South West of England Regional Development Agency

Annual Report and Financial Statements 2011-12

HC 198

South West of England Regional Development Agency

Annual Report and Financial Statements 2011/2012

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Chairman's Statement

The year to March 2012 is the final year of the South West Regional Development Agency's active existence. Following on from a year in which we delivered our biggest ever programme spend this has been a sharp about face. The dismantling of the RDA has been delivered with extraordinary professionalism and good humour. Operationally, the Agency maintained a clear focus on finishing our work, while at the same time transferring activity and assets to Government departments and other agencies. For the vast majority of our staff this has been done in the shadow of redundancy. It is a measure of the quality of our people and their dedication that this complex task has been achieved to timetable and to budget. I feel immensely proud, as Chairman, to have been able to work with this remarkable team.

While we undertook no new work in 2011/12, the year has been punctuated with the opening of some of the most significant projects supported by the South West RDA. Many of these are covered elsewhere in this report, and as much as the dismantling of the Agency, this has been a feature of the year. Projects such as the Bristol & Bath Science Park and the National Composites Centre, the Wave Hub of Cornwall, the East of Exeter Training Academy, the Centre for Additive Layer Manufacturing in Exeter and Swindon's hydrogen filling station are important building blocks for developing the South West economy. All are visionary projects, and it will be many years before their full benefits are harvested, a reminder that economic development is a long term business, and that the full impact of our Agency will only be seen in the years to come.

To improve the delivery of economic development, Government must be able to monitor and evaluate the effectiveness of expenditure, be honest about what has or has not been achieved, and record those lessons. We have to try to ensure mistakes are not repeated and that hard won expertise is passed on wherever possible. To this end, I was delighted that six of our partners around the region co-hosted a series of 'legacy events' with us during September 2011. The focus was squarely on disseminating lessons we have learnt over the 12 years of our existence for the benefit of those now taking over economic development in a very different, and challenging, economic climate. Around 250 delegates attended the various sessions, along with colleagues from the Department of Business, Innovation & Skills (BIS), who joined us to explain the Government's plans for economic development support in the regions.

The legacy material takes the form of four documents:

1. ***A Short History,*** highlighting the history, role and purposes of the Agency as they evolved and developed over the years.
2. ***Reflections and Lessons,*** offering a balanced perspective on the strengths and weaknesses of different types of economic development activity.
3. ***The Economic Story,*** exploring economic development in the context of a detailed understanding of the South West economy.
4. ***An Economic Development Guide,*** a practical guide for those working in economic development, setting out a series of tools and signposts for further information.

The University of Bristol has agreed to host these documents on their website allowing access to other universities in the region to whom we are very grateful.

One of the heartening experiences of the past months has been the level of support I have received from the partners we have worked with over the last dozen years and the acknowledgement of what has been achieved across South West England for the benefit of our economy. Our partners in business, in representative organisations and in local government in the South West have been key collaborators in all these endeavours, and I would like to thank them for their support. None of these achievements would have been possible without our superb staff, including our Chief Executive, Jane Henderson. We owe them a huge debt of gratitude for what they have done and what they continue to do, and I would like to take this opportunity to thank them. My board colleagues have also shown a firm commitment to ensuring a smooth transition and closure, for which they have my thanks.

Finally, the work of economic development does not end with the abolition of the RDAs. During the 12 years of our existence we absorbed the work of other parts of Government that had been engaged in this task before us. We stood on the shoulders of others. Now, with funding significantly less and our work spread across a wider number of players, economic development is if anything more important. It is not easy work. As an Agency we have worked where we could to support these new arrangements, and as we come to an end I would like to offer our best wishes to those who will take this baton forward in 2012 and beyond.

Sir Harry Studholme

Chairman

Chief Executive's Statement

The year covered by this report has been one of winding-down, stopping and closing, as the Agency has sought to extricate itself from a myriad of long-standing and complex activities while preparing the ground as effectively as we could for successor arrangements. "Business as usual" for the South West RDA ended in 2010/11.

When public bodies such as the South West RDA are dismantled, it is traditional to assume that all that happens is that the work goes elsewhere, along with many of the staff. 'The name on the door changes, but not much else', is a much-heard refrain. But as 2011/12 progressed, it would have become clear to most who took an interest that this was a different type of transition.

In starting out over 12 years ago, Parliament handed RDAs powers and responsibilities from a national level, and that is where some have returned during the year. The landscape for local and regional economic development – bringing new and better jobs, supporting business growth, encouraging new industries – is now very different, yet many of our familiar challenges remain. It is a matter of personal regret that the expertise and experience of many of our staff is now lost to that considerable task.

As the Business Minister, Mark Prisk, stated in a Parliamentary Answer in January 2011: "It is not expected that staff will transfer from regional development agencies to local enterprise partnerships as the LEPs are not necessarily expected to continue former RDA functions."

In practice, some of our responsibilities have transferred to other government organisations, but much of our work has stopped.

Given the circumstances, we nevertheless had a 'good' year. The nature of the work we had to do was different, but has been no less challenging. The Government decided in the autumn of 2010 that the Regional Development Agencies should manage their own closure, with strategic oversight from BIS. This has been both a technically demanding and, at times, poignant task for my colleagues, over 90% of whom would regularly tell us in staff surveys that they would "go the extra mile" because they believed in the work they were doing for the region's economy. I am enormously grateful to their hard work and dedication in striving to ensure the smoothest of close-down procedures, in the face of much uncertainty about their own futures.

Our Chairman has referred to the visible outcomes of our work during 2011/12, but it was our Transition and Closure programme that dominated the year in terms of current work. In July we successfully transferred management of the large European programmes – the European Regional Development Fund and the Rural Development Programme for England to Government departments for the remainder of their cycles. The programmes were passed over in excellent shape with strong project pipelines, sound mid-term evaluations and very low error rates.

After careful negotiation, all of our remaining property assets and liabilities were taken over by the Homes & Communities Agency in September. Smaller transfers involving Foreign Direct Investment, Grants for Business Investment and Grants for

Research and Development all took place with Government departments or agencies before the autumn. And some final transfers, notably to BIS's local teams and Portfolio Management Office, were completed later in the year. It was fitting, perhaps, that our last major discussions concerning 'live' work were with BIS to secure the long-term future of Wave Hub, one of the Agency's most iconic and recognisable initiatives. I am pleased to report that, largely owing to our successful sale of assets prior to the HCA transfer, we did everything in our power to ensure the solvent closure of the Agency during the final active year.

Throughout the year, and largely through internally delivered initiatives, we supported our staff as they prepared for new lives after leaving the Agency - in the vast majority of cases through redundancy. Of those colleagues who have now left and did not transfer with continuing functions, it is gratifying that some two thirds of those we are in touch with have gone on to find private sector employment or to set up their own businesses, with just under a third going on to other public sector employment and others to retraining for new careers. I wish them all well.

Finally, I would like to pay tribute to everyone who has worked for, with and alongside the South West RDA in the exciting years between 1999 and 2011.
South West England is full of energetic, innovative and passionate people all determined to see a bright and prosperous future for our businesses, our villages, towns and cities. We have been just one part of a determined enterprise, which continues.

Jane Henderson

Chief Executive

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Management Commentary

The Agency's overriding priority for 2011/12 was to prepare for and achieve operational closure by the end of the reporting period. Our delegated authority to commit new expenditure had already been rescinded by BIS in 2010/11, and progress in managing out existing projects was already well advanced at the start of the year. Two objectives dominated our work: to deliver an orderly and timely transition and closure in line with Government expectations; and to ensure that as much economic value as possible was retained for the benefit of the South West.

The contrast with 2010/11 –in which we delivered our largest ever programme of investments in the region – has inevitably been marked. The transition and closure process gathered pace throughout the year, and by the end of summer 2011 we had successfully migrated the bulk of the functions that were to continue. By the end of the calendar year, we had transferred virtually all our remaining projects and contracts to the Portfolio Management Office (PMO) in BIS, thus ensuring that we were well placed to achieve operational closure on target by the end of the financial year. Against this backdrop, the Agency completed the delivery of its last investments, many of which will have a significant impact in terms of strengthening economic growth in the region.

Delivering an effective transition and closure
Our Transition and Closure Programme provided a structured, over-arching framework for the Agency's activities throughout 2011/12. Run on formal programme management lines, it set out the objectives, activities and milestones required to deliver an effective organisational closure, and provided the basis for business planning and resource management during the course of the year.

<u>Staffing</u>
On 1 April 2011, the Agency employed 256 people. With the transfer of functions to other bodies and a programme of staff exits based on anticipated business need, headcount declined rapidly through the first half of the 2011/12 financial year to fewer than 95 staff by the beginning of October. The actual numbers of staff month by month aligned closely with the profile produced in a resource planning exercise in June 2011. By January 2012, staff numbers had shrunk to 50 to manage out final operational activity, with just 13 staff remaining going into April 2012, reducing to the final 9 from May through to the end of June 2012 to produce the final accounts.

Of the 256 staff in post at the beginning of the 2011/12 financial year, 83 individuals transferred to organisations with functions that were destined to continue in some form. All remaining staff either have been or will be made redundant - the vast majority - or will have retired or left of their own accord.

To assist colleagues plan for their futures, the Agency ran a comprehensive programme of support. Large numbers of staff took advantage of our outplacement programme, for example:

- 182 staff received training on how to prepare for finding new employment,
- 151 staff attended workshops on preparing CVs,
- 125 staff received interview skills training,
- 72 staff took advantage of individual career coaching, and
- 162 staff achieved career-related qualifications funded by the Agency, in areas such as project management techniques and web design.

Feedback from staff on the support provided was overwhelmingly positive and, by providing virtually all these services ‘in house’, the Agency was able to minimise costs in comparison to the costs of an outsourced approach. In addition, we arranged a series of sessions with external agencies including JobCentre Plus, the Citizen’s Advice Bureau, and the regional Business Link service for colleagues who intended to set up their own businesses.

Transfer of continuing work
A major focus in the first half of the financial year was ensuring the delivery of a smooth transition for those of the Agency’s functions due to continue under new arrangements.

- *Inward Investment*
  The Agency’s activity to support inward investment was the first function to transfer on 1 May 2011, passing to PA Consulting, who now provide a new national service on behalf of Government. 4 staff transferred with this work.

- *ERDF*
  Our management of the European Regional Development Fund (ERDF) funds in the region, comprising the Competitiveness and Employment programme and (in Cornwall and Scilly) the Convergence Programme and together worth £522 million to the South West region, reverted to the Department for Communities and Local Government (DCLG) on the 30 June 2011. 102 financially live projects were passed across, and 36 staff transferred with the function and continue to manage the ERDF programmes in the region from offices in Exeter, Truro, Bristol and Plymouth. Contracted outputs arising from approved projects at the point of transfer are expected to result in 19,200 businesses supported, 11,802 jobs created, and a gross increase in the region’s Gross Value Added (GVA) of £600m.

- *RDPE*
  The Rural Development Programme for England (RDPE) also transferred on 30 June, to the Department for the Environment, Food and Rural Affairs (DEFRA). Since taking over responsibility for RDPE in 2008, the Agency committed more than £112m in line with Regional Implementation Plan priorities. 378 financially live projects transferred, and contracted outputs arising from approved projects at the point of transfer are expected to result in 7,122 businesses supported, 52,717 training days and 1,193 jobs created, although early indications from the larger commissioned projects suggest that these output predictions will be comfortably exceeded. 27 staff transferred with this function to DEFRA, managing the programme out of offices in Exeter, Bristol and Truro.

- *Innovation*
  Responsibility for a number of innovation related programmes transferred to the Technology Strategy Board in September 2011 by novation or assignment. These included the Grant for Research and Development programme, and Collaborative Research and Development (CRD) activity between companies and research organisations. In the advanced manufacturing sector, CRD had been coordinated at regional level by the RDA, and included significant investments in the aerospace sector and in composites technology. In total around 110 projects (live and ‘in-conditions’) were transferred, including a number of nationally

significant aerospace research projects such as the *Next Generation Composite Wing,* and *Environmentally Friendly Engine*. 1 member of staff transferred with these functions.

- *Olympics*
  Responsibility for the *Relays* project – focused on generating opportunities for regional businesses from London 2012 – transferred to DCMS in February 2012. The delivery of the programme in the region continues to be managed by Universities South West. 1 member of staff transferred with this function.

- *Business Support*
  The Government decided that the Business Link regional service, which was contracted through the regional development agencies, would close on 25 November 2011. The service provided information, brokerage and diagnostic support through a variety of channels including web, telephone and face to face interactions. Over the year to the end of November 2011, Business Link in the South West supported just over 32,000 businesses, including 8,000 start-ups and/or people considering starting a business. Over the five years in which the RDA was responsible for managing the regional Business Link service, customer satisfaction levels and value for money increased significantly, with £877m of additional GVA generated from an investment over five years of £60m. The closure of the service resulted in 147 redundancies within the three providers in the region.

  The regional service has now been superseded by an enhanced national website, www.businesslink.gov.uk, supported by a national helpline. As part of the Government's new Business Improvement Programme, start-ups will be supported by an online service, My New Business (www.businesslink.gov.uk/startingup) and face-to-face support will be provided through a mentoring service, www.mentorsme.co.uk. High growth potential businesses will receive help through BIS's new Business Coaching for Growth offer, to be rolled-out by the summer of 2012.

- *Grant for Business Investment*
  Since May 2002, the Agency managed the national *Grant for Business Investment* programme (formally known as Regional Selective Assistance) in the South West on behalf of BIS, with oversight from a panel comprising representatives from the region's business and financial community. Between April 2003 and June 2011 the Agency made grant offers totalling £44m, creating or safeguarding over 10,000 jobs and levering capital investment of over £262m. The national programme was closed to applications in February 2011 and the regional panel met for the last time in April 2011 before being formally dissolved. Following the closure of the national programme, the Agency was able to continue providing a similar scheme with funding through the ERDF Competitiveness and Convergence programmes - now transferred to DCLG - and we are pleased that a number of projects in the South West have been able to continue as a result.

- *Business Engagement*
  The Agency's activities engaging with the region's key companies and business representative organisations passed to BIS Local in September 2011. BIS Local have also taken on part of the role we played in supporting key sectors for the

region, such as aerospace, though now on a national basis. One member of staff transferred with this function. As envisaged by Government, Local Enterprise Partnerships are now developing their relationships with businesses, recognising the vital role they will have in supporting economic growth going forward.

Aside from residual project activity, and physical assets and liabilities (covered below) all other functions and support for the economy provided by the Agency ceased in 2011/12, in line with our closure plans.

Assets and Liabilities

The majority of the Agency's land and property related assets and liabilities were transferred to the Homes and Communities Agency (HCA) on the 19 September 2011. These included the Bristol and Bath Science Park, Osprey Quay in Portland, Dorset and an extensive property portfolio in Cornwall. 242 projects also transferred for ongoing management, including 21 with ongoing financial commitments. 10 staff transferred to the HCA with the work.

The region's £36.5m Regional Infrastructure Fund (RIF) also transferred to the HCA on the same date. As part of the arrangements for the transfer, the Agency and the HCA signed a memorandum of understanding designed to ensure that proceeds from the SW RIF will continue to be recycled within the South West region.

Prior to the HCA transfer, the Agency had realised some £14 million of receipts from sales of land and property assets and asset "packages" negotiated with the local authorities in Gloucester and Plymouth. We had also hoped to conclude a similar package with Cornwall Council, but in the event this was overtaken by the national bulk transfer to HCA, which had been brought forward. The Government's *Local Growth* White Paper envisaged local authorities and LEPs playing a leading role in developing assets for economic benefit and encouraged RDAs to negotiate the transfer of bundles of assets and liabilities to local partners. Ultimately, however, the South West was the only region where such packages were delivered.

The physical assets and liabilities associated with our world-leading Wave Hub project were transferred to BIS on the 1 January 2012, this having been recognised as a project of national significance by Government. An operating company - Wave Hub Ltd - based in Hayle in Cornwall was established at the end of 2011 to manage the initiative on a day to day basis, and a member of Agency staff transferred to the company as its manager.

As regards the Agency's own operational assets, our office in Truro transferred to the HCA with the rest of our land and property portfolio on the 19 September 2011, and responsibility for the leases and ongoing management of the Exeter and Plymouth offices transferred to BIS on the 1 January 2012. Following a tender process, Ecosystems Ltd were appointed to dispose of other operational assets. Under this arrangement, Ecosystems collect, transport, market and sell surplus RDA assets as they become available, with the public purse subsequently benefiting from 50% of the receipts from sales.

Transfer of remaining single pot projects

At the beginning of the 2011/12 financial year, the Agency had 139 financially live single pot projects, and a further 300 projects 'in conditions' which were subject to ongoing monitoring. In preparing for closure, these have been managed out as follows:

- 342 projects were fully closed by the year end, bringing the total number of projects closed since the start of the closure programme to approximately 5,000.

- 43 live projects with outstanding payments were transferred to the PMO in BIS.

- 54 projects that were financially closed, but still 'in conditions', were transferred to the PMO for ongoing monitoring and final closure.

<u>Transfer of information and knowledge</u>
Following each transfer of functions, RDA staff with relevant knowledge have helped to smooth the transition for successor organisations by being ready to answer questions about transferred projects and provide guidance and support where requested.

At a strategic level, the Agency took a considered decision to allocate staff time to a piece of work to disseminate knowledge and key lessons learned from our experience of delivering economic development over more than a decade. To this end, the Agency produced a suite of four legacy documents covering our history, the regional economy, a "how to do" guide for economic development practitioners and a paper on major lessons learned – which economic development interventions worked best, and which less well. We introduced this material to regional partners in six events around the region during September 2011. More than 250 people attended these events, which were jointly hosted with local partners. Members of the recently formed BIS Local team serving the South West also presented at the meetings to introduce themselves and explain their role. The legacy materials, along with all the Agency's annual reports, evaluations and economic reviews, can be accessed on the University of Bristol website at www.bristol.ac.uk/red/about/swrda.

Aside from this knowledge legacy work, a major activity for the Agency during the year has been the substantial task of retrieving, reviewing, listing, destroying, archiving or transferring to successor bodies our live and back catalogues of files. During the course of the year we transferred over 15,000 paper files and nearly 300 gigabytes of electronic files, including project information, to eight separate receiving organisations. Within that total, some 6,000 paper files and 22 GB of electronic data were transferred to BIS alone.

Key Activities and Projects in 2011/12
As instructed by Government, the Agency did not commission or commit to any new work in 2011/12. However, due to the lead time required for many economic development interventions, a range of projects that had been under development before the Government decision to abolish RDAs were delivered during of the year. The most significant of these are highlighted below.

<u>Bristol and Bath Science Park (SPark)</u>
The Bristol and Bath Science Park opened for business in September 2011 with the formal celebrations led by Science Minister, David Willetts. Home to the National Composites Centre (see below) and including the centrepiece hub, Park One, SPark has seen the Agency's biggest single investment of nearly £40 million.

National Composites Centre (NCC)
Together with the University of Bristol, the Agency led the development of the National Composites Centre. This innovatively structured public/private sector partnership brings together enterprising academics with dynamic companies, including big names such as Airbus and Rolls Royce, to support the development of new technologies for the design and rapid manufacture of high-quality composite products, which are increasingly required in sectors such as aerospace, marine and renewable energy.

The 8500m^2 state-of-the-art building at the Bristol and Bath Science Park was backed by £4m of Agency funding in addition to funding from BIS, and levered in £9m of ERDF. The Centre is the cornerstone of the Government's national composites strategy and was officially opened by BIS Secretary of State, Vince Cable, on 24 November 2011.

Wave Hub
Wave Hub, a grid-connected test site for wave energy technologies and one of the RDA's most iconic initiatives, continued into 2011/12 as the Agency's last remaining 'live' project. During the course of the year, we engaged extensively with BIS and DECC about the future ownership and development of the initiative. Both Departments agreed that this unique test facility was an important national asset and should be integrated into a national framework for developing the marine energy sector. As a result of these discussions, BIS took ownership on 1st January 2012 and establish a Special Purpose Vehicle (Wave Hub Limited) to operate the facility on its behalf.

iNets
iNets South West enjoyed a first full year of operation having been launched in 2010/11 with £3m of RDA funding and investment from ERDF. iNets engage with and strengthen business networks to support innovation, find new opportunities for business, develop new products and increase sales and profits. Launched by DCLG Minister Baroness Hanham, iNets South West have 27 partners offering services and in the course of the year had already clocked up 12,000 business assists.

Advanced Simulation Research Centre
First supported by the RDA in 2005, the Bristol-based CFMS (Centre for Fluid Mechanics Simulation) opened its new Advanced Simulation Research Centre at the start of the year. CFMS is an independent, not-for-profit, organisation committed to accelerating the delivery of more intuitive and powerful simulation-based design processes. Its first research in 2005, supported by Airbus with a £400,000 RDA investment proved the catalyst for £8m of subsequent investment from the Technology Strategy Board. The new centre houses the cutting-edge facilities required to allow effective collaboration between hardware and software providers, system integrators and end-users, and provides a permanent collaborative facility for designers from a range of sectors and disciplines to simulate the behaviour of physical systems. Through the collaborative development of world-leading products and processes, it aims to improve the competitiveness of the UK in a growing global marketplace.

Electrical Power Integration Centre (EPIC)
GE Aviation Systems' state-of-the-art EPIC opened for business in August 2011, with considerable private investment supported by £3m of South West RDA funding. Our role with EPIC was delivered as part of the National Aerospace Technology Strategy (NATS), itself supported by £8m of RDA investment.

EPIC represents a major investment by GE Aviation Systems, supported by the RDA and others, into the development and application of end-to-end electrical power systems for aviation and defence vehicles. EPIC, along with its planned sister EPISCENTER facility in Dayton, Ohio, will become the centre of GE's electrical power application research & development and help define and deliver the future vision of electrical power.

Centre for Additive Layer Manufacturing (CALM)
CALM is a £2.6m investment – including initial funding from the South West RDA – in innovative manufacturing for the benefit of business in the South West and across the rest of the UK. The University of Exeter was also awarded ERDF funding as a result of its excellent research and development work in the field of additive manufacturing and for its strong links with business. CALM is delivered in collaboration with EADS UK Ltd, based at Filton, Bristol. CALM was opened in September 2011 and will enable businesses, entrepreneurs and researchers to harness the potential of '3D printing'. The centre is offering heavily subsidised rates to SMEs in Devon, Dorset, Wiltshire and Cornwall, giving smaller businesses access to world-class facilities at affordable prices.

Hydrogen filling station, Swindon – transport fuel for the future
In September 2011 a significant step in hydrogen refuelling infrastructure was completed with the official opening of the UK's first open-access, commercial-scale, hydrogen vehicle refuelling station at Honda's manufacturing facility in Swindon. This venture was the result of a successful public-private partnership between Forward Swindon, the RDA, industrial gases company BOC and Honda UK Manufacturing. The refuelling station is a key part of a proposed sustainable solution to the future transport needs of the UK's population. The M4 'Hydrogen Highway' will provide a network of hydrogen refuelling stations stretching initially from Swansea to Swindon, then on to London.

Broadband rollout
The South West RDA continued throughout most of 2011 to work with local partners to help build their capacity to ensure that the South West is at the forefront of fast broadband development and able to take advantage of Government funding for investment in superfast broadband infrastructure. Access to superfast broadband will increasingly be an essential tool for doing business, and is, therefore, vital to the economic recovery of the South West. It will help to deliver a wide range of benefits including higher productivity, increased innovation, improved access to new markets and business opportunities created by growth in e-commerce, greater consumer choice, and faster access to e-government services. Building on the Agency's work with partners, in the most recent competitive funding round the region was successful in securing 68% of available national funding.

Directors' Report

The Directors present their Annual Report and Financial Statements for the year ended 31 March 2012.

Principal Activities
On the 22 June 2010, the Government announced its intention to abolish all of the Regional Development Agencies (RDAs). The Annual Report and Financial Statements are, therefore, presented in the context of the Agency's activity to achieve an orderly closure in line with Government requirements.

The Agency was established under the provisions of the Regional Development Agencies Act 1998 and came into existence on 14 December 1998. The Agency is a Non-Departmental Public Body sponsored by BIS (formerly the Department for Business, Enterprise & Regulatory Reform). Under the Regional Development Agencies Act 1998, the Agency has the following statutory purposes:

- to further the economic development and the regeneration of the South West region,
- to promote business efficiency, investment and competitiveness in the region,
- to promote employment in the South West,
- to enhance the development and application of skills relevant to employment in the region, and
- to contribute to the achievement of sustainable development.

Going Concern
The Public Bodies Bill, which paves the way for the abolition of the RDAs received Royal Assent on 14 December 2011. BIS issued two Transfer Orders 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 Order was made on 30 March 2012 to take away any remaining assets and liabilities so the Agency achieved operational closure by 31 March 2012. BIS is preparing the formal Abolition Order, which is expected to take effect on or after 30 June 2012.

Based on this knowledge and the fact that the majority of the Agency's functions ceased in year, with the remainder transferred to other parts of Government, it is management's view that the accounts for 2011/12 should be prepared on a basis of non going concern.

We have reviewed the impact of this on the accounting policies. Given the transfer or cessation of all functions during the year (see notes 2 and 3) and the operational closure of the Agency by 31 March 2012, achieved by the transfer to BIS of all residual operational assets and liabilities at 30 March 2012 (see note 3), little remains on the Agency's Statement of Financial Position. For those current assets and liabilities remaining, we have reviewed the related accounting policies and we are content that these continue to be appropriate.

A small team of people remains employed after 31 March 2012 for the purpose of concluding the 2011/12 Annual Report and Accounts and preparing draft accounts for the final period until abolition.

Accountability and Financial Framework
The RDAs' Accountability and Financial Framework, issued by BIS, provides the parameters for RDAs' governance structures. The Department issued a revised framework in October 2011 in recognition of the revised context for RDA business in light of abolition. The framework took effect on 1 October 2011 and replaced the previous framework issued in October 2008.

The revised framework sets out the financial and governance arrangements under which the Agency should operate until operational closure on 31 March 2012 and makes clear 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.

Non- Executive Directors (the Board) and Executive Directors
Non-Executive Directors
Please refer to the list of Non-Executive Directors (RDA Board members) in the Governance Statement below (page 27).

Executive Directors

The Board appoints Executive Directors to manage the business of the Agency. The following individuals served as Executive Directors during the year:

Name	Role	Departure Date
Jane Henderson	Chief Executive	30/06/2012
Nick Lewis	Deputy Chief Executive	30/04/2012
Andrew Slade	Executive Director Programmes and Partnerships	30/09/2011

Financial Results and Review
The results for the year ended 31 March 2012 are set out in the Financial Statements on pages 40 to 69.

The Statement of Comprehensive Net Expenditure shows net expenditure taken to Taxpayers' Equity amounting to £30.1m. Net expenditure is financed by Grant in Aid, received from BIS. Grant in Aid received is treated as a movement in Taxpayers' Equity. During the year Taxpayers' Equity decreased from £19.3m to £6.3m as a result of reduced activity during the closure period.

Principal risks and uncertainties
Detail on principal risks and uncertainties are set out in the 'Internal Control and Risk' section of the Governance Statement (below, pages 33-37).

Special Purpose Entities
During the year the Agency took steps to exit its interest from all Section 5(2) consent corporate bodies. The Agency exited from Gloucester Docks Estate Management Company and transferred its interest to Gloucester City Council. Royal William Yard (Plymouth) Estate Management Company Limited was wound up following the leasehold transfer to Plymouth City Council. Temple Quay Management Limited transferred to the HCA as part of the HCA stewardship arrangement. During the year, the Bristol and Bath Science Park Estate Management Company Limited was

incorporated, and subsequently transferred to the HCA under the stewardship arrangement.

Pension costs
The treatment of pension liabilities and the relevant pension scheme details are set out in the accounting policies note on page 47 and in the Remuneration Report on pages 16 to 24.

Health & Safety and Employment policies
Health and safety
The Agency's Health and Safety policy sets out how it will fulfil health and safety responsibilities, and applies to staff, visitors, contractors and anyone who might be affected by activities related to RDA offices, commercial and industrial properties and projects. The Health and Safety Committee met regularly to report on health and safety and to agree and share best practice. Staff were able to raise matters with their Representatives of Employee Safety (RoES) and feed these into the Committee. The Committee was chaired by Jackie Noorden (Director of Human Resources & Organisational Development) under delegated authority from Nick Lewis (Deputy Chief Executive, with responsibility for Health and Safety). Other members were representatives of employee safety and the Facilities & Health & Safety Consultant.

Employee information and consultation
The Public and Commercial Services Union (PCS) has a sole recognition agreement with the RDA and all formal consultation with staff on matters relating to terms and conditions and redundancy took place through the union mechanism. In addition, since the Government announced its intention in 2010 to abolish RDAs, the Agency undertook an extensive programme of regular direct engagement with staff to ensure they have been kept up to date with the closure process. For example, fortnightly all-staff meetings, led by the Chief Executive, ensured that colleagues are kept fully briefed on developments.

Employment of disabled persons
The Agency recognises that functional limitations arising from disabled people's impairments do not inevitably restrict their ability to perform effectively in a job. Reasonable adjustments are made if any employee becomes disabled while employed by the Agency and wherever possible appropriate training arranged with a view to continued employment.

Prompt Payment of Supplier Invoices
The Agency is committed to the Better Payment Practice Code (previously the CBI Prompt Payment Code) and aims to pay undisputed invoices within 30 days and at least 90 per cent of invoices on time and within those terms. In 2011/12 the Agency paid 98.1% of invoices on time.

The Board Handbook outlines the handling of conflicts of interest and requires that the Chair and other Board Members should declare any personal or business interests. In many cases where there is an association with an organisation, the RDA Board Member was appointed by the RDA to represent it to that organisation. Board Members took no part in formal funding decisions that concerned organisations that Board Members have connections with as reported in the Register of Members' Interests. An updated register of Board members' interests will be available for inspection at BIS's offices at 1 Victoria Street, London SW1H 0ET by prior arrangement with the Head of the Portfolio Management Office (PMO) at BIS.

Freedom of Information
During the period 1 April 2011 – 31 March 2012 the Agency recorded 42 non-routine requests for information under the Freedom of Information Act 2000. All requests were answered within the statutory deadline of 20 working days. There were no requests for internal reviews during the period. As at 31 March 2012 there were no open requests.

Financial Year	Number of FOI Requests
2011/12	42
2010/11	76
2009/10	102
2008/09	41

Political and charitable donations
No political or charitable donations were made.

Auditors
The Comptroller and Auditor General is appointed by statute to audit the South West RDA, and reports to Parliament on the truth and fairness of the annual financial statements and the regularity of income and expenditure. The following costs have been incurred in relation to services provided by the Comptroller and Auditor General: Audit Services £76,000. 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, Jane Henderson, is aware, there is no relevant audit information of which the Agency's auditors are unaware. The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

Remuneration report

This report for the year ended 31 March 2012 is produced by the Board on the recommendation of the Remuneration Committee and deals with the remuneration of the Chair, Chief Executive, Board members and Executive Directors who have influence over the decisions of the Agency as a whole.

Remuneration Committee
The remuneration of the Board is set by BIS, and reviewed annually in line with the recommendations of the Senior Salaries Review Body.

Three members of the Board sit on the Agency's Remuneration Committee: the Committee is chaired by Ellen Winser, and the other members are Cathy Bakewell and Sir Harry Studholme. The Committee met twice between April 2011 and March 2012. While its primary role is to advise the Chairman on the remuneration of the Chief Executive and to advise the Chief Executive on Executive Directors' remuneration, the Committee also considered and approved the Agency's approach to staff exits, including the Agency's voluntary redundancy scheme, and its arrangements for retention payments to staff judged critical to closure, in both cases before the Agency's proposals were submitted to Government for approval.

Remuneration Policy
The performance pay for the Chief Executive is determined by the Chairman on the recommendation of the Remuneration Committee. Performance is measured against weighted targets determined by the Chairman following consultation with BIS. The performance award is non-consolidated, and may be up to a maximum of 20% of base salary. Performance pay of eligible Executive Directors is determined by the Chief Executive on advice from the Remuneration Committee. Performance is measured against targets set individually for the Director by the Chief Executive, and the amount of the performance award can be up to a maximum of 10% of base salary. The performance awards paid to the Chief Executive and to one Executive Director in 2011/12 were based on achievement against targets, and were compliant with policies and controls advised by BIS capping the remuneration and performance related pay of senior staff in the public sector.

Service contracts
Board members are appointed by the Secretary of State for Business, Innovation and Skills in accordance with the Commission of Public Appointments Code. The appointments are on fixed term contracts with no provision for the early termination of employment. All members except the Chairman, Deputy Chairman and Nick Buckland, were contracted to carry out two days' work per month. The Chairman is contracted to carry out three days' work per week and the Deputy Chairman and Nick Buckland to carry out four days work per month.

The following sections provide details of the remuneration and pension interests of Board Members, Chief Executive and Executive Directors, and have been audited.

Emoluments of Board members (Audited)

	Date of Appointment / Re-appointment	Term of Appointment	Date Term Expired	2011/12 salary	2011/12 pension	2011/12 Total	2010/11 Total
				£	£	£	£
Harry Studholme – Chair	30-Mar-09	to 13-Dec-12	-	81,718	19,857	101,575	101,575
Kelvyn Derrick - Deputy Chair	14-Dec-11	1 year	-	17,332	0	17,332	17,332
Nicholas Buckland	14-Dec-10	1 year	13-Dec-11	12,160	0	12,160	17,332
Catherine Bakewell	14-Dec-09	3 years	-	8,666	0	8,666	8,666
Ian Ducat	14-Dec-11	1 year	-	8,666	0	8,666	8,666
David Fursdon	14-Dec-09	3 years	-	8,666	0	8,666	8,666
Chris Lewis	14-Dec-09	3 years	-	8,666	0	8,666	8,666
Peter Madden	14-Dec-08	3 years	13-Dec-11	6,080	0	6,080	8,666
Peter Moore	14-Dec-09	3 years	-	8,666	0	8,666	8,666
Judith Reynolds	14-Dec-08	3 years	13-Dec-11	6,080	0	6,080	8,666
Brian Robinson	14-Dec-10	2 years	-	8,666	0	8,666	8,666
John Savage	14-Dec-09	3 years	-	8,666	0	8,666	8,666
Steve Smith	14-Dec-08	3 years	13-Dec-11	6,080	0	6,080	8,666
Ellen Winser	14-Dec-10	2 years	-	8,666	0	8,666	8,666
Phil Young	14-Dec-09	3 years	-	8,666	0	8,666	8,666

Emoluments of Chief Executive and Executive Directors (Audited)

	Salary	Car allowance	PRP	Contributions to Pension	Compensation payments	Total
	£	£	£	£	£	£
Jane Henderson – Chief Executive						
2011/12	140,772	3,600	14,250	31,493	70,386	260,501
2010/11	140,772	3,600	10,670	30,035	0	185,077
Andrew Slade – Executive Director Programmes & Partnerships						
2011/12 (until 30 September 2011)	49,891	2,800	9,978	12,123	0	74,792
2010/11	99,781	5,600	943	23,144	0	129,468
Suzanne Bond – Executive Director People & Skills						
2011/12	0	0	0	0	0	0
2010/11 (until 31 October 2010)	59,963	3,267	0	12,858	0	76,088
Nick Lewis – Executive Director Operations and Development until October 2010; Deputy Chief Executive from 1 November 2010						
2011/12	119,845	0	0	29,122	129,832	278,799
2010/11	108,141	3,267	943	25,541	0	137,892
Stephen Peacock – Executive Director Enterprise & Innovation						
2011/12	0	0	0	0	0	0
2010/11 (until 22 October 2010)	61,548	3,131	0	13,557	113,701	191,937

The Chief Executive and the Executive Directors are employed under permanent employment contracts and work for the Agency full time. For the Chief Executive and Executive Directors, early termination other than for misconduct comes within the terms of the Principal Civil Service Pension Scheme (PCSPS). The terms of this scheme fall under the Civil Service Compensation Scheme.

<u>Non-Cash remuneration</u>
No Non-Cash remuneration was received by Executive Directors in 2011/12.

<u>Compensation paid to former Executive Directors</u>
There was no compensation for loss of office paid to the Chief Executive or Executive Directors during the period.

Based on expected departure dates redundancy accruals are included in the Statutory Accounts. Jane Henderson is expected to leave on the 30 June 2012 and Nick Lewis is expected to leave on the 30 April 2012 and redundancy costs have been accrued.

Redundancy payments are repayable, on a sliding scale, if within 6 months an individual takes up employment with another Civil Service employer.

With the agreement of the Secretary of State and HM Treasury, retention payments are potentially payable in 2012/13, subject to certain conditions being met.

<u>Amounts payable to third parties for services as an Executive Director</u>
No amounts were payable to third parties for services as an Executive Director.

Highest Paid Director to Median Staff Ratio

	2011/12 Annualised	2010/11 Annualised
Band of Highest Paid Director's Total Remuneration (£ '000)	249,677	224,580
Median Total Remuneration	53,391	40,378
Ratio	4.7	5.7

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. For this purpose total remuneration is defined as including salary, non-consolidated performance-related pay, and benefits-in-kind plus accrued redundancy payments. It does not include employer pension contributions, the cash equivalent transfer value of pensions or employer national insurance. The remuneration costs are based on annualised, full-time equivalents. The banded remuneration of the highest-paid director in the Agency in the financial year 2011-12 was £225,000 - £250,000. This was 4.7 times the median remuneration of the workforce, which was £53,391. The difference in the pay differentials between years is distorted by the inclusion of redundancy payments and affected by the change in staff mix during the closure of the Agency.

Pension benefits (Audited)

Pension benefits of Board members

With the approval of BIS, a pension scheme was put in place for the Chairman with contribution rates and benefits which are identical to those in the Principal Civil Service Pension Scheme (PCSPS) funded directly by the Agency until the 30 March 2012, when the liability transferred to BIS as part of closure (note 3). The Agency was not permitted to pay these contributions to a personal pension scheme or other pension plan provider. 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 employment with the Agency.

	Real increase in benefits at pension age (£'000)	Total accrued benefits at pension age as at 30/03/12 (£'000)	CETV at 31/03/11 (nearest £'000)	CETV at 30/03/12 (nearest £'000)	Real increase in CETV (nearest £'000)
Sir Harry Studholme	0 – 2.5	5 - 10	48	75	22

The main actuarial assumptions are as follows:

	To 30/03/12	2010/11
CPI inflation assumption	2.00%	2.65%
RPI inflation assumption	N/A	2.75%
The rate of increase in salaries	4.25%	4.90%
The rate of increase for pensions in payment and deferred pensions	2.00%	2.65%
The rate used to discount scheme liabilities	4.85%	5.60%

Liability calculation: - **Transferred to BIS 30/03/12**

	To 30/03/12	2010/11
	£'000	£'000
Scheme liability at the beginning of the year	205	211
Movement in the year:		
Current service cost (net of employee contributions)	23	27
Interest cost	12	9
Employee contributions	3	3
Actuarial loss/(gain)	8	(15)
Benefits paid	(9)	(9)
Past service cost	-	(21)
Scheme liability at the end of the year	242	205

Experience loss/ (gain) arising on the scheme liabilities:

	To 30/03/12	2010/11
Experience loss/(gain) arising on the scheme liabilities		
Amount (£'000s)	5	4
Percentage of scheme liabilities at the end of the year	2.1%	1.9%

Pension benefits of Chief Executive and Executive Directors

Jane Henderson, Nick Lewis, and Andrew Slade are all members of the PCSPS classic scheme.

	Real increase in pension and related lump sum at age 60 (£000)	Total accrued pension at age 60 at 31/03/12 and related lump sum (£000)	CETV at 31/03/11 (nearest £000) *	CETV at 31/03/12 (nearest £000)	Employee contributions and transfers in (nearest £000)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £000)
Jane Henderson	No increase	60 – 65 plus 190 – 195 lump sum	1,343	1,422	0 - 5	34
Nick Lewis	2.5 – 5 plus 10 – 12.5 lump sum	35 - 40 plus 115 - 120 lump sum	634	752	0 – 2.5	64
Andrew Slade	0 – 2.5 plus 2.5 – 5 lump sum	20 - 25 plus 65 - 70 lump sum	274	295	0 – 5	14

*The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31 March 2010 and 31 March 2011 have both been calculated using the new factors, for consistency. The CETV at 31 March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants could be in one of four defined benefit schemes: either a final salary scheme (Classic, Premium, or Classic Plus), or a whole career scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with Pensions Increase Legislation. Members joining from October 2002 could opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for Premium, Classic Plus and Nuvos. Increases to employee contributions will apply from 1 April 2012. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For Premium, 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. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions

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, 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.

PCSPS
PCSPS is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2011/12, employers' contributions of £813,748 were payable to the PCSPS (2010/11 £1,679,639) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011/12 to be paid when the member retires and not the benefits paid during this period to existing pensioners. At the Statement of Financial Position date, outstanding contributions to the scheme were £26,361 (2010/11 £150,178).

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 initial pension is payable on retirement. In 2011/12 members paid contributions of 1.5% of pensionable earnings.

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 25% of the notional value of your pension benefits, subject to the Lifetime Allowance set by HMRC. 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.

Classic Plus Scheme
This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

Nuvos Scheme
Benefits accrue at the rate of 2.3% of pensionable salary for each year of service. The maximum pension that Nuvos will provide is 75% of highest pensionable earnings. As with premium, there is no automatic lump sum, but members may commute part of their pension for a lump sum up to a maximum of 7/30th or their

pension. Unlike the other PCSPS defined benefit schemes, Nuvos has a pension age of 65. Members pay contributions of 3.5% of pensionable earnings. 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 may be enhanced to what they would have accrued at age 65.

Pensions payable under classic, premium, classic plus and nuvos are increased in line with the Pension Increases Legislation.

Partnership Pension Scheme

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £16,881 (2010/11 £22,202) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £902 (2010/11 £1,464), 0.8% of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the statement of financial position were £3,119 (2010/11 £1,541). Contributions prepaid at that date were £nil (2010/11 £nil).

Homes & Communities Agency Pension Scheme (formerly English Partnerships Pension Scheme)

Former employees of Homes & Communities Agency participate in the Homes & Communities Pension Scheme. The Homes & Communities Scheme is a multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2011 and more details can be found in the separate scheme statement of the Homes & Communities Pension Scheme. For 2011/12, normal employer contributions of £103,097 (2010/11 £134,807) were payable to the Homes & Communities Pension Scheme at the rate of 29.1% of pensionable pay. At the Statement of Financial Position date there were outstanding contributions to the scheme of £4,852 (2010/11 £12,620).

Sickness absence
The average number of days of sickness absence taken by staff during the year was 4.6 days. In total, 677 sickness absence days were taken by staff during the year to March 2012.

Sir Harry Studholme Chairman

___________________________________ Date

Jane Henderson Chief Executive/Accounting Officer

Date

____

Statement of Board and Accounting Officer Responsibilities

Under the Regional Development Agencies Act 1998, the Secretary of State with the consent of HM Treasury has directed the Board 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 are prepared on an accruals basis and must give a true and fair view of the state of affairs of the South West RDA and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Board and Accounting Officer are required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Department for Business, Innovation and Skills (BIS), 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 Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts;
- Prepare the accounts on a going concern basis, unless no longer appropriate to do so; and
- Disclose all relevant information to the auditors

The Permanent Secretary of BIS has designated the Chief Executive as Accounting Officer of South West RDA. 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 the HM Treasury.

The Public Bodies Bill, under which the Regional Development Agencies will be abolished, received Royal Assent in December 2011, accordingly it is deemed that South West RDA will no longer be considered a going concern and these accounts have therefore not been prepared on a going concern basis.

Governance Statement

Scope and purpose of the statement

As Accounting Officer for the South West RDA I have responsibility for maintaining a sound governance framework and system of controls to underpin delivery of the Agency's business in line with its aims and objectives. I share with my Board responsibility for ensuring that the Agency operates within the financial framework issued by the Secretary of State and BIS, and am personally responsible for safeguarding the public funds and assets controlled by the Agency in accordance with the *Non-Departmental Public Bodies' Accounting Officer's Memorandum* issued by HM Treasury, the Government's *Financial Reporting Manual and Government Accounting*, and the requirements of *Managing Public Money*.

This statement records how the Agency has exercised its stewardship for public funds during the financial year, how it has complied with the principles of good governance, and how its control systems have operated in the context of transition and closure. It discusses the effectiveness of these arrangements and is intended to provide a picture of how the organisation has coped with the challenges it has faced.

Context

The Government's decision to abolish RDAs, announced in June 2010, was enshrined in statute with the enactment of the Public Bodies Bill in December 2011. Since the Government announced its intention to abolish the RDAs, our focus moved from 'business as usual' into a transition phase when a range of preparatory measures were undertaken in advance of the adoption of a full closure programme. These included the implementation of an initial round of staff exits, an effective freeze on any new (non-European) project work, and a significant scaling back on non-project activities such as partnership working. Following the receipt of further guidance from Government in autumn 2010 setting national parameters for RDA closure, the Agency overhauled its governance structures in order to ensure that they would be effective and robust for the period through to abolition. A comprehensive Transition and Closure Programme, run on formal programme management lines, was developed and implemented. The Programme, comprising five work-streams, established the process, timetable and resources required to: achieve cessation of operations by March 2012; the successful transfer, where appropriate, of continuing activities, projects, assets/liabilities and staff to successor organisations; and the delivery of a clean and orderly closure in accordance with the Government's timetable and requirements. These arrangements were agreed with BIS as part of the Agency's Transition and Closure Plan in January 2011. I and my Board have continued to keep our governance arrangements under regular review during the 2011-12 financial year to ensure they have remained fit for purpose.

Governance of the Agency during this period has been informed by BIS's *Accountability and Financial Framework* for RDAs, which was updated in October *2011*, by the *Action Notes* system operated by BIS, and by *Managing Public Money*. A revised version of the latter document was issued by HMT in April 2011, with new provisions requiring accounting officers to consider the feasibility of proposed policies or activities. At an operational level, I have sought clarification from the Department on specific issues that have arisen during the transition and closure process where there was a potential conflict between guidance, responsibilities and statutory duties.

Governance Structure

The Board

The Board is responsible for ensuring that the Agency fulfils the aims and objectives set by the Secretary of State and for promoting the efficient and effective use of staff and other resources. In particular, Board members have corporate responsibility for ensuring that:

a) the Agency complies with any statutory or administrative requirements for the use of public funds;
b) high standards of corporate governance are observed;
c) the overall strategic direction of the organisation is established;
d) the Agency meets its requirements for openness and responsiveness.

Section 2 of the RDA Act 1998 requires that the Board be constituted of not less than eight or more than 15 members. At the beginning of the financial year, the Agency had 15 Board members. This reduced to eleven on 13 December 2011 and remained at this level until the end of the financial year. The Board quorum was reduced from eight to six with effect from the same date.

The Board met on eight occasions during the year at approximately six weekly intervals. The following tables list the individuals who served on the Board during the year and their record of attendance.

Board Members in post throughout 2011-2012	
Name	Attendance (from 8)
Harry Studholme (Chairman)	8
Kelvyn Derrick (Deputy Chairman)	8
Catherine Bakewell	7
Ian Ducat	6
David Fursdon	6
Chris Lewis	6
Peter Moore	2
Brian Robinson	8
John Savage	7
Ellen Winser	6
Phil Young	4

Board Members in post until 13 December	
Name	Attendance (from 6)
Nicholas Buckland	6
Peter Madden	4
Judith Reynolds	3
Steve Smith	4

The Agency maintained and regularly updated a register of Board members' interests that had previously been open to inspection on the Agency's website which is no longer live. An updated register of board members' interests will be passed to BIS as part of closure handover arrangements, and will be available for inspection at BIS's offices at 1 Victoria Street, London SW1H 0ET by prior arrangement with the Head of the Portfolio Management Office (PMO) at BIS.

Board Transition and Closure Sub Group

As reported in the 2010/11 Annual Report (p39), a Transition and Closure Sub-Group of the Board was constituted to provide leadership and oversight of the transition and closure programme on the Board's behalf. Chaired by Sir Harry Studholme, it met on a 4-6 weekly basis until December 2011, at which point the Sub-Group's work was returned to the full Board. The Sub-Group's responsibilities included:

a) agreeing the Programme Initiation Document and Programme Management Plan, and agreeing any subsequent changes to these documents;

b) overseeing and advising the work of the Senior Responsible Officer (SRO) - the CEO - and officer-led Transition and Closure Programme Group in delivering the Programme;

c) deciding on significant or contentious issues;

d) monitoring and reviewing progress on programme delivery; and

e) reviewing the risk log and issues register on a regular basis, escalating risks or issues to the full Board or Audit and Risk Committee where appropriate.

The Board Transition and Closure Sub Group met six times during the year. The following table records attendance of the Group.

Transition and Closure Sub Group	
Name	Attendance (from 6)
Harry Studholme (Chair)	6
Nick Buckland	5
Kelvyn Derrick	6
Judith Reynolds	6
Ellen Winser	3
Peter Moore (Observer attending in position as Audit Committee chair)	3

Audit and Risk Committee

The Audit Committee provides independent scrutiny of Agency activity. This includes reviewing evidence that:

a) government guidance or other external requirements are being observed;

b) applicable standards are being used;

c) internal and external communications are working effectively;

d) the governance and audit arrangements for transition and closure Programme are appropriate and being adhered to; and

e) risks and issues are being managed appropriately by the Agency.

In the light of the changed risk environment created by the RDA's impending closure, the Audit Committee shifted its agenda to focus on the risks associated with the closure process, and increased the frequency of its meetings. It met on five occasions during 2011-12 (a sixth planned meeting being postponed for lack of substantive new business). In addition, by way of additional safeguard, a BIS representative attended meetings. Attendance by members was as follows:

Audit and Risk Committee (continued)

Audit and Risk Committee	
Name	Attendance (from 4)
Peter Moore (Chair of Committee until 30/1/2012; Deputy Chair from 30/1/2012)	4
Brian Robinson	4
Phil Young	1
Ian Ducat	2
Stella Pirie (External member)	4
Harry Studholme. Member and Chair of the Committee as from 30/1/2012 (1 meeting)	1

The Committee was chaired by Peter Moore from 1 April 2011 to 30 January 2012. Sir Harry Studholme took over as chair of the Committee for the last two months of the year, with Peter Moore acting as deputy. Mindful of pressures on the latter's time, the Committee unanimously endorsed the proposal that Sir Harry take over the role for the final few months of the Agency's life. While acknowledging that in normal times this might be regarded as questionable in terms of good governance, the Committee noted that the Agency was not operating "business as usual" and judged this to be a sensible pragmatic measure at a point where the Agency was firmly in closure mode with no live projects to manage, and with the finalisation of accounts now the main priority. The decision also had the support of the Agency's officers and was acceptable to the NAO and the Agency's internal auditors, KPMG.

Remuneration Committee

Chaired by Ellen Winser, the Remuneration Committee reviews the objectives and performance of Chief Executive and Executive Directors, and advises the Board on their remuneration. In addition, the Remuneration Committee considered the Agency's approach to staff exits, including approval of the arrangements for retention payments to staff judged critical to closure and the Agency's voluntary redundancy scheme before these that were submitted to Government for approval. The Committee received reports during the year on progress with the Agency's redundancy programme, on the Agency's activities to support staff in finding future employment and on related staff matters. The Committee met twice during the year.

Remuneration Committee	
Name	Attendance (from 2)
Ellen Winser	2
Harry Studholme	2
Cathy Bakewell	1

Nomination Committee

The Agency does not have a nomination committee.

Executive Governance
As Chief Executive and Accounting Officer for the South West RDA, I acted as Senior Responsible Officer (SRO) for the delivery of the Agency's Transition and Closure Programme with accountability for ensuring that objectives were achieved. I was assisted in this by a Transition Programme Group (TPG), which considered operational issues and was the primary decision making body at executive level until the formal closure of the Programme in March 2012. Membership of the Group comprised executive directors, directors and the programme manager for the closure process. This Group was stood down following the Board's decision at its meeting on 13 March to close the Programme.

Major issues considered by the Board

As set out above, the Board's primary role during the year was to transfer and conclude Agency functions and activity while paving the way for an orderly and solvent closure. In contrast to previous years, the Board approved no new projects, though it considered a limited number of new investments within existing projects (all of which were subject to ratification from BIS). It also continued to oversee the delivery of a number of significant projects which are outlined in the Management Commentary section. In this context, the Board considered the following major issues:

- Transition and closure progress: The Board received a report from its Sub-Group at each meeting. Reports outlined the Agency's progress against the programme as well as issues that needed escalation to BIS's National Transition Board. I also provided key updates, for instance on transfer activity, and highlighted risks and policy uncertainties to the Board as part of my report to each Board meeting.
- Legacy programme: The Board oversaw the development of a legacy information programme, designed to preserve and disseminate to our regional partners and successors key elements of the Agency's knowledge and learning acquired over more than a decade of experience in delivering economic development. Four documents were produced, and the material was introduced to partners in six legacy workshops held across the South West in September 2011 co-hosted with regional partners and BIS Local. These were very well received and attended by some 250 people. The legacy materials will be hosted by Bristol University after the Agency's closure.
- Statutory functions, closure governance and the revised Accountability and Financial Framework: As noted earlier, BIS issued a revised Framework on 4 October 2011. At its meeting on 18 October, the Board welcomed the new Framework and its clear focus on roles and responsibilities for transition and closure, while noting that some of the responsibilities with which RDAs were charged - such as securing staff transfers with transferring functions - were contingent on the actions of Government.
- Transfer of other functions: The Board oversaw the transfer of functions including ERDF to DCLG, RDPE to Defra, GRD and CRD to TSB, GBI to BIS, some

business engagement activity to BIS Local, and some inward investment activity to UKTI.

- Transfer of staff as part of other transfers: The Board received updates at all meetings on the position of Agency staff in scope for TUPE and COSOP transfers to successor bodies. The Board and I as Accounting Officer sought, to the best of our ability, to ensure that all staff were treated fairly, as required under the Accountability and Financial Framework. This was a frustratingly slow process at times, but overall the Board was pleased with the number of staff who were transferred.
- Transfer of assets and liabilities: The Board oversaw and approved of the Agency's strategy to dispose of assets within the principles set out in the Government's *Local Growth* White Paper. This included overseeing negotiations to sell 'packages' of Agency assets and liabilities to local authorities in the South West, which culminated in agreements being reached in Plymouth and Gloucester. Overall, the Agency realised £14m in receipts from land/property asset sales, including those forming part of the two packages. Following a decision by Government to bring forward the timetable, the bulk of remaining assets were transferred to the HCA on 19 September 2011, to form part of a national stewardship arrangement. As part of this, the Board considered the implications of the transfer of the Agency's regional infrastructure investments through the RIF, and supported the Executive in securing a commitment from the HCA to recycle RIF funds within the South West (reflecting the basis on which the funding had originally been allocated).
- Wave Hub: The Board considered papers on the future of Wave Hub at the May and September meetings. Early discussions concerned an internal review on options for the future of Wave Hub, during which the Board affirmed its wish that Executive should use its best endeavours to a secure the future of this unique facility for the benefit of region and UK plc. The Board considered operational and project risks, including the potential for Wave Hub to compromise the Agency's solvent closure and the implications of developing marine energy policy (e.g. Technology Innovation Centres) for the future achievement of Wave Hub objectives. Subsequent considerations focused on concluding negotiations to secure BIS's commitment to own the asset and establish an operating company to oversee the successful operational development of the project (the company was established in December 2011 and transferred to BIS on 1 January 2012).

Sub-Group reports

The Transition and Closure Sub-Group provided updates to every Board meeting until its incorporation into the Board in December 2011. These covered progress against key programme performance indicators, the programme level risk register, an 'upward decisions log' and reports on the progress of individual programme workstreams. Other highlights included:

- regular reports on the Agency's staffing profile, which proved remarkably accurate despite shifts in priorities during the year;
- financial risks and other issues impacting on the Agency's delivery of a solvent closure;
- the future of Agency held assets and liabilities;
- records management;

- progress on closing projects; and
- the transfer of functions and staff.

The Audit and Risk Committee, in providing oversight and scrutiny of transition and closure, ensured that the Board, Chairman and Chief Executive were advised of the Committee's recommendations for strengthening the closure process. Specific issues considered by the Committee during the course of the year included:

- shifting the focus of the internal audit schedule, to reflect the circumstances and changes in risk related to the closure process;
- reviewing regular reports from internal audit on the strength of controls operating across the Agency;
- reviewing various technical accounting matters including accounting for Machinery of Government (MOG) changes and the appropriateness of the going concern basis for preparing the 2011/12 accounts';
- providing support and guidance to management over the content of assurance statements which underpin the transfer of responsibilities between the Agency and other Government organisations receiving programmes from South West RDA.

<u>Board performance (effectiveness)</u>

The Board's assessment of its effectiveness in 2011-12 took place against a background of impending closure and the Government's decision that each RDA board take responsibility for overseeing its own closure. In this context, the Chairman and Board agreed to focus their assessment of performance in relation to the Agency's objectives for transition and closure. The Board assessed its performance at the October 2011 meeting and concluded that it was providing appropriate strategic leadership and direction to the Agency, reviewing risks and milestones as required, and where necessary escalating issues to Government, for example on the future of Wave Hub.

During the period, the Board considered how best to discharge its role in the RDA transition and closure process and how best to oversee the development of the Agency's transition and closure programme, which had been approved by BIS's National Transition Board. The Board concluded that changes instituted in the previous year, namely the decision to establish a dedicated Board Transition and Closure Sub-Group to steer and oversee the closure programme in addition to enhanced scrutiny by the Board's Audit Committee, had been effective, and also that it was appropriate to merge the Sub-Group's functions back into the main Board in December 2011 to oversee the final stages of closure.

Uncertainty regarding the Board's role had arisen from the delay in formal confirmation from Government on the role of the Board following the announcement of the Government to abolish the RDAs in June 2010. BIS clarified the role of the Board in revisions to the Agency's Accountability and Financial Framework, finally issued by BIS in October 2011. The Board had highlighted the importance of updating the framework during the course of the year and welcomed its publication, focus on transition and closure, and its clarification of the Board's changed role.

The Board concluded that meetings were conducted in a manner that supported open and inclusive discussion, that the Board secretariat function was effective and that the Board supported high standards of propriety. The Board agreed that while the annual appraisal process for Board members was important and completed in all cases, wider Board development activity was inappropriate given the forthcoming closure of the Agency.

Compliance with the *Corporate Governance Code of Good Practice*

The Agency complied with the Cabinet Office's Code of Good Practice on corporate governance as far as is relevant to a non-departmental public body (NDPB.) In particular, the Agency maintained an appropriate Board composition, in line with statutory obligations, while adjusting its committee structure and reducing board membership in December 2011 to reflect the forthcoming closure of the Agency. As recorded above, the Board assessed its own effectiveness and I am satisfied that it and the Agency have complied with the Corporate Governance Code as far as is appropriate.

Risk and Internal Control

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives. It therefore seeks to provide reasonable, rather than absolute, assurance of effectiveness. The system is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency's polices, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2012, and up to the date of approval of the annual report and accounts. The system accords with HM Treasury guidance.

General approach to managing risk

The Agency's established risk management strategy and policy sets out the overarching principles governing risk management in the RDA, and establishes how these are put into practice across the organisation including roles and responsibilities. The Agency's Risk Management Handbook, which is provided to all staff, sets out both strategy and policy in detail. The Audit Committee monitors the implementation of the Risk Management Strategy on behalf of the Board and I, as Chief Executive and Accounting Officer, am responsible for its delivery across the organisation. For each risk, a member of staff is identified as having responsibility for managing the risk on a day to day basis, and for escalating the risk as appropriate.

Risks and Internal Control during transition and closure

The closure of the Agency over a two-year timescale has presented a substantial challenge to maintaining an effective control environment throughout the period. During 2011/12, the Agency faced both "business as usual" risks, and specific, heightened, risks arising from the closure process. Our focus throughout 2011/12 has been on ensuring an effective transfer of those functions that will continue, and an orderly closure of everything else. As a consequence, the organisation's 'appetite' for risk changed significantly from previous years, and we adopted a much more risk averse approach in order to deliver our closure objectives. The Agency's Transition and Closure Plan set out how the Agency managed the process of winding down its business by 31 March 2012. The plan was approved by BIS, with two formal reviews taking place on 5 April 2011 and 27 October 2011 to monitor progress to deliver the closure of the Agency in line with Government requirements.

During the year, all risks were managed through a single programme risk register, reflecting the reality that all Agency activity during 2011/12 was concerned with delivering our closure objectives. The Transition and Closure Risk Register set out the approach to both high level and corporate risks, and risks that had been identified in each of the five programme workstreams. The programme office was responsible for the development and delivery of mitigation and contingency measures in relation to high level and programme risks, and workstream leads were responsible for risks in their areas. As SRO for the Transition and Closure programme, I retain overall responsibility for the risk register and for agreeing appropriate mitigation strategies for each of the identified risks.

The risk register was considered at each meeting of the TPG which I chaired, and also taken to each meeting of the Board Transition and Closure Sub-Group (until November 2011) and full Board (from December 2011). The Audit Committee continued to take close interest in the risk profile, and provide oversight of the risk management process. Where appropriate, specific risks have been discussed and escalated to BIS.

While the Transition and Closure Programme was formally closed by the Board at its meeting on the 13 March 2012, the risk register will be retained until final closure, expected at the end of June 2012.

Turning to wider internal control, during the year the Agency strengthened a number of mechanisms to mitigate the heightened risk of error and fraud due to the large numbers of staff leaving during the year. Changes included the introduction of additional Director level controls on payments, the creation of a dedicated project closure team (located within the central Finance function and headed by the former Head of EU Monitoring, the team took responsibility for managing projects to closure where the existing case officers had left the Agency) and a refocusing of the Agency's internal audit function on transaction rather than systems testing.

<u>Risk Priorities</u>

The closure of a Government agency with in excess of 5,000 projects, two ERDF programmes, the largest share of the English RDPE programme, significant assets and liabilities, as well as wider responsibilities for functions including innovation, inward investment, and business engagement is a complex and demanding task. The Agency's transition and closure programme had a number of critical dependencies including, a clear and consistent national policy environment, clarity on accounting procedures and sufficient staff resource to complete key tasks. The Agency used appropriate risk prioritisation to address and mitigate key risks to the programme. Risk priorities included:

- Transfer of Agency functions:

During the period, the Agency transferred major areas of activity to Government. These included ERDF convergence and competitiveness programmes to DCLG (1 July 2011); England's largest RDPE programme to Defra on 1 July 2011; Grants for Business Investment (GBI) to BIS on 1 September 2011; Grant for Research and Development (GRD) on 1 September 2011; Collaborative Research and Development (CRD) on 30 September 2011 to TSB; and 41 property related assets (and liabilities) to the HCA on 18 September. For the materially most significant transfers – ERDF, RDPE and HCA - I have provided receiving Departments with a transfer assurance statement setting out where relevant the risks at the point of delivery, mitigation and contingencies, and anticipated future risks. As Accounting Officer I retained full responsibility for all assets, including land and property that transferred to the HCA from 1 April 2011 until 19 September 2011. In recognition of the fact that these transfers were MOG changes, I received an Accounting Officer letter from the Principal Accounting Officer of BIS, dated 23 November 2011, taking responsibility for these assets thereafter until the Supplementary Estimates for 2011/12 were completed.

- Accounting procedure:

The post-transfer notification of accounting procedure, compounded with the spread of transfer dates, number of receiving entities, and the short timescales to complete the work, increased the risk of accounting errors. It was recognised that material errors in the budget transfers could put the solvent closure of the Agency at risk.

- Fraud:

The level of fraud risk during the period was assessed to be high as a consequence of a well-publicised and lengthy closure process. This risk was mitigated as described above. In addition, the Audit Committee continued its more frequent meeting pattern, with internal audit providing regular flash reports indicating the strength of internal controls across the Agency.

- Staffing:

The knowledge of forthcoming closure and impending redundancy posed a significant risk to the Agency retaining appropriately skilled staff, particularly in the key areas of finance, HR and IT. The Agency sought to mitigate this risk by careful planning and staging of redundancy dates, retaining some control and flexibility in the process by encouraging voluntary redundancy, including the selective use of compensation in lieu of notice, and, in the case of a small number of staff whose knowledge and skills were judged critical, the offer of retention payments, in agreement with BIS & HMT.

- Non-agency dependencies:

The successful delivery of the transition and closure programme during 2011-12 was dependent a number of factors beyond the control of the Agency. These included:

- Confirmation from Government of the operating parameters for RDAs with timely decision making on the future of RDA functions, including which were to be stopped, and for ongoing functions, a clear and comprehensive plan for transferring the function to a specified body at a specified time.
- Clarification from Government on arrangements for transfer of the Agency's European programmes (ERDF and RDPE) as well as effectiveness of systems architecture provided by Government in relation to the ERDF programme prior to the transfer date.
- Decisions on how RDAs' records would be managed after March 2012, including requirements for ongoing monitoring of financially closed projects and contingent assets.
- Decisions on the accounting processes for RDA closure.

- Clarity on the legal cover to deliver operational closure ahead of statutory abolition.

- Information Risk:
The Agency remained vigilant, and continued to hold its ISO27001 accreditation. No information security breaches took place during the year.

Internal Audit

KPMG are the Agency's appointed independent internal auditors. They operate in accordance with Government Internal Audit Standards and to an internal audit plan approved by the Audit Committee. Internal audit submit regular reports on the adequacy and effectiveness of the Agency's systems of internal control and the management of risks together with recommendations for improvement. I review these reports together with the management responses, assisted and guided by the Audit Committee. The status of Internal Audit recommendations is regularly reported to the Audit Committee.

Following completion of the planned work for 2011/12, the Head of Internal Audit issued an independent and objective Statement of Assurance on the adequacy and effectiveness of the Agency's system of internal control, which stated that:

> "*We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Agency's risk management, control and governance processes. In our opinion the Agency has adequate and effective risk management, control and governance processes to manage the achievement of its objectives, during the year whilst the Agency has been planning for operational closure"*

Review of Effectiveness

As Accounting Officer, I have responsibility for conducting an annual review of the effectiveness of the system of the organisation's governance, risk management and internal control. My review is informed by the work of Executive Directors and senior managers within the organisation who have responsibility for the development and maintenance of the governance structures, by the internal control framework; by the work of the internal auditors; and by comments made by the external auditors in their management letter and other reports.

The Executive Director Operations and Resources (Deputy Chief Executive), Executive Director for Programmes and Partnerships (until his departure in September 2011) and Director of Enterprise and Skills each considered risk management and the operation of internal controls within their accountabilities under the Agency's transition and closure programme, including consideration of the risk of fraud, and wrote to me under the following headings:

- Nature and scale of risks and how they are managed and monitored;
- Weaknesses or failure in controls during the year (if any); and
- Taking account of the controls, the likelihood of risks crystallising.

In addition, the Deputy Chief Executive also addressed the "Consideration of the risk of fraud" and the Executive Director the "Steps taken to gain assurance over the handover process".

I have been advised on the implications of the result of the review of the effectiveness of the system of the governance including internal control and risk management by the Board's Audit and Risk Committee. Measures have been put in place to address identified weaknesses and ensure the systems are appropriate for the period through to closure.

I have considered the evidence provided with regards to the production of the annual governance statement. The conclusion of the review is that the organisation's overall governance and internal control structures during this final full year of operation have been effective. I can also confirm there are no significant control issues to report.

Jane Henderson Chief Executive/Accounting Officer

Report of the Comptroller and Auditor General to the Houses of Parliament

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

I have audited the financial statements of the South West of England Regional Development Agency for the year ended 31 March 2012 under the Regional Development Agencies Act 1998. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 Board, Accounting Officer and auditor

As explained more fully in the Statement of Board and Accounting Officer's Responsibilities, the Board and the Accounting Officer are 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 the South West of England Regional Development Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the South West of England Regional Development Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report 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 the South West of England Regional Development Agency's affairs as at 31 March 2012 and of the net expenditure after tax for the year 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 there under.

Emphasis of Matter – Preparation on a basis other than Going Concern
Without qualifying my opinion, I have considered the adequacy of the disclosures made in note 1.2 concerning management's decision to apply a basis other than going concern in the preparation of the financial statements. This was made following Royal Assent to the Public Bodies Act 2011 which contains provision for the abolition of all Regional Development Agencies.

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, Directors' Report and Remuneration Report for the financial year 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

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

15 June 2012

Financial Statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2012

	Note	2011/12 £000	Restated 2010/11 £000
Expenditure			
Programme expenditure	5	15,077	80,426
European funded programme expenditure	6	(48)	47,650
Staff costs	7	10,911	15,959
Depreciation	14	71	337
Other Administration Expenditure	8	2,090	2,473
Book value of inventories sold	17	3,835	3,578
Other losses	9	5,741	26,425
Loss on transfers associated with abolition	10	1,147	-
Total Expenditure		**38,824**	**176,848**
Income			
European funded income	11	205	64,761
Other income	12	910	5,237
Profit on disposal of property, plant and equipment		1,559	1
Proceeds from sale of inventories		4,787	4,295
Total income		**7,461**	**74,294**
Net expenditure		**31,363**	**102,554**
Interest receivable	13	(406)	(218)
Net expenditure before tax		**30,957**	**102,336**
Tax expense	26	(838)	340
Net expenditure after tax		**30,119**	**102,676**
Results of discontinued operations	4	**18,515**	**80,142**
Other Comprehensive Expenditure			
Credited to revaluation reserve:			
Net loss on revaluation of Property, Plant and Equipment	14	-	492
Net loss on revaluation of Non-Current Assets Held For Sale	16	-	49
Net loss on revaluation of inventories	17	281	732
Total Comprehensive Expenditure for the year ended 31 March 2012		**30,400**	**103,949**

Net expenditure is financed by Grant in Aid as explained in note 1.4
Not all activites are continuing, please see note 4.
Restatement is due to a Machinery of Government change, see note 2.

Financial Statements

Statement of Financial Position as at 31 March 2012

	Note	As at 31/03/2012 £000	Restated As at 31/03/2011 £000	Restated As at 1/04/2010 £000
Non Current Assets				
Property, plant & equipment	14	-	94	9,593
Investments in associate and joint venture	28	-	-	-
Total Non Current Assets		-	94	9,593
Current Assets				
Non current assets held for sale	16	4	7,746	-
Inventories	17	-	10,684	21,882
Trade and other receivables	18	35	1,141	429
Other current assets	18	10	39,905	23,549
Current tax receivable		337	-	-
Cash and cash equivalents	19	7,588	49,940	27,165
Total Current Assets		7,974	109,416	73,025
Total Assets		**7,974**	**109,510**	**82,618**
Current Liabilities				
Trade and other payables	20	478	8,038	2,921
Other liabilities	20	1,194	78,992	69,013
Current tax liabilities		-	340	1,060
Total Current Liabilities		1,672	87,370	72,994
Non Current Assets Plus Net Current Assets		**6,302**	**22,140**	**9,624**
Non Current Liabilities				
Provisions	21	-	2,888	1,507
Total Non Current Liabilities		-	2,888	1,507
Assets Less Liabilities		**6,302**	**19,252**	**8,117**
Taxpayers' Equity				
Grant in Aid reserve		6,302	17,938	5,687
General reserve		-	(205)	(211)
Revaluation reserve		-	1,519	2,641
		6,302	19,252	8,117
Total Taxpayers' Equity		**6,302**	**19,252**	**8,117**

The notes on pages 44 to 69 form part of these accounts.
Restatement is due to a Machinery of Government change, see note 2.

Jane Henderson, Chief Executive

Date

Sir Harry Studholme, Chairman

Date

Financial Statements

Statement of Cash Flows for the year ended 31 March 2012

	Note	2011/12 £000	Restated 2010/11 £000
Cash flows from operating activities			
Net expenditure before tax		(30,957)	(102,336)
Depreciation	14	71	337
Property, Plant & Equipment write down	14	-	976
(Profit)/Loss on sale of property plant and equipment		(1,559)	8
Decrease in inventories	17	10,684	11,198
Decrease/(Increase) in trade and other receivables	18	1,106	(712)
Decrease/(Increase) in other current assets	18	39,895	(16,356)
(Decrease)/Increase in trade and other payables	20	(7,560)	5,117
(Decrease)/Increase in other liabilities	20	(77,798)	9,979
(Decrease)/Increase in provisions	21	(2,888)	1,381
Income taxes (paid) to HMRC		(173)	(1,060)
Transfer from revaluation reserve on revaluation of inventory		(281)	(732)
Loss on transfer of assets & liabilities - no cash consideration	3	333	-
Net Cash Outflow From Operating Activities		**(69,127)**	**(92,200)**
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	14	-	-
Net Cash Outflow From Investing Activities		**-**	**-**
Cash Flows From Financing Activities			
Proceeds from sale of property, plant and equipment		9,325	47
Grant in Aid received		17,450	114,928
Net Cash Inflow from Financing		**26,775**	**114,975**
Net (Decrease)/Increase In Cash and Cash Equivalents In The Period		**(42,352)**	**22,775**
Cash and Cash Equivalents At The Beginning Of The Period	19	49,940	27,165
Cash And Cash Equivalents At The End Of The Period	19	**7,588**	**49,940**

Financial Statements

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2012

	Grant in Aid Reserve £000	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
Changes in Taxpayers' Equity 2010/11 - Restated				
Balance at 1 April 2010	18,678	12,816	(211)	31,283
Restatement due to Machinery of Government change	(12,991)	(10,175)	-	(23,166)
Restated Balance at 1 April 2010	5,687	2,641	(211)	8,117
Changes in reserves for 2010/11				
Total Comprehensive Expenditure				
Net loss on revaluation of inventory	-	(732)	-	(732)
Net loss on Property, Plant & Equipment revaluation	-	(492)	-	(492)
Net loss on Non Current Assets Held For Sale revaluation	-	(49)	-	(49)
Net expenditure after tax	(102,676)	-	-	(102,676)
Total Comprehensive Net Expenditure for 2010/11 - Restated	(102,676)	(1,273)	-	(103,949)
By Analogy Pension Scheme transfer	(6)	-	6	-
Disposal transfer	5	(5)	-	-
Property, Plant & Equipment depreciation taken to revaluation reserve	-	156	-	156
Grant in Aid received	114,928	-	-	114,928
Balance at 31 March 2011 - Restated	**17,938**	**1,519**	**(205)**	**19,252**
Changes In Taxpayers' Equity 2011/12				
Balance at 1 April 2011	17,938	1,519	(205)	19,252
Changes in reserves for 2011/12				
Total Comprehensive Expenditure				
Net loss on revaluation of inventory	-	(281)	-	(281)
Net loss on Property, Plant & Equipment revaluation	-	-	-	-
Net loss on Non Current Assets Held For Sale revaluation	-	-	-	-
Net expenditure after tax	(30,119)	-	-	(30,119)
Total Comprehensive Net Expenditure for 2011/12	(30,119)	(281)	-	(30,400)
By Analogy Pension Scheme transfer	(205)	-	205	-
Disposal transfer	1,238	(1,238)	-	-
Property, Plant & Equipment depreciation	-	-	-	-
Grant in Aid received	17,450	-	-	17,450
Balance at 31 March 2012	**6,302**	**-**	**-**	**6,302**

1 Statement of Accounting Policies

Basis of Accounting

1.1 These financial statements have been prepared in accordance with the 2012/13 Government Financial Reporting Manual (FReM) issued by HM Treasury and in a form directed by the Secretary of State for Business Innovation and Skills, with approval of HM Treasury, in accordance with the Regional Development Agencies Act 1998.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adopted 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 South West Regional Development Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by Agency for the reportable activity are detailed below. They have been applied consistently in dealing with items that are considered material to the accounts.

As explained in note 1.2, the Agency will be abolished by a Commencement Order under the provisions of the Public Bodies Act 2011, and this is expected to take place in the summer of 2012. The financial statements have been prepared on a basis other than that of going concern.

1.2 Going Concern

The Public Bodies Bill, which paves the way for the abolition of the RDAs received Royal Assent on 14 December 2011. BIS issued two Transfer Orders 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 Order was made on 30 March 2012 to take away any remaining assets and liabilities so the Agency achieved operational closure by 31 March 2012. BIS is preparing the formal Abolition Order, which is expected to take effect on or after 1st July 2012.

Based on this knowledge and the fact that the majority of the Agency's functions ceased in year, with the remainder transferred to other parts of Government, it is managements' view that the accounts for 2011/12 should be prepared on a basis other than that of Going Concern.

We have reviewed the impact of this on the accounting policies. Given the transfer or cessation of all functions during the year (see notes 2 and 3) and the operational closure of the Agency by 31 March 2012, achieved by the transfer to BIS of all residual operational assets and liabilities at 30 March 2012 (see note 3), little remains on the Agency’s Statement of Financial Position. For those current assets and liabilities remaining, we have reviewed the related accounting policies and we are content that these continue to be appropriate.

A small team of people remains employed after 31 March 2012 for the purpose of concluding the 2011/12 Annual Report and Accounts and preparing draft accounts for the final period until abolition.

1.3 Accounting Convention

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

1.4 Grant In Aid

The Agency’s activities were funded primarily by grant in aid provided by the Department for Business, Innovation and Skills for specified types of expenditure. Government grants received to finance activities and expenditure which supported the statutory and other objectives of the entity treated as financing, credited to the Grant in Aid Reserve, because they were regarded as contributions from a controlling party.

1 Statement of Accounting Policies (continued)

1.5 Income

Income consisted of European funded income, other grants, proceeds from sale of inventories and other income. The Agency's activities were funded in part by European funding for specified types of expenditure. European funding receivable of a revenue nature was credited to the Statement of Comprehensive Net Expenditure in the year to which it relates. Other grant income was recognised based on the terms of the relevant agreement. Proceeds from the sale of inventories were recognised upon completion. Other income was recognised on an accruals basis in accordance with the substance of the relevant agreement.

1.6 Property, Plant and Equipment

Properties and land (offices used by the SWRDA and those held as investments) were carried at fair value 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. Valuations were carried out in accordance with best practice as contained in the Statement of Asset Valuation Practice and Guidance Notes (6th Edition) published by the Royal Institute of Chartered Surveyors.

Depreciated historical cost was used as a proxy for fair value for leasehold improvements, information technology and furniture and fittings, as these classes of assets had short useful lives.

The capitalisation thresholds were £10,000 for individual items and £30,000 for pooled items. Intangible operating assets consisting of software licences were charged direct to the Statement of Comprehensive Net Expenditure.

Acquisitions and disposals of land and buildings were accounted for on the date of legal completion.

These classes of assets were reviewed for impairment annually.

1.7 Non-current assets held for sale

Non-current assets were classified as assets held for sale when their carrying amount was to be recovered principally through a sale transaction and a sale within twelve months of the reporting date was considered to be highly probable. Non-current assets held for sale were stated at the lower of carrying amount and fair value less costs to sell. The assets were not depreciated. It should be noted that as a result of the decision to close the RDA's, all investment assets and Land and buildings used as offices by the RDA were reclassified to this category at the end of 2010-2011. During the 2011-12 year, all Non current assets held for sale were disposed of except for one remaining asset with a net book value of £4k.

1.8 Depreciation

Depreciation was provided to write off the cost of tangible non-current assets (property, plant and equipment) over their anticipated useful lives on a straight line basis at the following annual rates:

Freehold buildings and investment properties	50 years
Improvements to leasehold buildings with less than 25 years to run	Period of lease
Furniture and fittings	4 years
Information technology	3 years

1.9 Inventories

Inventories, consisting of development land and buildings, were shown at the lower of replacement cost, taking into account the full costs and restrictions associated with regeneration, and net realisable value. The Agency treated valuations of development assets 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 was no credit on the Revaluation Reserve against which such a loss can be charged. These did not require reclassification as a result of the decision to close and therefore remained as inventories up until they were sold or transferred.

1 Statement of Accounting Policies (continued)

1.10 Financial Instruments

a) Financial assets

The financial assets of the Agency were classified into the category of loans and receivables and cash. The classification depended on the nature and purpose of the financial assets.

The category of loans and receivables included trade receivables, loans, other receivables and cash that had fixed or determinable payments that were not quoted in an active market. Subsequent to initial recognition at fair value plus transaction costs, loans and receivables were measured at amortised cost using the effective interest method, less impairment. Interest income from these financial assets was calculated on an effective yield basis and was recognised in the Statement of Comprehensive Net Expenditure, except for short-term receivables and cash when the recognition of interest would be immaterial.

Financial assets were derecognised when the rights to receive cash flows from the financial assets had expired or where the Agency had transferred substantially all risks and rewards of ownership.

b) Financial liabilities and equity instruments

The financial liabilities of the Agency were all classified into the category of other financial liabilities.

The category of other financial liabilities included trade payables, borrowings and other payables. Other financial liabilities were initially measured at fair value, net of transaction costs, and then subsequently measured at amortised cost using the effective interest method. The Agency only had short-term liabilities and therefore the recognition of interest expense would be immaterial.

The Agency derecognised financial liabilities when the Agency's obligations were discharged, cancelled or expired.

An equity instrument was any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The equity instrument of the Agency was Taxpayers Equity and was measured in the Statement of Financial Position at nominal value.

c) Impairment of financial assets

Financial assets were assessed for indicators of impairment at each Statement of Financial Position date. The assessment may have been of individual assets or a portfolio of assets. Financial assets were impaired where there was objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment had been impacted.

For individual assets, objective evidence of impairment could have included missed payments, arrangements in place to pay less than the contractual payments, fraud and bankruptcy and other financial difficulties.

1.10 Financial Instruments (continued)

c) Impairment of financial assets (continued)

For loans and receivables, where there was objective evidence that an impairment loss existed, impairment provisions were made to reduce the carrying value of the financial assets to the present value of estimated future cash flow, discounted at the financial assets original effective interest rate.

The charge to the Statement of Comprehensive Net Expenditure reflected the movement in the level of provisions made, together with any amounts written off net of amounts recovered in the year. No loan or receivable was written off until the possibility of recovery was beyond doubt. Approval from BIS was obtained for any write-off in excess of £250,000.

1 Statement of Accounting Policies (continued)

1.11 Pension Costs

The Agency's employees were predominantly members of the Principal Civil Service Pension Scheme (PCSPS) which is a non contributory defined benefit scheme and is unfunded, or the Partnership Pension Scheme, which is a stakeholder pension scheme. The Agency recognised the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employee services by payment to the scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

The By-Analogy Scheme was for the present and former Chairman with rules equivalent to those of PCSPS. The arrangement is a UK-based benefit promise made by the employer, providing benefits at retirement and on death-in-service. The arrangement is unfunded and the employer pays benefits as and when they arise. Further details are provided in the Remuneration Report. The liability transferred to BIS on 30 March 2012.

1.12 Foreign Currency Transactions

Transactions in foreign currency were recorded in sterling at the rates prevailing at the date of the transaction. There are no monetary assets and liabilities in foreign currency at the Statement of Financial Position date.

1.13 Leases

Operating lease rentals were charged to the Statement of Comprehensive Net Expenditure over the period of the lease.

The Agency does not hold any finance leases.

1.14 Special Purpose Entities - Investments in associate and joint venture

An associate was an entity over which the Agency had significant influence and which was neither a subsidiary nor an interest in a joint venture. Significant influence was power to participate in the financial and operating policy decisions of the investee, but not control or joint control over these policies.

A joint venture was a contractual arrangement whereby the Agency and other parties undertake an economic activity that was subject to joint control, that was when the strategic and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

There were three types of joint venture, jointly controlled operations: jointly controlled assets and jointly controlled entities. The Agency had both jointly controlled assets and jointly controlled entities.

The results and assets and liabilities of associates and joint ventures were incorporated into these financial statements using the equity method of accounting. Under the equity method, investments in associates and joint ventures are carried in the Statement of Financial Position at cost as adjusted for post-acquisition changes in the Agency’s share of the net assets of the associate, less any impairment in value.

All of the Agencys interests in Joint ventures or associates were transferred in the prior year.

1.15 Provisions

Provisions were recognised when there is a present legal or constructive obligation as a result of past events for which it was probable that the Agency would be required to settle the obligation, and where the amount of the obligation could be reliably estimated.

Provisions were made for environmental liabilities, redundancy costs, early retirement costs, onerous leases and the By-Analogy Pension Scheme. The amount recognised as a provision was the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date taking into account the risks and uncertainties surrounding the obligation. There were no outstanding provisions at the 31 March 2012 as they had all either been transferred to other bodies or have been written back to the SoCNE.

1.16 VAT

The Agency is registered for VAT and operated within a Non Business Apportionment methodology agreed with HM Revenue & Custom, any irrecoverable VAT is written off to the SoCNE.

1 Statement of Accounting Policies (continued)

1.17 Reserves

Grant in Aid

Grants in aid received were treated as financing and credited to the Grant in Aid reserve because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of the Agency. The Grant in Aid reserve was used in part to fund the activities of the Agency.

Revaluation Reserve

The Revaluation Reserve comprised of upward revaluations in property, plant and equipment and inventories. Any downward revaluations were charged to the Statement of Comprehensive Net Expenditure to the extent that there was no credit on the Revaluation Reserve against which such a loss can be charged.

General Reserve

The General Reserve has been created to reflect the provision for the By-Analogy Pension Scheme for the present Chairman with rules equivalent to PCSPS. The By-Analogy pension scheme transferred to BIS on the 30th March 2012.The provision, which represented an estimate of future payments to the Chairman following retirement, also transferred. Further details are provided in the Remuneration Report.

1.18 Machinery of Government

As further detailed in note 2, a Machinery of Government (MOG) Change occurred during the 2011/12 year. A MOG is accounted for under merger accounting. As a requirement of merger accounting, the Primary Statements and associated Notes to the financial statements are restated so that they appear as if the new body had always delivered the function.

1.19 Acquisition accounting

In addition to the MOG transfer mentioned above, a number of other activities were transferred to other bodies in the year. These transfers are dealt with under acquisition accounting. As such, the financial statements of the Agency include all income, expenditure and cash flows for these activities up to the relevant transfer date and by the recipient after that date. Details of these transfers can be found in note 3.

1.20 Impending application of newly issued accounting standards not yet effective

The Agency provides disclosure that it has not yet applied a new accounting standard, and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on the Agency's financial statements. There are no known future accounting policy changes.

2 South West RDA closure and Machinery of Government changes

As mentioned in note 1.2, as a consequence of the passage of the Public Bodies Bill by Parliament, South West RDA will be abolised in 2012/13, and certain of its functions and responsibilities have transferred to other bodies or have ceased. This note deals with transfer via the Machinery of Government (MOG) route. For the details of other transfers see note 3.

The MOG transfer related to certain functions and responsibilities transferred to the HCA. MOG changes which involve the merger or transfer of functions or responsibility of one part of the public service to another are accounted for using merger accounting in accordance with the FReM.

The table below details how the transfer of responsibilities to the HCA via a MOG has impacted the assets, liabilities, reserves, income and expenditure and cash flows of South West RDA's Statement of Financial Position, Statement of Comprehensive Net Expenditure and Statement of Cash flows.

2.1 Statement of Comprehensive Net Expenditure for the period to 18 September 2011

	HCA transfer Transactions 1 April 2011 to 18 Sept 2011 £000
Expenditure	
Programme expenditure	9,033
European funded programme expenditure	-
Staff costs	837
Depreciation	-
Other Administration Expenditure	319
Book value of inventories sold	-
Other losses	(7)
Loss on transfer associated with abolition	-
Total Expenditure	10,182
Income	
European funded income	-
Other income	865
Profit on disposal of property, plant and equipment	-
Proceeds from sale of inventories	32
Total Income	897
Net Expenditure	9,285
Interest Receivable	-
Net expenditure before tax	9,285
Tax expense	-
Net expenditure after tax	9,285

2 South West RDA closure and Machinery of Government changes (continued)

2.2 Statement of Financial Position Balances transferred as at 18 September 2011

	HCA transfer Position at 18 Sept 2011 (not included in table 2.5) £000
Non Current Assets	
Property, plant & equipment	-
Investments in associates and joint ventures	-
Loans and receivables	56
Total Non Current Assets	56
Current Assets	
Non current assets held for sale	-
Inventories	-
Trade and other receivables	1,728
Other current assets	877
Cash and cash equivalents	174
Total Current Assets	2,779
Total Assets	2,835
Current Liabilities	
Trade and other payables	6,136
Other liabilities	2,529
Current tax liabilities	335
Total Current Liabilities	9,000
Non Current Assets Plus Net Current Assets	(6,165)
Non Current Liabilities	
Provisions	-
Total Non Current Liabilities	-
Assets Less Liabilities	(6,165)
Taxpayers' Equity	
Grant in Aid reserve	(6,165)
General reserve	-
Revalution reserve	-
	(6,165)
Total Taxpayers' Equity	(6,165)

2 South West RDA closure and Machinery of Government changes (continued)

2.3 **Statement of Cash Flows for the year ended 31 March 2012**

	HCA transfer Position at 18 Sept 2011 £000
Net Cash Outflow From Operating Activities	**(15,624)**
Cash Flows From Investing Activities	
Purchase of property, plant and equipment	-
Net Cash Outflow From Investing Activities	**-**
Cash Flows From Financing Activities	
Proceeds from sale of property, plant and equipment	-
Grant in Aid received	15,450
Net Cash Inflow from Financing	**15,450**
Net Increase/(Decrease) In Cash and Cash Equivalents In The Period	**(174)**
Cash and Cash Equivalents At The Beginning Of The Period	430
Cash And Cash Equivalents At The End Of The Period	**256**

2 South West RDA closure and Machinery of Government changes (continued)

2.4 Statement of Comprehensive Net Expenditure for the year ended 31 March 2011 (restated)

	Note	South West RDA Certified Statutory Accounts 2010/11 £000	Transferred to HCA £000	Restated South West RDA Year ended 31 March 2011 £000
Expenditure				
Programme expenditure	5	126,450	46,024	80,426
European funded programme expenditure	6	47,650	-	47,650
Staff costs	7	18,266	2,307	15,959
Depreciation	14	535	198	337
Other Administration Expenditure	8	3,194	721	2,473
Book value of inventories sold	17	10,113	6,535	3,578
Other losses	9	36,156	9,731	26,425
Total Expenditure		242,364	65,516	176,848
Income				
European funded income	11	64,761	-	64,761
Other income	12	10,590	5,353	5,237
Profit on disposal of property, plant and equipment		19	18	1
Proceeds from sale of inventories		10,884	6,589	4,295
Total Income		86,254	11,960	74,294
Net Expenditure		156,110	53,556	102,554
Interest Receivable	13	(218)	-	(218)
Net expenditure before tax		155,892	53,556	102,336
Tax expense	26	675	335	340
Net expenditure after tax		156,567	53,891	102,676
Other Comprehensive Expenditure				
Credited/(released from) revaluation reserve:				
Net (gain)/loss on revaluation of Property, Plant and Equipment	14	3,195	2,703	492
Net (gain)/loss on revaluation of Non-Current Assets Held For Sale	16	172	123	49
Net (gain)/loss on revaluation of inventories	17	(2,876)	(3,608)	732
Total Comprehensive Expenditure for the year ended 31 March 2011		157,058	53,109	103,949

2 South West RDA closure and Machinery of Government changes (continued)

2.5 Statement of Financial Position at as 31 March 2011 (restated)

	Note	South West RDA Certified Statutory Accounts year ended 31 March 2011	Transferred to HCA	Restated South West RDA year ended 31 March 2011
		£000	£000	£000
Non Current Assets				
Property, plant & equipment	14	94	-	94
Investments in associates and joint ventures	28	956	956	-
Loans and receivables		317	317	-
Total Non Current Assets		1,367	1,273	94
Current Assets				
Non current assets held for sale	16	18,473	10,727	7,746
Inventories	17	22,288	11,604	10,684
Trade and other receivables	18	4,897	3,756	1,141
Other current assets	18	41,861	1,956	39,905
Cash and cash equivalents	19	50,370	430	49,940
Total Current Assets		137,889	28,473	109,416
Total Assets		139,256	29,746	109,510
Current Liabilities				
Trade and other payables	20	16,587	8,549	8,038
Other liabilities	20	84,670	5,678	78,992
Current tax liabilities		675	335	340
Total Current Liabilities		101,932	14,562	87,370
Non Current Assets Plus Net Current Assets		37,324	15,184	22,140
Non Current Liabilities				
Provisions	21	2,888	-	2,888
Total Non Current Liabilities		2,888	-	2,888
Assets Less Liabilities		34,436	15,184	19,252
Taxpayers' Equity				
Grant in Aid reserve		22,020	4,082	17,938
General reserve		(205)	-	(205)
Revalution reserve		12,621	11,102	1,519
		34,436	15,184	19,252
Total Taxpayers' Equity		34,436	15,184	19,252

2 South West RDA closure and Machinery of Government changes (continued)

2.6 **Statement of Cash Flows for the year ended 31 March 2011 (restated)**

	Note	South West RDA Certified Statutory Accounts 2010/11 £000	HCA transfer Year ended 31 March 2011 £000	Restated South West RDA 2010/11 £000
Net Cash Outflow From Operating Activities		**(135,944)**	**(43,744)**	**(92,200)**
Cash Flows From Investing Activities				
Purchase of property, plant and equipment	14	(13)	(13)	-
Increase in joint ventures and associates		(956)	(956)	-
Net Cash Outflow From Investing Activities		**(969)**	**(969)**	**-**
Cash Flows From Financing Activities				
Proceeds from sale of property, plant and equipment		141	94	47
Grant in Aid received		159,857	44,929	114,928
Net Cash Inflow from Financing		**159,998**	**45,023**	**114,975**
Net Increase/(Decrease) In Cash and Cash Equivalents In The Period		**23,085**	**310**	**22,775**
Cash and Cash Equivalents At The Beginning Of The Period	19	27,285	120	27,165
Cash And Cash Equivalents At The End Of The Period	19	**50,370**	**430**	**49,940**

2 **South West RDA closure and Machinery of Government changes (continued)**

2.7 **Statement of Financial Position at as 1 April 2010 (Restated)**

	Note	South West RDA Certified Statutory Accounts 1 April 2010 £000	Transferred to HCA £000	Restated South West RDA 1 April 2010 £000
Non Current Assets				
Property, plant & equipment	14	25,995	16,402	9,593
Investments in associates and joint ventures	28	-	-	-
Loans and receivables		335	335	-
Total Non Current Assets		26,330	16,737	9,593
Current Assets				
Non current assets held for sale	16	-	-	-
Inventories	17	41,397	19,515	21,882
Trade and other receivables	18	856	427	429
Other current assets	18	23,753	204	23,549
Cash and cash equivalents	19	27,285	120	27,165
Total Current Assets		93,291	20,266	73,025
Total Assets		119,621	37,003	82,618
Current Liabilities				
Trade and other payables	20	4,694	1,773	2,921
Other liabilities	20	81,059	12,046	69,013
Current tax liabilities		1,078	18	1,060
Total Current Liabilities		86,831	13,837	72,994
Non Current Assets Plus Net Current Assets		32,790	23,166	9,624
Non Current Liabilities				
Provisions	21	1,507	-	1,507
Total Non Current Liabilities		1,507	-	1,507
Assets Less Liabilities		31,283	23,166	8,117
Taxpayers' Equity				
Grant in Aid reserve		18,678	12,991	5,687
General reserve		(211)	-	(211)
Revalution reserve		12,816	10,175	2,641
		31,283	23,166	8,117
Total Taxpayers' Equity		31,283	23,166	8,117

3 Impact of transfers under Acquisition Accounting

In addition to the MOG transfer to the HCA discussed in note 2, a number of other activities were transferred to other bodies in the year. These transfers are dealt with under acquisition accounting. As such, the financial statements of the Agency include all income, expenditure and cash flows for these activities up to the relevant transfer date and by the recipient after that date.

Any assets and liabilities included in the transfers are revalued to fair value as at the date of the transfer and then a non-commercial transfer is carried out for zero consideration. Therefore, there is a resulting loss or gain on transfer which will be recognised through the Statement of Comprehensive Net Expenditure under 'Loss on transfer associated with Public Bodies Act'. At the transfer date, assets and liabilities being transferred are removed from the Statement of Financial Position. This was the agreed process between BIS and HMT. Each acquisition transfer is explained and the impact of each is shown below.

RDPE transferred to the Department for Environment, Food and Rural Affairs (DEFRA) on 1 July 2011. This resulted in the transfer of 28 staff. The Agency acted as management agent only, and made no payments on behalf of the programme, therefore no assets or liabilities were transferred.

ERDF transferred to the DCLG on 1 July 2011. This resulted in the transfer of 37 staff. The only asset transferred was the repayment of cash by the Agency for the advanced funds on the programmes, this amounted to £52m. The expenditure on this programme for the year 2011/12 was £0.0m (2010/11: £47.7m).

GBI transferred to BIS on 1 September 2011. No assets and liabilities transferred with the scheme. No staff were transferred. The expenditure on this programme for the year 2011/12 was £0.1m (2010/11: £2.2m).

The GRD and other innovation projects transferred to the Technology Strategy Board (a Non Departmental Public Body of BIS) on 1 September 2011. No assets or liabilities transferred with the scheme. No staff were transferred. The expenditure on this programme for the year 2011/12 was £1.1m (2010/11: £7.8m).

The Public Bodies Act enabled two transfers of assets and liabilities to occur, which are not project or function specific, from the Agency to BIS to enable the operational closure of the RDA. The first transfer occurred on 1 January 2012 and included the assets and liabilities associated with Wave Hub which are detailed in the table below. Also the Grant funded RDA Single Programme projects transferred to BIS PMO. No assets or liabilities transferred with them. This resulted in the transfer of 2 staff. The expenditure on this programme for the year 2011/12 was £13.0m (2010/11: £49.8m). The second transfer occurred on 30 March 2012 and included all residual assets and liabilities. The impact of transfer two is also detailed below. A third transfer will be undertaken post year end.

Transfer One - Wave Hub

	Cost	Impairment	Net Book Value	Consideration received/ released from reserves	(Profit) / Loss on transfer
	£000		£000	£000	£000
Inventory	2,020	(1,762)	258	-	258

Transfer Two - Remaining assets & liabilities

	Cost	Impairment	Net Book Value	Consideration received/ released from reserves	(Profit) / Loss on transfer
	£000	£000	£000	£000	£000
Debtors	75	-	75	-	75
Early Retirement Provision	(316)	-	(316)	-	(316)
By Analogy Pension Provision	(242)	-	(242)	-	(242)
	(483)	-	(483)	-	(483)

4 Discontinued Operations

The RDA closed its active operations on 31 March 2012,and as such, the majority of functions previously undertaken have now been discontinued. These include Low Carbon support, Business support, Tourism, Urban Regeneration, Employment Learning and Skills and Strategy.

For the purpose of this exercise, a discontinued function could either be one that has not transferred to any other body and therefore will cease with the operational closure of the Agency on the 31 March 2012 or a function that has been transferred (note 3) but where the programme is not ongoing. An example of the latter would be where the receiving body is just managing out existing contracts and committments but no new funding will be available to extend the contract or new approval made against the programme.

Therefore, the functions deemed to be continuing are the administration of ERDFgrants and RDPE grants for which ongoing funding will be provided through Government and the activity regarding BIS Local will be ongoing. The Wave Hub operation is a continuing function for which a company had been set up to administer.

Discontinuing functions include GRD, GBI and grant funded single programme projects.
The net results of the discontinued functions are disclosed on the Statement of Comprehensive Net Expenditure.
A detailed breakdown of the income and expenditure for continuing and discontinuing operations are as follows:

Statement of Comprehensive Net Expenditure showing Continuing and Discontinued operations:

	Note	Continuing 2011/12 £000	Discontinuing 2011/12 £000	Total 2011/12 £000	Continuing 2010/11 £000	Discontinuing 2010/11 £000	Total 2010/11 £000
Expenditure							
Programme expenditure	5	4,622	10,455	15,077	27,588	52,838	80,426
European funded programme expenditure	6	(48)	-	(48)	47,650	-	47,650
Staff costs	7	3,902	7,009	10,911	7,041	8,918	15,959
Depreciation	14	-	71	71	-	337	337
Other Administration Expenditure	8	745	1,345	2,090	1,091	1,382	2,473
Book value of inventories sold	17	3,835	-	3,835	3,578	-	3,578
Other losses	9	-	5,741	5,741	-	26,425	26,425
Loss on transfers associated with public bodies bill	10	1,373	(226)	1,147	-	-	-
Total Expenditure		14,429	24,395	38,824	86,948	89,900	176,848
Income							
European funded income	11	201	4	205	64,513	248	64,761
Other income	12	-	910	910	-	5,237	5,237
Profit on disposal of property, plant and equipment		1,559	-	1,559	1	-	1
Proceeds from sale of inventories		-	4,787	4,787	-	4,295	4,295
Total Income		1,760	5,701	7,461	64,514	9,780	74,294
Net Expenditure		12,669	18,694	31,363	22,434	80,120	102,554
Interest Receivable	13	(227)	(179)	(406)	(240)	22	(218)
Net expenditure before tax		12,442	18,515	30,957	22,194	80,142	102,336
Tax expense	26	(838)	-	(838)	340	-	340
Net expenditure after tax		11,604	18,515	30,119	22,534	80,142	102,676
Other Comprehensive Expenditure							
Credited to revaluation reserve:							
Net loss on revaluation of Property, Plant and Equipment	14	-	-	-	-	492	492
Net loss on revaluation of Non-Current Assets Held For Sale	16	-	-	-	-	49	49
Net loss on revaluation of inventories	17	-	281	281	-	732	732
Total Comprehensive Expenditure for the year		11,604	18,796	30,400	22,534	81,415	103,949

4 Discontinued Operations (continued)

Statement of Cash Flows

	Continuing 2011/12 £000	Discontinued 2011/12 £000	Total 2011/12 £000	Continuing 2010/11 Restated £000	Discontinued 2010/11 Restated £000	Total 2010/11 £000
Net Cash Outflow From Operating Activities	**(48,278)**	**(20,849)**	**(69,127)**	**(18,645)**	**(73,555)**	**(92,200)**
Cash Flows From Investing Activities						
Purchase of property, plant and equipment	-	-	-	-	-	-
Net Cash Outflow From Investing Activities	**-**	**-**	**-**	**-**	**-**	-
Cash Flows From Financing Activities						
Proceeds from sale of property, plant and equipment	-	9,325	9,325	-	47	47
Grant in Aid received	5,349	12,101	17,450	39,423	75,505	114,928
Net Cash Inflow from Financing	**5,349**	**21,426**	**26,775**	**39,423**	**75,552**	**114,975**
Net Increase/(Decrease) In Cash and Cash Equivalents In	**(42,929)**	**577**	**(42,352)**	**20,778**	**1,997**	**22,775**

5 Programme expenditure

	Total programme expenditure 2011/12 £000	Restated Total programme expenditure 2010/11 £000
Low Carbon	3,875	16,559
Successful Businesses	10,252	50,067
Prosperous Places	296	8,875
Leadership & Advocacy	173	2,165
Former Programmes - Exits	481	2,760
	15,077	**80,426**

Former Programmes - Exits are primarily older, longer running projects or programmes which no longer fitted the Agency's priorities prior to the announcement of closure. The projects have come to a natural closure or a managed exit.

Analysis of programme expenditure by key theme was reported to the Board on a quarterly basis. Discrete financial information regarding assets and liabilities was not reported in such a way.

6 European funded programme expenditure

	Total programme expenditure 2011/12 £000	Restated Total programme expenditure 2010/11 £000
Low Carbon	(509)	16,310
Successful Businesses	282	16,723
Prosperous Places	(254)	13,635
Leadership & Advocacy	433	993
Former Programmes - Exits	-	(11)
	(48)	**47,650**

Former Programmes - Exits are primarily older, longer running projects or programmes which no longer fitted the Agency's priorities prior to the announcement of closure. The projects have come to a natural closure or a managed exit.

Analysis of programme expenditure by key theme was reported to the Board on a quarterly basis. Discrete financial information regarding assets and liabilities was not reported in such a way.

The negative expenditure is the release to the SoCNE of the 2010/11 programme accruals. Applicants did not claim all accrued expenditure before the ERDF programmes were transferred to DCLG resulting in a negative expenditure figure. The claims have now been submitted to DCLG and the expenditure has been processed through their accounts.

7 Staff Numbers and Related Costs

	Total 2011/12 £000	Permanently employed staff 2011/12 £000	Temporary staff 2011/12 £000	Restated Total 2010/11 £000
Wages and salaries	6,068	6,086	(18)	10,429
Social security costs	608	608	-	1,004
Other pension costs	917	917	-	3,232
Exit costs	3,836	3,836	-	1,770
Sub Total	11,429	11,447	(18)	16,435
Less recoveries in respect of outward secondments	(518)	(518)	-	(476)
Total net costs	10,911	10,929	(18)	**15,959**

Details of the Agency's pension schemes are disclosed in Note 1.11 and in the Remuneration Report.

Average numbers of persons employed
The average number of whole-time equivalent persons during the year were as follows

	Total 2011/12 Numbers	Permanent staff 2011/12 Numbers	Other 2011/12 Numbers	Restated Total 2010/11 Numbers
Directly employed	112	112	-	230
Temporary staff	-	-	-	1
Total	112	112	-	231

7.1 Reporting of Civil Service and other compensation schemes - exit costs

Exit cost band	2011/12 Number of compulsory redundancies	2011/12 Number of other departures agreed	2011/12 Total number of exit packages by cost band	2010/11 Number of compulsory redundancies	2010/11 Number of other departures agreed	2010/11 Total number of exit packages by cost band
<£10,000	-	38	38	1	16	17
£10,000 - £24,999	1	43	44	2	24	26
£25,000 - £49,999	-	45	45	4	20	24
£50,000 - £99,999	-	11	11	-	4	4
£100,000 - £149,999	-	4	4	-	2	2
£150,000 - £199,999	-	-	-	-	-	-
£200,000 +	-	-	-	-	-	-
Total Number of Exit Packages	**1**	**141**	**142**	**7**	**66**	**73**
Total Cost (£000's)	**15**	**3,821**	**3,836**	**176**	**1,594**	**1,770**

Redundancy and other departure costs have been paid in accordance with the provisions of the new Civil Service Compensation Scheme, a statutory scheme made under the terms of the Superannuation Act 2010. Redundancy costs are accounted for in full in the year of departure and a provision is made in year for any contracted exits that arise early in the following year. Where staff are entitled to take early retirement, in accordance with the provision of the new Civil Service Compensation Scheme, the costs are met by the Agency. Ill-health retirement costs are met by the pension scheme and are not included in the table above. A seperate note has been included related to retention payments at note 25.

8 Other Administrative Expenditure

	2011/12 £000	Restated 2010/11 £000
Running costs	1,475	2,744
Rentals under operating leases	539	(333)
Auditor's remuneration - statutory	76	62
Total	**2,090**	**2,473**

Running costs relate to information technology and communications, rates and service charges, other office costs, estate management of our investment properties, marketing and public relations, professional fees, travel and subsistence, recruitment and training.

9 Other Losses

	Note	2011/12 £000	Restated 2010/11 £000
Loss on disposal of Property, Plant and Equipment		-	10
Bad debts written off and movements in provision for bad and doubtful debts		(75)	39
Property, Plant and Equipment impairment	14	-	976
Inventories impairment	17	5,816	25,400
		5,741	**26,425**

10 Loss on transfers associated with abolition

	Note	2011/12 £000	2010/11 £000
Loss on transfer - payment of accrued interest to DCLG		1,372	-
Loss on transfer - Public Bodies Bill Transfer Order One	3	258	-
Gain on transfer - Public Bodies Bill Transfer Order Two	3	(483)	-
		1,147	-

With effect from 1 July 2011, responsibility for managing the Competitiveness & Convergence ERDF programmes transferred to DCLG. Interest earned on funds advanced by the European Commission via DCLG in respect of these programmes was payable to DCLG to fund future ERDF programme expenditure. This payment was made during 2011/12 and this is shown as the loss on transfer for the payment of accrued interest above. DCLG will be showing a compensating gain on their accounts, therefore there is no loss to the public purse.

Transfer Order One was the transfer of the Wave Hub inventory asset to BIS on 1 January 2012. BIS will be showing a compensating gain on their accounts, therefore there is no loss to the public purse.

Transfer Order Two was the transfer of the two debtors and two pension provisions to BIS on 30 March 2012. BIS will be showing a compensating loss on their accounts, therefore there is no gain to the public purse.

11 European Funded Income

	2011/12 £000	2010/11 £000
European Regional Development Fund	201	64,512
Direct EU Grants	4	249
	205	**64,761**

12 Other Income

	2011/12 £000	Restated 2010/11 £000
Other Government Grants	223	2,530
Partner Contributions	178	480
Rental income	434	1,460
Sundry income	75	767
	910	**5,237**

13 Interest Receivable

	2011/12 £000	2010/11 £000
Bank interest receivable	(406)	(218)

Notes to the Financial Statements

14 Property, plant and equipment

	Note	Land at fair value	Buildings at fair value	Leasehold improvement at cost	Information Technology at cost	Furniture and fittings at cost	Total
		£000	£000	£000	£000	£000	£000
Cost or valuation							
As at 1 April 2011		-	-	802	1,440	615	2,857
Additions in year		-	-	-	-	-	-
Revaluation taken to Revaluation Reserve		-	-	-	-	-	-
Impairment taken to SocNE	9	-	-	-	-	-	-
Disposals in year		-	-	(802)	(1,440)	(593)	(2,835)
Transfers to Non Current Assets Held for Sale	16	-	-	-	-	(22)	(22)
As at 31 March 2012		-	-	-	-	-	-
Depreciation							
As at 1 April 2011		-	-	802	1,372	589	2,763
Charge for the year		-	-	-	62	9	71
Revaluation taken to Revaluation Reserve		-	-	-	-	-	-
Impairment in year		-	-	-	-	-	-
Disposals in year		-	-	(802)	(1,434)	(580)	(2,816)
Transfers to Non Current Assets Held for Sale	16	-	-	-	-	(18)	(18)
As at 31 March 2012		-	-	-	-	-	-
Net book value							
As at 31 March 2012		**-**	**-**	**-**	**-**	**-**	**-**
As at 1 April 2011 - Restated		**-**	**-**	**-**	**68**	**26**	**94**
Asset financing - Restated							
Owned (net book value)		-	-	-	-	-	-
Cost or valuation - Restated							
As at 1 April 2010		285	8,575	1,260	1,869	672	12,661
Additions in year		-	-	-	-	-	-
Revaluation taken to Revaluation Reserve		-	(492)	-	-	-	(492)
Impairment taken to SocNE	9	(40)	(478)	(458)	-	-	(976)
Disposals in year		(35)	(20)	-	(429)	(57)	(541)
Transfers to Non Current Assets Held For Sale	16	(210)	(7,585)	-	-	-	(7,795)
As at 31 March 2011		-	-	802	1,440	615	2,857
Depreciation - Restated							
As at 1 April 2010		-	-	759	1,672	637	3,068
Charge for the year		-	156	43	129	9	337
Revaluation taken to Revaluation Reserve		-	(156)	-	-	-	(156)
Disposals in year		-	-	-	(429)	(57)	(486)
As at 31 March 2011		-	-	802	1,372	589	2,763
Net book value							
As at 31 March 2011 - Restated		**-**	**-**	**-**	**68**	**26**	**94**
As at 1 April 2010 - Restated		**285**	**8,575**	**501**	**197**	**35**	**9,593**
Asset financing							
Owned (net book value)		-	-	-	68	26	94

15 Financial Instruments

As the cash requirements of the Agency were met through Grant in Aid provided by BIS, financial instruments played a more limited role in creating and managing risk than would apply to a non public sector body. The majority of the financial instruments historically used related to contracts to buy non-financial items in line with the Agency's expected purchase and useage requirements and the Agency was therefore exposed to little credit, liquidity or market risk. No financial instruments were in place at 31 March 2012 (2010/11, nil).

Financial risk management

The Agency had received approval from the Secretary of State for the Agency to borrow up to a maximum of £5 million via overdraft from Bank of Scotland for 30 days. This overdraft facility has been surrendered as part of the close down of the Agency. At the year end the Agency had an overdraft of £nil. The Agency relied primarily on departmental grants for its cash requirements and was therefore not exposed to liquidity risks. It had no material deposits and all material assets and liabilities are denominated in sterling, so it was not exposed to interest rate risk or currency risk.

Fair value estimation

The Agency considered that true carrying amounts of financial assets and financial liabilities recorded at amortised cost approximated their fair values.

16 Non Current Assets Held for Sale

The following assets relate to properties held for sale following the approval for sale by the Department for Business, Innovation and Skills.

	Note	Land £000	Buildings £000	Furniture and fittings £000	Total £000
Opening balance at 1 April 2011		206	7,540	-	7,746
Transfers in from Property, Plant & Equipment	14	-	-	4	4
Disposals		(206)	(7,540)	-	(7,746)
Valuation as at 31 March 2012		-	-	4	4
Restated					
Opening balance at 1 April 2010		-	-	-	-
Transfers in from Property, Plant & Equipment	14	210	7,585	-	7,795
Revaluation taken to Revaluation Reserve		(4)	(45)	-	(49)
Valuation as at 31 March 2011		206	7,540	-	7,746

17 Inventories

	Note	2011/12 £000	Restated 2010/11 £000
Valuation at 1 April		10,684	21,882
Additions in year		131	17,887
Book value of inventories sold		(3,835)	(3,578)
Book value of inventories transferred	3	(258)	-
Impairment taken to SocNE	9	(5,816)	(25,400)
Transfers (from)/to environmental provision	21	(625)	625
Transfer (from)/to revaluation reserve		(281)	(732)
Valuation as at year end		-	**10,684**

Inventories related to development land and buildings.

18 Trade receivables and Other Current Assets

	As at 31 March 2012 £000	Restated As at 31 March 2011 £000	Restated As at 1 April 10 £000
Amounts falling due within one year:			
Trade and other receivables:			
Trade receivables	35	1,279	559
Bad and doubtful debts	-	(138)	(130)
	35	**1,141**	**429**
Other current assets:			
Prepayments and accrued income	4	568	3,067
Other receivables	-	39,294	19,574
VAT	6	43	908
	10	**39,905**	**23,549**
Total	**45**	**41,046**	**23,978**

The average credit period on trade receivables in 2011/12 is 2 days (2010/11 - 49 days). No interest is charged on trade receivables. The Agency provided for trade receivables based on estimated irrecoverable amounts, determined by past default experience.

There are no trade receivables which are past due at the reporting date.

Receivables - Intra-government balances	As at 31 March 2012 £000	Restated As at 31 March 2011 £000	Restated As at 1 April 10 £000
Balances with other central government bodies	6	39,479	21,138
Balances with local authorities	-	5	201
Balances with NHS Trusts	-	-	-
Balances with bodies external to government	39	1,562	2,639
	45	**41,046**	**23,978**

19 Cash and Cash Equivalents

	As at 31 March 2012 £000	Restated As at 31 March 2011 £000	Restated As at 1 April 10 £000
Balance at 1 April	49,940	27,165	15,372
Net change in cash and cash equivalent balances	(42,352)	22,775	11,793
Balance at end of period	**7,588**	**49,940**	**27,165**
The following balances at 31 March were held at:			
Commercial banks and cash in hand	7,588	49,940	27,165
Balance at end of period	**7,588**	**49,940**	**27,165**

20 Trade Payables and Other Current Liabilities

	As at 31 March 2012 £000	Restated As at 31 March 2011 £000	Restated As at 1 April 10 £000
Amounts falling due within one year			
Trade and other payables:			
Trade payables	216	7,420	2,118
Other taxation and social security	220	228	278
Other payables	42	390	525
	478	**8,038**	**2,921**
Other Liabilities:			
Accruals and deferred income	1,194	29,590	30,097
ERDF deferred income	-	49,095	37,846
Payments received on account	-	307	1,070
	1,194	**78,992**	**69,013**
Total	**1,672**	**87,030**	**71,934**

Payables - Intra-government balances	As at 31 March 2012 £000	Restated As at 31 March 2011 £000	Restated As at 1 April 10 £000
Balances with other central government bodies	536	49,090	39,436
Balances with local authorities	-	482	1,651
Balances with public corporations and trading funds	-	-	-
Balances with bodies external to government	1,136	37,458	30,847
	1,672	**87,030**	**71,934**

21 Provisions for Liabilities and Charges

At the 31st March 2012 there are no provisions, information below explains in year movement.

	Note	Environmental Liability £000	By Analogy Pension Scheme £000	Retirement £000	Redundancy £000	Onerous leases £000	Total £000
Balance at 1 April 2011		625	205	1,633	391	34	2,888
Provided/(released) in the year		-	37	7	-	(7)	37
Provisions utilised in the year		-	-	(1,324)	(391)	(27)	(1,742)
Transfers to inventories	17	(625)	-	-	-	-	(625)
Transfers to BIS	3	-	(242)	(316)	-	-	(558)
Balance at 31 March 2012		**-**	**-**	**-**	**-**	**-**	**-**
Balance at 1 April 2010		-	211	369	-	927	1,507
Provided/(released) in the year		-	24	1,381	391	(862)	934
Provisions utilised in the year		-	(30)	(117)	-	(31)	(178)
Transfers from inventories		625	-	-	-	-	625
Balance at 31 March 2011		**625**	**205**	**1,633**	**391**	**34**	**2,888**

Environmental Liability

The provision for environmental liabilities represents the value of remediation work required, as a minimum, to return a site to a saleable and safe condition. The provision represents the amount, which in the opinion of the valuers, South West RDA would have to pay a third party to take on the sites and associated environmental liabilities. The site was disposed of during 2011/12 as part of a package of inventories disposals. The provision was transferred to inventories during 2011/12 prior to the asset package disposal.

By-Analogy Pension Scheme

The By-Analogy Pension Scheme relates to the previous & present Chairmen with rules equivalent to PCSPS. The arrangement is unfunded and the employer pays benefits as and when they arise. The provision represents an estimate of future payments following retirement. Further details are provided in the Remuneration Report. The retirement provision was transferred to BIS on 30th March 2012.

Retirement

South West RDA employees had the option to join the PCSPS. If an employee is made redundant, under the terms of the scheme they are entitled to monthly compensation payments until retirement age, subject to certain conditions relating to age and length of service. The Agency is advised by PCSPS of the compensation amounts due and pays them on a monthly basis. Total compensation payments owing are calculated, discounted and included within the Retirement Provision. The provision also includes amounts payable in respect of members of the Homes and Communities Agency Compensation Scheme in respect of pension contributions payable on early termination of employment contracts. The remaining retirement provision was transferred to BIS on 30th March 2012.

Redundancy

The redundancy provision includes amounts payable for staff redundancies where the individuals have been served notice of compulsory redundancy but the precise timing of staff departures and therefore the compensation amount payable is estimated. The provision was fully utilised in the year as the final payments were made to the staff that were made redundant due to abolition.

Onerous Leases

At the 2010/11 year end there was one onerous lease provision relating to an empty building. The provision was partial utilised in year to cover dilapidations costs with the remaining balance released to SoCNE.

Notes to the Financial Statements

22 Capital Commitments

	2011/12 £000	Restated 2010/11 £000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Inventory	-	1,179

23 Commitments Under Leases

At 31 March 2012 there were no commitments under leases.

	2011/12 Buildings £000	Others £000	Total £000	2010/11 Total £000
Obligations under operating leases comprise				
- Not later than one year	-	-	-	563
- Later than one year but not greater than five years	-	-	-	2,188
- Later than 5 years	-	-	-	1,600
	-	-	-	**4,351**

All remaining operating leases transferred to BIS on the 1 January 2012.

2010/11 - Rental costs of operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease.

24 Contingent Liabilities

At 31 March 2012 there were no significant contingent liabilities.

Homes and Communities Agency Pension
Agreement has been reached between DCLG & HCA Pension Scheme trustees to resolve the contingent liability reported in the Annual Report and Financial Statements 2010/11 for the Homes and Communities Agency Pension Scheme deficit. The agreement is a Flexible Apportionment Arrangement - a mechanism under the Pensions Act 1995 - under which there is no exit debt crystallisation. The contingent liability transferred to BIS on 30 March 2012 with no expense or actual liability for the Agency.

25 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 The Department for Business, Innovation and Skills (BIS), in conjunction with HM Treasury on 30 December 2010. In 2011-12, 8 (2010-11, nil) employee's received a retention payment, total amount of £208k (2010-11, nil)

26 Taxation

The Agency taxation charge based on taxable profits for the year at 26% (2010/2011 - 28%) comprises:

	2011/12 £000	Restated 2010/11 £000
Current Tax:		
Current Year	(244)	594
Prior Years	(594)	(254)
Total Current Tax	**(838)**	**340**

The income tax charge for the current year is lower than the standard rate of corporation tax for the UK of 26% (2010/11 - 28%). The differences are explained below:

	2011/12 £000	Restated 2010/11 £000
Income tax:		
Net expenditure before tax	30,957	102,336
Deficit before taxation at 26% (2010/2011 - 28%)	(8,049)	(28,654)
Effects of:		
Expenses not deductible for tax purposes	(347)	8,347
Depreciation in the year in excess of capital allowances	(110)	94
Grant funding not taxed	6,256	20,800
Prior year corporation charge	(594)	(254)
Capital gains on investment property disposals	214	7
Grant in aid adjustment (SGF restricition)	1,792	-
Income tax current year charge for the period	**(838)**	**340**

The depreciation in excess of capital allowances figure is a credit as a result of claiming the balancing capital allowance.

The Grant in aid adjustment is a restriction on the tax relief that can be claimed in relation to the South West RDA's self generated funds (SGF). If the overall deficit (expenditure outweighs income) on the SGF (for example rental income from buildings that the RDA own), the deficit would have been effectively funded through the Grant in Aid reserve. The RDA already receives tax relief on the GIA income, it is classed as non-taxable income, if GIA were used to fund the deficit on taxable revenue streams such as SGF, they would effectively be gaining a double tax relief. Therefore, the relief given is restricted by the amount of the deficit on SGF's. There was no Grant in aid adjustment in the prior year.

27 Related party transactions

The South West RDA is an executive NDPB sponsored by BIS. During the year ending 31 March 2012 the Agency received Grant in Aid through BIS together with European funding through DCLG. BIS and DCLG are regarded as related parties.

DCLG is the sponsor body of the HCA and therefore the HCA is also regarded as a related party. During the period, the Agency transferred a number of projects under MOG changes to the HCA. Details of the financial impact of the transfers to the HCA are set out in Note 2 and in the Statement of Changes in Taxpayers' Equity.

BIS is the sponsor body of the other Regional Development Agencies in England and therefore the other RDAs are regarded as related parties. At the year end there was a receivable balance of £Nil (31 March 2011: £6,859) with South East England Development Agency. There were no outstanding balances with the other RDAs at the year end.

The Board Handbook outlines the handling of conflicts of interest and requires that the Chair and other Board Members should declare any personal or business interests. All declarations are recorded in the Board minutes. In addition, a register is maintained of financial and other interests of Board Members. In many cases where there is an association with an organisation, the RDA Board Member was appointed by the RDA to represent it to that organisation. Board Members took no part in formal funding decisions that concerned organisations that Board Members have connections with as reported in the Register of Members' Interests. Board funding decisions are taken collectively, not by individual Members. Grants are paid direct to the organisation concerned, not to the individual Board Members.

The following is a list of transactions with organisations in which Board Members and Executive Directors have declared an interest for 2011/12. The Board Member/Executive Director has no equity interest in the organisation receiving or making payment. There are no transactions outstanding with related parties at 31 March 2012.

Name	**Role**	**Related party**	**Position**	**Nature**	**Total value of transactions 2011/12**
Sir Harry Studholme	Chairman	Forestry Commission	GB Commissioner	Expenditure - Other	3,000
		University of Exeter	Centre for Rural Research Advisory Board - Chairman	Expenditure - Grant	5,568,602
				Income - Other	13,657
Kelvyn Derrick	Deputy Chairman	Regen South West	Chairman	Expenditure - Grant	246,452
Nick Buckland	Board Member	University of Plymouth	Chair of Governors	Income - Other	18,332
		Technology Strategy Board	Governing Board Member	Income - Other	18,869
Ian Ducat	Board Member	SW TUC Executive	Member	Expenditure - Grant	144,648
Chris Lewis	Board Member	Torbay Council	Member - Executive lead for children, schools & families	Expenditure - Grant	411,204
Judith Reynolds	Board Member	University of Plymouth	Board of Governors member	Income - Other	18,332
Brian Robinson	RDA Board Member	University of Gloucestershire	Member of University Court	Expenditure - Grant	392,519
		Gloucestershire County Council	Elected Member	Expenditure - Grant	269,906
John Savage	Board Member	West of England Partnership	Vice Chairman	Expenditure - Grant	104,231
Prof Steve Smith	Board Member	University of Exeter	Vice Chancellor	Expenditure - Grant	5,568,602
				Income - Other	13,657
Ellen Winser	RDA Board Member	Truro & Penwith College	Chair/Governor	Expenditure - Grant	752,880
		Sutton Harbour Holdings Plc	Shareholder	Expenditure - Other	118,222

28 Interest in Associate and Joint Venture

Investments in Associate
Details of the associates are as follows:

Name of undertaking	Interest at year end	Nature of business	Note Ref
Gloucester Docks Estate Company Limited	0.0%	Property management	1

1 Gloucester Docks Estate Company Limited has no assets and collects rental and service income from tenants of Gloucester Docks to meet the common outgoings of the estate. Any shortfall in income over expenditure is collected pro-rata from the tenants and any excess is returned to the tenants pro-rata. Thus the company records no profit or loss and maintains a balance sheet net worth of £Nil. Gloucester Docks Estate Company Limited has been excluded from the accounts of the Agency on the grounds that it is immaterial for the purpose of giving a true and fair view. The Agency disposed of its interest in Gloucester Docks Estate Company Limited on 18 July 2011 for a consideration of £nil to Gloucester City Council.

2 Gloucester Docks Estate Company Limited is a company limited by guarantee and has no share capital.

Summarised financial information in respect of the Agency's associates is set out below:

	As at 31 March 2012 £000	Restated As at 31 March 2011 £000
Total assets	-	17
Total liabilities	-	17
Net assets	-	-
Agency's share of net assets of associate	**-**	**-**
Total revenue	-	158
Total profit for the period	-	-
Agency's share of profits of associate	**-**	**-**

Jointly Controlled Assets

On 14 July 2003 the Agency entered into a development agreement with St Modwen Developments Limited (St Modwen) for the latter to remediate and provide infrastructure on a site owned by the Agency in Gloucestershire at Dursley. Under the terms of this agreement the Agency contributes the value of its land to a development account through the disposal of serviced plots, and St Modwen contributes the cost of the remediation and infrastructure works. The development account is reconciled as plots are disposed of, and returns are shared by the parties in accordance with the development agreement. On 30 June 2011 the Agency disposed of its interest in this jointly controlled asset to Stroud District Council for a consideration of £nil. As at 30 June 2011 and at 31 March 2011, the value of the Agency's interest in this joint venture, valued at fair value, was £nil. There were no associated income or expenses, assets or liabilities relating to the jointly controlled asset during the year.

The movement on the investment in joint ventures - interests in development projects during the year was £nil.

29 Events After the Reporting Period

South West RDA's financial statements are laid before the Houses of Parliament by the Secretary of State for Business, Innovation and Skills (BIS). *IAS 10 - Events after the Reporting Period* requires South West RDA 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. The Commencement Order for Abolition is still due to be approved and signed which will finalise the abolition of the Agency - this is due to occur on or after 30 June 2012. There will also be a final transfer, Transfer order 3, that will occur at 30 June 2012 and will transfer any of the remaining assets and liabilities of the Agency at that date to BIS.

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