

2. Income from donations and legacies, and charitable activities

	Unrestricted £000	Restricted £000	2018 Total £000	2017 Total £000
Donations and legacies	-	-	-	1
Total income from donations and legacies	-	-	-	1
Grant from BEIS	-	3,350	3,350	3,350
Other grants from government and public bodies	-	724	724	5,311
Programme fees	1,131	-	1,131	875
Total income from charitable activities	1,131	4,074	5,205	9,536

3. Income from other trading activities and investments

	Unrestricted £000	Restricted £000	2018 Total £000	2017 Total £000
Licence income	217	-	217	127
Turnover from Design Council Enterprises	-	-	-	1
Total income from other trading activities	217	-	217	128
Investment income	3	-	3	6
Total income from investments	3	-	3	6

4. Expenditure

	Grants payable £000	Staff costs £000	Other direct costs £000	Total direct costs £000	Support costs (note 7) £000	2018 Total £000	2017 Total £000
Charitable activities							
Policy & Communications	-	609	386	995	749	1,744	1,094
Growth & Innovation	715	639	923	2,277	1,176	3,453	3,581
Architecture & Built Environment	-	544	314	858	646	1,504	1,400
Total 2018	715	1,792	1,623	4,130	2,571	6,701	6,075
Total 2017	472	1,845	1,577	3,894	2,181	6,075	

4. Expenditure (continued)

Notes:

Grants payable

The Design Council made £715k grant payments to selected partners in support of programmes as shown below.

- (i) The grant payments for the Transform Ageing programme were as follows:

Recipient:	Amount £000
The Foundation for Social Entrepreneurs (t/a Unltd)	599
South West Peninsula Academic Health Science Network Limited	54
Devon Together	39
Volunteer Cornwall	20
Torbay Community Development Trust	20
Total Transform Ageing	<u>732</u>

- (ii) The grant payments for the EDIP (Design for Europe) programme were as follows:

Recipient:	Amount £000
Birmingham City University	(7)
Dšola	(5)
NESTA	(3)
Danish Design Centre	(2)
Total EDIP (Design for Europe)	<u>(17)</u>

The figures for the EDIP programme represent reductions in the final grant claims of the respective programme partners.

5. Staff costs and numbers

Staff costs were as follows:

	2018	2017
	£000	£000
Salaries and wages	2,103	2,000
Social security costs	254	228
Pension contributions	180	201
Staff benefits	11	19
Redundancy costs	110	58
Total payroll staff costs	2,658	2,506
Total temporary and contract staff costs	138	275
Total staff costs	2,796	2,781

£110k was paid for redundancy payments during the year (2016/17: £58k). Redundancy payments are based on continuous length of service. Amounts paid excluded pension contributions or benefits in kind. There were no outstanding liabilities for redundancies as at 31 March 2018.

The number of employees, whose emoluments were over £60k (including salary and taxable benefit in kind costs) falls within the ranges shown below.

Band	2018	2017
£60,000 - £69,999	3	2
£70,000 - £79,999	1	1
£80,000 - £89,999	-	-
£110,000 - £119,999	2	-
£120,000 - £129,999	1	-
£130,000 - £139,999	-	-
£140,000 - £149,999	-	1
£170,000 - £179,999	-	1

The costs of key management personnel are £433k (2016/17: £402k). These relate to three staff (2016/17: three) as specified in the Trustees' Report within the Structure, governance and management section.

The average number of employees based on headcount during the year was as follows:

	2018	2017
	No	No
Permanent (payroll)	45	43
Other staff (other)	2	5
	47	48

6. Net income for the year

This is stated after charging:

	Note	2018 £000	2017 £000
Depreciation		100	90
Trustees' reimbursed expenses	a	-	2
Staff reimbursed expenses		24	25
Auditors' remuneration:			
Audit		27	27
Other services		8	5
Operating lease rentals:			
Plant and machinery		24	33
Land and buildings		551	393

Note:

Expenses were reimbursed to two trustees (2016/17: two trustees).

7. Support Costs

Support costs are allocated to charitable activities as follows:

	Note	2018 Staff costs £000	2018 Other costs £000	2018 Total £000	2017 Total £000
Executive		440	20	460	477
Facilities		64	897	961	689
Governance costs	a	55	-	55	83
Human resources		168	63	231	176
IT		-	140	140	133
Finance	b	277	347	624	533
Depreciation		-	100	100	90
Total support costs		1,004	1,567	2,571	2,181

Notes:

- Governance costs relate to Design Council's cost of secretariat. This includes the administration of trustee meetings.
- The Design Council only recovers a proportion of the VAT incurred on purchases under the "partial exemption methodology". The irrecoverable element of the incurred VAT is taken centrally and charged to finance £245k (2016/17: £192k).

8. Movements in funds

Movements in funds during 2017/18

	2017 At the start of the year	Income	Expenditure	Gains/ (losses) on investments	2018 At the end of the year
	£000	£000	£000	£000	£000
Restricted funds:					
BEIS Grant	183	3,350	(3,330)	-	203
Design in the Public Sector Workshops	33	90	(93)	-	30
EDIP (Design for Europe)	-	(17)	17	-	-
Design Council Spark	541	581	(891)	-	231
Big Lottery Fund – Transform Ageing	3,287	-	(1,335)	-	1,952
Inclusive Design – CPD training	-	70	(67)	-	3
Other Restricted Funds	24	-	-	-	24
Total restricted funds	4,068	4,074	(5,699)	-	2,443
Total unrestricted funds	1,320	1,351	(1,002)	-	1,669
Total funds	5,388	5,425	(6,701)	-	4,112

Movements in funds during 2016/17

	2016 At the start of the year	Income	Expenditure	Gains/ (losses) on investments	2017 At the end of the year
	£000	£000	£000	£000	£000
Restricted funds:					
BEIS Grant	101	3,350	(3,268)	-	183
Design in the Public Sector Workshops	74	48	(89)	-	33
EDIP (Design for Europe)	-	594	(594)	-	-
Design Council Spark	475	975	(909)	-	541
Big Lottery Fund – Transform Ageing	-	3,652	(365)	-	3,287
Knee High	-	42	(42)	-	-
Other Restricted Funds	26	-	(2)	-	24
Total restricted funds	676	8,661	(5,269)	-	4,068
Total unrestricted funds	1,125	1,010	(806)	(9)	1,320
Total funds	1,801	9,671	(6,075)	(9)	5,388

Fund	Purpose and Restriction in use
BEIS Grant	To make the case and grow the market for design in areas of the economy where it is underused, and to champion the value of design.
Design in the Public Sector Workshops	Skills and capacity building within the public sector.
EDIP (Design for Europe)	To increase awareness and an understanding of the value of design across EU countries.
Design Council Spark	A support and funding programme for entrepreneurs with product ideas.
Big Lottery Fund – Transform Ageing	A social innovation programme aiming to improve people’s experience of ageing.
Inclusive Design – CPD Training	Development of online training in inclusive design for built environment practitioners.
Knee High	A design challenge programme aiming to make a lasting difference to children under five.
Other Restricted Funds	Unused funds for a small number of completed legacy programmes. Design Council is engaging with the funders to agree the use of the remaining funds.

9. Analysis of group net assets between funds

Analysis of group net assets between funds 2017/18

	Unrestricted funds £000	Restricted funds £000	2018 Total funds £000
Tangible fixed assets	345	49	394
Current assets	988	3,488	4,476
Short term deposits	600	-	600
Long term debtor: amount owed over one year	695	-	695
Current liabilities	(819)	(1,094)	(1,913)
Provisions for liabilities	(140)	-	(140)
Net assets at the end of the year	1,669	2,443	4,112

Analysis of group net assets between funds 2016/17

	Unrestricted funds £000	Restricted funds £000	2017 Total funds £000
Tangible fixed assets	394	11	405
Current assets	704	4,761	5,465
Short term deposits	400	-	400
Long term debtor: amount owed over one year	409	-	409
Current liabilities	(447)	(704)	(1,151)
Provisions for liabilities	(140)	-	(140)
Net assets at the end of the year	1,320	4,068	5,388

10. Tangible fixed assets

	Leasehold Improvements	Furniture and fittings	IT	Total
	£000	£000	£000	£000
Cost				
At the start of the year	746	221	225	1,192
Additions in year	9	19	61	89
Disposals in year	-	(67)	(172)	(239)
At the end of the year	755	173	114	1,042
Depreciation				
At the start of the year	360	220	207	787
Charge for the year	76	3	21	100
Disposals in year	-	(67)	(172)	(239)
At the end of the year	436	156	56	648
Net book value				
At the end of the year	319	17	58	394
At the start of the year	386	1	18	405

11. Taxation

Design Council is a charity within the meaning of Para 1 Schedule 6 Finance Act 2010. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge arose in the period.

12. Debtors

	2018	2017
	£000	£000
Trade debtors	275	229
Other debtors	700	420
Prepayments and accrued income	2,226	4,121
	3,201	4,770

Other debtors includes a long term debtor of £695k (2016/17: £409k) which is a deposit paid to the landlord of Design Council's office premises within the Angel Building, Islington.

13. Short term deposits

	2018	2017
	£000	£000
Lloyds Money Market deposit	600	400
	600	400

14. Cash at bank and in hand

	2018	2017
	£000	£000
Cash at bank	<u>1,970</u>	1,104
	<u>1,970</u>	<u>1,104</u>

15. Creditors: amounts due within one year

	2018	2017
	£000	£000
Trade creditors	121	40
Tax and social security	63	64
VAT payable	47	22
Other creditors	499	16
Grant accruals	337	261
Other accruals	799	659
Deferred income	47	89
	<u>1,913</u>	<u>1,151</u>

Included within other creditors is £16k for a payment due to Design Council's defined contribution pension scheme (2016/17: £16k).

16. Provisions for liabilities

	2018	2017
	£000	£000
Provisions	<u>140</u>	140
	<u>140</u>	<u>140</u>

17. Operating lease commitments

The total minimum lease commitments at the year-end under operating leases expiring as follows:

	2018		2017	
	Land and buildings	Other	Land and buildings	Other
	£000	£000	£000	£000
Within 1 year	626	21	432	21
Between 2 - 5 years	1,742	16	2,287	33
Over 5 years	-	-	-	-
	<u>2,368</u>	<u>37</u>	<u>2,719</u>	<u>54</u>

18. Contingent liabilities

There are no contingent liabilities to declare.

19. Related parties transactions

Design Council trustees are drawn from among its key stakeholders, and staff may at times have links to stakeholder organisations. Therefore it is in the nature of Design Council's business to have transactions which are classified as related. All transactions entered into are as part of the ordinary course of business and on an arm's length basis, consistent with Design Council's policy on potential conflicts of interest. During the year, Design Council entered into the following transactions with related parties as follows:

Name	Position at Design Council	Note	Related Party	Income £	Expense £
Tim Stonor	Trustee	a	Director, Space Syntax Limited	-	2,260
Jim Eyre	Trustee	a	Jim Eyre	-	830

- a. Payments were made to Space Syntax Limited and Jim Eyre for carrying out our Design Advice Services for places and local authorities.

Design Council

Angel Building
407 St John Street
London EC1V 4AB

info@designcouncil.org.uk
www.designcouncil.org.uk

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Registered Charity number 272099
Company number RC000848
Design Council Enterprises Limited company number 7211046
