

Design Council Annual Report and Accounts

For the year ended 31 March 2014

We champion great design that improves lives



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Design Council Trustees' Report for the year ended 31 March 2014

About the Design Council

Established by Winston Churchill's government in 1944, the Design Council is an independent charity which champions great design. In 2011 the Design Council's remit expanded with the integration with the Commission for Architecture and the Built Environment (CABE).

We believe that great design can change lives, communities and organisations for the better. It can create better places to live, and bring communities together. It can encourage healthier living. It can transform businesses and public services.

Working with designers and other disciplines, we tackle major issues like health, ageing and community cohesion. We help foster innovation in businesses and public services, and improve our built environment. We also give people the advice, practical tools and knowledge to achieve positive changes in businesses, government or local communities.

Introduction

2013/14 was our third year as an independent, enterprising charity. During the year we successfully delivered services to government, continued to diversify our income streams and demonstrated and championed the value of design. Highlights include:

- The *Leading Business by Design* summit showcasing new evidence on design's role in business success.
- Starting a new European Commission-funded programme, *Design for Europe*, to raise awareness of design's role in innovation through an online platform.
- Coaching 66 businesses who can expect to see increased revenues of around £20 for every £1 they invest in design.
- Supporting inspiring projects through our *Knee High* innovation competition which will benefit under-fives in south London.
- Establishing a new 'sounding board' of experts to bring fresh insights on design and what the Design Council should be doing.

Whilst the direction of the Design Council is increasingly clear and focussed, the level of internal and external change associated with the transition out of government has meant that our aims to grow and diversify income streams have not yet been fully realised. This was also the first year that Cabe, which delivers our built environment programme, received no core government funding. Good progress was made in establishing our Cabe services in the wider marketplace.

To support our transition we reshaped the organisation to ensure a greater emphasis on business development and commercial thinking. We strengthened and centralised our team in this area and developed staff skills to foster an enterprising culture. We continued to build our reputation through demonstrating and championing great design, in particular by engaging with the design industry and wider stakeholders via our refreshed digital presence, www.designcouncil.org.uk, which we launched during the year.

It has been a busy and challenging year. We managed to achieve the majority of our goals and we look forward to celebrating our 70th anniversary later this year.

The trustees submit this Annual Report along with the consolidated financial statements for the year ended 31 March 2014, which comply with the current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice, and Accounting and Reporting by Charities 2005 (SORP).

Structure, Governance and Management

Mission and Charitable Objectives

As a Royal Charter charity, we work in the public interest, generating funds by charging for our advisory services, as well as from donations and grants. Our mission is to champion great design which improves lives.

Our charitable objectives are:

- *The advancement of British industry and public services by the improvement of design in their products and services.*
- *The protection, enhancement, improvement and revitalisation of the natural and built environment (including architecture).*
- *The advancement of the education of the public in such subjects and in subjects relating to sustainable development and sustainable living. To promote study and research in such subjects provided that the useful results of such study are disseminated to the public at large. Sustainable development means “development which meets the needs of the present without compromising the ability of future generations to meet their own needs.*

We're a think-do organisation, which means we combine research, debate and knowledge-sharing with practical demonstration, advice, coaching and mentoring. We want to demonstrate how great design improves the world, drives innovation and changes lives. We have a core staff team of around 60 and we draw on a network of 300 design, architecture and built environment experts, based across the country, who deliver our services locally and nationally.

As a small organisation, the best way for us to operate is by working with a broad spectrum of like-minded people and organisations. Our network of partnerships encompasses the public, private and third sectors, from our home in the UK and around the world.

Through this network, we help connect business leaders, national and local policy makers, thought leaders, social impact organisations and design professionals, to deliver real change through design. In this way, our partnerships give us both focus for our work, and a platform to extend the impact of design-led solutions.

Governance

We are governed by a Board of a maximum of fifteen unpaid trustees (currently twelve). They help us to set out our strategic direction, monitor the delivery of our objectives, uphold our values and governance and take into consideration the Charity Commission's guidance on public benefit. They also guide, advise and support our Chief Executive who leads the senior management team in achieving our mission and strategic aims. The Board of Trustees met six times during the year with an additional strategy day. The Chair of the Board of Trustees is Martin Temple.

New trustees are recruited through an open process and appointed by the Board of Trustees. Individuals may serve up to two consecutive three-year terms although in exceptional circumstances a third term may be approved. On appointment, new trustees are provided with an induction on the activities of the Design Council and their responsibilities as a trustee. Three new trustees were appointed during the year: Steve Pearce, Annika Small and Terry Tyrrell.

The following trustees served during the year:

	Date appointed	Date resigned	Committee Chairs
Martin Temple (Chair)	01.04.11	n/a	
Paul Finch (Deputy Chair)	01.06.11	n/a	Cabe Board
Pam Alexander	01.06.11	n/a	HR and Remuneration
Rab Bennetts	01.06.11	n/a	
Sandeep Dwesar	01.06.11	n/a	
Jim Eyre	01.06.11	n/a	
Wayne Hemingway	01.06.11	n/a	
Steve Pearce	31.01.14	n/a	
Marek Reichman	09.06.11	n/a	
Annika Small	31.01.14	n/a	
Terry Tyrrell	31.01.14	n/a	
Peter Williams	01.06.11	n/a	Finance, Audit and General Purposes

Any expenses reclaimed from the charity by trustees are set out in note 6 to the accounts.

Three committees have been established to assist the Board of Trustees in overseeing the financial and administrative aspects of our activities as set out below. Each committee has adopted terms of reference approved by the Board of Trustees and reports back at each meeting of the Board of Trustees.

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

Chair: Peter Williams. Members: Sandeep Dwesar, Jim Eyre

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

Chair: Pam Alexander. Members: Sandeep Dwesar, Martin Temple

Cabe Board: helps to set the strategy for the Cabe business, reviews its performance and ensures high levels of governance. The Board meets a minimum of six times a year. Members of the Cabe Board are also directors of the Cabe subsidiary company.
Chair: Paul Finch. Members: Pam Alexander, Rab Bennetts, Jim Eyre, Wayne Hemingway, Martin Temple.

During the year we also established a new 'sounding board' of industry experts, which evolved from the original 'advisory council', to enable us to be more inclusive in our approach and to engage more directly with the design industry. This is an informal forum to discuss topical design issues and opportunities, and for us to receive fresh ideas and insights.

Risk Management

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

The Finance, Audit and General Purposes Committee and Board of Trustees have specific responsibility for risk management which is reflected in their terms of reference. The Design Council maintains a formal corporate risk register that is reviewed by the Committee and Board of Trustees at each meeting. Separate individual risk registers are maintained for individual projects or programmes, as appropriate.

In February 2014, the Board of Trustees agreed that it will commission expert advisers to provide independent assessments and assurance on a case by case basis rather than continuing to maintain a retained internal audit service, to both support the changing nature of the business and to provide better value for money.

Trustees consider that the key risk facing the Design Council is in growing and developing new income streams to maintain our future as a self-sustaining enterprising charity.

Subsidiary and Related Parties

Design Council Enterprises Limited (Design Council Enterprises) is a trading subsidiary used for fundraising activities that are not primary-purpose charitable activity.

Design Council Commission for Architecture and the Built Environment, known as 'Cabe', is the legal entity through which we have run our built environment programme since CABC and the Design Council integrated in 2011. Given the close alignment and overlap of the objectives and activities of Cabe with the rest of the Design Council charity, the Trustee Board decided to fully integrate Cabe and it will no longer operate as a subsidiary from 1 April 2014. The activities of Cabe will therefore continue within the Design Council, but the statutory entity of Cabe will be struck off during the year ending 31 March 2015.

Related Party Transactions are disclosed as note 22 to the financial statements.

Objectives and Outcomes in 2013/14

Our mission is to champion great design that improves lives.

Our strategic aims are:

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

Our vision for the Design Council is to be:

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

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

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

We operate four business units to deliver our programmes which generate income from a mix of government grants, fees, sponsorship and other sources as set out below:

Design Support

We offer businesses, public services and university scientists a bespoke package of design support and coaching to innovate and grow.

Challenges

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

Insight

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

Cabe

We focus on ensuring that places and communities are sustainable, adaptable and resilient, where people want and can afford to live.

Key activities and impact during 2013/14 within the four business units are set out below. More detailed information on all our activities can be found on our website www.designcouncil.org.uk.

Design Support

Harnessing design to drive business growth and improve service efficiency

We offer businesses, public services and university scientists a bespoke package of support and coaching to use design to innovate and grow.

In 2013/14, Design Support met the majority of its targets and delivered the following:

Driving business growth

We have provided design coaching to small and medium sized businesses for the last eight years. Subsidised by the Department for Business, Innovation and Skills (BIS) results show that every £1 invested in a design project leads to the addition of more than £4 net operating profit and £20 net turnover. During the year, we coached 66 businesses (42 in 2012/13) to use design to transform their commercial prospects and ran short clinics or workshops to over 770 business people. It had been challenging to recruit businesses in the current economic climate, however, the pipeline increased in the second half of the year in response to our building new regional partnerships and networks across the country. *(BIS contract only covers England)*

Redesigning public services

Our public services programme, also subsidised by BIS, provides strategic support and mentoring to public service organisations. Over £26 of social return on investment has been delivered for every £1 invested through the programme. During the year we delivered intense design coaching to 10 public services organisations and saw an increased demand for our training events and workshops which we delivered to over 300 people working in public services.

Commercialising science and technology research

Working with researchers and entrepreneurs our universities programme, run with BIS, helps to commercialise and develop new applications for research ideas. During the year we delivered two training workshops on design in technology transfer and we coached 37 projects (24 in 2012/13). Key outcomes included new license deals, increased IP value and accelerated time to market for the participating research teams. We are redeveloping our offer for high tech start-ups in the coming year.

Future opportunities

We continue to develop our unique content and approach to build new opportunities at home and abroad. We are working with government to put in place a programme to support policy makers across government to innovate and create effective people-centred policies, and are leading work with industry partners on creating bespoke packages of design support for export and supply chain businesses. There continues to be a high level of overseas interest in our work and approach, and we are exploring these opportunities.

Design Associates

We train and manage a group of Design Associates who are our independent design management experts. They work with businesses, research and public service management teams to encourage these clients to be better users and buyers of design.

Challenges

Designing practical solutions to complex problems

We run open innovation competitions that help create better solutions to society's most complicated problems. We support innovators and entrepreneurs to design products and services with real social impact.

In 2013/14, Challenges met its targets and delivered the following:

Knee High: early years development

In partnership with Guys and St Thomas Charity and the London Boroughs of Southwark and Lambeth, we launched a Design Challenge to improve the health and well-being of children under five. Of the 190 teams who applied, 25 were supported with small amounts of seed funding. They have now been narrowed down to six teams that will receive funding and intensive coaching as they further develop ideas, business models and social impact models. Local authority commissioners, child development experts and others that comprise our advisory and selection panels remain enthusiastic about the ambition and progress of this programme.

Design supporting social priorities

We worked with a number of organisations to provide design input and expertise on matters of social interest. With the Cabinet Office, we brought a user-centred perspective to the ways in which social entrepreneurs identify and access funding, and with the Future Cities Catapult we showed the value of design in future visioning. We are supporting a start-up online sexual health service founded by Southwark and Lambeth clinicians and have advised the government on how a design perspective could contribute to flood prevention and recovery. Design advice was given to a number of initiatives run by the likes of NHS England, Home Office, Prime Minister's Challenge Group on Dementia, Department of Work and Pensions, and Department of Health.

Behavioural design

Our collaboration with Warwick Business School, the Behavioural Design Lab, links behavioural science with design-thinking and uses a scientific understanding of people to design better products, services and places that change behaviour and improve lives. Current projects include work with drinks manufacturers on ways that design interventions could encourage consumers to drink more responsibly at home.

Ongoing impact

We continue to evaluate our current and past work and measure impact on the ground ventures created through the Challenges continue to be successful. The evaluation of our project to reduce violence and aggression in A&E departments showed significant improvement in customer experience and reduction in low-level hostility towards staff. Pearson Lloyd, one of the organisations funded through the programme, created a solution, *The Better A&E*, and won a Creative Review Best in Book award. A number of videos outlining the impact of Design Challenges were created during the year and posted online at www.designcouncil.org.uk.

Cabe

Improving places. Improving lives.

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

In 2013/14, Cabe met the majority of its targets and delivered the following:

Transition

The priority this year, the first without government funding, was to consolidate the fee-charging business model. A new Director joined to lead this area in developing services to diversify the offer and meet market needs. Cabe has found more traction in the marketplace with, for example a new subscription service which has been taken up by Oxford City. Other local authorities across England are showing interest in commissioning a similar service.

Improving infrastructure investment

Design Reviews provide expert advice on the design quality of schemes in England that will have a significant impact on their environment. During the year we offered design advice to 55 schemes which included the new Festival Wing at the Southbank Centre and Whitgift Centre in Croydon, which aims to become South London's new major shopping destination. We also reviewed four Nationally Significant Infrastructure Projects (NSIPs) such as Sizewell C Nuclear Power Station in Suffolk. 2013/14 saw the final move from government subsidised to paid for reviews which has been generally accepted in the market although not without some challenges.

Advising government and influencing policy

We continued to influence government on key policy challenges. This included working with the Taylor Review team and the Department for Communities and Local Government (CLG) on the National Planning Practice Guidance. We also advised on the Lyons Housing Review, Housing Standards Review and the Farrell Review of architecture and the built environment. We were commissioned directly by Government to undertake a review of inclusive design guidance as it relates to the built environment. This knowledge base will appear as an online portal within our website at www.designcouncil.org.uk/inclusive.

Campaigning for healthy places, quality housing and better communities

We launched our *Active by Design* campaign in partnership with the property developer Derwent in four of their buildings to promote healthy places and healthy lives. We are discussing further collaborations with residential developers and local authorities. A Community Toolkit was successfully piloted in three locations around the country and is being further developed and refined with our partners, The Good Homes Alliance. We piloted *Built for Life*, a scheme recognising design quality, safety and community, developed with Design for Homes and the Home Builders Federation.

Built Environment Experts

We continued to work with our network of 250 Built Environment Experts (BEEs) who support the Cabe team in delivering high-quality designed places throughout England. The BEE network is a broad and flexible group of highly respected specialists, drawn from a range of sectors.

Insight

Leading the latest thinking on design

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

In 2013/14, Insight met its targets and delivered the following:

Stimulating debate and championing great design

The third design summit, *Leading Business by Design*, focused on our latest research in partnership with Warwick Business School which shows that design adds value to businesses across the spectrum, including Barclays and Virgin Atlantic. We tested a new paid ticket model with success. We celebrated the designers who worked on the London 2012 Olympic Games by telling their stories in our *Beyond 2012* celebration and website and celebrated emerging design talent with our *Future Pioneers* award.

Influencing policy and research

Providing advocacy and advice to government is a key part of our work. During the year we delivered against our actions in the government's Innovation and Research Strategy for Growth, which was originally published in December 2011. We worked with Creative & Cultural Skills on establishing a Design Skills Academy, a network of universities and colleges which are particularly passionate about design. A new industry 'sounding board' of design experts helped to give us some fresh insights on design. We advised government on design, particularly on strategies related to the creative industries and architecture. In addition to our business research, we commissioned a study on the role of design in the commercialisation of science and continue to expand our impact evidence base.

Building partnerships and networks

We refreshed our digital presence in the year which has better enabled us to champion great design, reach our networks and engage with the design industry and wider stakeholders on policy issues. We have been forging new partnerships to extend our knowledge and reach, such as those in the 'innovation infrastructure'. We have been working with others on specific projects, such as the Arts and Humanities Research Council and Nesta to deliver workshops across the country on design in public services. We recently won a European-Commission-funded programme, *Design for Europe*, to create a web platform and promotional campaign to raise design's role in innovation across Europe. Leading 13 European partners, the programme is funded for three years.

In addition to the European project we have been expanding our networks overseas and have completed a contract in Chile and are looking at opportunities in New Zealand, Dubai, Hong Kong and China among others.

Operations and People

Our team, culture, values and working environment play a key part in helping us become a thriving, enterprising charity. We undertook a number of initiatives during the year to develop ourselves into a more agile and entrepreneurial organisation, to evolve the shape of the business, invest in people's skills, and to ensure that we champion design thinking and good design in all of our activities.

We refocused the business and refreshed our strategy and business plan, *Championing Great Design*, which set new emphasis on the services delivered and on business development.

To enable the focus on business development, we created two executive roles to look at business and future programmes development respectively, supported by centralised business development and marketing and communications teams. The executive team instigated an assessment process to evaluate new business opportunities. We have increased our activity and capability in areas such as licensing, partnerships and sponsorship and have worked to develop commercial skills across the business as a whole.

Our new Architecture and Built Environment Director joined during the year and has been focussing the team on growing our architecture and built environment services into a successful business. Good progress has been made and services are beginning to establish themselves in the market.

Staff play an active role in the Design Council. We seek their views and keep them informed through regular team meetings and through a weekly intranet update, which also goes out to our business network. We appointed three new trustees in the year.

We refreshed our staff induction programme and launched a new People Handbook to staff, which consolidated policies and procedures to reflect best practice and better support how we operate as an enterprising charity. During the year we launched a successful intern programme which will be continued according to needs across the business.

A number of business process improvements were instigated across the business. We went live with a new timesheet system and appointed a new IT service provider to work with us as a business partner to help us innovate in this area. We also invested in and launched our new digital presence. These initiatives are already delivering real benefits.

Plans for 2014/15

In 2014/15, we will build on the work started in 2013/14 to champion great design that improves lives. Our business plan, *Championing Great Design*, sets out our objectives for the year and within that, the four priority areas across the business in delivering our mission, vision and values are as follows:

- Maintaining and building our brand and reputation by ensuring our programmes are linked to our charitable objectives and by delivering high quality services and thought leadership.
- Securing longer term and more diverse sources of funding by working to scale up income generation, while monitoring financial sustainability and risk.
- Defining our business development strategy to better understand the markets we want to operate in and refine our services to meet demand.
- Continuing to reshape the organisation, streamline processes and support and develop staff to support the new culture and encourage working as a self-sustaining enterprising charity.

Public Benefit

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

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

Financial Review 2013/14

The consolidated results for the Design Council for the year ended 31 March 2014 are set out in the financial statements on pages 19-38.

In the third year as an independent charity the financial results showed a deficit of £0.3m compared to a £0.2m surplus in 2012/13.

Total income for the year amounted to £6.3m (£8.9m in 2012/13) of which £4.7m was in the form of government grants from BIS and CLG (£7.3m in 2012/13). The drop in grant income is due to the Cabe business no longer receiving CLG core funding from 2013/14. The remaining income of £1.6m (£1.6m in 2012/13) was raised from a variety of external sources including Guys and St Thomas' Charity Trust in support of the challenges programme Knee High, and the Design for Europe programme funded by the European Commission.

Total costs for the year were £6.6m (£8.6m in 2012/13). Cash balances remain healthy. At March 2014 the total of cash at bank and money invested in short term deposits was £2.3m (£2.1m in 2012/13).

The average number of staff employed during the year was 56 compared with 59 in 2012/13.

Going Concern

The trustees have reviewed the financial position of the Design Council and its subsidiaries, its forecast cash flows, liquidity position and potential funding commitments up to March 2016. The Design Council operates as an independent enterprising charity and there is a level of uncertainty regarding the charity's future. As a consequence, the trustees have used prudent assumptions in assessing the likely size and scale of income opportunities and will only commit funds to charitable activities when they are certain that obligations can be met. The trustees therefore believe that the charity has adequate resources to continue in operational existence for the foreseeable future. As a result, they continue to adopt the going concern basis of accounting in preparing the Annual Report and Accounts.

Reserves Policy

The Trustees have reviewed the level of reserves required by the Design Council to sustain on-going operations. Accordingly the Design Council has adopted a reserves policy to maintain a level of unrestricted reserves sufficient to fund the ongoing overhead and committed salary costs for a period of three months. At March 2014 unrestricted reserves were £1.26m against a target level of £1.09m.

Statement of Trustees' Responsibilities

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

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

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

The trustees are responsible for keeping accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011 and regulations made thereunder. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

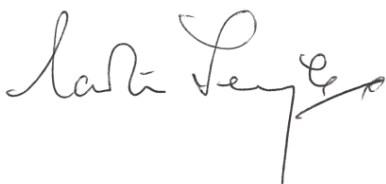
Each of the trustees confirms that to the best of his/her knowledge there is no information relevant to the audit of which the auditors are unaware. Each of the trustees also confirms that he/she has taken all necessary steps to ensure that he/she is aware of all relevant audit information and that this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

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The total number of such guarantees at 31 March 2014 was 12 (2013 - 16). The trustees are members of the charity but this entitles them only to voting rights. The trustees have no beneficial interest in the group or the charity.

Auditors

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

Approved by the trustees on 24 July 2014 and signed on their behalf on 30 July 2014 by



Martin Temple
30 July 2014

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

We have audited the financial statements of the Design Council for the year ended 31 March 2014 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Parent Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 March 2014, and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Matters on which we are required to report by exception

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

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

BDO LLP

**BDO LLP
Statutory Auditor
London
United Kingdom**

Date: 31 July 2014

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

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

Design Council Consolidated Statement of Financial Activities
For the year ended 31 March 2014

	Note	Unrestricted £000	Restricted £000	2014 Total £000	2013 Total £000
Incoming resources					
Incoming resources from generated funds	2				
Voluntary income		-	-	-	10
Activities for generating funds		384	-	384	329
Investment income		4	-	4	2
Incoming resources from charitable activities	3	663	5,261	5,924	8,514
Total incoming resources		1,051	5,261	6,312	8,855
Resources expended					
Costs of generating funds		-	-	-	7
Charitable activities		1,337	5,200	6,537	8,584
Governance costs		88	-	88	58
Total resources expended	4	1,425	5,200	6,625	8,649
Net incoming resources before transfers		(374)	61	(313)	206
Gross transfers between funds	8	-	-	-	-
Net movement in funds		(374)	61	(313)	206
Reconciliation of funds					
Total funds brought forward		1,630	80	1,710	1,504
Total funds carried forward	8	1,256	141	1,397	1,710

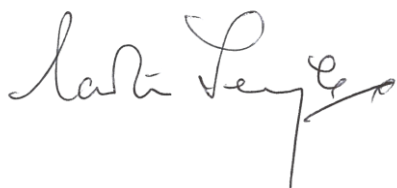
Notes:

- 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, numbered 1 - 23, form part of these accounts.

Design Council Balance Sheets as at 31 March 2014

	Note	2014 £000	Group 2013 £000	2014 £000	Charity 2013 £000
Fixed assets					
Tangible fixed assets	10	522	587	522	587
Investment in subsidiaries	11	-	-	-	-
Total fixed assets		522	587	522	587
Current assets					
Prepayments and debtors	15	1,225	1,103	1,192	1,633
Investments	16	500	-	500	-
Cash at bank and in hand	17	1,756	2,117	1,723	1,107
Total current assets		3,481	3,220	3,415	2,740
Current liabilities					
	18	2,558	2,073	2,492	1,593
Net current assets		923	1,147	923	1,147
Provisions for liabilities and charges	19	48	24	48	24
Net assets	9	1,397	1,710	1,397	1,710
Funds					
Restricted funds	8	141	80	141	80
Unrestricted funds					
General funds		1,256	1,630	1,256	1,630
Total funds		1,397	1,710	1,397	1,710

Approved by the trustees on 24 July 2014 and signed on their behalf on 30 July 2014 by



Martin Temple
30 July 2014

Consolidated Cash Flow Statement
For the year ended 31 March 2014

	2014 £000	2013 £000
Net cash (outflow)/inflow from operating activities	153	872
Returns on investments & servicing of finance		
Interest received	<u>4</u>	<u>2</u>
	4	2
Capital expenditure & financial investment		
Acquisition of tangible fixed assets	(18)	(620)
Investment (made)/liquidated	<u>-</u>	<u>-</u>
	<u>(18)</u>	<u>(620)</u>
Management of Liquid Resources		
Increase in short term deposits	(500)	-
Net cash (outflow) / inflow	<u>(361)</u>	<u>254</u>
At end of year	<u>1,756</u>	<u>2,117</u>
At start of year	<u>2,117</u>	<u>1,863</u>

Notes to the cashflow statement

Note:	Reconciliation of net (outgoing)/ incoming resources to net cash flow from operating activities	
	2014 £000	2013 £000
Net incoming/(outgoing) resources for the year	(313)	206
Interest received	(4)	(2)
Depreciation	83	80
Provision for liabilities and charges	24	24
Loss on sale of fixed assets	-	18
(Increase)/decrease in debtors	(122)	1,320
Increase/(decrease) in creditors	<u>485</u>	<u>(774)</u>
Net cash flow from operating activities	<u>153</u>	<u>872</u>

Notes to the Design Council Financial Statements

For the year ended 31 March 2014

1. Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, the Companies Act 2006, and the Statement of Recommended Practice "Accounting and Reporting by Charities" 2005 (SORP 2005).

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

b) Incoming resources

All incoming resources are recognised within the SOFA where:

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

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

c) Recognition of grants receivable

Income is accounted for when earned and matched to expenditure. Grants are categorised as either restricted or un-restricted depending on the terms of the grant.

d) Resources expended

Expenditure is accounted for on an accruals basis, and allocated to the appropriate heading in the Financial Statements. Charitable activities' expenditures enable the Design Council to meet its charitable aims and objectives, consistent with good governance. In Note 4 costs are attributable to the categories of charitable expenditure on an actual basis with the exception of support costs which are allocated as a proportion of total directly attributable costs.

e) Governance costs

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

f) Grants payable and constructive obligations
Grant payments are charged to the SOFA in the year in which they are communicated to the recipient as at that time a valid expectation has been created that the grants will be paid.

g) Liquid resources
Design Council's liquid resources are a combination of cash, and short term deposits included within the accounts as "Investments".

h) Funds accounting
Funds held by the Design Council are either:

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

i) Fixed assets and depreciation
Tangible Fixed Assets costing less than £1k are not capitalised and are written off in the year of purchase. Assets are capitalised at cost and are kept under review for any impairment. All fixed assets are written off on a straight line basis over the assets' expected useful lives as follows:

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

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

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

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

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

n) Grant making policy

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

2. Incoming resources from generated sources

	Unrestricted £000	Restricted £000	2014 Total £000	2013 Total £000
Donations	-	-	-	10
Total voluntary income	-	-	-	10
Turnover from Cabe	384	-	384	319
Turnover from Design Council Enterprises	-	-	-	10
Investment income - bank interest	4	-	4	2
Incoming resources from generated sources	388	-	388	341

3. Incoming resources from charitable activities

	Unrestricted £000	Restricted £000	2014 Total £000	2013 Total £000
Grants from BIS and CLG	-	4,737	4,737	7,339
Other grants from government and public bodies	-	524	524	484
Business programme fees	659	-	659	687
Design related external income	4	-	4	4
Total incoming resources from charitable activities	663	5,261	5,924	8,514
Total incoming resources	1,051	5,261	6,312	8,855

4. Resources expended

	Grants payable	Staff costs	Other direct costs	Total direct costs	Support Costs	2014 Total	2013 Total
	£000	£000	£000	£000	£000	£000	£000
Costs of generating funds							
Design Council Enterprises	-	-	-	-	-	-	7
Charitable activities							
Insight	107	671	751	1,529	952	2,481	2,364
Challenges	152	332	268	752	402	1,154	1,538
Design Support	-	555	713	1,268	849	2,117	2,375
Cabe	-	588	197	785	-	785	2,307
	259	2,146	1,929	4,334	2,203	6,537	8,584
Governance costs	-	88	-	88	-	88	58
2014	259	2,234	1,929	4,422	2,203	6,625	8,649
2013	831	2,372	2,282	5,485	3,164	8,649	

Note: grants payable

The Design Council makes grant payments to selected partners in support of programmes within the Challenges and Insight activities as shown on the next page.

1. Insight £107k

This was paid to the following partners of the *Design for Europe* programme:

Recipient:	Amount £000
University of Lancaster	19
Danish Design Centre	17
NESTA	17
Politecnico di Milano	14
Birmingham City University	9
KEPA	5
ARC Fund	4
Estonian Design Centre	4
Invest Northern Ireland	4
La 27e Région	4
Luxinnovation GIE	4
Dšola	4
IVZW	2
Total	107

2. Challenges £152k

This was paid to the following partners for the *Knee High* Design Challenge run in collaboration with Guys and St Thomas' Charity:

Recipient:	Amount £000
Body Talking Ltd	11
Explorer HQ Ltd	11
Mental Health Foundation	11
NSPCC	11
Save the Children	11
Stockwell Partnership	11
Good Enough Productions	10
Four individuals at £11k each	44
Other (less than £11k)	32
Total	152

5. Staff costs and numbers

Staff costs were as follows:

	2014	2013
	£000	£000
Salaries and wages	2,327	2,542
Social security costs	263	280
Pension contributions	108	165
Staff benefits	23	31
Redundancy costs	63	229
Total payroll staff costs	2,784	3,247
Total temporary and contract staff costs	217	157
Total staff costs	3,001	3,404
Total emoluments paid to staff were:	2,435	2,707

Employees' Emoluments

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

Band	2014	2013
60,000 - 69,999	1	-
70,000 - 79,999	1	2
80,000 - 89,999	-	1
90,000 - 99,999	1	-
120,000 - 129,999	1	-
130,000 - 139,999	-	1
150,000 - 159,999	1	-
160,000 - 169,999	-	1

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

	2014	2013
	No	No
Permanent (payroll)	52	57
Other staff (other)	4	2
	56	59

6. Net incoming resources for the year

This is stated after charging:

	Notes	2014 £000	2013 £000
Depreciation		83	80
Trustees' reimbursed expenses		7	8
Staff reimbursed expenses		29	31
Auditors' remuneration:			
Audit		26	25
Other services	a	69	2
Operating lease rentals:			
Plant and machinery		42	41
Other	b	544	544

Notes:

- Other services relate to advisory services provided by BDO, who are also our external auditors, primarily for strategy development and procurement.
- Other operating lease rentals are the rental payments for the Design Council offices at the Angel Building.

7. Support costs

Support costs are allocated to activities as follows:

	Notes	2014 Staff Costs £000	2014 Other Costs £000	2014 Total £000	2013 Total £000
Executive		361	65	426	314
Facilities		56	730	786	809
Human resources		111	79	190	227
IT		-	112	112	116
Finance	a	206	340	546	670
Depreciation		-	83	83	80
Loss on sale of fixed assets		-	-	-	18
Transition	b	33	27	60	930
Total support costs		767	1,436	2,203	3,164

Notes

- The Design Council only recovers a proportion of the VAT incurred on purchases under the "partial exemption methodology". The irrecoverable element of the incurred VAT is taken centrally and charged to Finance (2013/14 £271k, 2012/13 £467k).
- Included are exceptional costs associated with the Design Council's office move from Bow Street.

8. Movements in funds

	At the start of the year	Incoming resources	Outgoing resources	At the end of the year
	£000	£000	£000	£000
Restricted funds:				
BIS Grant - Design Council	-	4,650	(4,578)	72
Design for Patient Dignity	20	-	-	20
DCMS – Beyond 2012	-	50	(50)	-
AHRC – Public Services Workshops	-	17	(17)	-
EC – EDIP	-	172	(172)	-
Design Wales	-	13	(13)	-
Guys and St Thomas – Knee High	47	299	(310)	36
Guys and St Thomas – SH24	-	11	(11)	-
Nominet	13	-	-	13
FCO – Chile	-	5	(5)	-
Good Homes Alliance – Community Toolkit	-	7	(7)	-
CLG – Inclusive Design Hub	-	18	(18)	-
Transition	-	19	(19)	-
Total restricted funds	80	5,261	(5,200)	141
Total unrestricted funds	1,630	1,051	(1,425)	1,256
Total funds	1,710	6,312	(6,625)	1,397

9. Analysis of group net assets between funds

	Unrestricted funds	Restricted funds	Total funds
	£000	£000	£000
Tangible fixed assets	522	-	522
Current assets	1,248	1,571	2,819
Investments	500	-	500
Long term debtor: amount owed over one year	161	-	161
Current liabilities	(1,127)	(1,430)	(2,557)
Provision for liabilities and charges	(48)	-	(48)
Net assets at the end of the year	1,256	141	1,397

10. Tangible fixed assets

The Group and Charity	Leasehold Improvements	Furniture and fittings	IT	Total
	£000	£000	£000	£000
Cost				
At the start of the year	592	221	196	1,009
Additions in year	14	-	4	18
Disposals in year	-	-	-	-
At the end of the year	606	221	200	1,027
Depreciation				
At the start of the year	49	200	173	422
Charge for the year	60	6	17	83
Disposals in year	-	-	-	-
At the end of the year	109	206	190	505
Net book value				
At the end of the year	497	15	10	522
At the start of the year	543	21	23	587

11. Investments in subsidiaries

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

	2014 £	2013 £
Investment in subsidiary undertakings incorporated in the UK	<u>1</u>	<u>1</u>

The Charity also owns Design Council Commission for Architecture and the Built Environment, known as 'Cabe', a company limited by guarantee, at nil cost. It is a company registered in England.

12. Taxation

The charity is exempt from corporation tax as all of its income is charitable and is applied for charitable purposes. Any surpluses from the charity's subsidiary companies are gift aided to the charity. No Corporation tax charge is anticipated for 2013/14.

13. Subsidiary undertakings

Cabe

In March 2011 a subsidiary company limited by guarantee, Design Council Commission for Architecture and the Built Environment (Cabe), was incorporated to accommodate the transfer of staff and trademarks from a previous Non Departmental Public Body (NDPB) into the Design Council. There was no net asset value ascribed to the transfer.

The subsidiary company trades as Cabe. The company is registered in England and used for non-primary purpose trading activities. All activities have been consolidated on a line by line basis in the SOFA. Available profits are gift aided to the charitable company. The directors of Cabe are appointed by the Design Council. The assets and liabilities of the Charity's subsidiary Cabe were transferred into the Charity with effect from 1 April 2014. The activities of Cabe will continue within the Charity from April 2014. A summary of the results of the subsidiary is shown below:

	2014 £	2013 £
Income	410,177	3,322,280
Administrative expenses	<u>(785,144)</u>	<u>(2,998,927)</u>
Operating profit	(374,967)	323,353
Interest receivable	<u>653</u>	<u>746</u>
	(374,314)	324,099
Gift aid to parent undertaking	<u>-</u>	<u>(324,099)</u>
Loss on ordinary activities before taxation	(374,314)	-
Taxation	<u>-</u>	<u>-</u>
Loss for the financial year	<u><u>(374,314)</u></u>	<u>-</u>

Design Council Enterprises

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

	2014	2013
	£	£
Income	-	9,728
Administrative expenses	-	(8,454)
Operating profit	-	1,274
Interest receivable	10	131
	10	1,405
Gift aid to parent undertaking	(10)	(1,405)
Profit on ordinary activities before taxation	-	-
Taxation	-	-
Profit for the financial year	-	-
The aggregate of the assets, liabilities and funds was:		
Assets	5,551	6,986
Liabilities	(5,550)	(6,985)
Funds	1	1

14. Parent charity

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

	2014	2013
	£000	£000
Gross income	5,901	6,217
(Deficit)/surplus for the year	(313)	206

15. Prepayments and debtors

	2014 £000	Group 2013 £000	2014 £000	Charity 2013 £000
Prepayments and accrued income	696	565	686	434
Trade debtors	365	454	199	325
Other debtors	164	84	163	84
Amounts due from subsidiary	-	-	144	465
Gift aid receivable from subsidiaries	-	-	-	325
	1,225	1,103	1,192	1,633

The long term debtor of £160,437 is a deposit paid to the landlord of our office premises within the Angel Building.

16. Investments

	2014 £000	Group 2013 £000	2014 £000	Charity 2013 £000
Lloyds Money Market deposit	500	-	500	-
	500	-	500	-

17. Cash at bank and in hand

	2014 £000	Group 2013 £000	2014 £000	Charity 2013 £000
Cash at bank	1,756	2,117	1,723	1,107
	1,756	2,117	1,723	1,107

18. Creditors: amounts due within one year

	2014	Group	2014	Charity
	£000	2013	£000	2013
		£000		£000
Trade creditors	315	359	300	199
Tax and social security	86	85	69	62
VAT payable	20	24	20	24
Other creditors	216	482	211	473
Accruals	726	974	705	686
Deferred income	1,195	149	1,187	149
	2,558	2,073	2,492	1,593

19. Provisions for liabilities and charges

	2014	Group	2014	Charity
	£000	2013	£000	2013
		£000		£000
Dilapidations	48	24	48	24
	48	24	48	24

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

20. Operating lease commitments

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

	Land and	2014	Land and	2013
	buildings	Other	buildings	Other
	£000	£000	£000	£000
Within 1 year	-	-	-	2
Between 2 - 5 years	459	39	413	38
Over 5 years	-	-	-	-
	459	39	413	40

21. Contingent liabilities

There are no contingent liabilities to declare.

22. Related parties transactions

Where transactions between the Design Council and its wholly owned subsidiaries have been eliminated on consolidation in these financial statement, advantage has been taken of exemptions under *FRS 8 Related Party Disclosures* not to disclose balances.

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

Name	Position at the Design Council	Related party	Income £	Expense £
Martin Temple	Chairman	Chairman, EEF		9,160
Martin Temple	Chairman	Council Member, University of Warwick		7,715
Pam Alexander	Trustee	Non Executive Director, Crest Nicholson plc	16,050	
Pam Alexander	Trustee	Chair, Covent Garden Market Authority (CGMA)*	17,000	

*£17,000 of income was received from VSM (NCGM) Ltd, which is a joint venture to redevelop New Covent Garden Market in partnership with CGMA.

23. Post balance sheet events

The assets and liabilities of the Charity's subsidiary Cabe were transferred into the Charity with effect from 1 April 2014. The activities of Cabe will continue within the Charity from April 2014.

Bankers and Professional Advisers

Bankers

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July 2014

Registered Charity number 272099

Company number RC000848

Design Council Enterprises Limited company number 7211046

Design Council Cbe company number 7580913