

Design Council Annual Report and Accounts

For the year ended 31 March 2013

*We champion great design that
improves lives*



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Design Council trustees' report

For the year ended 31 March 2013

About the Design Council

The Design Council is a charity incorporated by Royal Charter which champions great design. For us that means design which improves lives and makes things better.

As an enterprising charity, our work places design at the heart of creating value by stimulating innovation in business and public services, improving our built environment and tackling complex social issues such as ageing and obesity.

We inspire new design thinking, encourage public debate and inform government policy to improve everyday life and help meet tomorrow's challenges today.

Introduction

2012/13 was our second year as an independent, enterprising charity. During the year we successfully delivered services to government, further developed our new business model, continued to grow and diversify our income streams and to demonstrate and promote the value of design. Our new Chief Executive, John Mathers, joined us in November 2012 and worked with the trustees to refresh our strategy, *Championing Great Design*. This culminated in the identification of four priority areas where we will focus our activity: Growth by Design, Communities by Design, Ageing Better by Design and, Active by Design.

We have continued to make progress on changing the culture and structure of the organisation. We are reshaping the business to ensure a greater emphasis on business development and commercial thinking. We started a training and development programme for all staff which will prepare them for a new focus on building and developing relationships and understanding the commercial realities of our new status.

To be successful we need to maintain and build our reputation. We have delivered a programme of work to demonstrate and champion great design, and have adopted an appropriate approach to policy and communication to engage and influence people.

In June 2012, we relocated our office to Islington. This move has enabled us to significantly reduce our cost base and provide a fit-for-purpose office space. The new office in the Angel Building has strong sustainability features and a BREEAM 'excellent' rating and it was shortlisted for the RIBA Stirling Prize in 2011.

It has been a busy and challenging year, however, we have managed to achieve the majority of our goals. We are proud of the impact that the Design Council has made, we are excited about our future as an enterprising charity, and we look forward to celebrating our 70 year anniversary in 2014.

The trustees submit this Annual Report along with the consolidated financial statements for the year ended 31 March 2013, which comply with the current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice, and Accounting and Reporting by Charities 2005 (SORP).

Structure, governance and management

Mission and charitable objectives

As a Royal Charter charity, we work in the public interest, generating funds by charging for our advisory services, as well as from donations and grants. Our mission is to champion great design; the sort of design that can improve the way that people live their lives.

The Design Council was established in 1944 and in April 2011, left the public sector and became a charity promoting design in the public interest. The activities of the Commission for Architecture and the Built Environment (CABE) were also transferred to the Design Council.

Our charitable objectives are:

“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.”

We're a think-do organisation which means we combine research, debate and knowledge-sharing with practical demonstration, real advice and enabling ideas that work.

We achieve this by working collaboratively with our clients and partners – bringing the right people together to boost creativity, shift ways of thinking and translate ideas into real products, services and solutions that benefit everyone. We make sure every pound invested in design thinking pays back even more in supporting economic growth and social and environmental progress.

Subsidiary and related parties

We have two subsidiary businesses: Design Council Commission for Architecture and the Built Environment (Cabe) is the legal entity through which we run our built environment programme. Design Council Enterprises Limited (Design Council Enterprises) is a trading subsidiary used for fundraising activities that are not primary-purpose charitable activity.

Related Party Transactions are disclosed as note 21 to the financial statements.

Board of trustees

The Design Council is governed by a board of trustees consisting of a chair, a deputy chair and up to ten other trustees. The current trustees were appointed in June 2011 when the Design Council became a charity. All trustees give their time voluntarily and receive no benefits from the charity. Any expenses reclaimed from the charity by trustees are set out in note 6 to the accounts.

New trustees are appointed by a majority resolution of the board and may serve up to a maximum term of nine consecutive years. Appointment as a trustee is open to any suitably qualified member of the public. On appointment, new trustees are provided with an induction on the activities of the Design Council and their responsibilities as a trustee. Two trustees resigned during the year: Deborah Meaden and Sir Mark Jones.

The following trustees served during the year:

	Date appointed	Date resigned	Committee Chairs
Martin Temple (Chair)	01.04.11		HR & Remuneration (interim from 20.11.2012)
Paul Finch (Deputy Chair)	01.06.11		Cabe Board
Pam Alexander	01.06.11		
Rab Bennetts	01.06.11		
Sandeep Dwesar	01.06.11		
Jim Eyre	01.06.11		
Wayne Hemingway	01.06.11		
Sir Mark Jones	01.06.11	20.11.2012	HR & Remuneration (until 20.11.2012)
Deborah Meaden	09.06.11	30.08.2012	
Marek Reichman	09.06.11		
Simon Waterfall	01.06.11		
Peter Williams	01.06.11		Finance, Audit and General Purposes

Trustees appoint a Chief Executive, to whom they delegate the responsibility for implementing the strategy and for the day-to-day management of the business. John Mathers joined as Chief Executive in November 2012 and is supported by a senior management team.

A core staff team (of around 60) coordinates our programmes. We also draw on a network of 300 design and architecture experts, based across the country, who deliver our services locally and nationally.

The board of trustees meets at least six times a year (seven times during 2012/13 with an additional strategy day), with the Chief Executive and senior management team. The board of trustees agrees the Design Council's strategy and business plan, reviews performance and ensures that our governance is of the highest possible standard. In approving the business plan, the trustees are mindful of the Charity Commission's general guidance on public benefit.

Three committees have been established to assist the Board in overseeing the financial and administrative aspects of our activities:

Finance, Audit and General Purposes Committee

Chair: Peter Williams

Members: Sandeep Dwesar, Jim Eyre

This committee meets at least three times a year to monitor financial performance, reviewing the management accounts, budgets and cash flow. It also reviews the annual financial statements, internal controls and risk management, and liaises with the internal and external auditors.

HR and Remuneration Committee

Chair: Martin Temple (previously Sir Mark Jones)

Members: Pam Alexander, Sandeep Dwesar

This 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. Following the resignation of Sir Mark Jones in November 2012, Martin Temple took the chair and Sandeep Dwesar joined as a member of the committee.

Cabe Board

Chair: Paul Finch

Members: Pam Alexander, Rab Bennetts, Jim Eyre, Wayne Hemingway

This board helps to set the strategy for the Cabe business, reviews its performance and ensures high levels of governance. The Board meets a minimum of six times a year. Members of the Board are also Directors of the Cabe subsidiary company.

Advisory Council

In addition to the board committees, we set up an Advisory Council in June 2011 as a forum for representatives from design, business, education and policy to contribute to the direction of our design summit and forums. The Council met once during 2012/13 and current members are listed below.

The Advisory Council's scope is currently being reviewed to enable us to connect with a broader range of individuals in the design and built environment communities. The aim is to pro-actively communicate and engage with leading edge thinkers and commentators in the industry and this will be integral to work we are doing to develop our digital presence.

Chair: Lord Bichard

Current members: Rab Bennetts, Alice Black, Bonnie Dean, Joe Ferry, Jane Hartshorne, Laura Haynes, Mark Holmes, Ben Page, Liz Peace, Sophie Thomas, Simon Waterfall, Sarah Wigglesworth.

Risk management

The trustees identify and manage potential risks and ensure 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. A key element of the risk mitigation process is the work performed under the internal audit plan, which the auditors prepare and deliver based on key risks facing the organisation.

The internal audit plan and subsequent reports are reviewed by the Finance, Audit and General Purposes Committee. Significant matters arising are reported to the full board of trustees. 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.

Objectives and outcomes 2012/13

In December 2011, trustees agreed proposals from the Chief Executive for a new four year strategy which would deliver three key long term **aims**:

- Enabling people to use design to transform business and communities for the better.
- Stimulating innovation in business and public services, improving our built environment and tackling complex social issues.
- Inspiring new design thinking, encouraging public debate and informing policy to improve everyday life and help meet tomorrow's challenges today.

Trustees then agreed a strategy in February 2013, called *Championing Great Design*. This set out our mission, vision, values and priorities which are outlined below:

Our **mission** is to be the champion of great design.

Our **vision** for the Design Council is to be:

- A centre of excellence.
- A showcase, and a celebrator, of great design.
- A sustainable organisation.
- An inspiring and challenging place to work in the world of design.

Our **values** demonstrate what we believe in and how we will behave:

- Being **design-led** underpins everything that we do.
- We are **principled**. We are prepared to take a stand for what we believe in.
- We cannot achieve our vision alone – we must work in genuine **partnership and collaboration**.
- And, finally, we will do everything in an **agile and entrepreneurial** way.

Our current **priorities** are:

Growth by Design

Harnessing design's potential to create growth, jobs and prosperity.

Communities by Design

Enabling communities to use design to improve places and lives.

Ageing Better by Design

Enhancing life as we grow older by using design to better enable independence and provide assistance.

Active By Design

Tackling obesity and inactivity head on by designing a more active future.

We operate four business units to deliver our programmes which generate income from a mix of government grants, fees, sponsorship and other sources. The business units and their programmes are:

Leadership

We offer businesses, the public sector and university scientists a bespoke package of support and coaching to use design to innovate and grow – we call this our Design Leadership Programme.

Challenges

We run competitions that use design to address societal issues. We show how design can create practical solutions to complex problems and stimulate opportunities for enterprise.

Insight

We provide information and new evidence on the value of design. And we stimulate debate, influence policy and build networks to promote the benefits of design for everyone.

Cabe

Architecture and design improve our built environment and help create sustainable communities where people want and can afford to live. We focus on ensuring places and communities are sustainable, adaptable and resilient.

Key activities and impact during 2012/13 within the four business units are set out below. More detailed information on all our activities can be found on our website www.designcouncil.org.uk.

Leadership

Harnessing design to drive business growth and improve service efficiency

We offer businesses, the public sector and university scientists a bespoke package of support and coaching to use design to innovate and grow – we call this our Design Leadership Programme.

In 2012/13, Leadership met the majority of its targets and delivered the following:

Driving business growth

For seven years we have provided high-level design coaching to small and medium sized enterprises (SMEs) through a programme funded by the Department for Business, Innovation and Skills (BIS), called *Designing Demand*. Current evaluations show that every £1 invested in a design project results in more than £4 net operating profit and £20 net turnover. During the year, we assisted 42 SMEs (32 in 2011/12) to use design to transform their commercial prospects. It has been challenging to recruit SMEs in the current economic climate, however, the pipeline increased in the second half of the year after we launched new sales materials quantifying the benefits to new customers. We published 30 new case studies, mostly of businesses that have successfully completed the programme.

Redesigning public services

Our *Public Services by Design* programme, also funded by BIS, has provided strategic support and mentoring to public sector organisations on issues including homelessness, health and well-being, and business services. Independent evaluation estimates that over £26 of social return on investment has been delivered for every £1 invested through the programme. During the year we worked with 75 public sector organisations, delivering training events and workshops, and longer term coaching projects.

Commercialising science and technology research

Working with researchers and entrepreneurs our *Innovate for Universities* programme, funded by BIS, helps to commercialise and develop new applications for research ideas. During the year we exceeded our target to deliver two training workshops on design in technology transfer and we coached 24 projects. Key outcomes included new license deals, increased IP value and accelerated time to market for the participating research teams.

Business development

We have continued to build new opportunities at home and abroad. For example, we ran a successful pilot training workshop with Civil Service Learning, which generated strong leads for our public services programme and we are in discussions to run more in 2013. We have been developing our offer creating bespoke mentoring packages for senior executives and civil servants and we started a pilot coaching bigger businesses and supply chains. There continues to be a high level of overseas interest in our work and approach, and we are exploring these opportunities.

Design Associates

We continued to train and manage a group of Design Associates who are our design management experts. They work with business and public sector management teams to make them better users and buyers of design through the Leadership programmes.

Challenges

Designing practical solutions to complex problems

We run competitions that use design to address societal issues. We show how design can create practical solutions to complex problems and stimulate opportunities for enterprise.

Over the past six years, in partnership with agencies such as the Technology Strategy Board and the Department of Health we have facilitated projects that place design at the heart of solving big social challenges. The result is a portfolio of products and services that are improving people's lives and creating business opportunities for the UK.

In 2012/13, Challenges met its targets and delivered the following:

Successfully concluded three Challenges

Our Challenge competitions use design to address societal issues. In the year we successfully concluded three existing Challenges on: *Reducing violence and aggression in A&E* with the Department of Health, *Helping people live well with dementia* with the Department of Health, and *Enabling independent living for older adults* in collaboration with the Technology Strategy Board.

Knee High: early years development

Partnering with Guy's and St Thomas' Charity and the London Boroughs of Southwark and Lambeth, we launched *Knee High* to explore opportunities for improving the health and well-being of children under five. The first phase involved a six month research and engagement project with residents and service providers across both boroughs. The aim is to identify where the greatest opportunities lie for new or improved solutions and lasting interventions that give children the best start in life. We will start phase two of the Challenge in the summer of 2013.

Working Well: helping young people develop their talents and make a living

Recognising the potential for design and digital technology to make a difference to 16—24 year olds not in education, employment or training, we launched the *Working Well* Challenge with the Nominet Trust. The Challenge brought together leading designers, developers and social entrepreneurs to create new ways of using the internet to help young people develop their talents and make a living. Three ventures were supported through early development demonstrating that well designed digital technology can not only confront a pressing social and economic issue, but change the lives of young people for the better.

Ongoing impact

We continue to evaluate our current and past work and measure impact on the ground. Ventures created through the Challenges continue to be successful and often secure new funding. For instance with our earliest challenge *Design Bugs Out*, millions of pounds worth of hospital equipment has been purchased so far by the NHS with new products still coming to market. And with one of our more recent challenges, *Living Well with Dementia*, two solutions are in the market, two in final trials and the fifth has received buy-out offers.

Cabe

Improving places. Improving lives.

Architecture and design improve our built environment and help create sustainable communities where people want and can afford to live. We focus on ensuring places and communities are sustainable, adaptable and resilient.

In 2012/13, Cabe met the majority of its targets and delivered the following:

Transition

The priority this year was to establish the emerging business model and test products and services in the market, whilst also delivering the final year of a programme of work on behalf of the Department for Communities and Local Government (CLG). A business plan was agreed in June 2012 and a change programme initiated to transition to a self-sustaining business. Work continued on business development initiatives and the team was reshaped towards the end of the year to reflect the end of the CLG grant.

Influencing housing and planning policy

We advised government on how to deliver their objectives through the planning system, taking forward the National Planning Policy Framework (NPPF) and Housing Strategy. We advised on the government's new planning policy guidance and worked with industry bodies to produce complementary best practice guidance in a number of areas including *Design Review: Principles and Practice*, and for Nationally Significant Infrastructure Project (NSIPs) applicants. We also worked with local authorities and communities on how to deliver good quality places through local and neighbourhood plans.

Improving infrastructure investment

Design Reviews provide expert advice on the design quality of schemes in England that will have a significant impact on their environment. During the year we reviewed 162 schemes including NSIPs like the Thames Tunnel and Crossrail. The transition from subsidised to paid for reviews is being accepted in the market although not without some reluctance. Our network of eight local Design Review panels provided consistent and good quality design advice across England. Since we launched our London review panel, 70% of London Boroughs agreed to partner with us.

Building stronger communities

We helped community groups, town and parish councils, and local authorities improve the design of local places and put good design at the centre of neighbourhood planning. We helped 21 community groups and supported 13 neighbourhoods through our small grant programme. We delivered six Local Plan workshops, supported 13 local planning authorities and we ran two conferences in partnership with the Planning Advisory Service exploring design in neighbourhood planning. New delivery models were piloted.

Built Environment Experts

A network of 250 Built Environment Experts (BEEs) was appointed during the year to support the Cabe team in delivering high-quality designed places throughout England. The BEE network is a broad and flexible group of highly respected specialists, drawn from a range of sectors. The network provides multi-disciplinary support to communities, local authorities and developers involved in built environment projects.

Insight

Leading the latest thinking on design

We provide information and new evidence on the value of design. And we stimulate debate, influence policy and build networks to promote the benefits of design for everyone.

In 2012/13, Insight met its targets and delivered the following:

Stimulating debate and celebrating design

In our second Design Summit, we brought together business leaders, government ministers, world-leading designers and architects to discuss and debate the question *Who do we think we are in 2012?*, looking at how national identity can influence economic growth. We also held three forums. One considered how design of products and services can respond to the needs of an ageing society, one looked at the influence of the built environment, and the third forum debated how design can help to overcome the challenges of innovation in public services.

Influencing research and policy

We launched the inquiry report, *Restarting Britain 2: Design and Public Services*, undertaken with the Design Commission, which considered where design is already contributing to public services and how more can be done. We contributed to a European-funded research, *Design for the Public Good* (published in April 2013) and we kicked off a new research project looking at design in the boardroom. We built on our research partnerships with the Arts and Humanities Research Council (AHRC) and Warwick Business School and we continued to expand our impact evidence base.

Providing advocacy and advice to government is a key part of our work. During the year we delivered against our actions in the Government's *Innovation and Research Strategy for Growth*, which was originally published in December 2011. We worked with Creative & Cultural Skills, who fund a Skills Ambassador based at the Design Council, on improving design education and skills and, as part of our skills work, we supported the *Include Design* campaign to include design in the national curriculum. We also provided input to the European Commission on its *Action Plan for Design*.

Building networks

We forged key partnerships, for example, working with the Technology Strategy Board and UK Trade and Investment to contribute design content for their flagship event, InnovateUK. With New Designers, we launched *Future Pioneers* in March 2013, a pilot award for emerging design talent. We announced the winners in July 2013.

It has been a high priority to increase digital engagement and enhance our digital presence this year to enable us to better promote the benefits of design for everyone. 2012/13 saw a record 620,000 visitors to the Design Council site, up more than a third on the previous year. This was driven in part by a rapidly growing social media presence reaching more than 85,000 followers across the key social networks, with our Twitter following up 65% on 2011/12. This area remains a high priority into 2013/14 and beyond.

Operations and people

Our team, culture and values play a key part in helping us becoming a thriving, enterprising charity. We undertook a number of initiatives during the year to develop ourselves into a more agile and entrepreneurial organisation and to ensure that we champion design thinking and design in all of our activities.

The move in June 2012, to our new office in Angel, has enhanced integration and new ways of working across the business. It has also delivered environmental benefits as well as cost savings, with the building's high sustainability credentials including an 'excellent' BREEAM rating.

During the year we undertook a review of the staff grading, pay and benefits arrangements, and moved to a simplified structure, which harmonised terms, conditions and benefits across the whole team. Staff play an active role; we seek their views and keep them informed through regular team meetings and through a weekly intranet update, which also goes out to trustees, Built Environment Experts (BEEs) and Design Associates. A new learning and development programme was introduced for all staff to help them focus on building and developing relationships and understanding the commercial realities of our new status.

During the year we reshaped the business and our new Chief Executive, John Mathers, came on board in November 2012. The Cabe team was restructured to deliver on its new business plan following the end of the CLG grant. As outlined above, the team has been focusing on growing our architecture and built environment services into a successful business.

We instigated a number of financial process improvements across the business and went live with our Customer Relationship Management (CRM) system, which was installed in 2012; both initiatives are delivering real benefits. We also invested in our digital presence.

Plans for 2013/14

Our senior management team worked with the trustees to refresh our strategy and business plan, *Championing Great Design*. These plans identify the four priority areas where we will focus our activity: Growth by Design, Communities by Design, Ageing Better by Design and, Active by Design (see page 9).

These four priority areas, or strategic themes, coming out of our strategy work are being taken forward by project teams drawn from across the Design Council. The four areas are looking at how design can help to solve complex societal challenges such as how to create better places and communities, how to enhance life for older people, tackle obesity and inactivity, and stimulate economic growth. The aim of the work is to confirm the potential to turn our strategy into business as usual operations.

In 2013/14, we will build on the work started in 2012/13 to champion great design that improves lives. Our role is to enable people to use design in practical ways to transform communities, business and the environment for the better. We make sure every pound invested in design thinking pays back even more in supporting economic growth and social and environmental progress.

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 will continue to grow our business to diversify our income streams and enhance our reputation. We believe that this in turn will support our transition to becoming a self-sustaining enterprising charity that champions great design for the public good.

Financial review 2012/13

The consolidated results for the Design Council for the year ended 31 March 2013 are set out in the financial statements on pages 23-40.

In the second year as an independent charity the financial results showed a surplus of £0.2m compared to a £0.5m deficit in 2011/12.

Total income for the year amounted to £8.9m (£10.2m in 2011/12) of which £7.3m was in the form of government grants from BIS and CLG (£8.2m in 2011/12). The remaining £1.6m income was raised from a variety of external sources including the Nominet Trust, Guys and St Thomas' Charity Trust and Design Wales, in support of the challenges programme, and a European research project on design for the public good.

Total costs for the year were £8.6m (£10.7m in 2011/12). Costs of £0.8m associated with the relocation of the Design Council to new premises in Islington in 2012/13 were accounted for in 2011/12. Cash balances remain healthy. At March 2013 the cash at bank was £2.1m (£1.9m in 2011/12).

The average number of staff employed during the year was 59 compared with 65 in 2011/12.

Going Concern

The trustees have reviewed the financial position of the Design Council and its subsidiaries, its forecast cash flows, liquidity position and potential funding commitments up to March 2015. The Design Council operates as an independent enterprising charity and there is a level of uncertainty regarding the charity's future. 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 therefore 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.

Reserves Policy

The trustees have reviewed the level of free reserves required by the Design Council to sustain on-going operations. Accordingly the Design Council has adopted a reserves policy to maintain a level of reserves sufficient to fund the on-going overhead and committed salary costs that are not covered by the BIS grant for a period of six months. The level of reserves to be held (the "free reserves") is calculated as unrestricted reserves less tangible fixed assets. At March 2013 free reserves were £1.04m against a target level of £0.85m.

Bankers and Professional Advisers

Bankers

Lloyds TSB

22-24 Southampton Street
London WC2E 7JB

Internal Auditors

Baker Tilly

46 Clarendon Road
Watford
Hertfordshire WD17 1JJ

External Auditors

BDO LLP

55 Baker Street
London W1U 7EU

Legal

Olswang

90 High Holborn
London WC1V 6XX

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 judgments 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 the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

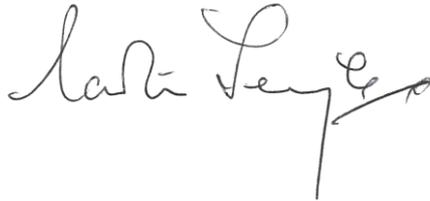
Each of the trustees confirms that to the best of his/her knowledge there is no information relevant to the audit of which the auditors are unaware. Each of the trustees also confirms that he/she has taken all necessary steps to ensure that he/she is aware of all relevant audit information and that this 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 2013 was 16 (2012 - 16). 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.

Appointment of auditors

PKF (UK) LLP was appointed after a standard tendering process in 2011. PKF (UK) LLP merged with BDO LLP in 2013, and began to operate under the name BDO LLP. The trustee board approved on 16 May 2013 that PKF (UK) LLP formally resigned the company under its old statutory entity and was reappointed under its new entity.

Approved by the trustees on 12 September and signed on their behalf on 19 September by

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

Martin Temple
19 September 2013

Independent auditor's report to the trustees of the Design Council

We have audited the financial statements of the Design Council for the year ended 31 March 2013 which comprise the consolidated statement of financial activities, balance sheets, consolidated cash flow statement and notes as set out on pages 26-40. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of trustees and auditor

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.

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 March 2013, and of the group's 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the parent charity 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.

BDO LLP

**BDO LLP Statutory Auditor
London, UK
23 September 2013**

BDO LLP is eligible to act as an auditor in terms of 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 consolidated statement of financial activities
For the year ended 31 March 2013

	Note	Unrestricted £000	Restricted £000	2013 Total £000	2012 Total £000
Incoming resources					
Incoming resources from generated funds	2				
Voluntary income		10	-	10	-
Activities for generating funds		329	-	329	345
Investment income		2	-	2	3
Incoming resources from charitable activities	3	691	7,823	8,514	9,890
Total incoming resources		1,032	7,823	8,855	10,238
Resources expended					
Costs of generating funds		-	7	7	40
Charitable activities		780	7,804	8,584	10,481
Governance costs		58	-	58	181
Total resources expended	4	838	7,811	8,649	10,702
Net incoming resources before transfers		194	12	206	(464)
Gross transfers between funds	8	13	(13)	-	-
Net movement in funds		207	(1)	206	(464)
Reconciliation of funds					
Total funds brought forward		1,423	81	1,504	1,968
Total funds carried forward	8	1,630	80	1,710	1,504

Notes:

- A. All operations of the Design Council are continuing.
- B. There were no recognised gains and losses in the year other than those shown above.
- C. The notes 1-22 form part of these accounts.



Design Council balance sheets as at 31 March 2013

	Note	2013 £000	Group 2012 £000	2013 £000	Charity 2012 £000
Fixed assets					
Tangible fixed assets	10	587	65	587	65
Investment in subsidiaries	11	-	-	-	-
Total fixed assets		587	65	587	65
Current assets					
Prepayments and debtors	15	1,103	2,423	1,633	2,504
Cash at bank and in hand	16	2,117	1,863	1,107	1,540
Total current assets		3,220	4,286	2,740	4,044
Current liabilities					
	17	2,073	2,847	1,593	2,605
Net current assets		1,147	1,439	1,147	1,439
Provisions for liabilities and charges	18	24	-	24	-
Net assets	9	1,710	1,504	1,710	1,504
Funds					
	8				
Restricted funds		80	81	80	81
Unrestricted funds					
General funds		1,630	1,423	1,630	1,423
Total funds		1,710	1,504	1,710	1,504

Approved by the trustees on 12 September and signed on their behalf on 19 September by



Martin Temple
19 September 2013

Consolidated cash flow statement
For the year ended 31 March 2013

	£000	2013 £000	£000	2012 £000
Net cash flow (outflow)/inflow from operating activities		872		(547)
Returns on investments & servicing of finance				
Interest received	<u>2</u>	2	<u>3</u>	3
Capital expenditure & financial investment				
Acquisition of tangible fixed assets	(620)		(123)	
Investment (made)/liquidated	<u>-</u>	(620)	<u>-</u>	(123)
Net cash (outflow) / inflow		<u>254</u>		<u>(667)</u>
At end of year		<u>2,117</u>		<u>1,863</u>
At start of year		<u>1,863</u>		<u>2,530</u>

Notes to the cashflow statement

Note a: Reconciliation of net (outgoing)/ incoming resources to net cash flow from operating activities

	2013 £000	2012 £000
Net incoming/(outgoing) resources for the year	206	(464)
Interest received	(2)	(3)
Depreciation	80	401
Provision for liabilities and charges	24	-
Loss on sale of fixed assets	18	
(Increase)/decrease in debtors	1,320	(1,451)
Increase/(decrease) in creditors	(774)	970
Net cash flow from operating activities	<u>872</u>	<u>(547)</u>

Notes to the Design Council financial statements

For the year ended 31 March 2013

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and the Companies Act 2006. They follow the recommendations in the SORP.

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiaries Design Council Commission for Architecture and the Built Environment (Cabe) and Design Council Enterprises Limited (Design Council Enterprises) on a line by line basis. Transactions and balances between the charitable company and its subsidiary have been eliminated from the consolidated financial statements. A separate Statement of Financial Activities (SOFA), or income and expenditure account, for the charitable company itself is not presented because the charitable company has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006 and paragraph 397 of SORP 2005.

b) Incoming resources

All incoming resources are recognised within the 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 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. Grants are categorised as either restricted or un-restricted depending on the terms of the grant.

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 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.

e) Governance costs

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

- f) Grants payable and constructive obligations
Grant payments are charged to the SOFA in the year in which they are communicated to the recipient as at that time a valid expectation has been created that the grants will be paid.
- g) Liquid resources
Design Council's liquid resources are all cash.
- h) Funds accounting
Funds held by the Design Council are either:
- *Unrestricted Funds*: These are funds which in general have been received from business programmes and other business related activities.
 - *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.

- 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.

The capitalised leasehold improvements relating to the Bow Street premises had been depreciated using the "reducing balance" method. Following the decision to vacate Bow Street an accelerated depreciation charge was made in order to write down the value of the assets to zero at the time of the vacation of the premises in June 2012. All other 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>5 years, or over the period of the lease if less</i>
<i>Furniture and equipment</i>	<i>5 years</i>
<i>Computer hardware and software</i>	<i>2 - 5 years</i>

- j) Pension costs
The Design Council provides two separate defined contribution pension schemes, one for its Design Council employees and one for former Cabe employees transferred to the Design Council. The latter is closed to new entrants. Pension costs associated with these schemes are charged to the accounts as incurred.
- k) 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

l) Value Added Tax (VAT)

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.

m) 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 is crystallised.

n) Grant making policy

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.

2. Incoming resources from generated sources

	Unrestricted £000	Restricted £000	2013 Total £000	2012 Total £000
Donations	10	-	10	-
Total voluntary income	10	-	10	-
Turnover from Cabe	319	-	319	170
Turnover from Design Council Enterprises	10	-	10	175
Investment income - bank interest	2	-	2	3
Incoming resources from generated sources	341	-	341	348

3. Incoming resources from charitable activities

	Unrestricted £000	Restricted £000	2013 Total £000	2012 Total £000
Grants from BIS and CLG	-	7,339	7,339	8,195
Other grants from government and public bodies	-	484	484	600
Business programme fees	687	-	687	1,037
Income from ancillary trades	-	-	-	46
Design related external income	4	-	4	12
Total incoming resources from charitable activities	691	7,823	8,514	9,890
Total incoming resources	1,032	7,823	8,855	10,238

4. Resources expended

	Grants payable	Staff costs	Other direct costs	Total direct costs	Support Costs	2013 Total	2012 Total
	£000	£000	£000	£000	£000	£000	£000
Costs of generating funds							
Design Council Enterprises	-	-	7	7	-	7	40
Charitable activities							
Insight	-	576	551	1,127	1,237	2,364	2,627
Challenges	231	365	258	854	684	1,538	2,719
Leadership	-	385	747	1,132	1,243	2,375	2,995
Cabe	600	989	718	2,307	-	2,307	2,140
	831	2,315	2,274	5,420	3,164	8,584	10,481
Governance costs	-	57	1	58	-	58	181
2013	831	2,372	2,282	5,485	3,164	8,649	10,702
2012	1,242	2,446	2,415	6,103	4,599	10,702	

Notes

A. Grants payable

The Design Council makes grant payments to selected partners in support of programmes within the Challenges activities.

1 Challenges - £231k

The Design Council continues to create open innovation challenges that demonstrate the power of design in tackling big societal challenges. For each new challenge, once funding and the scope of the challenge has been agreed with the challenge sponsor, prospective partnership teams are invited to pitch to be involved in the challenge to an advisory board who will chose the ideas to be developed. Grant payments are then made to the winning teams in accordance with the agreement with the funding body. The allocation of grant payments in 2012/13 was:

Challenge:	Recipient:	Amount
A&E	St Georges Healthcare NHS Trust	£30k
	University Hospital Southampton	£30k
Nominet	Spark and Mettle	£55k
	The House London	£55k
	We are Snook	£61k
Total		£231k

2 Cabe

Grant payments made by Cabe are made to selected affiliates as part of the agreement between Cabe and CLG.

5. Staff costs and numbers

Staff costs were as follows:

	2013 £000	2012 £000
Salaries and wages	2,542	2,567
Social security costs	280	303
Pension contributions	165	230
Staff benefits	31	24
Redundancy costs	229	73
Total payroll staff costs	3,247	3,197
Total temporary and contract staff costs	157	477
Total staff costs	3,404	3,674
Total emoluments paid to staff were:	2,707	2,797

Employees' Emoluments

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

Band	2013	2012
60,000 - 69,999	-	2
70,000 - 79,999	2	2
80,000 - 89,999	1	-
90,000 - 99,999	-	1
100,000 - 109,999	-	-
110,000 - 119,000	-	-
120,000 - 129,999	-	-
130,000 - 139,999	1	1
140,000 - 149,999	-	-
150,000 - 159,999	-	-
160,000 - 169,999	1	-

The average weekly number of employees (full-time equivalent) during the year was as follows:

	2013 No	2012 No
Permanent (payroll)	57	63
Other staff (other)	2	2
	59	65

6. Net incoming resources for the year

This is stated after charging:

	2013 £000	2012 £000
Depreciation	80	401
Trustees' reimbursed expenses	8	7
Staff reimbursed expenses	31	36
Auditors' remuneration:		
Audit	25	29
Other services	2	4
Operating lease rentals:		
Plant and machinery	41	18
Other	544	704

Notes

A. Other operating lease rentals are the rental payments for Angel Building and Bow Street.

7. Support costs

Support costs are charged to activities as follows:

	Notes	2013 £000	2012 £000
Executive		314	276
Facilities		809	1,251
Human resources		227	242
IT		116	140
Finance	A	670	800
Depreciation		80	401
Loss on sale of fixed assets		18	-
Transition	B	930	1,489
Total support costs		3,164	4,599

Notes

- A. 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 (2012/2013 £467k, 2011/12 £593k).
- B. Included are exceptional costs associated with the move from Bow Street.

8. Movements in funds

	At the start of the year	Redesignated	Incoming resources	Outgoing resources	At the end of the year
	£000	£000	£000	£000	£000
Restricted funds:					
BIS Grant - Design Council	-	-	4,336	(4,336)	-
CLG Grant - Cabe	-	-	2,784	(2,784)	-
Transition	-	-	218	(218)	-
Design for Patient Dignity	20	-	-	-	20
Multi Disciplinary Design Network	1	(1)	-	-	-
Home Energy Management	10	(10)	-	-	-
Carers Strategy	2	(2)	-	-	-
Dementia	48	-	-	(48)	-
Nominet	-	-	250	(237)	13
Guys and St Thomas	-	-	197	(150)	47
Design Wales	-	-	38	(38)	-
Total restricted funds	81	(13)	7,823	(7,811)	80
Total unrestricted funds	1,423	13	1,032	(838)	1,630
Total funds	1,504	-	8,855	(8,649)	1,710

9. Analysis of group net assets between funds

	Unrestricted funds £000	Restricted funds £000	Total funds £000
Tangible fixed assets	587	-	587
Current Assets	1,814	1,328	3,142
Long term debtor: amount owed over one year	78	-	78
Current Liabilities	(825)	(1,248)	(2,073)
Provision for liabilities and charges	(24)	-	(24)
Net assets at the end of the year	1,630	80	1,710

10. Tangible fixed assets

The Group and Charity	Leasehold Improvements £000	Furniture and fittings £000	IT £000	Total £000
Cost				
At the start of the year	2,861	501	349	3,711
Additions in year	592	23	5	620
Disposals in year	(2,861)	(303)	(158)	(3,322)
At the end of the year	592	221	196	1,009
Depreciation				
At the start of the year	2,850	490	306	3,646
Charge for the year	49	6	25	80
Disposals in year	(2,850)	(296)	(158)	(3,304)
At the end of the year	49	200	173	422
Net book value				
At the end of the year	543	21	23	587
At the start of the year	11	11	43	65

11. Investments

The charity owns the whole of the issued ordinary share capital of Design Council Enterprises Limited, a company registered in England.

	2013	2012
	£	£
Investment in subsidiary undertakings incorporated in the UK	<u>1</u>	<u>1</u>

The charity also controls Cabe, a company limited by guarantee, at nil cost. It is registered in England.

12. Taxation

The charity is exempt from corporation tax as all its income is charitable and is applied for charitable purposes. Any surpluses from the charity's subsidiary companies are gift aided to the charity. No Corporation tax charge is anticipated for 2012/13:

	2013	2012
	£000	£000
UK corporation tax at 20% (2012 : 20%)	<u>-</u>	<u>-</u>

13. Subsidiary undertakings

Cabe

In March 2011 a subsidiary company limited by guarantee, Design Council Commission for Architecture and the Built Environment (Cabe), was incorporated to accommodate the transfer of staff and trademarks from the previous NDPB into the Design Council. There was no net asset value ascribed to the transfer. The company is registered in England and used for non-primary purpose trading activities. All activities have been consolidated on a line by line basis in the SOFA. Available profits are gift aided to the charitable company. The directors of Cabe are appointed by the Design Council. A summary of the results of the subsidiary is shown below:

	2013 £	2012 £
Income	3,322,280	2,920,158
Administrative expenses	(2,998,927)	(2,879,357)
Operating profit	323,353	40,801
Interest receivable	746	775
	324,099	41,576
Gift aid to parent undertaking	(324,099)	(41,576)
Profit on ordinary activities before taxation	-	-
Taxation	-	-
Profit for the financial year	-	-
The aggregate of the assets, liabilities and funds was:		
Assets	1,264,456	313,677
Liabilities	(1,264,456)	(313,677)
Funds	-	-

Design Council Enterprises

The charitable company owns the whole of the issued ordinary share capital of Design Council Enterprises Limited, a company registered in England. The subsidiary is used for non-primary purpose trading activities. All activities have been consolidated on a line by line basis in the SOFA. Available profits are gift aided to the charitable company. A summary of the results of the subsidiary is shown below:

	2013	2012
	£	£
Income	9,728	175,093
Administrative expenses	(8,454)	(164,738)
Operating profit	1,274	10,355
Interest receivable	131	98
	1,405	10,453
Gift aid to parent undertaking	(1,405)	(10,453)
Profit on ordinary activities before taxation	-	-
Taxation	-	-
Profit for the financial year	-	-
The aggregate of the assets, liabilities and funds was:		
Assets	6,986	152,813
Liabilities	(6,985)	(152,812)
Funds	1	1

14. Parent charity

The parent charity's gross income and the results for the year are disclosed as follows:

	2013	2012
	£000	£000
Gross income	6,217	8,058
Surplus for the year	206	(464)

15. Prepayments and debtors

	2013 £000	Group 2012 £000	2013 £000	Charity 2012 £000
Prepayments and accrued income	565	1,960	434	1,960
Trade debtors	454	278	325	206
Other debtors	84	5	84	5
Vat due	-	180	-	157
Amounts due from subsidiary	-	-	465	124
Gift aid receivable from subsidiaries	-	-	325	52
	1,103	2,423	1,633	2,504

16. Cash at bank and in hand

	2013 £000	Group 2012 £000	2013 £000	Charity 2012 £000
Cash at bank	2,117	1,863	1,107	1,540
	2,117	1,863	1,107	1,540

17. Creditors: amounts due within one year

	2013 £000	Group 2012 £000	2013 £000	Charity 2012 £000
Trade creditors	359	709	199	563
Tax & social security	85	134	62	108
VAT payable	24	-	24	-
Other creditors	482	119	473	108
Accruals	974	1,652	686	1,545
Deferred income	149	233	149	233
Amounts due to subsidiary	-	-	-	48
	2,073	2,847	1,593	2,605

Included within deferred income for 2012 was £155,305 relating to the A&E project. As at 2013, £81,093 of this A&E balance remains. All other 2012 deferred income has been released during 2013.

18. Provisions for liabilities and charges

	2013	Group	2013	Charity
	£000	2012	£000	2012
		£000		£000
Dilapidations	24	-	24	-
	24	-	24	-

The dilapidations provision relates to any potential costs, which may be incurred when exiting our premises within the Angel Building.

19. Operating lease commitments

The group had annual commitments at the year end under operating leases expiring as follows:

	Land and	2013	Land and	2012
	buildings	Other	buildings	Other
	£000	£000	£000	£000
Within 1 year	-	2	176	-
Between 2 - 5 years	413	38	413	12
Over 5 years	-	-	-	-
	413	40	589	12

The charity had annual commitments at the year end under operating leases expiring as follows:

	Land and	2013	Land and	2012
	buildings	Other	buildings	Other
	£000	£000	£000	£000
Within 1 year	-	2	176	-
Between 2-5 years	413	38	413	12
Over 5 years	-	-	-	-
	413	40	589	12

20. Contingent liabilities

There are no contingent liabilities to declare.

21. Related parties transactions

There were three payments totalling £36,857 received in respect of services provided to Crest Nicholson Plc, a company of which Pam Alexander is a non - executive Director, as well as a trustee of Design Council.

There was a payment of £1,020 received in respect of services provided to Brighton Dome and Festival Ltd a company of which Pam Alexander is a trustee, as well as a trustee of Design Council.

There were two payments totalling £3,374 in respect of services provided to EEF a body of which Martin Temple is Chairman, as well as being the Chair of the Design Council.

22. Post balance sheet events

There were no post balance sheet events to report.

Design Council

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September 2013

Registered Charity number 272099

Company number RC000848

Design Council Enterprises Limited company number 7211046

Design Council Cbe company number 7580913