

# **One North East**

## **Report and Accounts**

**for the period 1 April 2012 to 30 June 2012**

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## **Report and Accounts for the period 1 April 2012 to 30 June 2012**

Presented to Parliament pursuant to sections 15 (2) and 17 (3)  
of the Regional Development Agencies Act 1998

Ordered by the House of Commons to be printed on 19 December 2012

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ISBN: 9780102980967

Printed in the UK by The Stationery Office Limited  
on behalf of the Controller of Her Majesty's Stationery Office

ID 2524378 12/12 25584

Printed on paper containing 75% recycled fibre content minimum.

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## **Introduction by the Accounting Officer**

These accounts cover the final three month period leading up to the abolition of One North East (“the Agency”) on 1 July 2012.

The Agency ceased operations on the transfer of all remaining operational activity to the Department for Business, Innovation and Skills (BIS) on 30 March 2012. The results for the last year of operations are set out in the Agency’s 2011/12 Annual Report and Accounts which were published in June 2012.

In the final three month period a small number of Agency staff remained in post to complete the Agency’s Annual Report and Accounts for 2011/12, to prepare a draft Report and Accounts for the period 1 April to 30 June 2012 for completion by BIS after abolition, and to transfer to BIS all remaining records and residual rights and obligations. The Agency’s former Chief Executive and Accounting Officer, Alan Clarke, remained in post until 30 June 2012. I became the responsible Accounting Officer for the Agency when the Agency’s Chief Executive and Accounting Officer was made redundant and I take full responsibility for the Report and Accounts for the period to 30 June 2012.

At 00.01am on 1 July 2012, all of Agency’s residual rights and obligations were legally transferred to BIS. At 00.02am on 1 July 2012 the eight remaining Regional Development Agencies, including the Agency, were abolished by an Order commencing section 30(1) of the Public Bodies Act 2011. The appointments of the Agency’s Chair and the other Board members terminated on the Agency’s abolition.

On abolition, the Regional Development Act 1998 was repealed save for the provisions concerning the completion of a report and statement of accounts for the accounting period from 1 April 2012 to 30 June 2012.

After the abolition of the Agency, the Report and Accounts have been completed by my staff, using drafts provided by Agency and drawing on additional supporting evidence and information provided by the Agency. The draft Report and Accounts were reviewed and approved in draft by Agency’s Audit Committee on 13 June 2012 and Board on 14 June 2012. I have received assurances from the former Accounting Officer about the controls exercised by him, the officers and Board of the Agency during its existence to ensure compliance with the principles of *Managing Public Money* and in particular in relation to governance, decision-making and financial management. I am content that these assurances are sufficiently accurate and robust to allow me to place reliance on them to discharge my role as Accounting Officer and to sign the Report and Accounts for the period ending 30 June 2012.

The Report includes commentaries by the former Chairman and former Chief Executive to provide additional context. I would like to record my thanks to them and to the Board and staff for their work at the Agency and for their work on this document in the final accounting period.

**Martin Donnelly**

**Permanent Secretary and Accounting Officer  
Department for Business, Innovation & Skills**

### **Management Commentary by the former Chairman**

This has been a somewhat unusual final period for One North East in that from its start, all the projects developed during our lifetime had already either been closed or transferred leaving us to focus entirely on ensuring our abolition is achieved smoothly, swiftly and at minimal cost to the public purse.

Over this period I have continued to be impressed with the professionalism of One North East staff. Their determination in achieving a seamless closure whilst anticipating their own redundancies has been admirable and I would like to place on public record my thanks for this. I would also like to thank the Board of One North East for their support which has been invaluable.

Finally, I would like to give a heartfelt thanks to my Chief Executive, Alan Clarke, for his hard work and commitment in leading the organisation so effectively in this difficult period. He and all of the staff can be proud of the legacy One North East has left behind, one which I am certain the region will feel the benefits of for years to come.

**Paul Callaghan**  
**Chairman (until 30 June 2012)**

### **Management Commentary by the former Chief Executive**

This final accounting period has been solely focused on the abolition of One North East and has, therefore, been completely different to any previous period. As an organisation, we have been fully committed to deliver our abolition tasks with the same professionalism and diligence as when we worked, in previous years, with partners to develop our projects. I am confident that the Department for Business, Innovation and Skills, our sponsor Department, has received from One North East all the resources and information it requires to complete any residual work. I have no doubt whatsoever that the legacy of One North East will continue to remain visible for years to come.

I would like to thank our Chairman, Paul Callaghan, who has provided unstinting support and leadership and all One North East staff over the years for their hard work, resilience and dedication.

**Alan Clarke CBE**  
**Chief Executive (until 30 June 2012)**

## **Accounting Officer's Report**

The Accounting Officer presents the Agency's Report and Accounts for the period 1 April to 30 June 2012.

### **Statutory background**

One North East ('the Agency') was a Regional Development Agency (RDA), classified as a non-departmental public body of the sponsoring Department for Business, Innovation and Skills (BIS). It was established under the provisions of the RDA Act 1988. The Secretary of State is accountable to Parliament for the activities and performance of the Agency. The Agency was abolished on 1 July 2012.

### **Review of Principal Activities and Results**

The main tasks for the Agency between 1 April and 30 June 2012 were to:

- (a) prepare the Agency's 2011/12 Annual Report and Accounts for certification by the NAO;
- (b) prepare a draft Report and Accounts for the period 1 April to 30 June 2012, and hand these over to BIS for completion, with supporting documentation; and
- (c) prepare to transfer to BIS before abolition all remaining rights and obligations and residual assets and liabilities, so that BIS were in a position to complete any outstanding work.

A small team of staff remained employed by the Agency during the reporting period to complete these closure tasks. All of the remaining staff were made redundant on 30 June 2012.

The results for the period ended 30 June 2012 are set out in the Financial Statements. The Statement of Comprehensive Net Expenditure shows net expenditure taken to Taxpayers' Equity amounting to £0.551million (2011/12: £47.360million).

### **Going Concern**

The Public Bodies Act, which paved the way for the abolition of all Regional Development Agencies (RDAs), received Royal Assent on 14 December 2011.

In 2011/12 BIS issued two transfer schemes for each RDA under the Act. The first came into effect on 1 January 2012, transferring remaining projects and some staff to BIS, so that the remaining projects could be completed. A second transfer scheme was made on 30 March 2012 to take away most remaining assets and liabilities so the Agency achieved operational closure by 31 March 2012. A third transfer scheme took effect on 1 July 2012, transferring the Agency's remaining assets and liabilities to BIS and the Agency was then abolished on 1 July 2012. Accordingly, I concluded that the Agency was no longer a going concern as at 30 June 2012, and these accounts have been prepared on a basis other than going concern.

## **Former Board Membership**

One North East held one Board meeting during the period 1 April to 30 June 2012. During the period the Agency had ten Board Members who are appointed by the Secretary of State who were representatives from Local Authorities, Trade Unions, the voluntary sector and the private sector.

The Board Members during the period to 30 June 2012 were as follows:

Paul Callaghan (Chairman)	Cllr Peter Jackson
Ruth Thompson OBE (Deputy Chair)	Lord John Shipley OBE
Ian Brown	Cllr Bob Symonds
Ian Dormer	Graham Thrower
Gill Hale	Kate Welch OBE

The appointments of the Agency's Board Members terminated on the Agency's abolition.

One North East maintained a Register of Board Members' Interests, which is available for inspection at BIS's offices at 1 Victoria Street, London SW1H 0ET by prior arrangement. Members declared their interests to the Board in any transactions involving the relevant organisations and did not participate in any discussions or vote on any related matters. There were no Related Party Transactions to disclose.

The Agency operated a Code of Practice for Board and Committee Members to ensure that they observed the highest standards of conduct as outlined in the Nolan Report for openness, honesty, integrity, selflessness and objectivity in relation to stewardship of public funds and management of the Agency whilst at the same time acting in accordance with Government policy of openness.

## **Former Audit Committee**

The Board was independently advised by an Audit Committee whose role was to provide the Board with advice and information and to undertake a governance and supervisory role as required in accordance with Corporate Governance Best Practice. The Audit Committee reported to the Board about the adequacy of the Agency's systems of control and governance and highlighted any issues of concern.

The members of the Agency's former Audit Committee were:

Ian Dormer (Chairman)  
Lord John Shipley OBE  
Ruth Thompson OBE  
Graham Thrower  
Kate Welch OBE

The Audit Committee met once during the period to review the Annual Report and Accounts for 2011/12 and the draft Financial Statements for the period 1 April to 30 June 2012 and to recommend their approval to the Board, and to receive assurance on the Agency's systems of corporate governance, risk management and internal control. The Committee also received a report from KPMG as independent Internal Auditors. The Audit Committee activity in the period provided positive assurance about the Agency's governance and control environment and supported the production of a satisfactory Governance Statement for the period.



## **Prompt Payment Policy**

The Agency was committed to the Better Payment Practice Code and aimed to pay all invoices either within 30 days or in accordance with the terms agreed with the supplier.

The Agency aimed to comply with the HM Treasury target by paying at least 95% of all undisputed invoices within 30 days. In the period ended 30 June 2012 the Agency paid 100% of invoices within 30 days of their receipt (2011/12: 100%).

## **Health and Safety**

The Agency had in place health and safety policies and procedures that set out how its health and safety responsibilities were fulfilled. These applied to all staff, visitors, contractors and anyone else that was affected by our activities, including our offices, commercial and industrial properties and projects.

## **Employee Information and Consultation**

The Agency worked with staff, its trade union partner, PCS, and BIS to ensure the smooth closure of the Agency and the transfer of staff to successor organisations where appropriate. Individual exit dates were determined based on business need. All operational activity ceased on 31 March 2012.

## **Accountability and Financial Framework**

The RDAs' Accountability and Financial Framework issued by BIS sets the parameters for RDAs' governance. The Department issued a revised framework in October 2011 in recognition of the revised context for RDA business in light of abolition.

The revised framework sets out the financial and governance arrangements under which the Agency should operate and states that the RDAs' *"aim, in conjunction with their purposes, set out in the RDA Act 1998, will be to secure an orderly transition and closure"*. Section 5.5 of the framework states that the Department would "communicate with and instruct" the RDAs by way of "action notes". This system incorporated all formal directions, revocations and other types of instruction received by the Agency.

During the period 1 April to 30 June 2012, the Agency complied in all material respects with the terms of the framework and associated instructions.

## **Principal risks and uncertainties**

Details of the principal risks and uncertainties are set out in the Governance Statement.

## **Pension Costs**

The pension scheme details are set out in the accounting policies note 1.3, in the Staff Numbers and Related Costs note to the Financial Statements (note 3) and in the Remuneration Report.

## **Freedom of Information**

No requests were received or actioned in the period ending 30 June 2012. With the cessation of operations at the end of March 2012, responsibility for handling requests under the Freedom of Information Act 2000 passed to BIS.

## **Political and Charitable Donations**

No political or charitable donations were made during the period.

### **Events after the reporting period**

Information about events after the report period is given in Note 22 to the financial statements.

### **Audit Services**

The Comptroller and Auditor General is appointed by statute to audit the Agency, and reports to Parliament on the truth and fairness of the financial statements and the regularity of income and expenditure. The amount due to the National Audit Office (NAO), the body that undertakes the audit on behalf of the C&AG, for the period ending 30 June 2012 was £12,000 (2011-12: £82,000) relating to external statutory audit work. The Comptroller and Auditor General has statutory powers to report on the economy, efficiency and effectiveness with which the Agency has used its resources.

As far as the Accounting Officer is aware, there is no relevant audit information of which the Agency's auditor is unaware. 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 Agency's auditor is aware of that information.

## **Remuneration Report**

### **Introduction**

This report deals with the remuneration of the former Chair, Chief Executive, Board members and Directors who had influence over the decisions of the Agency as a whole.

### **Remuneration of the former Chairman and Board Members**

The remuneration of the former Chairman and Board Members was set by the Department for Business, Innovation and Skills (BIS). There was no increase in their remuneration in the period ended 30 June 2012.

### **Former Board members' remuneration**

All Board members were appointed on fixed term contracts and, except for the Chairman and Deputy Chairman, were contracted to carry out two days work per month. The Chairman and Deputy Chairman were contracted to carry out three days work per week and four days work per month respectively for the Agency.

Details of the terms of appointment of the Board Members are shown on the emoluments table below. Board Members appointments are made in accordance with The Office of the Commissioner for Public Appointments.

Board Members' received no compensation for the termination of their appointments on the abolition of the Agency.

The Chief Executive and all other members of the Executive Management team were employed under permanent full time employment contracts. Early termination of employment for the Chief Executive and Executive Management team, other than for misconduct, was under the terms of Civil Service Compensation Scheme, as amended by the Superannuation Act 2010.

## Audited Part of the Remuneration Report

The following sections provide details of the remuneration and pension interests of the former Board Members, Chief Executive and Executive Management Team:

### Emoluments of former Board Members

Board Member	Salary £	Pension Contribution £	Total for the period to 30 June 2012 £	Total for the year to 31 March 2012 £	Full Year Equivalent Salary 2012-13 £	Months Paid
Paul Callaghan (Chair) (Appointed Chair 16/08/10 to 30/06/12)	20,429	4,964	25,393	101,715	81,718	3
Ruth Thompson OBE (Deputy Chair) (Appointed 01/10/10 to 30/06/12)	4,333	0	4,333	17,332	17,332	3
Cllr Bob Symonds (3 year appointed extended to 30/06/12)	2,167	0	2,167	8,666	8,666	3
Ian Dormer (3 year appointment extended to 30/06/12)	2,167	0	2,167	8,666	8,666	3
Ian Brown (3 year appointment extended to 30/06/12)	2,167	0	2,167	8,666	8,666	3
Lord John Shipley OBE (3 year appointment extended to 30/06/12)	2,167	0	2,167	8,666	8,666	3
Kate Welch OBE (3 year appointment extended to 30/06/12)	2,167	0	2,167	8,666	8,666	3
Cllr Peter Jackson (Appointed 13/12/09 to 30/06/12)	2,167	0	2,167	8,666	8,666	3
Gill Hale (3 year appointment extended to 30/06/12)	2,167	0	2,167	8,666	8,666	3
Graham Thrower (3 year appointment extended to 30/06/12)	2,167	0	2,167	8,666	8,666	3

The Board Members received no taxable non-cash benefits during the period.

## Emoluments of former Chief Executive and Executive Director

Name	Salary	Pension Contributions	Compensation	Total for the period to 30 June 2012	Total for the year to 31 March 2012	Full Year Equivalent Salary 2012-13	Months Paid
	£	£	£	£	£	£	
Alan Clarke CBE – Chief Executive (to 30/06/12)	35,193	8,552	140,772	184,517	294,891	140,772	3
Trevor Waggett - Director of Finance (to 30/06/12)	23,414	5,690	84,000	113,104	173,933	84,000	3

Salary above includes amounts relating to annual salary, holiday pay and retention payments. There are no exit packages as these were accounted for in accordance with IAS 19 during 2011-12. Compensation refers to payments under the Agency's retention scheme (see note 23).

## Remuneration of Highest Paid Director

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration below includes salary, non-consolidated performance-related pay, and benefits in kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The calculation is based on staff in post as at 30 June 2012 and does not include leavers during the period.

	Period to 30 June 2012 (annualised)	Year to 31 March 2012
Remuneration of Highest Paid Director	£281,554	£263,398
Median Total Remuneration	£67,668	£65,291
Ratio	4.2	4.0

## Redundancy Compensation Packages (Disclosed in Cost Bands):

Exit Package Cost Band	Total Compulsory Redundancy Packages	Total Other Departures	Total Exit Packages Period to 30 June 2012	Total Exit Packages Year to 31 March 2012
Up to £10,000	0	0	0	32
£10,001 - £25,000	0	1	1	77
£25,001 - £50,000	3	2	5	53
£50,001 - £100,000	1	1	2	11
£100,001 - £150,000	1	0	1	1
£150,001 - £200,000	0	0	0	1
Over £200,000	0	0	0	2
Total number of exit packages	<b>5</b>	<b>4</b>	<b>9</b>	<b>177</b>
Total resource cost / £	<b>325,140</b>	<b>148,858</b>	<b>473,998</b>	<b>5,022,673</b>

Compulsory redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. All redundancy costs were accounted for in full in 2011/12. The staff numbers and costs in the period ending 30 June 2012 are in respect of retention payments agreed and paid in that period (see note 23 for further details) and all of these staff are also included in the staff numbers for 2011/12 as their redundancies were agreed in that year.

### Additional Information

#### Other Benefits to former Board Members and Executive Directors

An estimated taxable benefit for the period of £nil (2011/12: £439) was calculated in relation to Board members which relate to mileage claims for meetings held.

Other benefits to the Chief Executive comprise a lease car.

#### Non-Cash Remuneration

Apart from the use of a lease car as described above, no non-cash remuneration was provided during the period to 30 June 2012 to Board members, the Chief Executive or the Executive Director.

#### Compensation paid to former Chief Executive & senior managers

During the period compensation for loss of office was paid as follows:

Alan Clarke left on 30 June 2012 and was paid £106,512 redundancy (accrued 2011/12) and received a £140,772 retention payment having satisfactorily met the required conditions.

Trevor Waggett left on 30 June 2012 and was paid £57,745 redundancy (accrued 2011/12) and received a £84,000 retention payment having satisfactorily met the required conditions.

Redundancy payments are repayable, on a sliding scale, if within six months an individual takes up employment with another Civil Service employer.

## **Pension benefits**

### **Pension benefits of former Board Members**

A pension scheme was established for the Chairman with the approval of BIS. The contribution rates and benefits of this scheme, which was funded directly by the Agency until it was transferred to BIS on 30 March 2012 as part of the RDA abolition, are identical to the Principal Civil Service Pension Scheme (PCSPS). On retirement, payment of the Chairman's pension will be the responsibility of BIS. No other Board members are eligible for pension contributions, performance related pay or any other taxable benefit as a result of their employment with the Agency.

### **Pension benefits of the former Chief Executive and Finance Director**

Alan Clarke and Trevor Waggett are both members of the PCSPS Premium scheme.

	Real increase in pension and related lump sum at age 60 (£000)	Total accrued pension at age 60 at 30/06/12 and related lump sum (£000)	CETV at 31/03/12 (£000)	CETV at 30/06/12 (£000)	Real increase in CETV after adjustment for inflation and changes in market investment factors (£000)
Alan Clarke CBE	2.5 - 5	80 – 85	1,421	1,548	87
Trevor Waggett	0 – 2.5	10 - 15	197	209	5

Accumulated accrued pensions on retirement are based on current pensionable salary and the number of years membership of the current scheme, excluding any transfers in.

### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional Scheme pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when pension benefits are taken.

### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period.

## **Pension Arrangements**

Permanent staff of the Agency were members of PCSPS. The PCSPS is a non contributory defined benefit scheme (with the exception of the Partnership Pension Account).

### **Principal Civil Service Pension Schemes (PCSPS)**

The PCSPS is an unfunded multi-employer defined benefit scheme but the Agency was unable to identify its share of underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For the period ended 30 June 2012, employers' contributions of £33,019 were payable to the PCSPS (2011-12: £966,120) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

From 30 July 2007, civil servants may be in one of four statutory-based final salary defined benefit schemes (Classic, Premium, Classic Plus and Nuvos). The scheme which the Agency's staff were in was dependant on the date on which they joined One North East. New entrants after 30 July 2007 could chose between membership of Nuvos or joining a good quality money purchase stakeholder based arrangement with a significant employer contribution (partnership pension account).

#### **(a) Classic Scheme**

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5% -3.9%, based on salary bands, of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on commuting the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

#### **(b) Premium Scheme**

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the



tables assume maximum commutation. During the period members paid contributions of 3.5% - 5.9%, based on salary bands, of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on commuting the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

### **(c) Classic Plus Scheme**

This is essentially a variation of the Premium scheme, but with benefits in respect of service before 1 October 2002. Pensions payable under Classic, Premium and Classic Plus are increased in line with Consumer Prices Index.

### **(d) Nuvos**

On 30 July 2007 the government introduced a new pension scheme called Nuvos for new entrants to the civil service. Under this scheme benefits accrue at the rate of 2.3% of pensionable earnings for each year of service with the amount increasing by Pensions Increase Legislation. Members will pay contributions of 3.5% - 5.9%, based on salary bands, of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 37.5% of the members pension to date. Children's pensions are payable to members' children and any other dependent children up to the age of 18 or up to the age of 23 if they are in full-time education. On death in service, the scheme pays a lump sum benefit of twice pensionable earnings.

### **Partnership Pension Account**

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute, but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death-in-service and ill-health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum. For the period ended 30 June 2012, normal employer contributions were £ nil (2011-12: £7,230).

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)



**Martin Donnelly**

**Permanent Secretary and Accounting Officer  
Department for Business, Innovation & Skills**

Date 5 December 2012

## **Statement of Accounting Officer's Responsibilities**

Under the Regional Development Agencies Act 1998, the Secretary of State with the consent of HM Treasury directed the Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The Accounts Direction for the final accounting period required the statement of accounts to cover the Agency's final accounting period from 1 April 2012 to 30 June 2012. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its income and expenditure, changes in taxpayers' equity and cash flows for the period.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government's Financial Reporting Manual and in particular 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 as set out in the Government's Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis, unless it is no longer appropriate to do so.

HM Treasury has appointed the Permanent Secretary of BIS as the Principal Accounting Officer for BIS and, as such, for the Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in *Managing Public Money*, published by HM Treasury.

## **Governance Statement**

### **Context**

The RDAs were established under the Regional Development Agencies Act 1998. The Government's decision to abolish RDAs, announced in June 2010, was enshrined in statute with the enactment of the Public Bodies Act in December 2011.

Governance of the Agency during the period has been informed by the RDA Accountability and Financial Framework, by Action Notes issued by BIS, and by Managing Public Money.

The former Board kept the Agency's governance arrangements under review during the period ended 30 June 2012 to ensure they remained fit for purpose. As the responsible Accounting Officer, I have received robust assurances from the former Chief Executive and Accounting Officer about the governance, risk management and internal control in the period ending 30 June 2012.

After the transfer of all of the Agency's remaining rights and obligations to BIS and its abolition on 1 July 2012, the conclusion of the Agency's remaining business was handled by BIS and was subject to BIS's governance framework and systems of risk management and internal control.

### **Scope and purpose of the statement**

This Governance Statement sets out the governance structures, risk management and internal control procedures that have operated in the Agency and within BIS during the period from 1 April 2012 to the date of the approval of the Report and Accounts.

### **Governance arrangements for the period 1 April 2012 to 30 June 2012**

#### The Agency's Governance Framework

The Agency was responsible for ensuring that it fulfilled the aims and objectives set by the Secretary of State and for the efficient and effective use of resources by the organisation during the closure process. The Agency was committed to the pursuit of economy, efficiency and effectiveness and sought to adopt good practice and incorporate value for money principles in all of its activities. The Agency has ensured that it maintained these core principles as it approached closure. The Agency's Accounting Officer advised the Board on the Agency's performance compared with its aims and objectives and ensured that its governance responsibilities were discharged in accordance with established criteria.

The Board delegated the detailed review of assurance on the Agency's systems of Corporate Governance, Risk Management and Internal Control to the Audit Committee.

The Agency's priority during the period to 30 June 2012 was to ensure an orderly closure of the organisation and an effective transfer of the remaining rights and obligations to BIS.

#### The Agency Board and Committee Structure

The Agency Board met once in the period to 30 June 2012 to consider the Agency's plans and strategic direction, in which it was supported by the Audit Committee. The Transition

Board Sub-group, created to oversee transition issues, reported directly to the Agency Board on overall progress. Remuneration issues were dealt with by the Board.

During the period to 30 June 2012 the Agency monitored its resources, both human and financial, on an ongoing basis so as to prioritise its efforts to ensure a timely and orderly closure. Direction and oversight continued to be provided by the Board and its committees. The Chief Executive and Finance Director established a weekly meeting with all staff which solely focused on the proper and orderly closure of the Agency.

During the period the Board met on one occasion and the Audit Committee on one occasion. There was full attendance at each of these meetings.

### Corporate Governance Performance

During the period to 30 June 2012 the Agency has continued to implement its Closure and Transition Plan. As part of this work, the Agency continued to review and enhance its system of internal control, including its scheme of delegated authority, in response to the new business context.

The Agency's system of Internal Control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it could, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control was based upon an ongoing and embedded process designed to identify and prioritise the risks to the achievement of the Agency's 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. This system was in place in One North East up until closure on 30 June 2012.

### Compliance with the Corporate Governance Code

The Agency assessed its governance arrangements in respect to the Corporate Governance Code and complied with the Code in all material respects. The Agency maintained a sound governance and assurance framework which facilitated compliance with the Code.

The inter-relationship between the Agency and BIS was codified in formal documents issued by BIS, such as the Accountability & Financial Framework. The Agency also ensured compliance with Managing Public Money and relevant Dear Accounting Officer letters, both of which are issued by HM Treasury, in addition to the Government Financial Reporting Manual (FRoM). Although the Code of Good Practice for Corporate Governance (DAO 09/05) does not apply to NDPBs, the Agency considered and adopted the relevant principles of best practice identified within the code to further enhance its system of Internal Control.

### **Key Challenges**

The activities of the Agency during the period to 30 June 2012 were centred on the closure of the Agency and, where appropriate, the transfer of its activities and assets to BIS.

Key management and Board oversight arrangements were put in place to ensure the Agency performed well in relation to these objectives. These arrangements included the creation and monitoring of formal plans, regular reporting to Directors and the introduction of additional operational controls and the enhancement of risk management arrangements.

## **Risk Management**

Strategic risks for the period to 30 June 2012 focused on the key challenges facing the Agency and included:

- achieving an orderly closure; and
- maintaining financial control and ensuring the orderly financial closure of the Agency – operational activity was driven by detailed and robust planning arrangements.

The Agency managed risk by identifying, assessing and judging risks, taking actions to mitigate them, and monitoring and reviewing progress.

The Agency maintained a Risk Register and key issues were communicated weekly at a full staff meeting. This register included the risks to a compliant and solvent closure of the Agency, all of which were monitored on an ongoing basis by the Chief Executive and Director of Finance.

## **Internal Audit**

The Agency engaged an independent Internal Auditor, KPMG, which operated in accordance with Government Internal Audit Standards.

## **Data Security and personal data related incidents**

Information security and the importance of safeguarding information was an important part of the internal control agenda, which was led by the Finance & Information Management & Technology team. As in previous years, all employees had to adhere to the Agency's ICT Security Policy, which ensured the continued delivery of appropriate standards of collection, use, control and access to the organisation's information. The Agency continued to comply with the Government's Security Policy Framework, a requirement of BIS. There were no significant personal data incidents during the period.

## **Governance arrangements in the period after 30 June 2012**

All the Agency's rights and obligations transferred to BIS on 1 July 2012. The conclusion of the Agency's remaining business after this date was handled by BIS and was subject to BIS's governance framework and systems of internal control.

A key risk in this period concerned the satisfactory completion of the Agency's accounts. The risk of delay or other obstacles has been mitigated by:

- a) the transfer of most of the Agency's assets, liabilities and activities to BIS and other bodies during 2011/12;
- b) the production, audit and approval of a draft Report and Accounts for the period, for handover to BIS, with the supporting documents and accounting records; and
- c) the close partnership working between staff at BIS and the Agency to achieve an effective handover, including attendance by BIS staff at Agency Board and Audit Committee meetings.

The final adjustments to the Agency's accounts were made by staff in BIS. The BIS Audit and Risk Committee (ARC) met on 3 December 2012 to review and recommend the approval of the final Report and Accounts. The members of the BIS ARC, and their attendance at that meeting, are as follows:

<b>BIS Audit and Risk Committee members</b>	
<b>Name</b>	<b>Attendance</b>
Alan Aubrey (chair)	Yes
Grenville Hodge	Yes
Nigel Johnson	Yes

The governance structures in BIS are set out in more detail in the BIS Annual Report and Accounts 2011-12.

### **Review of Effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the governance, risk management and internal control systems in the Agency and in BIS for the period from 1 April 2012 to the date of the approval of the Report and Accounts. This review is informed by the work of senior managers within the Agency, by the internal control frameworks in place, by the past work of the internal auditors and by comments made by the external auditor in their management letter and other reports. The former Chief Executive and Accounting Officer of the Agency has provided me with formal assurances about the effectiveness of the systems of governance, risk management and control for the period up to the abolition date. My review also takes account of the governance, risk management and internal control systems within BIS. This Governance Statement represents the end product of the review.

### **Conclusion**

I have considered the evidence provided regarding the production of this Governance Statement, including the assurances provided by the Agency's former Board and former Accounting Officer, BIS Audit and Risk Committee and others, and I conclude that both organisations' overall governance and internal control structures have been effective. There are no significant control issues to report.



**Martin Donnelly**

**Permanent Secretary and Accounting Officer  
Department for Business, Innovation & Skills**

Date 5 December 2012

## **THE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

I have audited the financial statements of One North East for the period ending 30 June 2012 under the Regional Development Agencies Act 1998. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity 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 Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with the Regional Development Agencies Act 1998. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to One North East's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by One North East; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of One North East's affairs as at 30 June 2012 and of the net expenditure after tax for the period then ended; and
- the financial statements have been properly prepared in accordance with the Regional Development Agencies Act 1998 and Secretary of State directions issued thereunder.

## **Emphasis of Matter – Preparation on a basis other than Going Concern**

Without qualifying my opinion, I draw attention to note 1.1 to the financial statements which discloses that the financial statements have been prepared on a basis other than going concern as One North East was abolished on 1 July 2012.

## **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Regional Development Agencies Act 1998; and
- the information given in the Management Commentary by the Former Chair, the Management Commentary by the Former Chief Executive, the Accounting Officer's Report and the Remuneration Report for the period for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse  
Comptroller and Auditor General

Date 7 December 2012

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP



**FINANCIAL STATEMENTS**  
**STATEMENT OF COMPREHENSIVE NET EXPENDITURE**  
**For the Period Ended 30 June 2012**

		<b>Agency Period Ended 30 June 2012 £000</b>	<b>Group Year Ended 31 March 2012 £000</b>
<b>Expenditure</b>	<b>Note</b>		
European funded programme expenditure		0	1,016
Programme expenditure		0	39,822
Staff costs	3	777	12,896
Depreciation	8	0	370
Other expenditure	5	242	5,840
Write downs and impairments	17	0	2,144
Book value of inventories sold or transferred	11	0	3,067
European funded expenditure - managing authority role		0	13,958
<b>Total Expenditure</b>		<b>1,019</b>	<b>79,112</b>
<b>Income</b>			
European funded income	12	0	875
Other income	12	5	3,774
European funding - managing authority role	12	0	13,958
Proceeds from disposals	12	2	8,149
<b>Total Income</b>		<b>7</b>	<b>26,756</b>
<b>Net Expenditure</b>		<b>1,012</b>	<b>52,356</b>
Interest Receivable	12	(13)	(190)
Surplus from share in JVs/Associates	9	0	(15)
Loss on disposal of Joint Ventures and Subsidiaries	9	0	55
Gain on transfers to Government		0	(4,773)
<b>Net Expenditure after Interest</b>		<b>999</b>	<b>47,433</b>
Corporation Tax Recovered	13	(448)	(1,580)
<b>Net Expenditure Taken to the General Reserve</b>		<b>551</b>	<b>45,853</b>
<b>Other Comprehensive Expenditure</b>			
Net loss on revaluation of property, plant and equipment	8	0	1,210
Net loss on disposals		0	297
<b>Total Comprehensive Expenditure for the period</b>		<b>551</b>	<b>47,360</b>

Total comprehensive expenditure of the Agency is financed by Grant in Aid.

The notes on pages 25 to 40 form part of these accounts.

**FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2012**

		<b>Agency</b>	<b>Group and Agency</b>
	<b>Note</b>	<b>As at 30 June 2012 £000</b>	<b>As at 31 March 2012 £000</b>
<b>CURRENT ASSETS</b>			
Trade Receivables	14	251	1
Other Current Assets	14	0	282
Cash and Cash Equivalents	15	938	1,715
<b>Total Current Assets</b>		<u><b>1,189</b></u>	<u><b>1,998</b></u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	16	(510)	(3,268)
<b>Total Current Liabilities</b>		<u><b>(510)</b></u>	<u><b>(3,268)</b></u>
<b>ASSETS LESS LIABILITIES</b>		<u><b>679</b></u>	<u><b>(1,270)</b></u>
<b>TAXPAYERS' EQUITY</b>			
General Reserve		679	(1,270)
<b>Total Taxpayers' Equity</b>		<u><b>679</b></u>	<u><b>(1,270)</b></u>

The notes on pages 25 to 40 form part of these accounts.

The financial statements on pages 21 to 40 were approved by



**Martin Donnelly**  
**Accounting Officer**

**Date 5 December 2012**

**FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS**  
**For the Period Ended 30 June 2012**

	Agency Period Ended 30 June 2012 £000	Group Year Ended 31 March 2012 £000
<b>Cash Flows from Operating Activities</b>		
Net Expenditure after Interest	(999)	(47,433)
Decrease in Trade and Other Receivables	14 32	42,822
Decrease in Inventories	11 0	2,017
Decrease in Trade Payables	16 (2,758)	(78,776)
Depreciation and Amortisation	8 0	370
Corporation Tax Charges/Changes to Deferred Tax Provision	13 448	1,580
Use of Provisions	0	(12,561)
Book Value of Inventories Sold	11 0	3,067
Loss on Transfers	0	41
(Surplus)/Loss from share in JVs/Associates	9 0	(1,912)
<b>Net Cash Outflow from Operating Activities</b>	<b>(3,277)</b>	<b>(90,787)</b>
<b>Cash Flows from Investing Activities</b>		
Disposal/Revaluation of Property, Plant and Equipment	8 0	7,695
Increase in Other Assets	0	597
Investments in subsidiaries	0	0
Loan Repayments from Other Bodies	0	3,883
<b>Net Cash Flow from Investing Activities</b>	<b>0</b>	<b>12,174</b>
<b>Cash Flows from Financing Activities</b>		
Grants from Parent Department	2,500	38,561
<b>Net Cash Flow from Financing Activities</b>	<b>2,500</b>	<b>38,561</b>
<b>Decrease in Cash and Cash Equivalents in period</b>	<b>(777)</b>	<b>(40,051)</b>
<b>Cash and Cash Equivalents at the beginning of the period</b>	<b>1,715</b>	<b>41,766</b>
<b>Cash and Cash Equivalents at the end of the period</b>	<b>15 938</b>	<b>1,715</b>

**FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**  
**For the Period Ended 30 June 2012**

	Agency Period ended 30 June 2012 £000	Agency Year ended 31 March 2012 £000	Group Year ended 31 March 2012 £000
<b>CAPITAL RESERVE</b>			
Balance at 1 April	0	4,578	7,639
Transfers between reserves	0	(5,763)	(5,764)
Change in share of net assets of Subsidiaries & Joint Ventures	0	1,185	(1,912)
Transfers between Subsidiaries and Joint Ventures	0	0	37
	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVALUATION RESERVE</b>			
Balance at 1 April	0	1,507	1,507
Net loss on revaluation of property, plant and equipment	0	(1,210)	(1,210)
Transfers between reserves	0	(297)	(297)
	<b>0</b>	<b>0</b>	<b>0</b>
<b>GENERAL RESERVE</b>			
Balance at 1 April	(1,270)	(2)	(2)
Total recognised income and expenditure	(551)	(45,889)	(45,853)
Transfers between reserves	0	6,060	6,024
Grant in Aid received from BIS applied to resource expenditure	2,500	38,561	38,561
	<b>679</b>	<b>(1,270)</b>	<b>(1,270)</b>
<b>TOTAL TAXPAYERS' EQUITY</b>	<b>679</b>	<b>(1,270)</b>	<b>(1,270)</b>

## **Notes to the Financial Statements For the Year Ended 30 June 2012**

### **1.1 Basis of accounting**

These financial statements are for the period 1 April 2012 to 30 June 2012. The comparative figures are for the year 1 April 2011 to 31 March 2012.

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

As the Agency was abolished on 1 July 2012 all the activities of the Agency are treated as discontinued.

### **Going Concern**

The Public Bodies Act, which paved the way for the abolition of all Regional Development Agencies (RDAs), received Royal Assent on 14 December 2011. The Department for Business, Innovation and Skills (BIS) issued two individual Transfer Schemes for each RDA under the Act, the first came in to effect on 1 January 2012, transferring remaining projects and some staff to BIS so that they can be completed. A second Transfer Scheme was made on 30 March to take away any remaining assets and liabilities so that RDAs achieved operational closure by 31 March 2012. A third transfer scheme took effect on 1 July 2012, transferring the Agency's remaining assets and liabilities to BIS and the Agency was then abolished on 1 July 2012.

Accordingly, the Agency was no longer a going concern as at 30 June 2012, and these accounts have been prepared on a basis other than that of a going concern.

The Agency reviewed its accounting policies in the light of no longer being a going concern and concluded that there was no material impact.

### **Accounting convention**

The information contained in the financial statements relating to prior accounting periods is also prepared on a basis other than going concern. The accounting policies set out below were applied consistently to all periods presented in the financial statements.

### **1.2 Basis of consolidation**

No separate Statement of Comprehensive Net Expenditure was presented in the Agency's Annual Report and Accounts for the year ended 31 March 2012 as permitted by the FReM.

The Agency's consolidated accounts for the year to 31 March 2012 incorporated the results of several subsidiary undertakings prior to their transfer or disposal.

### **1.3 Pensions**

The ex-employees of One North East are predominantly members of the following defined benefit schemes: Homes and Communities Agency Scheme, Principal Civil Service

Pension Scheme (PCSPS) and the North East Development Agency Retirement Scheme (NEDARBS).

The first two of these are multi-employer schemes in which it is impossible to identify the share of the underlying assets and liabilities relating to One North East. Employer contributions to these schemes are accounted for in the period to which they relate.

The NEDARBS scheme is for those individuals who were previously employees of the Northern Development Company Limited. It is a defined benefit scheme financed by third party trustee administered funds.

Information about the "By Analogy" scheme for former Chairs is provided in the Remuneration Report.

The NEDARBS and By Analogy Schemes were both transferred to BIS on 30 March 2012.

#### **1.4 Land and buildings**

Land and buildings and undeveloped land were shown on the Statement of Financial Position on a Market Value basis. Valuations were carried out in accordance with the appropriate sections of the current practice statements contained within the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition.

Disposals and purchases of land and buildings were accounted for on the earlier of the date of legal completion and the date of transfer of the significant risks and rewards of ownership. All expenditure relating to acquisition fees, legal fees to purchase the property, development work and reclamation work to land was capitalised.

#### **1.5 Loans and receivables at fair value**

Loans and receivables at fair value were held by the non-Agency group companies in the form of unsecured loans and redeemable preference shares held in shares of high-risk small and medium sized enterprises. Provisions against investments were charged to the Statement of Comprehensive Net Expenditure in line with the expected risk of loss to the projected net book value of the investments at each reporting date.

#### **1.6 Website development costs**

Website development costs were written off to the Statement of Comprehensive Net Expenditure in the period in which the cost was incurred.

#### **1.7 Tangible operating assets and intangible assets**

Assets used by the Agency were capitalised at their cost of acquisition and installation.

Software licenses were capitalised as intangible assets on this same basis.

Assets were capitalised where the costs were greater than £1,000 (including irrecoverable VAT) on a grouped basis where appropriate.

### **1.8 Depreciation and amortisation**

Depreciation and amortisation was provided to write off the historic cost of furniture and fittings, intangible assets and information technology over their anticipated useful lives on a straight line basis at the following annual rates and reflected the writing down of the assets to net realisable value as at 31 March 2012 as a consequence of the closure of the Agency:

#### **Tangible Assets:**

Leasehold buildings with less than 25 years to run - period of lease  
Computer Equipment - 3 years  
Office equipment and plant - 5 years  
Office furniture and fittings - 10 years

#### **Intangible Assets:**

Software licences - 3 years

Depreciated historical cost was used as a proxy for the current value of named classes of non-property assets because it would cost more to value these items than they are worth.

The properties occupied by the Agency were reviewed for impairment and no depreciation charge was made if it was considered to be immaterial owing to the residual values of the properties being not materially different from the book values.

### **1.9 Long term loans**

Loans were shown net of provision for amounts considered doubtful and of write-offs for amounts considered irrecoverable. Provision was made for all loans where recovery appeared doubtful. No loan was written off until the impossibility of recovery was beyond doubt. Approval from BIS was obtained for any write-off in excess of £250,000.

### **1.10 Inventories**

Inventories, consisting of development land and buildings, were shown at fair value. The Agency treated valuations of inventories individually with upward revaluations being credited to the Revaluation Reserve and downward revaluations being charged to the Statement of Comprehensive Net Expenditure to the extent that there is no credit on the Revaluation Reserve against which such a loss could be charged.

The Agency held no inventory at 31 March 2012 or at 30 June 2012

### **1.11 Government grants receivable and payable**

The Agency's activities were funded primarily by Grant in Aid provided by BIS for specified types of expenditure. Grant in Aid used to finance activities and expenditure which supported the statutory and other objectives of One North East was treated as financing, and credited to the General Reserve, because it was regarded as contributions from a controlling party. Other grants relating to capital expenditure used to acquire specific capital items were credited to a Capital Reserve and grants to fund revenue expenditure were credited to the Statement of Comprehensive Net Expenditure

### **1.12 Income**

Income related to the Agency's role as the managing authority for ERDF was recognised when the validity and correctness of the claim was assured. Other Grant income and European funding was recognised when the funding became due in accordance with the Agency's contractual rights.

Rental income and income from loan investments was recognised in accordance with the timing as set out in the relevant contracts, and other income was recognised when it was

due under contractual rights or when it had been earned according to the agreement, was reliably measurable and receipt was reasonably assured.

### **1.13 Taxation**

In past years full provision was made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. There was no deferred tax asset or liability at 30 June 2012.

### **1.14 Leases**

Operating lease rentals were charged to the Statement of Comprehensive Net Expenditure over the period of the lease on a straight line basis. There were no Finance Leases.

### **1.15 Financial Instruments**

The Agency had no borrowings and relied primarily on departmental grants for its cash requirements and was not, therefore, exposed to liquidity risks.

### **1.16 Future IFRS amendments and early adoption**

The Agency applied new or amended International Financial Reporting Standards (IFRS) in line with their adoption in the Financial Reporting Manual (FReM).

There are no changes to the Government Financial Reporting Manual (FReM) effective for the financial period beginning 1 April 2012 identified as having an impact on the Agency's accounts for the period to 30 June 2012. There has been no early adoption of IFRS changes.

### **1.17 Critical accounting judgements and uncertainty**

The Agency applied a policy of estimation for the impact of uncertainty where the transaction was sufficiently certain for it to be necessary to include in the accounts, but still uncertain to such an extent that this needed to be reflected in the amounts disclosed, and it was possible to quantify the impact on the figures. This was done by applying a weighting to reflect the uncertainty to the underlying amount.

### **1.18 Continuing and discontinued activity**

Due to the abolition of the Agency, all of its activities in the period to 30 June 2012 are classified as discontinued.

### **1.19 Rounding and consistency**

In the year to 31 March 2012 the financial statements were presented in £000 and contained minor rounding differences within the notes and financial statements. These were not errors but arose because each of the underlying figures had been rounded to the nearest £000 as had any associated total. Any differences in the comparative figures in the sum of column of figures or between the supporting notes and where that figure is used in other tables are due to these roundings. The comparative figures are as published in the Agency's 2011/12 Annual Report and Accounts.

## **2. Segmental analysis**

All of the Agency's expenditure in the period ended 30 June 2012 was for administration.



### 3. Staff numbers and related costs

	Period Ended 30 June 2012	Year Ended 31 March 2012
	£000	£000
<b>Board Members</b>		
Fees and Salaries	42	200
Pension - Chairman	5	20
Social Security	3	15
	<u>50</u>	<u>235</u>
<b>Staff</b>		
Staff - Salaries	141	4,500
Staff - Pension	33	1,596
Staff - Social Security	79	379
	<u>253</u>	<u>6,475</u>
Staff - Redundancy	0	5,646
Staff - Retention	474	247
Staff - Seconded	0	(86)
	<u>474</u>	<u>5,807</u>
<b>Total Agency Salaries and Wages</b>	<u>777</u>	<u>12,517</u>
Staff – Subsidiaries	0	350
Staff - Northern Way	0	30
<b>Total Group Salaries and Wages</b>	<u>777</u>	<u>12,896</u>

Total costs of Northern Way staff housed at the Agency, including secondees were £nil (2011/12:£29,975)

The Agency redundancy cost figures above includes £Nil (2011/12:£870,425) in payments and pension compensation in lieu of notice as these costs were accrued in 2011/12. No staff retired early on ill-health grounds during the period.

The total number of days lost to sickness absence during the period was 1 (2011/12: 635), this represented 0.17% (2011/12: 2.18%) of the staff working days during the period, and none of these absences (2011/12: 326 days) related to long-term illness.

Details of the pension scheme arrangements are set out in the Remuneration Report.

### 4. Average number of persons employed

The average number of whole-time equivalent persons employed during the periods follows. Staff numbers reduced due to the closure of the Agency.

<b>Period to 30 June 2012</b>	<b>Total</b>
Total Agency Staff Numbers	10
Northern way	0
Subsidiaries	0
<b>Year to 31 March 2012</b>	<b>Total</b>
Total Agency Staff Numbers	121
Northern way	0
Subsidiaries	5

#### Seconded Staff

There were no staff seconded from or to any other organisations during the period.

## 5. Other expenditure

	Period ended 30 June 2012 £000	Year ended 31 March 2012 £000
<b>Agency:</b>		
Other Provisions	0	(2,661)
Operating Lease Rentals	0	13
Book value of Property Plant and Equipment sold	0	5,173
Auditor Remuneration – Statutory Work (NAO)	12	82
Auditor Remuneration – Non Statutory Work	5	47
Bad Debts Written Off and Debt Impairments	0	(142)
Amortisation of Intangible Assets	0	13
Professional Fees and Project Costs	8	324
Travel and Subsistence	5	132
Administration Costs	14	360
IT and Communication	181	998
Marketing and PR	0	131
Office Costs	17	1,182
<b>Total Agency</b>	<b>242</b>	<b>5,653</b>
<b>Subsidiaries:</b>		
Bad Debts Written Off and Movements in Provisions for Bad and Doubtful Debts	0	(282)
Auditor Remuneration - Statutory Work	0	21
IT and Communication	0	11
Travel and Subsistence	0	5
Office Costs	0	57
Professional Fees and Project Costs	0	186
Administration Costs	0	50
Amounts Provided against Fixed Asset Investments	0	137
<b>Total Subsidiaries</b>	<b>0</b>	<b>186</b>
<b>Total</b>	<b>242</b>	<b>5,840</b>

## 6. Provisions for liabilities and charges

The Agency and Group held no provisions at 30 June 2012 or 31 March 2012 as they had all been utilised or written back by 31 March 2012.

	As at 30 June 2012 £000	As at 31 March 2012 £000
<b>Group</b>		
Balance at 1 April	0	12,561
Provided in the year	0	924
Provisions not required due to transfer	0	(2,311)
Subsidiary's Provisions no longer required due to disposal	0	(2,456)
Other provisions not required written back	0	(6,698)
Provisions utilised in the year	0	(2,020)
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>
<b>Agency</b>		
Balance at 1 April	0	10,104
Provided in the year	0	924
Provisions not required due to transfer	0	(2,311)
Other provisions not required written back	0	(6,698)
Provisions utilised in the year	0	(2,020)
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

## 7. Intangibles

	Agency	Agency and Group
	As at 30 June 2012 £000	As at 31 March 2012 £000
<b>Software Licenses</b>		
<b>Cost or valuation</b>		
At 1 April	795	1,304
Disposals	(795)	(509)
	<b>0</b>	<b>795</b>
<b>Amortisation</b>		
At 1 April	795	1,291
Charged in year	0	13
Disposals	(795)	(509)
	<b>0</b>	<b>795</b>
<b>Closing Net Book Value</b>	<b>0</b>	<b>0</b>

## 8.1 Property, Plant and Equipment - Group

	As at 30 June 2012	As at 31 March 2012
<b><u>Land and Buildings</u></b>		
<b>Valuation</b>	<b>£</b>	<b>£</b>
At 1 April	0	8,730
Impairments through SOCNE	0	(2,520)
Impairment through Reserve	0	(1,210)
Disposals	0	(5,000)
<b>At period end</b>	<b>0</b>	<b>0</b>
<b><u>Information Technology</u></b>		
<b>Cost</b>		
At 1 April	0	3,082
Disposals	0	(2,273)
<b>At period end</b>	<b>0</b>	<b>809</b>
<b>Depreciation</b>		
At 1 April	0	2,826
Charged in Year	0	250
Disposals	0	(2,266)
<b>At period end</b>	<b>0</b>	<b>809</b>
<b>Closing Net Book Value</b>	<b>0</b>	<b>0</b>
<b><u>Furniture and Fittings</u></b>		
<b>Cost</b>		
At 1 April	0	1,671
Disposals	0	(1,631)
<b>At period end</b>	<b>0</b>	<b>40</b>
<b>Depreciation</b>		
At 1 April	0	1,382
Charged in Year	0	120
Disposals	0	(1,463)
<b>At period end</b>	<b>0</b>	<b>40</b>
<b>Closing Net Book Value</b>	<b>0</b>	<b>0</b>
<b><u>Total Property, Plant and Equipment</u></b>		
<b>Cost or valuation</b>		
At 1 April	0	13,483
Impairments through SOCNE	0	(2,520)
Impairment through Reserve	0	(1,210)
Disposals	0	(8,904)
<b>At period end</b>	<b>0</b>	<b>849</b>
<b>Depreciation</b>		
At 1 April	0	4,208
Charged in Year	0	370
Disposals	0	(3,729)
<b>At period end</b>	<b>0</b>	<b>849</b>
<b>Closing Net Book Value</b>	<b>0</b>	<b>0</b>

## 8.2 Property, Plant and Equipment - Agency

	As at 30 June 2012 £000	As at 31 March 2012 £000
<b><u>Land and Buildings</u></b>		
<b>Valuation</b>		
At 1 April	0	8,730
Impairments through SOCNE	0	(2,520)
Impairment through Reserve	0	(1,210)
Disposals	0	(5,000)
<b>At period end</b>	<b>0</b>	<b>0</b>
<b><u>Information Technology</u></b>		
<b>Cost</b>		
At 1 April	0	3,040
Disposals	0	(2,231)
<b>At period end</b>	<b>0</b>	<b>809</b>
<b>Depreciation</b>		
At 1 April	0	2,781
Charged in the period	0	258
Disposals	0	(2,229)
<b>At period end</b>	<b>0</b>	<b>809</b>
<b>Net book value at period end</b>	<b>0</b>	<b>0</b>
<b><u>Furniture and Fittings</u></b>		
<b>Cost</b>		
At 1 April	0	1,618
Disposals	0	(1,612)
<b>At period end</b>	<b>0</b>	<b>5</b>
<b>Depreciation</b>		
At 1 April	0	1,339
Charged in the period	0	108
Disposals	0	(1,442)
<b>At period end</b>	<b>0</b>	<b>5</b>
<b>Net book value at period end</b>	<b>0</b>	<b>0</b>
<b><u>Total Property, Plant and Equipment</u></b>		
<b>Cost or valuation</b>		
At 1 April	0	13,388
Impairments through SOCNE	0	(2,520)
Impairment through Reserve	0	(1,210)
Disposals	0	(8,844)
<b>At period end</b>	<b>0</b>	<b>814</b>
<b>Depreciation</b>		
At 1 April	0	4,120
Charged in the period	0	365
Disposals	0	(3,671)
<b>At period end</b>	<b>0</b>	<b>814</b>
<b>Net Book Value at period end</b>	<b>0</b>	<b>0</b>

## 9. Investments - Group

The Agency held no investments at 30 June 2012 as they had all been disposed of, closed or were in the process of being struck off by 31 March 2012. The following details of former investments are provided for information.

	Period to 30 June 2012		Period to 31 March 2012	
	Total £000	Agency Share £000	Total £000	Agency Share £000
<b>Key Financial Results of Subsidiaries:</b>				
North East Regional Aggregation Body LLP	0	0	138	138
Enterprise Development North East Limited	0	0	(101)	(101)
<b>Total Profit of Subsidiaries for the period after Taxation</b>	<b>0</b>	<b>0</b>	<b>37</b>	<b>37</b>

	Period to 30 June 2012		Period to 31 March 2012	
	Total £000	Agency Share £000	Total £000	Agency Share £000
<b>Key Financial Results of Joint Ventures:</b>				
Hadrian's Wall Heritage Limited	0	0	45	15
<b>Total Profit of Joint Ventures after Taxation</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>15</b>

### Loss/(gain) arising on withdrawal from membership

	£000
Enterprise Development North East Limited	38
Hadrian's Wall Heritage Limited	32
Sunderland ARC Limited	(15)
	<u>55</u>

## 10. Loans and receivables at fair value

The Agency and Group held no loans or receivables at 30 June 2012 or 31 March 2012 as they had all been disposed of or written off by 31 March 2012.

	<b>Agency As at 30 June 2012 £000</b>	<b>Group As at 31 March 2012 £000</b>
<b>Loans</b>		
<b>Cost</b>		
At 1 April	0	7,250
Repayments	0	(1,861)
Investments written off	0	(322)
Disposal of Subsidiary	0	(5,068)
	<u>0</u>	<u>0</u>
<b>Provisions</b>		
At 1 April	0	3,822
Charged in Year	0	539
Released in year	0	(345)
Investments written off	0	(283)
Disposal of Subsidiary	0	(3,733)
	<u>0</u>	<u>0</u>
<b>Net book value</b>	<u>0</u>	<u>0</u>
<b>Equity</b>		
<b>Cost</b>		
At 1 April	0	840
Movement	0	(1)
Disposal of Subsidiary	0	(839)
	<u>0</u>	<u>0</u>
<b>Provisions</b>		
At 1 April	0	386
Charged in year	0	24
Disposal of Subsidiary	0	(410)
	<u>0</u>	<u>0</u>
<b>Net book value</b>	<u>0</u>	<u>0</u>
<b>Total loans and receivables at fair value</b>	<u>0</u>	<u>0</u>

## 11. Inventories

The Agency and Group held no inventories at 30 June 2012 or 31 March 2012 as they had all been disposed of or transferred by 31 March 2012.

	<b>As at 30 June 2012 £000</b>	<b>As at 31 March 2012 £000</b>
<b>Group</b>		
Valuation at 1 April	0	5,083
Book Value of Disposals	0	(3,067)
Transfers	0	(2,445)
Revaluation	0	428
	<u>0</u>	<u>0</u>
<b>Agency</b>		
Valuation at 1 April	0	5,066
Book Value of Disposals	0	(3,067)
Transfers	0	(2,445)
Revaluation	0	446
	<u>0</u>	<u>0</u>

## 12. Income and interest receivable

	<b>Period ended 30 June 2012 £000</b>	<b>Year ended 31 March 2012 £000</b>
<b>European funded income</b>		
European funded income – Agency	0	875
	<u>0</u>	<u>875</u>
<b>Other income</b>		
Other Income	5	2,739
Rents and maintenance charges	0	616
Other Government Grants – Agency	0	418
	<u>5</u>	<u>3,774</u>
European funding, managing authority role	0	13,958
	<u>0</u>	<u>13,958</u>
<b>Proceeds from Disposals</b>		
Proceeds from disposal of inventories	0	3,067
Proceeds from disposal of property, plant and equipment	2	5,082
	<u>2</u>	<u>8,149</u>
<b>Total Income</b>	<u>7</u>	<u>26,756</u>
<b>Interest</b>		
Interest Receivable	13	190
	<u>13</u>	<u>190</u>



### 13. Taxation

	<b>Period ended 30 June 2012</b>	<b>Year ended 31 March 2012</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation Tax</b>		
Current Year	0	2,839
Prior Year	(448)	11
	<b>(448)</b>	<b>2,850</b>
<b>Deferred Taxation</b>		
Current Year	0	(4,090)
Prior Year	0	(340)
Rate Change	0	0
	<b>0</b>	<b>(4,430)</b>
	<b>(448)</b>	<b>(1,580)</b>

The Corporation Tax charge for the current year is lower than the standard rate of Corporation Tax for the UK of 24% (2011/12: 26%). The differences are explained below:

	<b>Period ended 30 June 2012</b>	<b>Year ended 31 March 2012</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation to tax at current rate</b>		
Net Expenditure on Ordinary Activities after Interest for the Group	999	47,433
Tax Arising on Net Expenditure at 24% (2011/12: 26%)	(240)	(12,264)
Utilisation of Tax Losses	240	(522)
Prior Year Corporation Tax Charge	0	(340)
Non-deductible expenditure	0	(350)
Non-allowable Deficit on Non Taxable Activities	0	11,896
<b>Corporation Tax Current Year Change for the Period</b>	<b>0</b>	<b>(1,580)</b>

No deferred tax is recognised on tax losses carried forward as no relief will be available.

#### 14. Trade receivables and other current assets

	Agency As at 30 June 2012 £000	Group and Agency As at 31 March 2012 £000
<b>Trade Receivables</b>		
Trade receivables	0	1
Corporation tax	251	0
	<b>251</b>	<b>1</b>
<b>Other Current Assets</b>		
Prepayments & Accrued Income	0	282
<b>Total Other Current Assets</b>	<b>0</b>	<b>282</b>
<b>Total Trade Receivables and Other Current Assets</b>	<b>251</b>	<b>283</b>
<b>Receivables: Intra-government balances</b>		
Balances with other central government bodies	251	0
Balances with bodies external to government	0	240
Balances with local authorities	0	43
	<b>251</b>	<b>283</b>

#### 15. Cash and cash equivalents

	Agency As at 30 June 2012 £000	Group and Agency As at 31 March 2012 £000
Balance at 1 April	1,715	41,766
Movement in cash and cash equivalent balances	(777)	(40,051)
	<b>938</b>	<b>1,715</b>

The cash balances were held at a commercial bank.

## 16. Trade payables and other current liabilities

	Agency	Group and Agency
	As at 30 June 2012	As at 31 March 2012
	£000	£000
<b>Amounts falling due within one year</b>		
Accruals and deferred income	510	1,536
Corporation tax	0	785
Value added tax	0	941
Other payables	0	4
Other taxation and social security	0	2
	<b>510</b>	<b>3,268</b>
<b>Payables: Intra-government balances</b>		
Balances with bodies external to government	510	135
Balances with other central government bodies	-	3,133
	<b>510</b>	<b>3,268</b>

## 17. Impairments

The total impairment charge for the year ended 31 March 2012 charged to the Statement of Comprehensive Net Expenditure and Revaluation Reserve split by category is shown below. For details of how the valuation was arrived at for these impairments refer to accounting policies notes 1.4, 1.5 and 1.10.

		As at 30 June 2012	As at 31 March 2012
	Note	£000	£000
<b>To Statement of Comprehensive Net Expenditure</b>			
Property, plant & equipment	8	0	(2,520)
Financial assets	10	0	(52)
Inventories	11	0	428
		<b>0</b>	<b>(2,144)</b>
<b>To Revaluation Reserve</b>			
Property, plant & equipment	8	0	(1,210)
		<b>0</b>	<b>(1,210)</b>

## 18. Contingent liabilities

The Agency had no contingent liabilities at the 30 June 2012 (2011/12: none).

## 19. Financial instruments

As the cash requirements of the Agency are met through Grant in Aid by BIS, financial instruments played a limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and usage requirements and the Agency was, therefore, not exposed to credit, liquidity or market risks.

## **20. Borrowings**

The Agency had no borrowings at 30 June 2012 and the Agency and Group had no borrowings at 31 March 2012.

## **21. Related party transactions**

The Agency was an executive NDPB sponsored by BIS. During the period ending 30 June 2012, the Agency received Grant in Aid from BIS. BIS was regarded as a related party. BIS also sponsored the other Regional Development Agencies in England (RDAs) and therefore the other RDAs were regarded as related parties. There were no outstanding balances with any other RDA at the 30 June 2012.

There were no transactions with organisations in which Board Members or Executive Directors declared an interest during the period ended 30 June 2012.

## **22. Events after the Reporting Period**

All remaining rights and obligations of the Agency transferred to BIS on 1 July 2012 by virtue of a transfer scheme under the authority of the Public Bodies Act 2011. The net assets transferred totalled £679,000 as shown on the Statement of Financial Position. The Agency was abolished on 1 July 2012 by virtue of an Order commencing section 30(1) of the Public Bodies Act 2011.

The Agency's financial statements are laid before the Houses of Parliament by the Secretary of State for Business, Innovation and Skills. IAS 10 – Events after the Reporting Period requires BIS to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date the Audit Report is signed by the Comptroller & Auditor General.

## **23. Losses and Special Payments**

The Agency incurred no losses during the year requiring disclosure under the guidance contained in 'Managing Public Money'.

In order to ensure an effective closure of the Agency, a retention scheme was put in place that identified key individuals with the necessary skills and experience to close the Agency. This scheme was approved by BIS, in conjunction with HM Treasury on 15 December 2010.

In the period 1 April 2012 to 30 June 2012 nine employees duly completed their closure tasks and received a total of £474k. (2011/12: six employees received a total of £247k).



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ISBN 978-0-10-298096-7



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