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HC1141
London: The Stationery Office
£14.35

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Presented to the House of Commons pursuant to section 7 of the Government Resources and Accounts Act 2000. Ordered by the House of Commons to be printed on 26 November 2008.

HC1141
London: The Stationery Office
£14.35

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ISBN: 9 78 010295 8157

This document is split into two parts.

The first is a review of our activity during 2007–08 divided into our five areas of work: business, public, knowledge, policy and corporate. The second part contains our Financial Statements for 2007–08.

If you would like to find out more about the Design Council please visit our website, where you can download Design Returns, our review of the last four years at:

www.designcouncil.org.uk/designreturns

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01

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). Our co sponsors are the Department for Culture Media and Sport (DCMS) and the Department for Innovation, Universities and Skills (DIUS). DIUS replaced the Department of Trade and Industry (DTI) on 28 June 2007 as part of Machinery of Government Changes. As a result, DIUS took over responsibility for sponsorship and funding from DTI.

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

Our address is: 34 Bow Street, London WC2E 7DL, United Kingdom.

During 2007–08 we ran five main strands of work:

- Design for business: running and developing UK-wide transformational programmes to change behaviour in business and the public sector.
- Design for public: driving educational and public engagement campaigns regionally and nationally to raise awareness of design and its benefits.
- Design knowledge: providing authoritative research, signposting and information services to transfer knowledge of design nationally and internationally.
- Design policy: connecting business, education and government agencies to influence national policy and ensure that strategies on design are joined-up.
- Corporate: ensuring the Design Council operates as an effective and sustainable business, with the appropriate skills, processes, marketing and infrastructure.

Our goal is to help UK managers become the best users of design in the world

Our goal is to help UK managers become the best users of design in the world, supported by the most skilled and capable design professionals. More information on our constitution and governing documents is available at:

www.designcouncil.org.uk/ourfinances

Our work in 2007–08

The following sections outline our achievements against our 2007–08 operational plan, in each of our five areas of work.

Design for business

Running and developing UK-wide transformational programmes to change behaviour in business and the public sector.

In 2007–08 we planned to:

- Make Designing Demand available in six regions: the programme was delivered in five regions with 870 businesses attending workshops or receiving mentoring. London, the sixth region, was contracted in March 2008. We have delivered bottom line results in new jobs, increased profits and new and safeguarded sales. We are working with the Regional Development Agencies to achieve full UK-wide coverage, in order to reach the Cox Review targets by 2011.
- Champion sustainable design through Designing Demand: sustainable design processes and thinking have been introduced into the programme.

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, and on average, for every £1 spent on design, companies who received our intensive mentoring returned a £50 increase in turnover above expected levels.

Naylor Industries, a clay pipe manufacturer, turned to Designing Demand to help it maximise its investment and long term potential. Since being involved, Naylor's profits have doubled and their investment in branding, communication and design has increased sales by 25%. It is developing an international presence and for the first time has generated sales in Continental Europe, Asia and Australasia. Alongside sales growth, the company has also taken on more than 60 new employees.

www.designingdemand.org.uk

- Develop a model for future design work in the public sector: the March 2008 Innovation Nation strategy from DIUS endorses our development of a trial programme, based on Designing Demand, to enable innovation in the public sector, and our ongoing collaboration on other initiatives including a Whitehall Innovation Hub.

Design for public

Driving educational and public engagement campaigns regionally and nationally to raise awareness of design and its benefits.

In 2007–08 we planned to:

- Run our first Designs of the time (Dott) in north east England: Dott07 engaged over 200,000 people through events such as the festival, and involved the public and other stakeholders directly. There has been positive feedback with many of the public commissions being taken forward by other organisations and evidence that the festival changed people's attitudes to design's role in the world around them.
- Secure the next host partner for Designs of the time (Dott): the next host region has been identified and detailed funding and planning arrangements are underway.
- Research and develop a model for a sustainable design programme: the scoping was completed and has been incorporated into our new strategy for 2008–09 – The Good Design Plan.

Dott in a nutshell

Dott (Designs of the time) 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 define problems and prototype solutions to local issues with national relevance, from health and transport to crime prevention.

Dott07 projects included: Urban Farming, which helped Middlesbrough citizens grow their own fresh food in a variety of spaces and, Low Carb Lane, where one street in Northumberland looked at cutting their carbon emissions and making their homes more energy efficient, in an affordable way for low income households.

www.dott07.com

Eleven lessons

Design is the key driver of innovation for some of the world's highest-profile brands, according to a study published by the Design Council in 2007. The research, entitled *Eleven Lessons: managing design in eleven global corporations*, was made possible through unprecedented access to some of the biggest and best creative brains in leading organisations including Microsoft, Starbucks, Virgin Atlantic and Sony, and provides a unique insight into their design processes.

www.designcouncil.org.uk/elevenlessons

Design knowledge

Providing authoritative research, signposting and information services to transfer knowledge of design nationally and internationally.

In 2007–08 we planned to:

- Provide leading design research and knowledge: use of our online content and research increased 23% on the previous year, with over 600,000 visitors. Our research shows that 91% of visitors found the information useful. We published an in-depth study of the design processes used in eleven global brands which provided real insights into the way design operates in these firms.
- Complete a feasibility for an international design exchange: a feasibility study was completed and submitted to the London Development Agency, who are preparing the next phase of work.
- Launch a Design-matching service in the UK: this project was not pursued during 2007–08.

Design is the key driver of innovation for some of the world's highest-profile brands

Design policy

Connecting business, education and government agencies to influence national policy and ensure that strategies on design are joined-up.

In 2007–08 we planned to:

- Integrate design into science, technology and business courses in higher education institutions: the Higher Education Funding Council for England (HEFCE) provided funding for the third Cox-recommended multi-disciplinary design centre in Southampton, with other universities self-funding this activity eg Northumbria, Kingston and Coventry. We enhanced the design skills of over 1,000 non-designers through modules and training.
- Implement a national design skills plan: we published an industry-endorsed Blueprint for improving design skills, with Creative & Cultural Skills, and announced a national Design Skills Alliance to coordinate and implement this strategy. We also held an international design practice conference, Intersections, in Newcastle–Gateshead which brought together 34 leading thinkers in design to consider how current practice is evolving as the market for design is becoming more complex, global and demanding.
- Achieve government support for design policy and strategy: we were successful in influencing government strategies: Creative Britain highlights the Design Skills Alliance; the BERR enterprise strategy supports Designing Demand and the Cox multidisciplinary centres; and, Innovation Nation from DIUS endorses a trial programme to enable innovation in the public sector, based on Designing Demand.
- Increase awareness of the value of design with key opinion formers: the third issue of DCM, our magazine was sent to over 7,000 opinion formers with issue four being published in April 2008. Our media profile increased 81% on the previous year with around 30–50% of opinion formers aware of our major programmes.

New national policies

The UK government is putting increasing emphasis on innovation, and acknowledging the role of design. The White Paper from DIUS, *Innovation Nation*, published in March 2008 features several major new policies that incorporate design into moves to commercialise the UK's science base, make businesses more competitive and renew public services. Recommendations include the Design Council developing and trialling an innovation-enabling programme of *Designing Demand* for practitioners in the public sector.

Another example is Lord Sainsbury's review, *The Race to the Top*, which recommends expanding the *Designing Demand* scheme to include the provision of specialist design support for higher education institutes within key technology clusters.

Corporate

Ensuring the Design Council operates as an effective and sustainable business, with the appropriate skills, processes, marketing and infrastructure.

In 2007–08 we planned to:

- Build our efficiency and effectiveness as a public body and provide value for money: we raised over £2million external income in addition to our grant in aid from DIUS and implemented 4% efficiency savings during the year. We streamlined internal financial and reporting processes, and we conducted an organisation-wide HR review. A programme of skills and management development is underway.
- Maintain an effective system of risk management: a review was carried out of the risk management system introduced in 2006. The process includes a monthly, internal review of programme level risks, and a quarterly review of the strategic risks by the Executive Board, Council and our government sponsors. A full risk register is kept up to date and project managers are committed in their job descriptions to managing risk.
- Ensure we promote a sustainable approach in our activities: as well as a suite of internal measures to reduce our environmental impact we are integrating sustainable design into the heart of our programmes. For example, our business programme, *Designing Demand*, includes sustainable design advice and mentoring to small and medium sized enterprises,

and our Dott activity works with local communities and designers to develop new ways to support sustainable living.

Management structure

We are run by a non-executive board of trustees – our Council – led by our Chairman Sir Michael Bichard, and an Executive Board of 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, with our Council setting our strategic direction and ensuring the efficient and effective use of public funds. The Council monitors and reviews how the organisation is performing against its aims and objectives on behalf of our government sponsors and is accountable to Parliament.

The Design Council has to comply with relevant Charity law as well as Central Government directions. The latter takes precedence should any conflicting advice arise.

The Secretaries of State for DIUS and DCMS jointly appoint our trustees, according to the principles of the Office of the Commissioner for Public Appointments. Trustees must comply with the Design Council’s code of practice for public appointments and with its rules relating to the use of public funds and conflicts of interest. All members receive an induction and are involved in an annual strategy away day.

The following were executive directors during 2007–08:

Name	Date appointed	Date left	Job title
David Kester	April 2004		Chief Executive
Harry Rich	March 1999	October 2007	Deputy Chief Executive
David Godber	June 2008		Deputy Chief Executive
Deborah Fitzgerald	August 2005	October 2007	Director, Media & Communications
Helen Jacobs	January 2007		Director, Finance & Resources
Ruth Hasnip	January 2002		National Programme Director Dott
Wendy Lanchin	July 2007		Director, Media, Marketing & Partnerships
Jeremy Brown	November 2005	June 2007	Interim Planning Director
Mike Turnbull	November 2007		Interim Programmes Director

The following were non executive trustees during 2007–08:

Name	Date appointed	Date retired	Committee membership
Sir George Cox (Chairman)	October 2004	December 2007	Remuneration (Chair)
Sir Michael Bichard (Chairman)	January 2008		Remuneration (Chair)
Bonnie Dean	January 2005		Audit
Penny Egan	January 1999		
John Hollar	January 2005	July 2008	Audit
Jim Hytner	March 2006	April 2007	
Jonathan Kestenbaum	March 2006		
Geoff Kirk	January 2005		
Stuart MacDonald	January 2005	May 2007	
Geoff Mulgan	March 2006	March 2008	
Jonathan Sands	January 2000		
Janet Walker	March 2006		Audit (Chair)/Remuneration
Peter Williams	March 2006		Audit
Richard Williams	January 2005		
Chris Wise	January 2005		Remuneration

A register of interests of the executive directors and non executive trustees 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

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

Operational Activity

Our procurement policies include a requirement to consider our suppliers' approach to sustainability.

- We consider the impacts of products and materials we use across their whole life cycle, we favour products that are biodegradable or post-consumer recycled.
- All lighting, heating, air conditioning, printers, computers and other ancillary electrical equipment are switched off at 9pm every night and do not run at weekends.
- All food is ethically sourced and local seasonal produce is favoured to reduce food miles.
- We offer a cycle purchase loan scheme.

- We recycle all materials, where possible, including paper, CDs, batteries, toner cartridges, PET plastic, glass, cardboard and aluminium.

Programme activity

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

Projects include:

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

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 are compliant with the Government's Financial Reporting Manual (FRoM) and the Charities Statement of Recommended Practice (SORP).

Overview

Incoming resources for the year were £7.56m (2007 £7.81m) and total resources expended were £7.55m (2007 £8.32m) resulting in net incoming resources before transfers of £6k for the year (2007 £516k deficit).

DIUS provided £6.069m (2007 £6.035m) grant in aid as core funding. Restricted income of £917k was provided by six Regional Development Agencies to finance the Design for Business Programme (Designing Demand). The Future Leaders programme generated £54k in income. In addition, £227k of deferred income was utilised to complete the IDX programme.

The Design Council continues to broaden its income base beyond the core Grant in Aid. Such sources amounted to £1.46m of incoming resources from charitable activities and £1.15m from its share of the Dott 07 joint venture in 2008 which together amounted to 30% of total income for the year. (2007 £2.63m and 30% respectively)

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

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

Financial Position

At 31 March 2008 the Design Council had net assets of £1.07m (2007 £1.02m).

The organisation is heavily dependent on continued funding from DIUS, without which it could not operate on such a scale. Their continued support of £6.035m each year from 2008–2011, was set out in the CSR2007 spending review. In the meantime, the Design Council is exploring additional sources of revenue.

Dott 07 / Designs of the Time Ltd, a joint venture with One North East was incorporated as a company limited by guarantee on 21 March 2006 to oversee a regional programme of community-led innovation. On completion of the work on 31 March 2008 the company ceased to operate. The Design Council incurred some evaluation and winding up costs in 2008–09.

In addition a new venture is in the process of being established with our partners in Cornwall, Cornwall County Council and the South West Regional Development Agency. Should this be established, the Design Council will contribute up to £500k over the next three years.

Reserves

At 31 March 2008 the Design Council held total reserves of £1.07m of which £377k are restricted (2007 £30k).

Restricted funds represent income recognised, but as yet unspent, that can only be allocated to specific purposes agreed with the funder. No restricted funds are in deficit. Unrestricted reserves represent cumulative historical retained surpluses, rather than a consciously held level of reserves. Such unrestricted reserves represent only 9% of total resources expended for the year; this level reflects the relative certainty of income streams and operating cycles in the recent past. Increasingly, however, as the organisation implements the Designing Demand programme it will be necessary to review this position to ensure that the organisation retains adequate operational flexibility and protection against financial uncertainty.

Fixed assets are reviewed annually using government indices.

Management will conduct a review of the reserves policy in 2008–09.

Investment Policy

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

Financial Risk Management

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

Better Payment Practice Code

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

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

In 2007–08 the Design Council paid 75% (2007 79%) of invoices received in accordance with the above target.

External auditors

Our external auditor is the Comptroller and Auditor General. The annual audit fee was £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

In November 2007, the Secretary of State for Innovation, Universities and Skills agreed the funding allocations to the Design Council budget for the Comprehensive Spending Review 2007 period. On the strength of this allocation, we developed our strategy for 2008–11.

Our new three-year plan, The Good Design Plan, builds on the evidence and success of our last plan, The Practical Power of Design, published in 2004, and focuses on five areas. Our objectives and targets for 2008–11 are laid out below.

Business and public service innovation: 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. Our targets are based on the roll-out of our national business support programme Designing Demand to 6,500 firms by 2011 and the application of the programme within the public sector.

Public and community engagement: drive the development of new solutions to UK social and economic challenges and involve communities in the design of local services. Our target is to build on the success of Dott07 (Designs of the time), which successfully engaged 200,000 people and left lasting legacies in the North East.

Design skills development: boost high-level skills in design to support a competitive creative economy and a thriving UK design sector. Our target is to support the industry-led national design skills plan and help schools, colleges and employers to implement its recommendations.

Design policy and promotion: champion the value of good design and its importance to social and economic success. Our targets are to drive forward our national policy work supported by a growing research programme, while also staging events and awareness-raising activities to inspire and support good design.

Organisation and operation: be recognised as an exemplar design institution for our influence, impact and enterprise. Our target is to be a leader in our field, running an effective and entrepreneurial organisation and providing a working environment that attracts and retains a highly talented team.

The Good Design Plan, is available at:
www.designcouncil.org.uk/gooddesignplan

A handwritten signature in black ink, appearing to read 'David Kester', with a stylized, cursive script.

David Kester, Chief Executive
Date 30 October 2008

A handwritten signature in black ink, appearing to read 'Sir Michael Bichard', with a stylized, cursive script.

Sir Michael Bichard, Chairman
Date 30 October 2008

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. The setting of other salaries is considered and approved by directors as part of the Treasury's Pay Remit process.

The Chief Executive is paid a salary and a performance-related bonus. This bonus may be up to 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 2009 a performance related pay system will be introduced in accordance with Ministerial requirements.

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 will be offered short-term contracts (no longer than 12 months). The first three months of all contracts are considered to be probationary, after which, an individual is confirmed in post. Up to confirmation, a contract may be terminated on one weeks notice. Once confirmed in post, the length of notice is set out in the individual's employment contract and notice periods, varying from one to three months. All permanent directors except the Chief Executive are subject to three months notice. The Chief Executive is required to provide the Design Council with a six month notice period. The Design Council is required to provide the Chief Executive with a twelve month 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 2008 be terminated early and 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	4	131
Helen Jacobs	Director, Finance & Resources	1	—
Wendy Lanchin	Director, Media, Marketing & Partnerships	—	—
Ruth Hasnip	National Programme Director Dott	6	40

The following information is subject to audit:

Name	Date joined	Date left	2008				2007		
			Total	Salary	Pension	Benefits	Salary	Pension	Benefits
David Kester Chief Executive	22.04.03		171	150	19	2	147	19	1
Harry Rich Deputy Chief Executive	01.03.99	05.10.07	51	47	4	-	100	9	1
Deborah Fitzgerald Director, Media & Communications	17.08.05	27.10.07	64	58	5	-	91	9	1
Helen Jacobs Director, Finance & Resources	02.01.07		102	92	9	1	23	-	0
Ruth Hasnip National Programme Director – Dott	04.01.02		91	82	8	1	44	8	1
Wendy Lanchin Director, Media Marketing & Partnerships	23.07.07		63	62	1	-	-	-	-
Hilary Cottam RED Director	01.07.01	30.11.06	-	-	-	-	51	5	1
Richard Eisermann Director Design and Innovation	23.06.03	12.05.06	-	-	-	-	11	1	-

During the year £47k was paid to an agency for the services of the Interim Planning Director Jeremy Brown. Additionally, £71k was paid to an agency for the services of the Interim Programmes Director, Mike Turnbull. In June 2008, David Godber was appointed to the post of Deputy CEO.

The Chief Executive has his own personal pension scheme, which is a defined contribution scheme into which the Design Council pays. During the year all other permanent directors had the opportunity to participate in the Design Council's Group Personal Pension fund, a defined contribution money purchase scheme. The fund was managed by Scottish Equitable and the Design Council contributed 3%, 5% and 10% of basic salary depending on the seniority of staff (directors receive a 10% contribution).

From June 2008, Norwich Union became the pension scheme provider. Staff can join the pension scheme directly after successful completion of their probationary period, or alternatively thereafter they have one opportunity per annum to join the scheme (in June of each year). The Design Council contributions to the scheme are now on a sliding scale, matching the contribution of the member of staff up to 3%, 5% or 10% of basic salary according to the seniority of the staff member. The total pension charge for all staff for the year was £79,480 (2007 £104,066). At the year end £7,091 was payable to the Group Personal Pension fund.

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 Office of the Commissioner for Public Appointments. The appointments are unpaid but expenses incurred on Design Council business are reimbursed. Expenses totalling £6,078 for travel, subsistence, entertaining and air fares were reimbursed to four Council Members during the year.

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.

	2008	2007
60,000 – 69,999	1	2
80,000 – 89,999	1	–
90,000 – 99,999	1	1
100,000 – 109,999	–	1
140,000 – 149,999	–	1
150,000 – 159,999	1	–



David Kester, Chief Executive
Date 30 October 2008



Sir Michael Bichard, Chairman
Date 30 October 2008

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 policies, aims and objectives as set out in its 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 2008 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 an Executive level, I have charged the Director, Finance & Resources with operational responsibility of maintaining an effective risk management system.

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.

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

The Council believe that the Design Council's mission requires it to have an element of risk taking in its activities. Accordingly, the Design Council's 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 corporate and business 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, with detailed monthly finance and resources reviews, and 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 DIUS and DCMS, and the Council.

The risk management process is subject to an annual review by the Audit Committee.

The Design Council contracted Baker Tilly to carry out internal audit work on its behalf, according to the Government Internal Audit Standards. Their 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 are approved 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 Director, Finance & Resources.

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 commenced during 2007–08 to improve risk management and internal control included:

- A review by the Audit Committee, facilitated by the National Audit Office, to assess its effectiveness, which confirmed that there are many areas where the Design Council Audit Committee is already effective and compliant with current requirements and good practice but also highlighted some opportunities for improving its operation, which are being implemented, including the following:
 - An agreement by the Audit Committee to provide an annual report commenting on the Statement on Internal Control to the Council.
 - An agreement by the Audit Committee to appoint an independent member from outside of the Council, who has a detailed understanding of central government specific accountability requirements, or to co opt members with specific skills and expertise if required.
- A review of the organisation’s human resources policies and procedures, with a programme if activities being implemented.
- The provision of risk management training to all project managers and the inclusion of risk management in all relevant staff job descriptions.
- A review of information security / data protection and updating of policies and procedures is underway.

Review of effectiveness

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

As Chief Executive, 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 2007–08 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 update

The Design Council is expected to present its financial statements to Parliament by the summer recess. However it was agreed early in 2007 that this was an unrealistic timescale for both the 2006–07 and 2007–08 accounts given the changes in the finance team and historical pay remit issues. The audits for both sets of accounts were rescheduled for the autumn of the relevant year.

Ministerial approval for the 2007–08 pay remit was received in November 2007, subject to the completion of an audit to provide DIUS with assurance that the approved remit for 2007–08 would not be exceeded, as happened in the previous two years. Approval was also dependent on the completion of an equal pay audit and the introduction of a performance related pay (PRP) system. The pay remit audit and equal pay audits were both successfully completed, and a PRP system is currently being developed for implementation in July 2009. As the ministerial conditions were met, payments were made to staff in June 2008

The 2008–09 pay remit received ministerial approval in August 2008 and payments were made in the same month.

Information risk

The Design Council considers information security a high priority. We have core measures in place to protect information and minimise the risk of any breaches of security. We have also recently updated our policies and guidance and are about to deliver a training programme to enhance staff awareness of data security. There are no personal data-related incidents to report from 2004–05 to 2007–08.



David Kester, Chief Executive
Date 30 October 2008



Sir Michael Bichard, Chairman
Date 30 October 2008

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 2008 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 the Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Royal Charter of 1976 and directions made by the Secretary of State and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Council's and the Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made by the Secretary of State. I report to you whether, in my opinion, 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 have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Design Council has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed. I review whether the Statement on Internal Control reflects the Design Council's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Design Council's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

My responsibilities do not extend to any other information.

Basis of audit 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 by Secretary of State, of the state of the Design Council's affairs as at 31 March 2008 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; 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.



T J Burr

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

14 November 2008

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02

Financial statements for the year ended 31 March 2008

Statement of financial activities for the year ended 31 March 2008

	Note	Unrestricted funds £ 000	Restricted funds £ 000	Total funds £ 000	2007 Total funds £ 000
Incoming resources					
Grant in Aid		6,069	—	6,069	6,035
Investment Income		35	—	35	71
Incoming resources from generated sources	2	6,104	—	6,104	6,106
Share of Joint Venture income	12	1,149	—	1,149	934
Incoming resources from charitable activities	2	259	1,198	1,457	1,700
Total Group income		7,512	1,198	8,710	8,740
Deduct share of joint venture income	12	(1,149)	—	(1,149)	(934)
Total incoming resources	2	6,363	1,198	7,561	7,806
Resources expended					
Costs of charitable activities	7	6,368	851	7,219	7,987
Governance Costs	7	299	—	299	291
Total resources expended	7	6,667	851	7,518	8,278
Cost of capital charge	4	37	—	37	44
Total resources expended including notional costs		6,704	851	7,555	8,322
Net incoming/(outgoing) resources before transfers		(341)	347	6	(516)
Net incoming/ (outgoing) resources before other recognised gains & losses		(341)	347	6	(516)
Share of joint venture operating profit	12	—	—	—	—
Gain/ (loss) on revaluation of fixed assets for charity's own use		6	—	6	12
Cost of capital reversal	4	37	—	37	44
Net movement in Funds		(298)	347	49	(460)
Funds brought forward at 1 April 2007		990	30	1,020	1,480
Funds carried forward at 1 April 2008		692	377	1,069	1,020

The joint venture ceased to trade on 31 March 2008. Further information is given in Note 12 to the Accounts. All other operations are continuing.

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

The notes on pages 37 to 49 form part of these accounts.

Group Balance sheet as at 31 March 2008

	Note	2008 £ 000	2007 £ 000
Fixed Assets			
Tangible fixed assets	11	240	288
Investments in Joint Ventures:			
Share of gross assets	12	24	188
Share of gross liabilities	12	(24)	(188)
		240	288
Long term debtors			
Debtors falling due after one year	16	10	10
Current Assets			
Debtors	13	1,040	687
Cash at bank	14	756	1,238
		1,796	1,925
Current Liabilities			
Creditors falling due within one year	15	(977)	(1,203)
		819	722
Net Current Assets			
		1,069	1,020
Total Assets Less Liabilities			
		1,069	1,020
Reserves			
Restricted funds	9	377	30
Unrestricted funds	8	692	990
		1,069	1,020
Total Funds			
		1,069	1,020

The notes on pages 37 to 49 form part of these accounts



David Kester, Chief Executive

Date 30 October 2008



Sir Michael Bichard, Chairman

Date 30 October 2008

Charity Balance sheet as at 31 March 2008

	Note	2008 £ 000	2007 £ 000
Fixed Assets			
Tangible fixed assets	11	240	288
Investments in Joint Ventures	12	–	–
Long term debtors			
Debtors amount falling due after one year	16	10	10
Current Assets			
Debtors	13	1,040	687
Cash at bank	14	756	1,238
		1,796	1,925
Current Liabilities			
Creditors amounts falling due within one year	15	(977)	(1,203)
Net Current Assets		819	722
Total Assets Less Liabilities		1,069	1,020
Reserves			
Restricted funds	9	377	30
Unrestricted funds	8	692	990
Total Funds		1,069	1,020

The notes on pages 37 to 49 form part of these accounts



David Kester, Chief Executive

Date 30 October 2008



Sir Michael Bichard, Chairman

Date 30 October 2008

Cash flow statement for the year ended 31 March 2008

	Note	2008 £ 000	2007 £ 000
Net cash outflow from operating activities	20	(507)	(632)
Return on investments and servicing of finance			
Interest received	6	35	71
Capital expenditure and financial investment			
Acquisition of assets	11	(10)	(2)
(Decrease) in cash	14	(482)	(563)

The notes on pages 37 to 49 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 are prepared under the historical cost convention (as modified by the revaluation of certain fixed assets by reference to current costs).

The accounts have been prepared on going concern basis.

b. Joint ventures

Dott 07 / Designs of the Time Ltd, a joint venture with One North East was incorporated as a company limited by guarantee on 21 March 2006. In accordance with FRS9 the joint venture has been consolidated using the gross equity method. On 31 March 2008 the joint venture was closed.

c. 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 are recognised regardless of the extent to which the intellectual property is applied unless the agreement conferring the property rights states otherwise.

d. Resources expended

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

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

e. Grants payable and constructive obligations

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

f. Funds accounting

Funds held by the charity are either:

- **Unrestricted funds**— these are funds which can be used in accordance with the charitable objects at the discretion of the 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.

g. Reserves policy

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

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.

h. Fixed assets

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

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.

i. Pension costs

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

j. Leases

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

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

k. Foreign currency

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

l. Value Added Tax

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

m. Cost of capital

In accordance with HM Treasury guidance the Design Council has included a non-cash cost of capital in the results for the year calculated at a rate of 3.5% 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

	2008 £ 000	2007 £ 000
Revenue grant in aid	6,034	6,033
Capital grant in aid	35	2
Total voluntary Income	6,069	6,035
Investment income – interest	35	71
	6,104	6,106

Analysis of income from charitable activities

Grants	1,035	1,350
Business programme fees	279	279
Income from ancillary trades	143	71
	1,457	1,700
Total	7,561	7,806

3. Staff costs

	2008 £ 000	2007 £ 000
Salaries	2,367	2,598
Social security costs	282	298
Pension costs	79	104
Staff benefits	32	40
Total payroll staff costs	2,760	3,040
Total temporary and contract staff costs	494	529
Total staff costs	3,254	3,569

Number of employees

The average number of salaried full time equivalent employees employed by the Design Council in the year ended 31 March 2008 was as follows:

	2008 Number	2007 Number
Projects	56	58
Support	16	18
Total (full-time equivalent)	72	76
Permanent	62	60
Other staff	10	16
Total (full-time equivalent)	72	76

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% (2007 3.5%)

	2008 £000	2007 £000
Cost of capital	37	44

5. Other operating charges

The operating surplus for the financial year is after charging:

	2008 £000	2007 £000
Auditors' remuneration for audit work ³	42	41
Travel, subsistence and hospitality		
Staff	97	90
Council members	6	9
Operating leases – plant and machinery	20	28
Operating leases – other ¹	693	240
Depreciation ²	89	511

¹ The increase in other operating leases is as a result of the increase in rental costs on the Design Council offices when the new lease was signed in 2007.

² Following the renewal of the lease of the Design Council premises, the useful economic life of leasehold improvements was increased causing the depreciation charge to be reduced by £331k to £9k.

³ The figure for 2006–07 has been restated to include VAT.

6. Net interest received and similar charges

	2008 £000	2007 £000
Bank interest receivable	35	71

7. Total resources expended

Analysis of Total Resources expended

	Grants Payable £ 000	Staff Costs £ 000	Other Direct Costs £ 000	Allocation of Support Costs £ 000	2008 Total £ 000	2007 Total £ 000
Direct Charitable Expenditure						
Design Policy	-	348	207	667	1,222	1,547
Design Innovation	-	-	-	-	-	605
Design for Business	-	395	592	1,188	2,175	2,341
Design for the Public	497	229	139	1,041	1,906	983
Design Knowledge	-	420	451	1,045	1,916	2,511
	497	1,392	1,389	3,941	7,219	7,987
Other costs						
Governance Costs		201	98		299	291
Total Resources Expended	497	1,593	1,487	3,941	7,518	8,278

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, 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.

Type of cost	2008 £000	2007 £000
Communications	916	859
Government Relations	141	129
Facilities ¹	1,268	871
Human Resources	392	311
IT	191	169
Finance ²	324	188
Depreciation	88	511
Other	621	562
Total	3,941	3,600

Increased expenditure as a result of ¹ a new lease on the building and ² significant contractor costs

8. Unrestricted reserves

	Total reserves £000
1 April 2007	990
Net incoming (outgoing) resources	(341)
Cost of capital reversal	37
Revaluation of fixed assets	6
31 March 2008	692

9. Analysis of funds

Fund balances at 31 March 2008 are represented by:

	At 1 April 2007 £ 000	Incoming Resources £ 000	Outgoing Resources £ 000	Revaluations £ 000	At 31 March 2008 £ 000
	990	6,363	(6,667)	6	692
Unrestricted Funds	990	6,363	(6,667)	6	692
Restricted Funds					
DTI – ‘Change Process’ (a)	30	–	(9)	–	21
IDX (b)	–	227	(227)	–	–
EEDA (c)	–	100	(51)	–	49
ONE (c)	–	109	(109)	–	–
SEEDA (c)	–	189	(140)	–	49
LDA (c)	–	200	(101)	–	99
SWRDA (c)	–	119	(71)	–	48
NWRDA (c)	–	200	(102)	–	98
Future Leaders (d)	–	54	(41)	–	13
	30	1,198	(851)	–	377
Total Reserves	1,020	7,561	(7,518)	6	1,069

Notes

(a) To support the Design Council’s organisational restructuring.

(b) Income relating to the International Design Exchange feasibility study.

(c) To support the Designing Demand costs for the four year Designing Demand programme.

(d) Future Leaders programme funded by the Arts Council.

10. Analysis of group net assets between funds

Funds balances at 31 March 2008 are represented by:

	Unrestricted funds £000	Restricted funds £000	Total £000
Tangible fixed assets	219	21	240
Long term debtors	10	–	10
Current Assets	1,121	675	1,796
Current Liabilities	(850)	(127)	(977)
Short term loan to restricted funds	192	(192)	–
Total Net Assets at 31 March 2008	692	377	1,069

11. Fixed assets

	Leasehold improvements £ 000	Furniture & Equipment £ 000	Information Technology £ 000	Website Development £ 000	Total £ 000
Cost					
1 April 2007	2,466	719	366	993	4,544
Additions		17	18	–	35
Disposals	–	(212)	(84)	(993)	(1,289)
Revaluation	35	17	(10)	–	42
31 March 2008	2,501	541	290	–	3,332
Depreciation					
1 April 2007	2,379	540	344	993	4,256
Charge for year	9	74	6	–	89
Disposals	–	(212)	(84)	(993)	(1,289)
Revaluation	34	11	(9)	–	36
31 March 2008	2,422	413	257	–	3,092
Net Book Value					
31 March 2008	79	128	33	–	240
31 March 2007	87	179	22	–	288

Tangible Fixed Assets

During 2007–08 an asset verification exercise was completed. As a result a large number of assets were removed from the asset register. These items were at nil book value.

Website development costs have been treated as disposed as they have been fully depreciated and the policy was to expense from 2007.

12. Joint ventures

Investment in Joint Ventures

Designs of the Time / Dott 2007 Limited Dott 07, a company limited by guarantee, was created to provide a vehicle for the public engagement programme, Dott 07. It was a year of community projects, events and exhibitions based in North East England that explored what life in a sustainable region could be like, and how design can help achieve this.

The company is incorporated in Great Britain and operates in North East England. It has two guarantors, the Design Council and One North East both of whom have an equal level of operational control.

Its principal place of business is The Robert Stephenson Centre, Sussex Street, Newcastle upon Tyne, NE1 3PD. Dott07 ceased trading on 31 March 2008 and will realise the remaining assets and settle liabilities during 2008–09.

Results for the financial year 2007–08	Gross £000	Design Council share £000
Profit and loss values comprised		
Income	2,292	1,146
Interest receivable	6	3
	2,298	1,149
Expenditure		
	2,298	1,149
Profit for the period	-	-
The Balance sheet values comprised		
Fixed assets	-	-
Current assets	48	24
Current liabilities	48	24
Long term liabilities	-	-
Gross assets	48	24
Gross liabilities	48	24
Dott 07 / Design of the Time Ltd (net assets)	-	-

Investments in joint ventures are calculated on the basis of the Design Council's share of net assets as detailed above.

13. Debtors

Debtors: amounts falling due within one year

	2008 £000	2007 £000
Other debtors	398	148
Prepayments and accrued income	642	539
	1,040	687

14. Cash

	2008 £000	2007 £000
Cash at bank	756	1,238

15. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Trade creditors	229	309
Tax & Social Security	128	97
Other creditors	62	99
Accruals	558	449
Deferred income	-	249
	977	1,203

Deferred income relating to two projects in 2007 was fully utilised in 2008.

16. Debtors falling due after one year

	2008 £000	2007 £000
Supplier deposit	10	10

17. Intra government balances

	Debtors: amounts falling due within one year £ 000	Debtors: amounts falling due after more than one year £ 000	Creditors: amounts falling due within one year £ 000	Creditors: amounts falling due after more than one year £ 000
Balances with central government bodies	732	-	128	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	1	-
Balances with bodies external to government	382	10	848	-
At 31 March 2008	1,040	10	977	-
At 31 March 2007	687	10	1,203	-

18. Operating leases

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

	2008 £000	2007 £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	822	-
	822	-
Other		
Expiry within one year	-	6
Expiry after 1 year but not more than 5 years	16	14
Expiry thereafter	-	-
	16	20

The lease on the property at 34 Bow Street expired on 23 June 2007 and a new lease for 10 years was signed on 12 October 2007, at a rental of £822k per annum (including VAT).

19. Capital commitments

At 31 March 2008 there were no capital commitments (2007 £nil)

20. Notes to the cash flow statement

Analysis of changes in net funds

	Note	2008 £000	2007 £000
Net cash outflow		(482)	(563)
Cash balance at 1 April	14	1,238	1,801
Cash balance at 31 March 2008	14	756	1,238

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

	Note	2008 £000	2007 £000
Net incoming/(outgoing) resources before other recognised gains and losses		6	(516)
Investment income	6	(35)	(71)
Depreciation charge	7	89	511
Cost of capital charge	4	37	44
(Increase)/decrease in debtors	13, 16	(353)	134
Increase/(decrease) in creditors	15	(226)	(734)
Accrued fixed assets adjustment	15	(25)	–
Net cash (outflow) from operating activities		(507)	(632)

21. Other financial commitments

At 31 March 2008 there were no financial commitments.

At 31 March 2007 the Design Council had ongoing commitments to fund the joint venture Dott 07 in conjunction with One North East. The total of these commitments for the Design Council was £457k. This funding was, however, contingent on certain milestones being reached and this had been communicated in the funding letter to Dott07 and therefore there was no constructive obligation under FRS12.

22. 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 member of the public is pursuing a compensation claim through the Civil Courts after suffering an injury in 2006. The primary defendant is a third party. The Design Council is also cited. Legal advice has been sought and the possibility of a successful claim is considered as remote.

23. Taxation

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

24. Related party transactions

On 28 June 2007 the Department for Innovation, Universities and Skills (DIUS) was established to take forward the Science and Innovation aspects of the work of former Department of Trade and Industry. The transfer included sponsorship responsibility for the Design Council. The transfer was backdated to 1st April 2007.

During the financial year the Design Council had various direct financial 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.

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 Children, Schools & Families (DCSF) 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 2007–08.

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.

The Design Council is a related party of Dott 07, a joint venture with One NorthEast (see Note 12). In the consolidated Financial Statements Dott 07 is treated as a joint venture, in which the Design Council has a 50 per cent interest. During 2007–08 the Design Council provided grant funding of £457k to Dott 07.

25. Financial instruments

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

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

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

26. Fair values

There is no difference between the book value and fair value of any of the Design Council's financial assets and liabilities as at 31 March 2008

27. Post balance sheet events

These accounts were authorised for issue by the Accounting Officer on *14 November 2008*

There were no other post balance sheet events.

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Registered Charity Number 272099



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ISBN 978-0-10-295815-7



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