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About this document

This report is split into two parts. The first is a review of our activity during the year and the second part contains our financial statements for 2008–09. If you would like to find out more about the Design Council please visit our website where you can download this report as well as our other publications.

About the Design Council

Created in 1944, the Design Council is the national strategic body for design. Our mission is to inspire and enable the best use of design to make the UK a more competitive, creative and sustainable nation. We run practical programmes for business, the public sector, design and education and use our knowledge and evidence to influence national policies.

We are an executive non-departmental public body (NDPB) sponsored jointly by the Department for Business, Innovation and Skills (BIS) and the Department for Culture Media and Sport (DCMS). BIS has taken over the sponsorship role previously provided by the Department for Innovation, Universities & Skills (DIUS). The Design Council was incorporated by Royal Charter in 1976 and is a registered charity, number 272099.

Registered Address:
34 Bow Street
London
WC2E 7DL
United Kingdom

Our work in 2008–09

Our Operational Plan 2008–09 covered activity for the first year of our three-year strategy The Good Design Plan. This section outlines the progress we made in the year against targets agreed with our government sponsors as part of our funding agreement.

Our activity focused on five main areas:

1. Business and public service innovation
2. Public and community engagement
3. Design skills development
4. Design policy and promotion
5. Organisation and operation

Business and public service innovation

Building the UK's capacity to innovate and deliver world-class brands, products and services by supporting the effective use of design in business and the public sector.

— Target 1: Extend Designing Demand to benefit business across the UK

Our business support programme Designing Demand was funded by seven of the nine English Regional Development Agencies, and we are in negotiations to deliver the service in the rest of the UK. In 2008–09, 615 businesses attended workshops or received design mentoring. A review conducted during the year has received a positive response from BERR and DIUS, and Designing Demand was selected as one of the 30 key elements of Solutions for Business, the government's streamlined portfolio of business support products.

— Target 2: Develop a specialised version of Designing Demand Innovate for Universities

We launched a trial to test the benefits of design mentoring for Technology Transfer Offices at universities, following the success of a pilot with Oxford University. Sixty-five universities were invited to apply to receive design mentoring; six of them will be mentored on four of their projects beginning in June 2009.

Designing Demand

Many of the UK's smaller businesses have found that our transformational business innovation service, Designing Demand, can make them more competitive. We work directly with the leadership teams of UK firms, who are enjoying many benefits including increased sales and profits.

After more than a century of making clay drainage pipes, Naylor Industries had diversified into plant pots but was struggling for success because of competition from cheap imported pots. Designing Demand helped Naylor to rethink its business, set up product development processes and build the Yorkshire Flowerpots brand.

Yorkshire Flowerpots sales have risen from £500,000 in 2005 to £6m in 2008/09 and nearly 70 per cent of Naylor's total sales come from products they didn't make five years ago. In 2008, the company was judged the best SME at the iMechE Manufacturing Excellence Awards.

www.designingdemand.org.uk

'Designing Demand gave us the competitive edge we needed. It made me understand that design is fundamental, creating brands, products and an environment for businesses to move forward.'

**Edward Naylor
CEO Naylor Industries Plc**

— Target 3: Develop a transformational programme to support public service innovation

A new mentoring programme, Public Services by Design, was launched through pilots with three public sector partners. The pilots were supported by a campaign to raise awareness of design's role in delivering public sector innovation, which included a conference, workshop, a publication and web content. Further pilots are planned for next year and support within government is strong, with the initiative receiving the Chancellor's endorsement in the recent Budget.

Alongside this, two demonstration projects were held to generate innovative solutions to key social challenges. The first delivered five designs for easy-clean equipment for hospitals to reduce incidences of infections such as MRSA. The designs are being showcased at hospitals around the country before going to clinical trial. A second has been launched to generate practical ideas to reduce mobile phone theft.

Design Bugs Out

The Department of Health commissioned the Design Council to help speed up the development and adoption of new technologies to help combat Healthcare Associated Infections, especially MRSA and C.difficile.

Our Design Bugs Out initiative included a national Design Challenge inviting the UK's top designers and manufacturers to redesign the bedside environment, patient transport and everyday medical equipment and make them easier to clean. Products included:

- Porter's chair: a sturdy, lightweight chair with fewer moving parts than traditional models, making it easy to clean and more hygienic to use.
- Commode: a simplified construction makes cleaning quicker and easier while other changes improve patient comfort and dignity.

www.designbugout.org.uk

'Patients rightly expect hospitals to be clean, safe and comfortable. These new designs are good news for staff and good news for patients.'

Ann Keen
Health Minister

Public and community engagement

Driving the development of new solutions to UK social and economic challenges and involving communities in designing local services.

- **Target 4: Ensure that Designs of the Time (Dott) has a local, regional and national impact and legacy**
Projects from the Dott programme in the North East of England are now being taken forward by the Regional Development Agency, One North East, and others. Cornwall County Council has been confirmed as the key partner for the next Dott which will happen in Cornwall and the Isles of Scilly. It will be part of a wider regeneration programme across the South West region.

Dott

Designs of the time (Dott) shows that local communities can, and want to, redesign everyday life to be easier, cheaper, friendlier and more sustainable. It gets the public working with design teams to prototype solutions to social and economic issues including healthcare provision, transport and crime prevention.

To cement a long lasting legacy for Dott in the North East, the Design Council and One North East announced the establishment of a Design Centre for the North which will recognise innovation excellence and foster interdisciplinary working between business and the knowledge base in design and science, engineering and technology.

Individual Dott projects have continued to have an impact. For example, following the Middlesbrough urban farming project, the local authority and others are developing strategies for a more local and sustainable food economy.

'All this is real, tangible success. It's down to the work of many people, including dedicated design teams, and public and private sector partners.'

**Alan Clarke
CEO One NorthEast**

Design skills development

Boosting high-level skills in design to support a competitive creative economy and a thriving UK design sector.

— Target 5: Launch a national Design Skills Alliance in collaboration with Creative & Cultural Skills and the design sector

Following a sector-wide consultation process, The Design Skills Blueprint was published in April 2008, outlining a national plan for future design skills development in schools, higher education and the design industry. One key recommendation was the establishment of a UK Design Skills Alliance to take the lead in implementing the Blueprint. The Alliance was launched in September 2008 at the London Design Festival, along with its first initiative on professional development.

Design Skills Blueprint

The Blueprint set out a roadmap for improving professional skills and career development and better preparing design students for the challenges they face when entering the industry. The UK Design Skills Alliance and the Design Council developed a range of professional tools, information and advice for designers which we will expand in the coming year.

- **Schools:** a Design Mark to reward high quality design education started with 30 primary and secondary schools.
- **Universities:** the multi-disciplinary design network was expanded to bring together people in design, business, technology and other fields to share practical knowledge and experience.
- **Professional practice:** the Good Design Practice campaign for professional development was launched to drive availability and take-up of new and existing courses. Ashridge Business School launched a trial course on Advanced Leadership in the Creative Industries.

www.ukdesignskills.com

‘Unless designers start demanding personal development and employers start investing in their talent to grow and retain their people, the design sector will continue to be small and marginal and lack the confidence and financial muscle to influence government policy and business investment.’

**Julian Grice
CEO The Team**

Design policy and promotion

Championing the value of good design and its importance to social and economic success

- Target 6: Deliver an annual review of existing and new design policy
A review of our work, Design Returns, was published in 2008 and planning is underway for our next review of design policy to feed into early government planning for the next three-year spending period 2011–14.
- Target 7: Raise awareness of sustainable ‘good’ design through a public promotion programme
A business case and initial proposal have been developed for an award scheme for sustainable design and potential partners have been identified and approached.
- Target 8: Expand our research and knowledge programme, including a national research forum
More than 500,000 people visited our online information and knowledge base about design in 2008–09. Primary research was undertaken on the use of design by business and a series of new policy research briefings was launched. The consultation on the national design research forum has been completed with the design research community and Research Councils, and a formal proposal was shared in June 2009.
- Target 9: Support the design industry and promote design awareness by launching an annual series of international conferences and seminars
National promotion was prioritised in 2008–09 with a dedicated communications programme of breakfast briefings, travelling exhibitions, seminars and the hosting of Greengaged – the main focus for sustainable design at the London Design Festival. More than 10,000 opinion formers received our magazine DCM, published twice during the year, and 8,000 subscribed to our regular email news bulletins. International activities are planned for 2009–10, including two conferences.

Design in policy

The UK government is putting increasing emphasis on design and innovation.

Design has been endorsed in major government policies this year, including the Enterprise, Innovation and Manufacturing strategies. As part of the recent Budget, the government pledged to accelerate the development of our programme to give design a central role in UK public service innovation. A report by the National Audit Office also urged government departments to make the most of opportunities to innovate and supported the Design Council’s work.

www.designcouncil.org.uk/psbd

‘Design is an important ally in the search for innovation. I know the Design Council is already doing important work with government departments to support UK firms and tackle issues from hospital infections to crime prevention.’
Rt Hon Gordon Brown MP
Prime Minister

Organisation and operation

Being recognised as an exemplar design institution for our influence, impact and enterprise.

- Target 10: Build our reputation as a leader in our field across design, business, government and education at home and abroad
During the year we expanded our influence and reach. We formed a number of strategic partnerships (with bodies including the Technology Strategy Board and British Chambers of Commerce), government policies and programmes endorsed the value of design and we enhanced our positive media profile.

- Target 11: Operate as an efficient, effective and environmentally responsible government body providing good value for money to the tax payer and a positive working environment
We made over £200k in value-for-money savings through internal efficiency measures and an increase in income from events. In March 2009 we sublet part of our offices to a strategic partner, which will bring future savings in overheads as well as an enhanced working environment through an associated refurbishment. We invested in staff development through a new management training programme.

- Target 12: Multiply our grant-in-aid support from DIUS through an entrepreneurial approach that attracts additional public and private funds
We have developed new partnerships, for example with the Home Office and the Department of Health, to deliver demonstration projects. Over £2.3m has been secured for projects in addition to our grant-in-aid, above our target for the year of £1.8m.

Management structure

We are run by a non-executive board of trustees – our Council – led by Chairman Sir Michael Bichard, and board of executive directors, overseen by our Chief Executive David Kester. The organisation's operating framework is laid out in its Royal Charter, Management Statement and Financial Memorandum. We comply with relevant Charity requirements as well as Central Government directions.

Our Council sets our strategic direction and ensures the efficient and effective use of public funds. It monitors and reviews how the organisation is performing against its aims and objectives on behalf of our government sponsors and is accountable to Parliament. There are two sub-committees of the Council: Audit and Remuneration.

The Secretaries of State for BIS and DCMS jointly appoint our Council members, according to the principles of the Office of the Commissioner for Public Appointments. Council members must comply with a code of practice. All members receive an induction and are involved in an annual strategy away day.

The following were executive directors during 2008–09:

Name	Date appointed	Date left	Job title
David Kester	April 2003	–	Chief Executive
David Godber	June 2008	–	Deputy Chief Executive
Ruth Hasnip	January 2002	–	National Programme Director
Helen Jacobs	January 2007	April 2009	Finance & Resources Director
Wendy Lanchin	July 2007	April 2009	Media, Marketing & Partnerships Director
Mike Turnbull	November 2007	December 2008	Interim Programmes Director

The following were non executive trustees during 2008–09:

Name	Date appointed	Date retired	Committee membership
Sir Michael Bichard (Chair)	January 2008		Remuneration (Chair)
Sebastian Conran*	February 2009		
Bonnie Dean	January 2005		Audit
Penny Egan	January 1999	December 2008	
Joe Ferry*	February 2009		
John Hollar	January 2005	June 2008	Audit
Jonathan Kestenbaum**	March 2006		
Professor Geoff Kirk	January 2005		Audit
Professor Alan Livingston*	February 2009		
Professor Jeremy Myerson*	February 2009		
Professor Eddie Obeng*	February 2009		
Jonathan Sands	January 2000		
Martin Temple*	February 2009		
Sophie Thomas*	February 2009		
Janet Walker**	March 2006		Audit (chair) Remuneration
Peter Williams**	March 2006		Audit
Richard Williams	January 2005		
Professor Chris Wise	January 2005		Remuneration

* New members appointed February 2009

** Members who renewed their appointments during 2008–09

A register of interests of the trustees and executive directors is available on our website.

Employees

We are an equal opportunity employer committed to providing equal pay and to treating all team members and job applicants equally. Discrimination, harassment, or victimisation are not tolerated. We promote effective consultation and communication with staff at quarterly company meetings and other regular forums. We are an accredited Investor in People.

Sustainability

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

Professional advisors and banking

Baker Tilly
46 Clarendon Road, Watford, Hertfordshire WD17 1JJ
(internal auditors)

Lloyds TSB Plc
22–24 Southampton Street, London WC2E 7JB
(bankers)

Olswang
90 High Holborn, London WC1V 6XX
(legal advisors)

National Audit Office
151 Buckingham Palace Road, London SW1W 9SS
(external auditors).

Financial Review

These accounts are prepared on a going concern basis in accordance with the Accounts Direction issued by the Secretary of State, and they comply with the government's Financial Reporting Manual (FRM) and the Charities Statement of Recommended Practice (SORP).

Overview

Incoming resources for the year were £8.581m (2008 £7.561m) and total resources expended were £8.485m (2008 £7.555m) resulting in a net surplus before transfers of £96k (2008 £6k).

DIUS provided £6.275m including a capital grant of £0.240m (2008 £6.069m including £0.035m of capital) Grant in Aid as core funding. The Design Council continues to broaden its income base beyond core Grant in Aid. Such sources amounted to £2.271m of incoming resources from charitable activities, which amounted to 26% of total income for the year. In 2008 the amount from charitable activities was £2.61m equal to 30% of total income. This amount included £1.149m from the joint venture which has now finished. The Design Council neither made nor received any charitable donations in excess of £200 during the year.

The organisation operates a defined contribution pension scheme. Further details can be found in the remuneration report.

Financial Position

At 31 March 2009 the Design Council had net assets of £1.205m (2008 £1.069m), including restricted funds being held over for activities planned in the next two financial years for Designing Demand and business innovation programmes.

The organisation is dependent on continued funding from BIS, without which it could not operate on such a scale. The grant-in-aid funding of £6.035m each year from 2008–2011, was set out in the CSR2007 spending review.

Reserves

At 31 March 2009 the Design Council held total unrestricted reserves of £0.778m (2008 0.692m).

Restricted funds represent income recognised, but as yet unspent, that can only be allocated to specific purposes agreed with the funder. At the end of the year there were restricted funds of £0.427m in reserves (2008 £0.377m) for project activities in 2009–10, with another £0.785m transferred to deferred income for future project activities – a total of £1.212m.

Unrestricted reserves represent cumulative historical retained surpluses. Currently the Design Council maintains a small balance of unrestricted reserves as contingency. Management will conduct a review of the reserves policy in July 2009 in line with Charity Commission guidelines.

Investment Policy

The Design Council does not hold investments; however it earns interest on its sterling bank balance at normal bank interest rates for the balance in the bank. This policy will be reviewed in line with the review of reserves policy by management in July 2009. Future investment activity will depend upon the outcome of this review.

Financial Risk Management

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

Better Payment Practice Code

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

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

In 2008–09 the Design Council paid 67% (2008 75%) of invoices received in accordance with the above target. The administrative processes will be reviewed during the current year to improve performance.

External auditors

Our external auditor is the Comptroller and Auditor General. The annual audit fee was £35k plus VAT (2008 £36K plus VAT). No non-audit services were provided.

Disclosure of relevant audit information

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

Future plans

Next year will be the second year of our current strategy, The Good Design Plan. A summary of our objectives for 2009–10 is provided below.

1. **Business and public service innovation:** We aim to build the UK's capacity to innovate and deliver world-class brands, products and services by supporting the effective use of design in business and the public sector.
2. **Design sector development:** We are working to strengthen and develop the talent base and long-term resilience of the UK design sector as a vital resource to industry, the public sector and as a valuable export service.
3. **Design policy and promotion:** We will champion the value and understanding of good design and its importance to social and economic success.
4. **Organisation and operation:** We strive to improve our internal systems and processes so that we are recognised as an exemplar design institution for our influence, impact and enterprise.

Our priorities for the year are to:

- Expand our core work in business and public service innovation
- Support the national design skills strategy by implementing projects that strengthen the long-term resilience of the design sector
- Drive national policy responses to the changing economic environment with government, industry and the design sector.

The Good Design Plan three year strategy is available to download at:
www.designcouncil.org.uk/gooddesignplan



David Kester, Chief Executive
Date 2 July 2009



Sir Michael Bichard, Chairman
Date 2 July 2009

Remuneration report

The Remuneration Committee is established to review general terms and conditions of employment and specific salary matters in relation to the Design Council Chief Executive, directors and any staff with a salary in excess of £70,000. Ministers approve the annual staff pay remit in line with Treasury's public sector pay guidance.

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

Other senior managers are wholly salaried and while there is no explicit link to performance, an appraisal system exists which assists in determining the extent of annual pay increase, within the limits set by the Pay Remit exercise. From July 2008 a 'lite' performance related pay scheme was introduced, and will be fully rolled out in July 2009 in accordance with ministerial requirements. This will be in line with a new reward strategy introduced in July 2009.

Trustees are not remunerated.

Most staff and senior managers are on permanent contracts, though some individuals offering skills only required for short periods of time are offered short-term contracts (no longer than 12 months). The first three months of all contracts are considered to be probationary, after which an individual is confirmed in post. Up to confirmation, a contract may be terminated on a week's notice. Once confirmed in post, the length of notice is set out in the individual's employment contract; notice periods vary from one to three months. All permanent directors except the Chief Executive are subject to three months notice. The Chief Executive is subject to a six months notice period.

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

The following tables provide an indication of the potential liability should the contract of any director in position at 31 March 2009 be terminated early, together with audited details of the remuneration and pension interests of the Chief Executive and directors of the organisation.

Name	Title	No of complete years in contract	Early termination liability £ 000
David Kester	Chief Executive	5	133
David Godber	Deputy Chief Executive	—	—
Ruth Hasnip	National Programme Director Dott	7	35

The following information is subject to audit:

Name	Date joined	Date left	2009				2008			
			Total	Salary	Pension	Benefits	Total	Salary	Pension	Benefits
David Kester Chief Executive	22.04.03		176	156	19	1	171	150	19	2
David Godber Deputy Chief Executive	02.06.08		89	83	6	-	-	-	-	-
Ruth Hasnip National Programme Director – Dott	04.01.02		79	70	8	1	91	82	8	1
Helen Jacobs Director, Finance & Resources	02.01.07	09.04.09	105	95	9	1	102	92	9	1
Wendy Lanchin Director, Media Marketing & Partnerships	23.07.07	09.04.09	101	91	9	1	63	62	1	-
Harry Rich Deputy Chief Executive	01.03.99	05.10.07	-	-	-	-	51	47	4	-
Deborah Fitzgerald Director, Media & Communications	17.08.05	27.10.07	-	-	-	-	64	58	5	-

During the year £145k was paid to an agency for the services of the Interim Planning Director Mike Turnbull.

The Chief Executive has his own personal pension scheme, which is a defined contribution scheme into which the Design Council pays 16% of his salary. During the year all other permanent directors had the opportunity to participate in the Design Council's Group Personal Pension fund, a defined contribution money purchase scheme.

Staff can join the pension scheme directly after successful completion of their probationary period; thereafter they have one opportunity per annum to join the scheme (in June of each year).

The total pension charge for all staff for the year was £99.0k (2008 £79.5k). At the year-end £7.1k was payable to the Group Personal Pension fund (2008 £7.1k), and £1.6k payable to Standard Life (2008 £1.6k).

The pension fund managed by Scottish Equitable for the Design Council was moved to Aviva (Norwich Union) in June 2008. Staff contributed 3%, 5% and 10% of basic salary depending on the seniority of staff (directors receive a 10% contribution).

All staff, including directors, are entitled to a choice of one of the following benefits in kind: health club membership, private healthcare or childcare schemes.

The Chairman and members of the Design Council are appointed by the Secretary of State in accordance with guidance from the Commissioner for Public Appointments. The appointments are unpaid but expenses incurred on Design Council business are reimbursed. Expenses totalling £5,806 for travel, subsistence, entertaining and air fares were reimbursed to six Council members during the year (2008 £6,078).

The number of employees, whose emoluments were over £60,000, (including taxable benefits in kind but excluding employer's pension costs) received remuneration falling within the ranges shown below.

	2009	2008
60,000 – 69,999*	4	1
70,000 – 79,999	1	–
80,000 – 89,999	1	1
90,000 – 99,999	2	1
100,000 – 109,999	–	–
140,000 – 149,999	–	–
150,000 – 159,999	1	1

*Increase in numbers partly due to two senior staff on maternity leave during the year.



David Kester, Chief Executive
Date 2 July 2009



Sir Michael Bichard, Chairman
Date 2 July 2009

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

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

In preparing the financial statements the Council is required to:

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

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

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

Statement on Internal Control

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

Scope of responsibilities

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

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

Purpose of the system of internal control

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

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

The system of internal control has been in place in the Design Council for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

Capacity to handle risk

The Audit Committee, on behalf of the Council, leads and is responsible for reviewing the implementation of the risk management process. At Executive level, I have charged the Finance & Resources Director with operational responsibility of maintaining an effective risk management system, and the Finance Working Group which provides interim support in the absence of a Director of Finance & Resources.

The Executive Board regularly reviews strategic risks, and individual executive directors are responsible for managing and monitoring these and other operational risks, where appropriate through their teams. Staff actively consider risks as part of the management of individual projects and programmes.

The risk and control framework

The Design Council operates a well established risk management system and the organisation continues to refine its processes, to ensure that the risk and internal control systems are appropriate and working effectively. During 2008–09 a risk register was created and adopted and this is revised annually.

The key elements of the risk and internal control systems are set out below:

- The Council believes that the Design Council’s mission requires it to have an element of risk-taking in its activities. Accordingly, the risk appetite is for managed risk-taking rather than simple risk aversion. This includes the recognition that some activities or projects may not be as successful as intended, and that this can be an important source of learning.
- Risk management is embedded into the Design Council’s strategic and operational planning process. As part of this exercise potential strategic risks are identified, alongside a ‘bottom up’ system of risk assessment at programme and project level. This results in the completion of a risk register, which is monitored and updated on regular basis.
- As all activities are planned and monitored within a project framework, this ensures that as new projects and programmes are initiated the inherent risks are identified and incorporated into the risk management system. Where projects are considered to have an additional level of risk or complexity, additional management and governance structures are put in place.
- The Executive Board meets weekly throughout the year, and has monthly finance and resources reviews. This Board is responsible for assessing all organisational risks and ensuring that appropriate steps are taken to mitigate them. Strategic risks are monitored on a quarterly basis by the Executive Board, government sponsors and the Council.
- The risk management process is subject to an annual review by the Audit Committee.
- Baker Tilly carries out internal audit work according to Government Internal Audit Standards. Its annual internal audit strategy is risk-based, focusing on areas of potential risk in addition to a core programme of examining financial controls. Their analysis of risk and internal audit plans is reviewed by the Executive Board and the Audit Committee. Audit recommendations are made to the Audit Committee and to the Executive Board with responses and implementation of recommendations managed by the Finance & Resources Director, and supported by the Finance Working Group.
- The organisation operates a comprehensive system of financial and other controls and procedures communicated to all staff through a series of handbooks.

- Specific activities undertaken or begun during 2008–09 to improve risk management and internal control included:
- Training for all budget holders in accruals accounting and forecasting and the development of new financial management and reporting processes, for implementation from April 2009. These actions responded to recommendations from internal audit.
 - A new subcommittee of the Executive Board, the Finance Working Group, was established to oversee the development of the 2009–10 budgets.
 - Implementation of a number of improvements to the operations of the Audit Committee, as recommended in the November 2007 review facilitated by the National Audit Office.
 - An upgrade of human resources policies and procedures and the establishment of an internal HR intranet.

Statement on Information Risks

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

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

There was an appointment of a Senior Information Reporting Officer with responsibility for information risk and security.

There are no personal data-related incidents to report from 2008–09.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive directors, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council and the Audit Committee and a plan to address weaknesses and ensure that continuous improvement of the system is in place.

Baker Tilly's internal audit team provide me with regular reports on their internal audit activity and their annual report to the Audit Committee includes their opinion on the adequacy and effectiveness of the Design Council's system of internal control. For 2008–09 they concluded that there are no significant matters arising from internal audit visits and the systems in place are efficient, effective and reliable, sufficient for me as Accounting Officer to rely on.

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

Annual Report and Pay remit

Approval of pay remit was dependent on the completion of an equal pay audit and the introduction of a performance related pay (PRP). The pay remit audit and equal pay audits were both successfully completed during the year; a PRP system has been developed for implementation in July 2009. As the ministerial conditions were met, payments for the PRP were made to staff in June 2008. The 2008–09 pay remit received ministerial approval in August 2008 and paid in the same month.



David Kester, Chief Executive
Date 2 July 2009



Sir Michael Bichard, Chairman
Date 2 July 2009

The independent auditor's report to the Houses of Parliament

I have audited the financial statements of the Design Council for the year ended 31 March 2009 under the Royal Charter of 1976. These comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Design Council, Chief Executive and auditor

The Design Council and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with Royal Charter of 1976 and directions made by the Secretary of State and for ensuring the regularity of financial transactions. The responsibilities are set out in the Statement of the Council's and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made by the Secretary of State. I report to you whether, in my opinion, the information, which comprises the Management Structure, Sustainability, Financial Review, and Future Plans sections, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

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

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

Basis of audit opinions

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State, of the state of the Design Council's affairs as at 31 March 2009 and of its incoming resources and application of resources for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made thereunder; and
- information, which comprises the Management Structure, Sustainability, Financial Review and Future Plans sections, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

8 July 2009

Financial statements

Financial statements for the year ended 31 March 2009

Statement of financial activities for the year ended 31 March 2009

	Note	Unrestricted funds £ 000	Restricted funds £ 000	Total funds £ 000	2008 Total funds £ 000
Incoming resources					
Grant in Aid		6,275	—	6,275	6,069
Investment Income		35	—	35	35
Incoming resources from generated sources	2	6,310	—	6,310	6,104
Share of Joint Venture income		—	—	—	1,149
Incoming resources from charitable activities	2	234	2,037	2,271	1,457
Total Group income	2	6,544	2,037	8,581	8,710
Deduct share of joint venture income		—	—	—	(1,149)
Total incoming resources	2	6,544	2,037	8,581	7,561
Resources expended					
Costs of charitable activities		6,171	2,040	8,211	7,219
Governance costs		234	—	234	299
Total resources expended	7	6,405	2,040	8,445	7,518
Cost of capital charge	4	40	—	40	37
Total resources expended including notional costs		6,445	2,040	8,485	7,555
Net incoming/(outgoing) resources before transfers		99	(3)	96	6
Movement of funds	9	(53)	53	—	—
Net incoming/ (outgoing) resources before other recognised gains & losses		46	50	96	6
Gain/ (loss) on revaluation of fixed assets for charity's own use	11	—	—	—	6
Cost of capital reversal	4	40	—	40	37
Net movement in Funds		86	50	136	49
Funds brought forward at 1 April 2008		692	377	1,069	1,020
Funds carried forward at 1 April 2009		778	427	1,205	1,069

All operations of the Design Council are continuing.

There were no recognised gains and losses in the year other than those shown above.

The notes on pages 33 to 45 form part of these accounts.

Balance sheet as at 31 March 2009

	Note	2009 £ 000	2008 £ 000
Fixed Assets			
Tangible fixed assets	11	423	240
		423	240
Long term debtors			
Debtors amount falling due after one year	15	–	10
Current Assets			
Debtors	12	626	1,040
Cash at bank	13	1,955	756
		2,581	1,796
Current Liabilities			
Creditors amounts falling due within one year	14	(1,799)	(977)
Net Current Assets		782	819
Total Assets Less Liabilities		1,205	1,069
Reserves			
Restricted funds	9	427	377
Unrestricted funds	8	778	692
Total Funds		1,205	1,069

The notes on pages 33 to 45 form part of these accounts.



David Kester, Chief Executive
Date 2 July 2009



Sir Michael Richard, Chairman
Date 2 July 2009

Cash flow statement for the year ended 31 March 2009

	Note	2009 £ 000	2008 £ 000
Net cash outflow from operating activities	19	1,363	(507)
Return on investments and servicing of finance			
Interest received	6	35	35
Capital expenditure and financial investment			
Acquisition of assets	11	(199)	(10)
Increase/(Decrease) in cash	19	1,199	(482)

The notes on pages 33 to 45 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

a. Accounting convention

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

The financial statements were prepared under the historical cost convention.

The accounts have been prepared on a going concern basis.

b. Incoming resources

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

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

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

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

c. Resources expended

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

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

d. Grants payable and constructive obligations

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

e. Funds accounting

Funds held by the charity are either:

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

Transfers between funds are made to ensure that funds reflect any restrictions placed upon them.

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

f. Reserves policy

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

Currently the Design Council maintains a small balance of unrestricted reserves as contingency, in line with charity commission guidelines. Management will conduct a review of the reserves policy in July 09.

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

g. Fixed assets

The Design Council has chosen not to revalue the tangible fixed assets. Fixed assets will be written off on historical cost basis using a straight line method over the assets' expected useful lives as follows:

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

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

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

h. Pension costs

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

i. Leases

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

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

j. Foreign currency

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

k. Value Added Tax

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

l. Cost of capital

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

2. Incoming resources

Analysis of income from generated funds

	Note	2009 £ 000	2008 £ 000
Revenue grant in Aid		6,035	6,034
Capital grant in Aid		240	35
Total voluntary income		6,275	6,069
Investment income – interest	6	35	35
		6,310	6,104

Analysis of income from charitable activities

Grants		1,074	1,035
Business programme fees		963	279
Income from ancillary trades		154	143
Design related external income		80	–
Total charitable activities income		2,271	1,457
Total incoming resources		8,581	7,561

3. Staff costs

	2009 £ 000	2008 £ 000
Salaries	2,776	2,367
Social security costs	292	282
Pension costs	99	79
Staff benefits	28	32
Total payroll staff costs	3,195	2,760
Total temporary and contract staff costs	350	494
Total staff costs	3,545	3,254

Number of employees

The average number of salaried full time equivalent employees employed by the Design Council in the year ended 31 March 2009 was as follows:

	2009 Number	2008 Number
Permanent	54	62
Other staff	6	10
Total number of employees (full-time equivalent)	60	72

4. Cost of capital

In accordance with HM Treasury guidance, cost of capital is calculated based in average total assets less liabilities during the year, at the agreed HM Treasury rate of 3.5% (2008 3.5%)

	2009 £000	2008 £000
Cost of capital	40	37

5. Other operating charges

Analysis of operating surplus for the financial year

	Note	2009 £000	2008 £000
Auditors' remuneration for audit work		40	42
Travel, subsistence and hospitality			
Staff		86	97
Council cost, including secretarial costs		10	11
Operating leases – plant and machinery	17	15	20
Operating leases – other	17	818	693
Depreciation	17	114	89

6. Net interest received and similar charges

	2009 £000	2008 £000
Bank interest receivable	35	35

7. Total resources expended

Analysis of income from generated funds

	Grants Payable £ 000	Staff Costs £ 000	Other Direct Costs £ 000	Allocation of Support Costs £ 000	2009 Total £ 000	2008 Total £ 000
Direct Charitable Expenditure						
Design Policy	–	157	142	277	576	1,222
Design for Business	44	376	709	1,045	2,174	2,175
Design for the Public	–	264	1,018	1,187	2,469	1,906
Design Knowledge	–	823	731	1,438	2,992	1,916
	44	1,620	2,600	3,947	8,211	7,219
Other costs						
Governance Costs	–	132	102	–	234	299
At 31 March 2009	44	1,752	2,702	3,947	8,445	7,518
At 31 March 2008	497	1,593	1,487	3,941	7,518	–

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

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

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

Analysis of support costs for the financial year

	2009 £000	2008 £000
Communications	515	916
Government Relations	151	141
Facilities	1,401	1,268
Human Resources	531	392
IT	215	191
Finance	482	324
Depreciation	93	88
Other	559	621
Total support cost	3,947	3,941

8. Unrestricted funds

	Note	2009 Total Funds £000	2008 Total Funds £000
1 April 2008		692	990
Net incoming (outgoing) resources	9	46	(341)
Cost of capital reversal	4	40	37
Revaluation of fixed assets	11	–	6
At 31 March 2009		778	692

9. Analysis of funds

Analysis of funds balances for the financial year 31 March 2009

	At 1 April 2008 £ 000	Incoming Resources £ 000	Outgoing Resources £ 000	Transfers £ 000	At 31 March 2009 £ 000
Unrestricted Funds	692	6,544	(6,405)	(53)	778
Total Unrestricted Funds	692	6,544	(6,405)	(53)	778
Restricted Funds					
Designing Demand – Regional Development Agencies					
AWM	–	218	(121)	–	97
Designing Demand Review	–	85	(85)	–	–
EEDA	49	101	(79)	–	71
LDA	99	34	(98)	–	35
NWDA	98	–	(49)	–	49
ONE	–	46	(46)	–	–
SEEDA	49	18	(58)	–	9
SWRDA	48	70	(64)	–	54
YF	–	234	(137)	–	97
Other Programmes					
Designing Bugs Out	–	515	(515)	–	–
Designing Out Crime	–	272	(272)	–	–
Dott	–	96	(149)	53	–
DTI Change Process	21	–	(21)	–	–
Future Leaders	13	102	(116)	–	(1)
Innovate for Universities	–	12	(12)	–	–
Public Services by Design	–	166	(166)	–	–
Sustainable Water Consumption	–	68	(52)	–	16
Total Restricted Funds	377	2,037	(2,040)	53	427
Total Funds	1,069	8,581	(8,445)	–	1,205

10. Analysis of net assets between funds

Analysis of funds balances for the financial year 31 March 2009

	Note	Unrestricted funds £000	Restricted funds £000	Total £000
Tangible fixed assets	11	423	–	423
Current Assets	12,13	1,019	1,562	2,581
Current Liabilities	14	(1,015)	(784)	(1,799)
Short term loan to restricted funds		–	–	–
Total Net Assets at 31 March 2009		427	778	1,205
Total Net Assets at 31 March 2008		692	377	1,069

11. Fixed assets

	Leasehold improvements £ 000	Furniture & Equipment £ 000	Information Technology £ 000	Total £ 000
Cost				
1 April 2008	2,501	541	290	3,332
Additions	179	51	76	306
Disposals	–	(103)	(107)	(210)
31 March 2009	2,680	489	259	3,428
Depreciation				
1 April 2008	2,422	413	257	3,092
1 April 2008 – Restated*	2,422	415	253	3,090
Charge for year	12	47	34	93
Disposals	–	(92)	(107)	(199)
Impairment	–	21	–	21
31 March 2009	2,434	391	180	3,005
Net Book Value				
At 31 March 2009	246	98	79	423
At 31 March 2008	79	128	33	240
At 31 March 2008 – Restated*	79	126	37	242

*Restated opening balances due to categorization of asset between Furniture & Equipment, and IT.

12. Debtors: amounts falling due within one year

	2009 £000	2008 £000
Other debtors	306	398
Prepayments and Accrued Income	320	642
Total	626	1,040

13. Cash

	2009 £000	2008 £000
Cash at bank	1,955	756

14. Creditors: amounts falling due within one year

	2009 £000	2008 £000
Trade creditors	306	229
Tax & Social Security	143	128
Other creditors	11	62
Accruals	554	558
Deferred income	785	–
Total	1,799	977

15. Debtors: amount falling due after one year

	2009 £000	2008 £000
Supplier deposit	–	10

16. Intra government balances

	Debtors: amounts falling due within one year £ 000	Debtors: amounts falling due after more than one year £ 000	Creditors: amounts falling due within one year £ 000	Creditors: amounts falling due after more than one year £ 000
Balances with central government bodies	116	–	928	–
Balances with local authorities	66	–	–	–
Balances with NHS Trusts	–	–	–	–
Balances with public corporations	1	–	1	–
Balances with bodies external to government	443	–	870	–
At 31 March 2009	626	–	1,799	–
At 31 March 2008	1,040	10	977	–

17. Operating leases

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

	2009 £000	2008 £000
Obligation under operating leases comprise:		
Land and buildings		
Expiry within one year	–	–
Expiry after 1 year but not more than 5 years	–	–
Expiry thereafter	818	822
Total land and buildings	818	822
Other		
Expiry within one year	2	–
Expiry after 1 year but not more than 5 years	13	16
Expiry thereafter	–	–
Total other	15	16

18. Capital commitments

At 31 March 2009 there are capital commitments of £7K, relating to leasehold improvements. (2008 £nil)

19. Notes to the cash flow statement

Analysis of changes in net funds

	Note	2009 £000	2008 £000
Net cash inflow/(outflow)		1,199	(482)
Cash balance at 1 April	13	756	1,238
Cash balance at 31 March 2009		1,955	756

Reconciliation of operating (deficit)/surplus to operating cash flow

	Note	2009 £000	2008 £000
Net incoming/(outgoing) resources before other recognised gains and losses		96	6
Investment income	2	(35)	(35)
Depreciation charge	11	93	89
Impairment of assets	11	21	–
Cost of capital charge	4	40	37
(Profit)/loss on write off of fixed assets	11	11	–
Decrease/(Increase) in debtors	12	424	(353)
Increase/(Decrease) in creditors	14	822	(226)
Accrued fixed assets adjustment		(109)	(25)
Net cash inflow / (outflow) from operating activities		1,363	(507)

20. Contingent Liabilities

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

A compensation claim against the Design Council outstanding at the beginning of the year has been settled. No further liability exists in relation to this claim.

21. Taxation

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

22. Related party transactions

The Department for Innovation Universities and Skills (DIUS) has sponsorship responsibility for the Design Council. During the financial year the Design Council had various material transactions with DIUS, which was regarded as a related party.

DCMS is a co-sponsor for the Design Council although no direct financial support was received in 2008–09.

In addition to this the Design Council has had various material transactions with other government bodies. In particular the Design Council has carried out work on behalf of the Department for Health and the Home Office as well as Regional Development Agencies. These sources constitute the bulk of the other external income that the Design Council has received during 2008–09.

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

23. Financial instruments

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

- Credit risk
- Liquidity risk
- Market risk.

Due to the non trading nature of its activities and the way in which Non-Departmental Public Bodies are financed, the Design Council is not exposed to the degree of financial risk faced by business entities.

Credit risk

The Design Council's exposure is concentrated among a small number of customers with whom contracts or agreements are in place. The Design Council expects its debtor balances to be recovered in full due to customers' past payment histories and the general nature of the debtors, many of whom are governmental bodies. Cash balances are held in a standard bank account that earns minimal interest. The Design Council's operations are not reliant on the interest earned.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

	2009 £000	2008 £000
Total debtors (excluding prepayments)	361	797
Cash at bank and in hand	1,955	756
Total	2,316	1,553

Liquidity risk

The Design Council is provided with Grant-in-Aid by the Department of Innovation, University and Skills, to facilitate the working capital of the organisation. Cash balances are maintained at a reasonable level each month to ensure payment of creditors as they fall due. Due to this there is no perceived liquidity risk.

Market risk

Currency risk

The foreign currency risk to the Design Council is minimal as the majority of the trading is in sterling. All material monetary assets and liabilities are held in sterling, so the Design Council is not exposed to foreign currency risk.

Interest rate risk

All cash balances were positive during the reporting period and held in standard current account. The Design Council had no significant interest rate risk.

Other price risk

The Design Council had no significant other price risk.

24. Fair values

There is no difference between the book value and fair value of any of the Design Council's financial assets and liabilities as at 31 March 2009.

25. Post balance sheet events

On 5 June 2009, the Government announced that DIUS and the Department of Business Enterprise and Regulatory Reform (BERR) would be merged to form the new Department for Business, Innovation and Skills (BIS). The effect on the Design Council of this change in the sponsor department is expected to be minimal.

These accounts were authorised for issue on 8 July 2009, the date the accounts were certified.

The Design Council is the national strategic body for design.

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