South West of England Regional Development Agency

Annual Report and Financial Statements 2010/11

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South West of England Regional Development Agency

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Contents

Chairman's Statement

Last year I wrote about the immense challenges posed by the most serious recession in a generation and in-year cuts to our budget. For our organisation, this year has, if possible, been even more challenging.

This year the Agency has made its biggest ever financial investment programme in the South West's economy, a total of £240m including our European programmes. At the same time, since June 2010, we have developed and put in place a transition and closure plan to see the Agency operationally wound up by the end of March 2012.

Despite seeing a return to growth, the national economy remains some way off pre-recession levels of output and employment. The UK's total economic output remains four percent below its prerecession peak, with only Italy, of the developed economies, in a worse position. Our investments have been targeted on sustainable growth opportunities, to create long-lasting high skilled employment and to maintain the development and competitiveness of the South West economy. Key milestones this year include the opening of the National Composites Centre, based at Spark; the creation of the Centre for Additive Layer Manufacturing (CALM) in Exeter and the Laboratory for Integrated Metrology Applications (LIMA) in Bath; a substantial package of work to support the emerging wave energy sector, and the step-changing Next Generation Access Broadband project in Cornwall.

We continued to deliver high quality economic analysis and intelligence to partners in the region and Government. The Agency also continued to support initiatives to preserve employment in key sectors, reduce barriers to business finance, and work closely with companies at risk of closure.

Following the election, the Coalition Government highlighted the need to rebalance the economy and support private sector growth. These themes have always been at the heart of the South West Regional Development Agency's activities. The Government also acted quickly to reduce public expenditure, and set out a new approach to economic development based on Local Enterprise Partnerships (LEPs) and a three year Regional Growth Fund (RGF). So far there are four LEPs in the South West at varying stages of development. The region's share of the first wave of RGF allocations was four projects amounting to around £8m. The results of the second RGF round will be known in the summer.

The complexity of the transition and closure process is formidable, including transferring many live projects, closing others and reviewing considerable ongoing monitoring requirements, contingent assets or liabilities. We also have to close four offices and make redundant the large majority of our already reduced staffing complement. I was pleased that the scale of this task has been acknowledged by the Prime Minister when, replying in October 2010 to a letter from me on closure arrangements, he said:

"I am grateful for the continuing hard work and commitment of staff in SWRDA and the rest of the RDA network. I recognise how important this is for the success of the many excellent initiatives you have championed, such as in Cornwall Wave Hub and the Combined Universities in Cornwall. I appreciate the very difficult tasks facing the

RDAs and the way you are focussing positively on an orderly and successful transition to the emerging new arrangements."

A significant part of the year coincided with the South West RDA's period as 'Chair of Chairs', during which we led the English RDAs in terms of relations with Government and on coordinating activities. I am very grateful for colleagues' support during what was inevitably a fast-moving and intense six months. Among other objectives, we aimed to ensure certain essential components of successful regional economic growth remained prominent in ongoing debate. These included, the need to co-ordinate many different aspects of economic development, that scale of operation really does matter and that clear prioritisation is even more important when resources are scarce.

Whatever the future holds, it remains critical that partners in the South West continue to speak together with a strong voice to influence policy and investment decisions, such as those of the centrally administered RGF. With this in mind, I was delighted that our Regional Business Forum, which brings together the leading business representatives in the South West, will continue in its own right beyond closure. Where we are able and asked, we have also provided advice to emergent LEPs.

Our record demonstrates the commitment of our staff to development of the South West's economy and sets a strong baseline by which to measure future structures. The future responsibility for the new generation of SParks, Eden Projects, Regional Infrastructure Funds and sector based projects will now pass to a mix of Local Enterprise Partnerships, successful RGF bidders and central Government. As the Agency closes, I know that we leave a coherent network of projects to underpin future growth and add to the £1.3bn of additional public and private sector investment attracted to the region since 2002.

I would like to thank our superb staff, including Jane Henderson and all those who across the Agency have maintained a focus on delivering the very best for the South West while knowing that the large majority face certain redundancy. I would also like to record my thanks to the Board, who have balanced the often competing demands of delivery and closure with an unrivalled depth of understanding about the region's economy. To our wider partners, I would like to extend my gratitude for their support and understanding – I wish our successors in the public, private and third sectors well in working together to achieve the very best future for our economy.

Sir Harry Studholme

Chairman

Chief Executive's Statement

The political and economic landscape has shifted seismically since my last report, in what will surely be seen as one of the most eventful years in the life of the South West RDA.

It has seen us deliver our largest ever financial spend in a single year, with £240 million financially invested in initiatives across South West England from our own funds and from the European Regional Development Fund (ERDF) and the Rural Development Programme for England (RDPE), in all benefiting over 500 live projects. This was achieved despite the significant in-year cuts to our programme levied in the Coalition Government's Emergency Budget, coupled with restraints on our ability to approve new expenditure beyond existing approvals.

The first half of the year also coincided with the South West RDA's tour as leader of the national RDA network, bringing a significant extra workload supporting national network meetings and coordinating activity and communications during a period of unprecedented volatility and uncertainty, during which relationships with the new Coalition Government were being formed.

In late June 2010, the Government confirmed that RDAs across England were to be abolished. Consequently, and alongside delivering our biggest ever programme, much of our effort in the last year has been taken up with planning for the closure of all our operations by the end of March 2012. I am proud that this unprecedented level of activity for the Agency has been delivered within administration costs of just 7% of our total managed spend, placing us at the top end of central and local Government performance.

Many of the initiatives we have brought to fruition in the past year will provide an enduring legacy to support the growth and the development of the South West economy. After many years of development and close work with partners, we are well on track to opening one of the country's largest science parks for Bristol and Bath, the SPark. As well as providing high quality employment, SPark will house nationally significant assets such as the National Composites Centre (NCC) and the Centre for Fluid Mechanics Simulation (CFMS). The NCC development brings together large multinationals, universities, and others to support our internationally significant aerospace and advanced manufacturing clusters. I am delighted that the Government has committed ongoing investment in the NCC as part of the advanced manufacturing Technology Innovation Centre (TIC).

With our support, a major new business support service was launched in the second half of 2010. Known as iNets (Innovation Networks), this three year £12.5m programme will help SMEs transform ideas into the new products and services that will drive economic growth. Another significant development during the year was the Energy Skills Centre at Bridgwater College, officially opened in January 2011 by Chris Huhne, supported by a £2m investment from us. In turn, this has helped to secure further public and private sector funding.

Other major initiatives include the aviation skills academy near Exeter, marine energy research facilities at the University of Plymouth and four major projects, supported by European funding, in the Combined Universities in Cornwall.

Our three Regional Infrastructure Fund (RIF) investments to support the sustainable delivery of housing and employment growth to the east of Exeter continued to progress during the year. Various planning permissions were secured that will enable the two RIF funded road schemes and the first primary school to serve the Cranbrook New Community to begin construction during 2011-12.

Business Link in the South West supported over 80,000 businesses during the year, with nine out of ten customers satisfied. The Manufacturing Advisory Service (MAS) had another successful year, working with some 250 SMEs, helping them to become more competitive and more innovative. With £3m of RDA and ERDF funding, the service has added an estimated £30m to the regional economy.

Working closely with local partners and UK Trade and Investment, the Agency supported 61 further investments from foreign owned companies. These businesses collectively spent £147m on capital investments within the region with the subsequent creation and safeguarding of significant jobs and growth.

The South West remains the only English region to have both Convergence and Competitiveness programmes under the European Regional Development Fund (ERDF). We also have the largest regional share of the Rural Development Programme for England (RDPE) programme. We were pleased to receive an unqualified audit on the end-to-end ERDF process from the ERDF Audit Authority (DCLG Internal Audit Service) and maintained an impressive record in compliance with EU and domestic audit and regulatory requirements with error rates well below the England average. This is a strong position from which to transfer the EU programmes to central Government.

Our innovative commissioning approach to our EU programmes, designed to maximise the economic impact of investments, was instrumental to the development of the Next Generation Access broadband project for Cornwall, which promises to transform the business environment and address longstanding issues of connectivity. With the South West identified as having the poorest broadband coverage of any English region, we have also worked with local authorities in the rest of the region to prepare bids for a share of the first £50m of the Government's £530m broadband programme. Of the £50m, £34m has been allocated between two areas in the South West, Somerset and Devon, and Wiltshire. In combination with additional investment, it is believed that up to £100 million could be injected into the local economy through the boost to broadband efficiency and new jobs, helping to place the South West in the vanguard of superfast broadband in the UK.

Throughout the year, the region’s economy has been emerging slowly from the legacy of a deep recession, while facing the prospect of significant public sector cuts. The Agency continued to provide a response to significant economic shocks in the region, including the large scale closure at Cadbury’s in Keynsham and Kraft in Cheltenham. Our pioneering Talent Retention programme has been helping to mitigate the impact of the recession on the region’s key sectors such as advanced manufacturing and creative industries by offering individual support to members of staff at risk of redundancy. This programme has been effective in matching highly skilled and experienced workers to opportunities, thus helping to sustain economically important clusters in the South West. Our innovative Green Tech Loan Fund has helped to facilitate access to finance to encourage growth in our developing green economy.

Following the Government's decision to close the RDAs, much of our year has been taken up with developing a comprehensive closure plan including a detailed strategy to dispose of our assets and liabilities. The Government endorsed our closure plan in full, with a recent review praising our strong grip on finance and audit and good programme and project management. By the end of the financial year we had completed phase one of our closure plan and gained Ministerial approval for our plans to dispose of Agency assets and liabilities. Where possible, we have sought to protect the economic legacy of our assets while taking account of the Government's requirement that there be no 'gifting' of assets and the expectation that we will achieve open market value on any disposals. This is a complex process, with many of our assets having liabilities that stretch forward many years. It is important for the South West that the Government has acknowledged the significance of the National Composites Centre and Wave Hub to the national economy.

The Agency's performance was once again subject to rigorous independent assessment by the National Audit Office (NAO) which concluded that our performance was 'good' in each of the areas examined. A recent Government review of our transition and closure programme commended us for our "strong grip on finance and audit", our "good programme and project management" and our "sound governance".

In closing I should like to pay my personal tribute to the staff of the South West RDA, who have faced up to the twin challenges of delivering our largest ever programme while simultaneously working towards the orderly closure of the Agency and facing the prospect of redundancy. Despite these circumstances, they have acquitted themselves with vigour, professionalism and remarkable good humour. While I am delighted that a number are transferring to other parts of government, primarily with the European programmes, I am saddened that I shall be making the majority of our staff redundant. During the year we instigated a programme of support to help staff pursue future employment opportunities - I hope that the South West is able to harness their talents and experience in new ways to ensure that we make the very best of their potential.

Jane Henderson

Chief Executive

Management Commentary

Introduction

Overview

The start of 2010/11 coincided with the General Election being called. The RDAs, along with the broader future of regional structures of government, had been the subject of increasing political debate during the previous year, and it is fair to say that we entered the year with some apprehension. The debate ran much wider than the institutional fate of RDAs, with the extent and focus of public spending coming in for significant scrutiny, along with questions about the overall role of government in seeking to directly influence and invest in economic growth.

Following the new coalition Government's announcement in June 2010 that RDAs across England would be abolished, the year 2010/11 will turn out to have been South West RDA's last year of full operation. It has also seen our largest ever programme of investment into projects and initiatives across South West England. Coupled with the impact of the European Regional Development Fund (ERDF) and the Rural Development Programme for England (RDPE), for which we carried management responsibility.

Change of Government: immediate impact

In May 2010 the Government announced a £270m in-year reduction across all RDAs' budgets, with the BIS Secretary of State confirming the impact on individual RDAs on 24 June. The South West RDA's share was just short of £28m. The South West RDA board resolved to bridge some of the gap by disposing of some of our development assets, and began urgent discussions with partners about projects that could be reduced, stopped or deferred.

In late June 2010, the Government confirmed that RDAs across England were to be abolished. The BIS Minister of State Mark Prisk stressed that he was keen to examine options properly and ensure an orderly transition to any new arrangements. The RDA network, having unsuccessfully made a case for retaining elements of the RDA model, pledged to work with the Government to ensure that the transition was as orderly and well-managed as possible.

South West RDA "Chair of Chairs"

This period of upheaval for all RDAs coincided with the South West RDA taking on the six-month 'Chair of Chairs' role. This involved convening and chairing RDA network meetings, public representation of the network and co-ordinating RDA network activity in its relationships with central Government. This was a particularly sensitive and volatile time to be taking on the role and represented a major focus of activity for our Chairman, Chief Executive and many senior staff for the duration (April to end September 2010) and several weeks either side.

Examples of activity throughout the six-month period included:

- Communications and meetings with Ministers, predominantly at chair level, to represent RDAs interests as the new Government's policy took shape.

- Representing the network, at CEO level and below, on BIS's internal steering and project groups and on project machinery on the reform of regional economic development.

- Co-ordinating an unprecedented volume of requests for information from Government Departments.

- Leading and co-ordinating a range of national media and communications activity – both internal and external - surrounding interest in the transition away from RDAs to future models.

During our time as Chair of Chairs, and on behalf of the network as a whole, we looked to ensure that a number of key facts about regional growth and business support were not overlooked. In parallel, we drew attention to the record of delivery by RDAs over a decade, so that an effective benchmark could be set for future arrangements to match or surpass. Some of the major points here were (and are):

- Without the RDAs' spend and activity, there would have been fewer new jobs, fewer new businesses and fewer new opportunities for regions' economies. According to independently verified figures, each year since 2005 has seen RDA investment and expertise leading directly to 100,000 new jobs, 19,000 new businesses and over a quarter of a million better trained people.

- While the RDAs' budgets appear substantial, they were on average only 0.7% of total public spending in their regions.

- RDA investments have delivered value for regional economies. In one of the largest independent evaluations of its type undertaken, PricewaterhouseCoopers found that - over a four-year period from 2002/3 to 2006/7 - each £1 invested by RDAs had directly benefited regional economies by an average of at least £4.50. That figure increased to £6.40 if future benefits of RDA investment were taken into account. If indirect benefits were taken into account, those £4.50 and £6.40 figures would increase significantly. Specific benefits in each region varied with, for example, RDA regeneration investments in the South West levering in outside investment in a ratio of 23:1.

- Between 2000 and 2009, the disparity in growth rates between the Greater South East and the rest of the UK, including the South West, narrowed. The difference between the English region with the highest GVA per head and the lowest GVA per head has also fallen slightly since 2000.

<u>Withdrawing from projects/investments</u>

The Comprehensive Spending Review (CSR) published in the late autumn of 2010 set tough budget guidelines for the remainder of each RDA's life. Additionally, Government made it clear that RDAs would be expected to 'de-commit' from expenditure wherever possible. In the South West (as in other regions) this had a number of immediate implications:

- We became unable to approve any new project investments from our Single Programme budget. Our Single Programme funding could only support work to which we were already committed.

- Money contracted to be spent in 2010/11 had to be spent in 2010/11, or the presumption was that the funding would be withdrawn. This focused minds to ensure many projects could be completed as quickly as possible for the benefit of the region's economy and communities.

- We talked with some project partners about de-committing from investments wherever this was practically possible. In some cases, this had a direct bearing on the viability of the project or its time frame.

<u>Focus on Transition and Closure</u>

We presented formal plans for transition and closure to BIS in January 2011 which indicated how we intended to realign our resources and people towards the Agency's wind-down.

At all times we had to combine preparations for closure with the considerable task of delivering the remaining 2010/11 investment programme. Along with our responsibilities for managing ERDF and Axes 1, 3 and 4 of RDPE in the South West, this culminated in our largest ever spending quarter (Q4, 2010/11).

This change of focus was reflected in new management structures for the Agency, introduced from the autumn onwards. The previous Executive Team was replaced with a Transition Programme Group (TPG), chaired by the Chief Executive. TPG reports directly to a Sub-Group of the Board which takes responsibility for ensuring that all remaining activity is focused on the transition towards the Agency's eventual closure.

<u>Transferring functions</u>

While the majority of the RDAs' work and responsibilities will not continue beyond our lifetime (indeed, no 'new' work effectively took place beyond the end of 2010), we have been working to transfer those of our functions that will continue to other bodies. The main transfers involve the continuation of the ERDF and RDPE programmes under direct DCLG and Defra management respectively, for which a number of staff have been given opportunities for ongoing employment. Smaller transfers involve our responsibilities for Foreign Direct Investment, Grants for Business Investment and Grants for Research and Development.

<u>Assets and Liabilities</u>

One of the most significant issues relating to our abolition has been the future ownership of our portfolio of assets and liabilities across the region. BIS asked all RDAs to design proposals for sale and disposal of assets and liabilities leading up to March 2012. We presented these in January 2011 and, at time of writing, have had approval to press ahead with most of our preferred options. We will dispose of many assets at open market value while others, notably those concentrated in Plymouth

Gloucester and Cornwall, are currently the subject of close negotiation with respective local authorities with a view to transferring assets - 'packaged' with certain liabilities - at open market value. Two high profile assets - Osprey Quay in Portland and S-Park in Bristol – will be transferred to the Homes and Communities Agency. The Wave Hub will be kept in public ownership for the immediate future with ownership probably transferring to BIS itself.

Staff redundancies

In order to manage down towards closure the RDA offered staff two opportunities for voluntary redundancy and exit during the year, before opening a further and final redundancy scheme that will handle departures for all staff remaining beyond 2010/11. Some 52 members of staff left through the first scheme, opened in the summer 2010, while a further 14 staff will exit following a limited scheme opened in February 2011. The consultation on compulsory redundancy (CR) was launched in March 2011 with a view to earliest departures under CR taking place from 30 September 2011. Voluntary redundancy (VR) will be available to all so, through a combination of CR and VR, the Agency expects to reduce numbers to about 90 by the end of September 2011, reducing to 50 from January 2012 through to operational closure in March 2012.

Business Activities

As mentioned previously, our activities and our ability to deliver outputs in 2010-11 were dramatically shaped by the changing political environment and by the Coalition Government's decision to abolish Regional Development Agencies.

Following the Government's formation in May 2010, virtually all spending on new projects was curtailed (including a "freeze" on all marketing activity) and only activities that had already been approved and were in-train were allowed to continue, in the context of a reduced overall budget.

Nevertheless this still provided us with £240m of financial investments to manage in the course of the year and it is testament to the professionalism of Agency staff that these activities were delivered successfully, despite the turbulent operating context and the increasing focus on transition and closure.

As in 2009 - 2010 (and taking the lead from the Regional Economic Strategy and our Corporate Plan) our work has concentrated on five themes:

1. Low Carbon Economy - enhancing activity to provide greater emphasis and investment in a drive to a low carbon and resource-efficient economy for the South West .

2. Successful Businesses - a more focussed approach to retain and develop a competitive and innovative business base - encouraging innovation, research and skills.

3. Prosperous Places - a more selective approach to the transformation of key places that most help to improve the region's economy.

4. Leadership and Advocacy - a more targeted approach to ensure that we develop an appropriate strategic leadership and advocacy role.

5. Better Service Better Value - increasing our efforts to deliver a more effective and streamlined service, at a time of reduced public finance.

These five themes guide all aspects of our work and were in turn supported internally by five ‘programme boards’. However, these boards were disbanded in autumn 2010 and Agency governance was reformed under the transition and closure model referred to earlier in this section. The delivery work continued, though, and was overseen by new transition and closure groups. We strongly believe that the above themes are still the correct ones to drive growth in the South West economy and would recommend that any future regeneration body within the region (such as LEPs) organise their operations and activities around these themes.

Key Activities and Projects in 2010/11

Business Sites and Regeneration

SPark - The Bristol and Bath Science Park

SPark became a reality in 2010 - 11 with the purchase of the last outstanding areas of land to complete the freehold of the whole of the science park site. The Agency's development partner, Quantum Property Partnership, has built the main roads through the site, including direct bus access from the A4174 ring road, and put in all the mains services required for future development. Adjoining private landowners will now be able to connect into the new roads and services, enabling significant mixed-use development of several thousand homes, additional employment, schools and local facilities to come forward and complement the science park development.

SPark's first two major buildings are nearing completion and will be occupied in summer 2011. A total of 77,000m^2 will be built on the Bristol and Bath Science Park over the next decade.

SPark One is a 6,000m^2 complex at the heart of the science park. It provides an Innovation Centre for start-up and small and growing businesses and a further building for science and research based companies to expand into. Key to the complex, and indeed SPark itself, is the Forum, a multi-purpose space for meetings and conferences with catering facilities, where companies and visitors can meet, mix and develop new ideas.

The second major building is the National Composites Centre - a 7,500m^2 R&D centre for the development of the next generation of composite materials (more details below).

We have also invested in state-of-the-art, fibre-based, broadband connections capable of meeting the most exacting of corporate and research requirements. SPark is now a major asset for the region and the Agency expects to see national and international companies investing in the Bristol and Bath Science Park over the next few years.

National Composites Centre (NCC)

Due for launch in August 2011 and situated on SPark in Bristol, the NCC has made great progress with GKN Aerospace, Airbus, AgustaWestland, Rolls-Royce and Vestas signing membership agreements with the Centre, each contributing £300,000 per annum for the next three years.

With £25 million of public sector investment, the NCC provides a unique opportunity to position the South West and UK at the forefront of this exciting sector, attracting hundreds of highly skilled, high value jobs.

In March 2011 the NCC became part of the first Technology Innovation Centre (TIC) for High Value Manufacturing. Being one of this elite group of national centres aimed at underpinning UK manufacturing strengths and driving competitiveness in new high growth markets will ensure increased scope and investment for the NCC and the South West for at least the next five years.

The Bottle Yard, Bristol
The Bottle Yard is the largest film and TV production facility in the South West, providing production offices, set-build space and locations at low cost and on flexible terms.

We supported Bristol City Council and South West Screen to make the former Harvey's factory in South Bristol available to the Creative Industries, utilising unused industrial space and encouraging economic activity in an area hard hit by the recession. The result was The Bottle Yard which was opened in October 2010 and which directly addresses the issue of the South West missing out on productions that wanted to come to, or stay in the region (attracted by the wealth of filmmaking talent and proximity to locations), but which struggled to find the production facilities they needed.

So far The Bottle Yard has been used for two feature films (*The Dark Half* and *Eight Minutes Idle*) and several TV productions including *Dirk Gently, Casualty, Mistresses* and *Five Daughters* - which in May 2011 was nominated for three BAFTAs.

Work is also underway with local community groups, schools and colleges to develop work and training opportunities, with a view to maximising the economic benefits for South Bristol.

Temple Quarter, Bristol
The year saw the completion of another major phase of employment development in Temple Quarter, when Burges Salmon took possession of their new 19,500m^2 office building, surrounded by newly landscaped public realm areas.

Swindon Town Centre
The challenging economic environment has slowed progress on the ambitious plans for re-energising Swindon's town centre but we continued to engage positively with the other key partners on putting in place the structure needed to carry forward this long-term development. In 2010 -11, the formation of Forward Swindon as an arms-length development vehicle and the creation of an independent Swindon Economic Development Account (funded from the Agency's land investments) have both helped secure this.

One of the final investments made by the Agency has been a £2m project of public realm and infrastructure improvements in the town centre to enable phase 1 of the flagship Union Square development to start later in 2011.

Norton Radstock
Work on this project goes back to 1996 when a local partnership successfully bid for SRB funding to address issues of economic decline and the need for physical regeneration in Norton Radstock. This project 'transferred in' to the Agency on its creation in 2000. In the early stages, focus was on developing a community-led vision for Norton Radstock, identifying opportunities to bring vacant land and derelict buildings back into use. The priority was to regenerate former railway lands through a mixed-use scheme that would bring new homes and jobs to the area. In 2001, the Agency funded land acquisition, followed by further funding in 2002 for masterplanning so that Norton Radstock Regeneration could appoint a development partner, which was completed by 2005. Despite intensive work, the original developer was not able to crystallise a viable scheme and so earlier this year the Agency, with the support of Bath and North East Somerset Council, encouraged Norton Radstock Regeneration to seek a new development partner. This was achieved in March 2011 and Linden Homes are now the preferred developer. The Homes and Community Agency and Bath and North East Somerset Council have provided funding for infrastructure works that will open up the site and these works are now underway. It is hoped that this will lead to a viable development scheme being proposed later this year - just reward for the tireless and voluntary inputs of the members of Norton Radstock Regeneration Company. Regeneration, particularly in smaller communities where there is a need to create a market for development, can be a long-term project, with courage, hard-work and single-mindedness essential to bring it to fruition.

<u>Business Support</u>

iNets
A major new business support service was launched in the second half of 2010. Known as iNets (Innovation Networks), this is a three year, £12.5m programme, supported by ERDF, that will help SMEs transform ideas into the new products and services that will drive economic growth. The iNETs do this through a mix of specialist advice, support, guidance and networking, and are focussed on five key sectors: Creative Industries, Microelectronics, Advanced Engineering, Environmental Technologies and Biomedical. The official launch was attended by 170 businesses and stakeholders and also by Baroness Hanham, Parliamentary Under Secretary of State at DCLG, who was extremely positive about the iNets and the role they would play in the future.

Superfast Broadband
Access to superfast broadband is crucial to the region's businesses if they are to remain competitive and able to compete in the global marketplace. The South West faces a greater challenge than the rest of the UK – the "final third" of the broadband network is actually the "final half" for the South West due to our geography. This is the area where the market will not provide superfast broadband infrastructure without intervention from the public sector.

Using ERDF funds we have worked with our sub-regional partners to develop substantial investment opportunities to support the roll out of super-fast broadband (see section below on European Programmes), and we have also been able to run pilot projects to look at solutions for our rural areas.

The Agency has worked closely with local authorities in the region to prepare bids for a share of the first £50m of the Government's £530m broadband programme. Of the £50m, £34m has been allocated between two areas in the South West: Somerset and Devon, and Wiltshire. In combination with additional investment, it is believed that up to £100 million could be injected into the local economy through the boost to broadband efficiency and new jobs. This, combined with earlier initiatives in the Forest of Dean and in Cornwall through its ERDF Convergence Programme, should help place the South West in the vanguard of superfast broadband in the UK.

We are also working with Connecting South West to develop a regional demand stimulation project and we continue to work with partners on digital content and social inclusion to ensure that we maximise the benefits of superfast broadband, including contributing to the Agency's net zero carbon ambition.

Business Link
In 2010-11, Business Link in the South West supported over 80,000 businesses, with over 8,000 of these businesses receiving one-to-one detailed support from a Business Adviser on specific issues within their business. Nearly 3,000 of these clients received support with the development of skills and training. All Business Link providers delivered exceptional customer satisfaction ratings with over 9 out of 10 customers satisfied with the service they had received.

Business Links in the region also help to refer clients to the wider business support required to set up and grow. In 2010 - 11, this has included nearly 8,000 businesses attending workshops on how to start-up and grow their operations, the creation of over 600 apprenticeships, and over 3,000 JobCentre Plus clients receiving support on how to set up their own business.

The Business Link regional service will close on 25 November 2011 and will be replaced by a web service, www.businesslink.gov.uk, supported by a central contact centre. The activities of the regional service will start to wind down over the summer months of 2011.

Manufacturing Advisory Service (MAS)
2010 - 2011 was another highly successful year for the region's Manufacturing Advisory Service, which worked intensively with some 250 SMEs, helping them to become more competitive and more innovative. The service was also enhanced during the year to focus on low carbon market opportunities and advanced manufacturing techniques and materials. With £3m of RDA and ERDF funding, the service has added an estimated £30m to the regional economy and the Agency has extended the funding for MAS-SW to ensure the service remains available until the end of 2011. A nationally procured service will be launched in January 2012.

Area Action Forces (AAFs)
In 2010 - 11, the Area Action Forces originally convened by the RDA have provided co-ordinated support to over 200 new private and public sector organisations that made redundancies. Holding the Area Action Forces Network together was a great achievement against a backdrop of significant cuts in the public sector support available, as many of the public sector partners providing support were undergoing

redundancy and closure programmes as well. Overall, since December 2008, some 750 organisations have been helped by the eight AAFs round the region.

Grant for Business Investment (GBI)
During the year, 21 applications for Grant for Business Investment (GBI) were received and 16 offers made and accepted to the total value of £3.3m. These projects were associated with £12.6m capital investment, and were forecast to create 314 jobs and safeguard 74 jobs, at an average cost per job of £8,024.

Budgetary reductions imposed on RDA's constrained the ability to offer GBI grants out of our Single Pot budget, but alternative funding through ERDF has enabled the South West RDA to continue assisting local businesses in eligible areas.

Grant for Research and Development (GRD)
Over £1m was invested in regional businesses in 2010 - 11 under the GRD programme. One of the most successful was a £0.1m grant to Rigibore, a Hayle-based company, to develop a pioneering compensation and monitoring system that could revolutionise the advanced engineering sector. The grant enables Rigibore to increase international exports and expand, ensuring that high-skilled, advanced manufacturing jobs continue to exist in Cornwall.

<u>Business Skills and Knowledge</u>

Advanced Manufacturing Business Technology Centres
2010/2011 saw a £4.8m pilot investment in Business Technology Centres, a new type of initiative which supports business in engaging with new research technologies that have strong international potential.

The two pilots are the Centre for Additive Layer Manufacturing (CALM), run by Exeter University, and the Laboratory for Integrated Metrology Applications (LIMA) run by Bath University.

CALM provides practical support for SMEs in the advanced engineering sector to encourage them to adopt a technique known as Additive Layer Manufacturing. The technique greatly reduces waste and uses less energy than traditional manufacturing techniques. SMEs will be able to test the potential of this technology on their own products, which could help revolutionise manufacturing techniques.

LIMA provides information and knowledge to SMEs on how they can apply the science of measurement to manufacturing processes. This ensures that businesses get products 'right first time', improving productivity and cutting down on waste.

Nuclear Skills
The Energy Skills Centre at Bridgwater College was officially opened in January 2011 by Chris Huhne, Secretary of State for Energy and Climate Change. Our £2m investment has helped to secure further public and private sector funding, including £3m from EDF Energy (subject to planning being granted for Hinkley Point C). The BREEAM excellent rated Centre has already started to provide the energy sector with the key skills required for nuclear new build, with 156 people assisted in their skills development since the opening. Four new employment opportunities have also been created at the Centre and work is ongoing to assess the needs of the energy sector in order to develop provision that matches demand.

Talent Retention
Retaining talent and skills in the region is vital to our economic future and in 2010-11 we invested £1m in new talent retention projects piloted in three key sectors - Advanced Engineering, Creative and Digital Media, and Financial Services.

Advanced Engineering had an average of 250 live vacancies ranging from MD positions to specialist fitters and technicians throughout the year, with more than 300 individuals registered for vacancies and almost 300 people provided with one to one redeployment support. Support was provided to a number of high profile businesses including Cadbury's and Astra Zeneca. The Advanced Engineering strand has recently gained support from the BIS Sector Team and we hope resources will be found to see the "rapid match" facility go national during 2011 - 12.

The Creative and Digital Media sector required a different approach to Advanced Engineering. Having piloted the same "rapid match" IT system as Advanced Engineering, it was clear that a freelance database was required to provide a 'shop window' for all freelance workers in this sector. Over 200 individuals have already registered. A toolkit for supporting individuals going through redundancy will be created and, although funding from the RDA has now ceased, Bristol Media will continue to maintain the database and will work with other digital media clusters to ensure coverage across the region.

The Financial and Business Services element was launched in May 2011 with the "rapid match" IT system again tweaked to suit the needs of this sector. The National Skills Academy for Financial Skills are running this element of the project and are working to take the system national once the regional model is fully functional.

East of Exeter Skills Academy
The East of Exeter Skills Academy was opened in April 2011, with nearly £3m of investment from the RDA and a further £10m from the Learning and Skills Council and the private sector. The Academy features 26 classrooms alongside a flight simulator complex, an apprentice workshop and cabin door training hall.

It was officially launched by the Chancellor, George Osborne, who praised the facility, stating that "I want to see more of these things, not less, because there aren't enough employers and training academies like this where a private business is training up the next generation of the workforce. It's a great example."

Combined Universities in Cornwall (CUC)
2010-11 was a major year of expansion for CUC with University College Falmouth completing the Performance Centre and opening its doors to its first students. The Performance Centre provides a major new cultural resource in Cornwall and is a £19m project with funding from the ERDF Convergence Programme, the RDA and HEFCE.

Three further CUC projects were contracted, further enhancing the offer of Tremough Campus in Cornwall:

The Academy for Innovation & Research (AIR), lead by University College Falmouth is a £9m research and development laboratory which will provide specialist design and digital expertise to innovative Cornish companies. AIR will open in early 2012.

Environment and Sustainability Institute (ESI) is a £30m centre delivering research into the impacts of environmental change. The ESI has three research themes: clean technologies, natural environment and social science and sustainability. The ESI building is aiming for BREEAM outstanding status and will open late 2012.

The Exchange project will increase the capacity of the existing Learning Resource Centre at the Tremough Campus. This £10m facility is due to open in autumn 2012.

In addition to the Tremough campus, we also saw the completion of the ambitious *Treneere Manor* development at the *Truro-Penwith College* campus in Penzance. The project provides a "step-change" in opening up higher level skills opportunities in the area, raising awareness and aspirations and contributing to wider economic regeneration. It is an integral part of a wider scheme to redevelop the Penwith College campus with an additional £24 million investment (from a total overall scheme of £32 million) – a scheme which will create exemplary new facilities for tertiary education in Penzance. The HE element of the project has received investment of £4m from the ERDF convergence programme and £1.9m from the RDA.

South Devon Innovation and Higher Education (HE) Centre
The South Devon Innovation and HE Centre was officially opened in March 2011 and builds a ground-breaking partnership between the University of Plymouth and South Devon College to establish a centre of employer-relevant higher education, enterprise learning, innovation and knowledge transfer in an economically underperforming area of Devon. So far the BREEAM excellent rated centre has assisted 504 people with their skills development and five businesses in improving their performance. It has also won the Project of the Year over £3m award in the Michelmores/Western Morning News Commercial Property Awards.

<u>Low Carbon</u>

Wave Hub
2010 marked the culmination of eight year's work and commitment to build and deliver this ground-breaking project. Wave Hub is situated off the north Cornwall coast and is the largest and most technically advanced facility for the development of wave energy convertors anywhere in the world. The major construction programme was successfully completed during the summer of 2010 with the deployment of the sub-sea cable, the hub unit and the completion of rock dumping to secure the cable to the sea bed.

Clean Tech Fund
The £2.5m CleanTech Fund is now established to support business development in this sector and the first loan of £100,000 was provided to a Gloucestershire based business which is developing its own patented disruptive solar concentrator photovoltaic (CPV) technology.

Hydrogen Fuel Station
In 2010-11 we supported the future development of a low carbon fuel network for the UK, in partnership with Honda and BOC. These global businesses have invested in the first truly commercial Hydrogen Charging station in the UK as part of a £750,000 project (£250,000 from the RDA).

Access to Funding Environmental Business Hub
In July 2010, we launched a unique interactive web portal detailing all the sources of funding available for the region's environmental businesses, including national and European funding. The portal provided a "one stop shop" for funding support with easy to understand sections right from starting up an environmental business to expanding and selling internationally.

Envision Results
Evaluation results from our Envision resource efficiency programme showed that over 3,000 regional businesses had benefited to the tune of £35m from reduced energy and resource bills since 2002.
The programme provided intensive advice and support to businesses on their resource management and was noteworthy in showing that a great proportion of savings came from simple low or no-cost behavioural changes rather than investment in expensive equipment or new technology.

European and Regional Funds

The Agency has led the strategy and delivery for three European programmes in the South West – ERDF Convergence in Cornwall and the Isles of Scilly, ERDF Competitiveness and Employment in the rest of the South West, and the socio-economic elements of the Rural Development Programme for England (RDPE) covering the entire region. A strong partnership approach has been the hallmark of all three programmes. The Agency has also been a significant contributor of match funding to the ERDF programmes, providing over 27% of the total to date.

Cornwall & Isles of Scilly Convergence Programme 2007 - 2013
Cornwall & Isles of Scilly Convergence partners have followed a commissioning approach to investment, targeting ERDF allocations at activity that demonstrates an ability to deliver key Programme objectives focused on transforming the area's economy by driving up innovation and enterprise and fostering a higher-value, low carbon economy. To date the Programme has invested £268m in 90 proposals, this equates to 66% of the ERDF allocation having been contracted. The Programme has met its spend targets in each year to date, with the 2011 (calendar year) target already achieved in advance.

As described above, in the last 12 months, ERDF investment has been made in the portfolio of university related activities in Cornwall, including the flagship Environment and Sustainability Institute (£22.8m), the European Centre for Environment & Human Health (£3.05m) and the Academy for Innovation and Research (£6.7m). All three proposals will make use of the academic base that has been created through previous ERDF investments in Combined Universities in Cornwall but focus on the benefits to business through innovative use of higher education resources.

The lynchpin investment helping to underpin all other ERDF investment is Next Generation Broadband, a project combining over £50m ERDF with around £115m private sector match. This investment is intended to link together all other investments by providing fibre connectivity to businesses targeted by the Programme.

The level of interest from the private sector has grown over the Programme life and by the end of April 2011 £2.1m had been invested directly in businesses through the

ERDF Grants for Business Investment (GBI) scheme, while £22.8m had been invested in private sector-led construction of premises. Contracts for managing business support programmes have also been awarded to private sector companies. Private sector activity is proving very valuable in helping to deliver Programme objectives and will directly help to sustain the impact of the Programme beyond 2013.

South West Competitiveness & Employment Programme 2007 - 2013
The Competitiveness Programme has contracted nearly 52% of its ERDF allocation, investing £56.8m in 48 proposals. Competitiveness partners have directed investment through a commissioning approach to target activity that will improve business productivity, reduce disparity in business growth in the Programme area, and work towards a low carbon economy.

Significant investments in the past 12 months have included £9m for the National Composite Centre led by University of Bristol. The centre will have the capacity and flexibility to develop the technologies needed to optimise the design and rapidly manufacture massive structures (such a wind turbine blades, marine and construction applications), ultra-precision parts (such as aerospace spars, engine casings) and address the challenge of producing high-volume parts to meet the needs of manufacturing industries.

The Programme has also invested over £1m in University of Exeter's CALM (Centre for Additive Layer Manufacturing) centre, which will provide practical support for SMEs to encourage the adoption of this new manufacturing technology. The project will make industry standard Additive Layer equipment available which will enable SMEs to test the potential of this technology on their own products.

£1.2m of ERDF money has also been invested directly in businesses through the Grants for Business Investment (GBI) scheme, together with significant business support available for high growth coaching, internationalisation and improving resource efficiency (totalling £22m ERDF). £3.2m has also been invested in targeted business support for Torbay, Plymouth and Bristol.

Rural Development Programme for England (RDPE)
The South West region accounts for some 25% of the England investment in RDPE> During the year RDPE grant of £28.97m was approved for 105 projects. The total value of these projects to the rural economy was £53.85m, and will create 937 jobs in the South West region. This brought total RDPE approvals since 2008 to £113 million.

Projects approved included support for major expansion plans by Ensors Gloucestershire Ltd (of Cinderford) to create a state-of-the-art multi-species abattoir; expansion of Cornish Farm Dairies Ltd (of Lostwithiel) creating 40 new jobs; the development of a significant new multi-use community facility in Helston, and the launch of a comprehensive range of specialist advisory services to assist the region's livestock sector to address animal health and welfare challenges.

In addition to the above, during 2010/11 the South West Agricultural Resource Management initiative provided advice to 1750 farms in relation to the management of their farm resources. As a result of these visits small capital grants totalling £2.4 million have been approved enabling 440 farm businesses to make changes to their operations.

Regional Investment Fund (RIF) - East of Exeter
Our three major RIF investments to support the sustainable delivery of housing and employment growth to the east of Exeter continued to progress. During 2010-11 various planning permissions were secured that will enable the two RIF funded road schemes (the Clyst Honiton Bypass and the Cranbrook main local route) and the first primary school to serve the Cranbrook New Community to begin construction during 2011-12. The RIF investments are conditional on at least the first phase of new housing at Cranbrook being served by a low carbon Combined Heat and Power system (CHP). Planning permission for the CHP plant was also received during 2010 -11 and Cranbrook will become one of the largest new housing developments in the country to be served by CHP.

Economic Monitoring and Intelligence
Against the background of a regional economy faced with an anaemic recovery, static unemployment, rising inflation and a struggle to move towards meaningful economic rebalancing, the economics team at the RDA has continued to provide expert analysis on all aspects of the regional economy and its parts through a wide range of media. These have included the Agency's own reports and presentations, work published in the team's role as the provider of the Economy Module of the South West Observatory and a plethora of briefings and presentations to, amongst others, regional public partners, central Government, business groups and the media. The year's highlights include our sub-regional analysis of the impact of the public sector cuts, our Business, Spatial and Economics Reviews, and a less public but vital spectrum of investment and strategic advice to inform the emerging new development geographies for a range of users.

Measurement of Performance

Stakeholder Survey
In April 2010, we carried out our (independently conducted) annual stakeholder survey, which measures perception of our performance in both the private and public sectors across the region.

The results were very positive with 82% of stakeholders satisfied with their RDA relationship (up from 76% in the previous survey) and 66% satisfied with RDA delivery and performance (up from 50%).

For the first time, the 2010 survey asked for feedback on the future development of the regional economy. There was strong agreement with the statements that ‘there are economic development issues that are better addressed between national and local level’ (70%+), ‘there are benefits of scale and integration to be secured through working at a regional level’ (75%+) and ‘it is important that the South West can present a coherent and unified voice to Government (and the EU) on economic issues’ (77%+).

In the light of forthcoming closure, this is the last such survey that the Agency will carry out.

Independent Supplementary Review (ISR)
In July 2010, the National Audit Office (NAO) published the results of an Independent Supplementary Review carried out earlier in 2010, which in part followed up an

earlier comprehensive Independent Performance Assessment of RDAs conducted in 2006. The ISR examined the quality of the Agency's work in three areas: reprioritisation to support for the region's economy in response to the recession; the implementation of improvement plans; and the effectiveness of corporate performance management systems. The NAO rated the Agency as "good" in all three areas examined (out of a possible Strong, Good, Adequate and Inadequate), highlighting in particular the Agency's leadership in providing economic expertise, the robust approach adopted in reprioritising projects in the light of reduced budgets, and the Agency's comprehensive organisational development and evaluation strategies.

In view of the Agency's closure, no further assessments of this kind are planned.

Effective Management of European Funds
In April 2011, the Agency received an unqualified audit on the end-to-end process for ERDF management, recognising efficient and robust compliance with all programme regulatory requirements in terms of structure, project management and the monitoring of claims. Error rates (i.e. the rate that determines any possible claw-back of funds by Europe) stand at 0.02% for Competitiveness and 3.26% for Convergence, both well below the England average rates.

Internal Organisation

The June 2010 budget confirmed the Government's intention to abolish RDAs. The RDA has been reducing in size ahead of its closure by March 2012. Following the departure of the Executive Director of People & Skills and the Executive Director of Enterprise and Innovation in October 2010 the RDA reorganised into two directorates (or departments), each led by an executive director - Operations & Resources and Programmes and Partnerships.

From late autumn 2010, the RDA's business has been overseen by a Transition and Closure Programme Group chaired by the Chief Executive and Accounting Officer, who is also Senior Responsible Officer for the Agency's transition and closure programme. This group reports into our Agency Board (via the Board's Transition and Closure Board sub-group where appropriate) and on to the National RDA Transition Board under the chairmanship of BIS

Our Board met on nine occasions during the year. It considered a range of business issues as well as those associated with the transition and closure of the Agency, including agreeing the Agency's Transition and Closure Plan, its Assets and Liabilities Disposal Plan, and the distribution of in year (2010/11) budget cuts. The Board also considered corporate priorities, corporate risk and funding of arms length bodies and received updates on a number of topics including Wave Hub, the result of the Independent Supplementary Review, the Agency's stakeholder survey results and a report following the Agency's role as RDA "chair of chairs".

Three members of the Board were re-appointed: Nick Buckland for a one year term and Brian Robinson and Ellen Winser for up to two years.

Financial performance and position

During the year taxpayers' equity increased from £31.3m to £34.4m. The increase is due to higher cash balances held in preparation for repayment of ERDF cash balances to DCLG on transfer of the ERDF programmes to DCLG at the end of Q1 2011/12, partly offset by a reduction in our stocks of inventories (assets held for regeneration purposes) which had a net book value of £22.3m as at 31 March 2011 compared with £41.4m as at 31 March 2010. Inventories stock has fallen due to disposals amounting to £10.1m at net book value together with reductions in asset valuations reflecting the impact of continuing difficult trading conditions.

The Statement of Comprehensive Net Expenditure shows total comprehensive expenditure taken to reserves amounting to £156.6m. Expenditure is financed by Grant in Aid, received from BIS. Grant in Aid is credited to the Grant in Aid reserve; had it been treated as income the Statement of Comprehensive Net Expenditure would have shown a break-even position.

The Agency and the Chief Executive are responsible for ensuring that there are appropriate controls over any publication of the financial statements, including the publication of the National Audit Office audit report on the Agency's website and in other electronic form.

Managing risks

Our Risk Management Policy sets out risk management roles and responsibilities. Our Risk Management Strategy sets the overarching principles behind risk management and outlines how we follow good practice and strive to gain respect from our stakeholders for our ability to strike a balance between risk and opportunity. Our Audit Committee monitors the implementation of the Risk Management Strategy on behalf of the Board.

In response to the announcement of the Coalition Government's decision to abolish the RDAs by 31 March 2012, the Agency has overhauled its risk policies and implemented a new framework to focus on managing the risks in relation to transition and closure. The new framework incorporates the Agency's corporate risks (those risks considered to represent a risk to the Agency's ability to function and deliver its statutory purpose). Further details on the Risk and Control Framework through transition and closure and risk priorities are set out in the Statement on Internal Control on pages 39 and 40.

Environment and sustainability

We are registered with the International Standard for Environmental Management Systems, ISO 14001, for our office facilities. We have in place action plans to reduce our energy consumption and to reduce the carbon impact of our business travel. Our essential car user allowance is based on the carbon impact of vehicles with the highest allowance currently available for cars generating less than 100g/km.

Prior to the announcement of Coalition Government's decision to close the Agency by 31 March 2012, we developed and implemented a novel carbon accounting methodology - the Carbon Compass - to assess the carbon impact of our investments both in terms of what we fund and the outcome of our investments, which was applied across our investment portfolio from April 2010.

FOI

During 2010/11 the Agency recorded 76 non-routine requests for information under the Freedom of Information Act 2000. The average time taken to respond to requests was 16.5 days. 69 requests were answered within the statutory deadline, one request was withdrawn, two were open at the time of writing and the remaining four requests were answered fully within 23, 32, 34 and 40 working days respectively (applicants were informed of these extensions). The legislation requires requests to be dealt with within 20 working days. Some information was exempt from disclosure in 15 cases. The exemptions that applied were Section 22 – information intended for future publication (one case), Section 31 – law enforcement (one case), Section 36 - prejudice to the effective conduct of public affairs (two cases), Section 40, personal information (ten cases), Section 41, information provided in confidence (two cases) and Section 43, prejudice to commercial interests (six cases). Three internal reviews on the grounds that information was withheld were considered by the Agency; additional information was disclosed following these reviews. One internal review was conducted on the grounds that the response was misleading – this appeal was not upheld.

The table below shows the number of requests received by South West RDA in recent years:

Financial year	Number of requests
2010/11	76
2009/10	102
2008/09	41
2007/08	47
2006/07	46

Directors' report

The Directors present their Annual Report and Financial Statements for the year ended 31 March 2011.

Principal Activities

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 the Department for Business, Innovation and Skills (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

Following the general election last year, the coalition Government outlined a series of proposed changes to how local economic development will be delivered, including its intention to abolish the Regional Development Agencies. Since the South West of England Regional Development Agency was established by statute through the Regional Development Agencies Act 1998, further legislation is required to effect its abolition. To this end, the Government published the Public Bodies Bill in Parliament on 29 October 2010. Whether South West of England Regional Development Agency will be abolished, and any resulting timetable for abolition, is subject to the passage of this legislation.

Ministers have confirmed that there will be an orderly transition to closure and that some Regional Development Agency activities will transfer to other parts of government. These have already begun; inward investment activity transferred to UKTI on 1 April 2011, the ERDF programme transferred to the Department for Communities and Local Government and the RDPE programme transferred to the Department for the Environment, Food and Rural Affairs both with effect from 1 July 2011. A series of further transfers to other parts of Government are planned throughout 2011/12. As abolition arrangements have yet to be confirmed there is a material uncertainty that casts significant doubt upon South West of England Regional Development Agency's ability to continue to operate in its current form and with its current powers under the Regional Development Agencies Act 1998.

Management have considered the circumstances described above. Whilst there is a material uncertainty over the future of the organisation, management have concluded that, in the absence of the passing of the legislation necessary to abolish South West of England Regional Development Agency, in line with central government practice it is appropriate to continue to adopt the going concern basis in preparing the Annual Report and financial statements until such time as this legislation is passed.

Non- Executive Directors (The Board)

Board members are appointed by the Secretary of State. Individuals who served on the Board during the year were as follows:

Harry Studholme	Chairman
Kelvyn Derrick	Deputy Chairman
Nicholas Buckland	
Catherine Bakewell	
Ian Ducat	
David Fursdon	
Chris Lewis	
Peter Madden	
Peter Moore	
Judith Reynolds	
Brian Robinson	
John Savage	
Steve Smith	
Ellen Winser	
Phil Young	

The Agency maintains a register of Board members' interests. The register of interests is available for inspection at the Agency's offices in Exeter by prior arrangement with the Corporate Governance Manager or on the Agency's website at www.southwestrda.org.uk.

Executive Directors

The Board has appointed a team of Executive Directors (the "Executive Team") to manage the activities of the Agency. Individuals who served on the Executive Team and changes during the year were as follows:-

Name	Role	Departure Date (where applicable)
Jane Henderson	Chief Executive	N/A
Suzanne Bond	Executive Director of People and Skills	31 October 2010
Nick Lewis	Deputy Chief Executive – from 1 November 2010 Executive Director of Operations – from 1 April to 31 October 2010	N/A
Stephen Peacock	Executive Director of Enterprise and Innovation	22 October 2010
Andrew Slade	Executive Director of Programmes and Partnerships – from 1 November 2010 Executive Director of Strategy and Communications – from 1 April to 31 October 2010	N/A

To accommodate the departures of Suzanne Bond and Stephen Peacock along with that of the departure of the former Deputy Chief Executive Colin Molton who left the Agency during 2008/09, Nick Lewis was appointed Deputy Chief Executive on 1 November 2010 and Andrew Slade became Executive Director of Programmes and Partnerships on 1 November 2010.

Accountability and Financial Framework

The Secretary of State issued the Agency with an Accountability and Financial Framework during October 2008 which replaced the Management Statement and Financial Memorandum in place since November 2005. The Accountability and Financial Framework sets out the financial framework under which the Agency should operate. The Agency has complied in all respects with the terms of these documents during 2010/11.

Financial Results and Review

The results for the year ended 31 March 2011 are set out in the Financial Statements on pages 45 to 63.

The Statement of Comprehensive Net Expenditure shows total comprehensive net expenditure taken to reserves amounting to £156.6m. Expenditure is financed by Grant in Aid, received from the Department for Business, Innovation and Skills. Grant in Aid received is credited to the Grant in Aid reserve.

During the year taxpayers' equity increased from £31.3m to £34.4m. The increase is due to higher cash balances held in preparation for repayment of ERDF cash balances to DCLG on transfer of the ERDF programmes to DCLG at the end of Q1 2011/12, partly offset by a reduction in our stocks of inventories (assets held for regeneration purposes) which had a net book value of £22.3m as at 31 March 2011 compared with £41.4m as at 31 March 2010. Inventories stock has fallen due to disposals amounting to £10.1m at net book value together with reductions in asset valuations reflecting the impact of continuing difficult trading conditions.

Principal risks and uncertainties

Detail of the progress made in risk management is set out in the Management Commentary on page 21. Details of principal risks are set out in the Statement on Internal Control on page 38 to 42.

Special Purpose Entities

The Agency has received Section 5 (2) consent to participate in the following corporate bodies:

Gloucester Docks Estate Management Company
Plymouth International Business Park Limited (not yet incorporated)
Royal William Yard (Plymouth) Estate Management Company Limited (dormant)
Temple Quay Management Limited
Wave Hub Limited
Finance Cornwall Limited(1)
Finance South West Limited(1)
Camborne Pool Redruth Urban Regeneration Company Limited(2)
Plymouth City Development Company Limited(3)
The New Swindon Company Limited(4)
Gloucester Heritage Urban Regeneration Company Limited(4)

Notes

1 The Agency's membership ceased on 16 March 2010
2 The Agency's membership ceased on 31 March 2010
3 The liquidation of this company commenced on 13 December 2010
4 The Agency's membership ceased on 28 February 2011

Pension costs

The treatment of pension liabilities and the relevant pension scheme details are set out in the accounting policies note on page 50 and in the Remuneration Report on pages 28 to 36.

Health & Safety, Employment and Environment policies

Health and safety

The Agency's Health and Safety policy sets out how it will fulfil health and safety responsibilities. It 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 meets every three months to report on health and safety and to agree and share best practice. All staff can raise matters with their Representatives of Employee Safety (RoES) and these are fed into the Committee.

The Committee was chaired by Jackie Noorden (Director of Human Resources & Organisational Development) under delegated authority from Nick Lewis (Executive Director with responsibility for Health and Safety).
Other members were:
Representatives of employee safety (RoES)
Facilities & Health & Safety Consultant

Employee information and consultation

The Public and Commercial Services Union (PCS) has a sole recognition agreement with the RDA. All formal consultation with staff is therefore through the Union mechanism. In addition, the Agency uses its intranet (ERIC) to ensure that all staff have access to consultation documents.

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. The Agency selects applicants for interview after giving full and fair consideration to their skills and abilities. The Agency will make reasonable adjustments to enable applicants with a disability to perform to the best of their ability throughout the recruitment process. Should any employees become disabled while employed by the Agency, reasonable adjustments will be made and wherever possible appropriate training will be arranged with a view to continued employment.

Green housekeeping

Details relating to green housekeeping are set out in the Management Commentary on page 21.

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 2010/11 the Agency paid 96.8 per cent of invoices on time (2009/10 – 97.3 per cent).

In line with the Government commitment made in October 2008, the Agency also aims to pay small and medium sized businesses within 10 days. In 2010/11 the Agency paid 91.1 per cent of supplier invoices within 10 days (2009/10 – 83.2% per cent).

Freedom of Information

Details relating to the supply of information under the Freedom of Information Act 2000 is set out in the Management Commentary on pages 21 and 22.

Political and charitable donations

No political or charitable donations were made during the year.

Audit Committee

The Committee met five times during the course of the year to review the Annual Accounts and meet with the NAO (external auditors), to monitor the work of the Internal Audit Service provided by KPMG, to monitor the implementation of the Risk Management Strategy and advise the Accounting Officer. The members of the Audit Committee who served during the year were:

Peter Moore	Chair
Ian Ducat	
Brian Robinson	
Stella Pirie	Co-opted
Phil Young	

Auditors

The Comptroller and Auditor General is appointed by statute to audit the South West of England Regional Development Agency, 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 £62,250. 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 2011 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 the Department for Business, Innovation and Skills ("BIS"), and reviewed every year in line with the recommendations of the Senior Salaries Review Board.

Three members of the Board sit on the Remuneration Committee.

The Remuneration Committee met twice during the course of the year to advise the Chairman on the remuneration of the Chief Executive (CE) and to advise the CE on Executive Directors' remuneration. The Committee is chaired by Ellen Winser, and the other members were Cathy Bakewell and Sir Harry Studholme.

In reaching its recommendations, the Remuneration Committee has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional / local variations in labour markets and their effects on the recruitment and retention of staff;
- the Government's public sector pay policy.

Remuneration Policy

The Chief Executive is eligible for unconsolidated performance related pay of up to a maximum of 20% of base salary. The award of performance pay is based on achievement against weighted targets, which are set by the Chairman following consultation with the Director of the Government Office, BIS and other RDA Chairmen. Decisions on the award of performance pay to the Chief Executive are determined by the Chairman on the recommendation of the Remuneration Committee, and subject to agreement by BIS. .

Performance pay of the Executive Directors can be up to a maximum 10% of salary (unconsolidated) and is determined by the Chief Executive on advice from the Remuneration Committee. Performance is measured against targets set individually for each Director by the Chief Executive. For 2009/10, however, the Executive Directors took the decision to remove themselves from the Executive Directors Bonus Scheme for that year, in the interests of furthering the sustainability of RDA operations, and instead took part in the Agency-wide staff collective bonus scheme which pays a lower, flat rate amount based on the achievement of organisation-wide targets.

Service contracts

All Board Members have been appointed on a fixed term contract and except for the

Chairman, Deputy Chairman and Nick Buckland, are 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 are contracted to carry out four days work per month. Board Members' appointments by BIS are made in accordance with the Commission of Public Appointments Code. There is no provision in place for the early termination of employment.

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

		Date of Appointment / Reappointment	Term of Appointment	Date Term Expired	2010/11 salary £	2010/11 pension £	2010/ 2011 Total £	2009/10 salary £	2009/10 pension £	2009/2010 Total £
Harry Studholme – Chair		30-Mar-09	to 13-Dec-12	-	81,718	19,857	101,575	82,105	19,951	102,056
Juliet Williams - Previous Chair		14-Dec-08	6 months	30-Jun-09	0	0	0	20,429	5,209	25,638
Kelvyn Derrick - Deputy Chair		14-Dec-08	3 years	-	17,332	N/A	17,332	17,332	N/A	17,332
Nicholas Buckland		14-Dec-10	1 year	-	17,332	N/A	17,332	17,332	N/A	17,332
Catherine Bakewell		14-Dec-09	3 years	-	8,666	N/A	8,666	8,666	N/A	8,666
Alan Courts		14-Dec-07	2 years	13-Dec-09	0	0	0	5,777	N/A	5,777
Ian Ducat		14-Dec-08	3 years	-	8,666	N/A	8,666	8,666	N/A	8,666
David Fursdon		14-Dec-09	3 years	-	8,666	N/A	8,666	2,586	0	2,586
Duncan Hames		14-Dec-06	3 years	13-Dec-09	0	0	0	6,080	N/A	6,080
Chris Lewis		14-Dec-09	3 years	-	8.666	N/A	8,666	2,586	0	2,586
Peter Madden		14-Dec-08	3 years	-	8,666	N/A	8,666	8,666	N/A	8,666
Peter Moore		14-Dec-09	3 years	-	8,666	0	8,666	2,586	0	2,586
Christine Reid		14-Dec-06	3 years	13-Dec-09	0	0	0	6,080	N/A	6,080
Judith Reynolds		14-Dec-08	3 years	-	8,666	N/A	8,666	8,666	N/A	8,666
Brian Robinson		14-Dec-10	2 years	-	8,666	N/A	8,666	8,666	N/A	8,666
John Savage		14-Dec-09	3 years	-	8,666	N/A	8,666	8,666	N/A	8,666
Steve Smith		14-Dec-08	3 years	-	8,666	N/A	8,666	8,666	N/A	8,666
Ellen Winser		14-Dec-10	2 years	-	8,666	N/A	8,666	8,666	N/A	8,666
Phil Young		14-Dec-09	3 years	-	8,666	N/A	8,666	2,586	0	2,586

Emoluments of Chief Executive and Executive Directors

	Salary and Car Allowance*	PRP	Benefits in Kind	Pension	Total
	£	£	£	£	£
Jane Henderson - Chief Executive					
2010/11	144,372	10,670	0	30,035	185,077
2009/10	144,372	18,429	0	30,035	192,836
Andrew Slade - Strategy & Communications					
2010/11	105,381	943	0	23,144	129,468
2009/10	95,997	8,498	0	21,966	126,461
Suzanne Bond People and Skills until 31 October 2010					
2010/11	63,230	0	0	12,858	76,088
2009/10	95,997	7,514	0	21,966	125,477
Nick Lewis Operations and Development until 31 October 2010; Deputy Chief Executive from 1 November 2010					
2010/11	111,577	943	0	25,541	138,061
2009/10	104,681	8,470	0	24,077	137,227
Stephen Peacock Enterprise and Innovation until 22 October 2010					
2010/11	58,923	0	0	13,557	72,480
2009/10	105,037	8,463	0	24,163	137,663

* - See Benefits in kind section below

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

No benefits in kind were received by Board Members in 2010/11. No benefits in kind were received by the Executive Directors in 2010/11, but essential car user allowances are included in salaries.

Non Cash remuneration

There was no Non Cash remuneration received by Executive Directors in 2010/11.

Compensation paid to former Executive Director

Mr Stephen Peacock left under Voluntary Severance terms on 22 October 2010. He received a compensation payment of £113,701.

Amounts payable to third party for services as an Executive Director

No amounts were payable to third party for services as an Executive Director.

Pension benefits

Pension benefits of Board members

With the approval of BIS a pension scheme has been put in place for the Chairman with contribution rates and benefits which are identical to the Principal Civil Service Pension Scheme but which is funded directly by the Agency. The Agency is 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 the Agency, underwritten by 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 31/03/11 (£'000)	CETV at 31/03/10 (nearest £'000)	CETV at 31/03/11 (nearest £'000)	Real increase in CETV (nearest £'000)
Sir Harry Studholme	0 – 2.5	0 - 5	21	44	18

The main actuarial assumptions are as follows:

	2010/11	2009/10
CPI inflation assumption	2.65%	2.00%
RPI inflation assumption	N/A	2.75%
The rate of increase in salaries	4.90%	4.29%
The rate of increase for pensions in payment and deferred pensions	2.65%	2.75%
The rate used to discount scheme liabilities	5.60%	4.60%

Liability calculation:

	2010/11	2009/10
	£'000	£'000
Scheme liability at the beginning of the year	211	151
Movement in the year:		
Current service cost (net of employee contributions)	27	24
Interest cost	9	10
Employee contributions	3	4
Actuarial loss/(gain)	(15)	29
Benefits paid	(9)	(7)
Past service cost	(21)	-
Scheme liability at the end of the year	205	211

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

	2010/11	2009/10
Experience loss/(gain) arising on the scheme liabilities		
Amount (£'000s)	4	(11)
Percentage of scheme liabilities at the end of the year	1.9%	(5.3%)

Pension benefits of Chief Executive and Executive Directors

Jane Henderson, Suzanne Bond, Nick Lewis, Stephen Peacock and Andrew Slade are all members of PCSPS.

Stephen Peacock is a member of the Premium Scheme.

Jane Henderson, Suzanne Bond, Nick Lewis and Andrew Slade are members of the Classic Scheme.

	Real increase in pension and related lump sum at age 60 (£000)	Total accrued pension at age 60 at 31/03/11 and related lump sum (£000)	CETV at 31/03/10 (nearest £000) *	CETV at 31/03/11 (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 No increase	60 - 65 plus 185 – 190 lump sum	1272	1367	0 - 5	No increase
Suzanne Bond	0 – 2.5 plus 0 – 2.5 lump sum	10 - 15 plus 35 - 40 lump sum	156	169	0 – 5	6
Nick Lewis	2.5 – 5 plus 10 – 12.5 lump sum	30 - 35 plus 100 - 105 lump sum	519	623	5 – 10	57
Stephen Peacock	0 – 2.5	10 – 15	89	101	0 – 5	6
Andrew Slade	0 – 2.5 plus 2.5 – 5 lump sum	20 - 25 plus 60 - 65 lump sum	197	231	0 – 5	16

*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may 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 may 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. 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/my-civil-service/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.

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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.

Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (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. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/my-civil-service/pensions).

For 2010/11, employers' contributions of £2,041,704 were payable to the PCSPS (2009/10 £2,263,072) 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 2010/11 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 £150,178 (2009/10 £188,858).

Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. Members pay contributions of 1.5% 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 £22,202 (2009/10 £31,073) 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 £1,464 (2009/10 £2,001), 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 date were £1,541 (2009/10 £2,295). Contributions prepaid at that date were £nil (2009/10 £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 2008 and more details can be found in the separate scheme statement of the Homes & Communities Pension Scheme. For 2010/11, normal employer contributions of £152,792 were payable to the Homes & Communities Pension Scheme (2009/10 £167,501) at the rate of 29.1% of pensionable pay. Employer's contribution rates are reviewed every 3 years following a scheme valuation by the scheme actuary. Following the latest actuarial valuation, the employer's contribution rate was increased from 23.8% to 29.1% of pensionable salaries from 1 April 2009. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme. At the Statement of Financial Position date there were outstanding contributions to the scheme of £12,620 (2009/10 £12,768).

Sickness absence

The average number of days of sickness absence taken by staff during the year was 5.24 days. In total, 1,588 sickness absence days were taken by staff during the year.

Sir Harry Studholme Chairman

Jane Henderson Chief Executive/Accounting Officer

Statement of Board and Accounting Officer's Responsibilities

Under Section 14 of the Regional Development Agencies Act 1988, the Agency is required to prepare a Statement of Account for each financial year in the form and on the basis determined by the Secretary of State, with the consent of HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end, and of its income and expenditure, total recognised gains and losses and cash flow for the financial year.

In preparing the accounts the Agency is required to:

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

The Accounting Officer for the Department for Business, Innovation and Skills has designated the Chief Executive as the Accounting Officer of the South West of England Regional Development Agency. The Accounting Officer's responsibilities include responsibility for the propriety and regularity of the public finances and for the keeping of proper records, as set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum issued by HM Treasury.

Statement on Internal Control

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the South West RDA's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in "Managing Public Money", I also share with the Board responsibility for ensuring that the Agency continues to operate within the framework specified by the Secretary of State and the Department for Business, Innovation and Skills in South West RDA's Accountability and Financial Framework.

On 22 June 2010, the Coalition Government confirmed the intention to abolish Regional Development Agencies through the Public Bodies Bill. South West RDA has taken action to ensure the effective delivery of economic development activity in 2010/11, the Agency's largest year of programme delivery since its formation in 1999, whilst absorbing the impact of and working towards the Agency's closure by 31 March 2012.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The closure of the Agency with almost a two year closure timescale presents a substantial challenge to maintaining an effective control environment throughout the closure period. During this time the Agency faces both "business as usual" risks, remembering 2010/11 is the Agency's largest year of programme delivery, and risks arising from the closure process. Both of these need to be managed. We have a Transition and Closure Plan which sets out how the Agency will manage the process of winding down its business by 31 March 2012. The plan has been reviewed by our sponsor department (BIS), who consider our approach to provide an appropriate framework for the closure process.

3. Capacity to handle risk

Over the life of the Agency, a key part of the Agency's role has been the pursuit of economic development through the taking of commercial and other business risks which the private sector might ordinarily not be prepared to take. In public sector terms, the Agency has historically had a higher than normal 'risk appetite' concentrating on how to manage risk rather than avoid it. The RDA has taken a positive approach, recognising the benefits that can be secured from an effective and confident approach to risk management. At the same time South West RDA is a public body, accountable to Parliament, and operating in a governance framework set and monitored by the Treasury and the sponsoring Department. This, rightly, requires compliance with the highest standards on legal and financial matters, and to be able to account in detail for decisions and actions.

As a result of the Government's decision to abolish RDAs by March 2012, the Agency's priorities changed significantly, with focus shifting to ensuring an orderly closure of the organisation and an effective transfer of those functions that will continue. The Agency's appetite for risk changed to a more risk averse approach in order that closure is managed effectively. To meet these new priorities, as well as continuing to meet day to day business requirements and manage the changing risk environment, a new internal governance structure was established. This involved the establishment of a Board Transition and Closure sub group with the purpose of providing leadership and oversight of the transition and closure process on behalf of the Board. The Audit Committee assumed responsibility for overview and scrutiny of the transition and closure process, formalised through revised Terms of Reference. At Executive level, a Transition and Closure Programme Group, which I chair, supported by five programme work streams has been established to lead and manage transition and closure at officer level.

4. The risk and control framework

Risk Management Policy and Strategy

The Agency has an established risk management policy. Our Audit Committee monitors the implementation of the Risk Management Strategy on behalf of the Board. We have a Risk Management staff handbook in place to guide staff. Our risk management policy sets out risk management roles and responsibilities whilst our risk management strategy sets out the overarching principles behind risk management. Our Audit Committee monitors the implementation of the Risk Management Strategy on behalf of the Board.

Risk and control framework through Transition and Closure

In response to the announcement of the Coalition Government's decision to abolish the RDAs by 31 March 2012, the Agency implemented a new framework for managing risks in relation to Transition and Closure which incorporates the Agency's Corporate risks (those risks considered to represent a risk to the Agency's ability to function and deliver its statutory purpose). The Transition and Closure Risk Register sets out the high level risks for the Agency up to closure. As Transition and Closure Senior Responsible Owner, I hold responsibility for this high level register and for agreeing appropriate mitigation strategies for each of the identified risks. The Transition and Closure Risk register is reviewed at each meeting of the Board Transition sub group, with oversight provided by the Audit Committee. Where appropriate, the sub group may decide to escalate risks to the full Board and/or to BIS as the sponsor department. The revised register came into effect from January 2011.

Each of the Transition and Closure programme work streams maintains a risk register for their areas of activity. Work stream leads are responsible for mitigation strategies, and for reporting on changes to their risks to the Transition Programme Group.

The Agency will need to continue to implement appropriate risk management procedures on remaining projects and programmes up to the point of closure. Responsibility for risks at this level rests with the Projects and Contracts work stream.

Risk Priorities

Successful delivery of the Transition and Closure plan is dependent on a range of outstanding decisions and processes at a national and local level. In the context of the absence of a centrally driven National Transition Plan, important external dependencies include:

- Confirmation from Government of the operating parameters for RDAs through transition and closure to ensure decisions are taken so as to deliver best value through transition and closure.
- Confirmation of the full range of Agency functions and projects that the Government wishes to continue after March 2012, and the process and timetable for transferring these to successor bodies.
- Clarification of future arrangements for economic development in England, in particular on the role of potential successor bodies and how the RDAs should transfer knowledge accumulated since 1999 to these organisations.
- Clarification from Government on arrangements for transfer of our 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 the RDAs' records will be managed after March 2012, including requirements for ongoing monitoring of financially closed projects and contingent assets.

I and the Board consider the number and scope of external dependencies to present a significant risk to transition and closure programme delivery. Where possible and appropriate, the Agency will seek to make reasonable assumptions on how to proceed with transition and closure based on guidance and evidence extant at the time that decisions are required.

Over the year, the Agency experienced a 25% reduction in staff during 2010/11 including the loss of two highly experienced Executive Directors. The Agency developed a Knowledge Toolkit to facilitate the transfer of corporate information as staff leave and I personally oversaw the handover process in relation to the Executive Director posts. The Agency has prepared an Assets and Liabilities Plan which includes our plans for the Agency's property and contingent assets to mitigate against the risk of loss of assets and to ensure value for money is maintained for the public purse. Positive feedback has been received from our sponsor department (BIS) for the Plan which provides the framework for disposals.

The level of change the Agency has experienced during 2010/11 and prospects of much reduced funding available elsewhere in the public sector significantly increases the level of fraud risk the Agency faces. In response to heightened fraud risk together with other risks arising from Transition and Closure, during September 2011 our Audit Committee approved a refocus of audit activity with Audit Committee meetings being held more frequently and internal audit reengineered to provide regular flash reports indicating the strength of internal controls across the Agency.

For the period from the Government announcement to abolish the RDAs in June 2010 until the new redundancy scheme terms were announced in December 2010, most of the Agency's staff endured almost certain redundancy with complete uncertainty over the terms of their departures. Where relevant, staff with a possibility of transfer faced a number of months with uncertainty over transfer terms. This situation increased the risk profile for both business as usual activity and transition and closure activity. The outcome of internal and external audits has been positive and I am proud of the manner in which staff conducted themselves under these difficult circumstances.

Information Risk

The Agency continues to be vigilant in the light of the recent information security breaches in the public and private sectors and the rise of state sponsored hacking. The Agency continues to hold its ISO:27001 accreditation. No information security breaches took place during the year.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors and the senior management team within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the National Audit Office in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Each Executive Director has considered risk management and the operation of internal controls within their Directorate, including consideration of the risk of fraud, and has written 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);
- Taking account of the controls, the likelihood of risks crystallising;
- Consideration of the risk of fraud; and
- Steps taken to gain assurance over the handover process in relation to Executive Directors and Directors who left the Agency during the year.

The Executive Directors have been able to conclude that the controls in their area have been operating satisfactorily during the year and that the risks for which their Directorate are responsible continue to be managed satisfactorily.

Our Board has corporate responsibility for ensuring that the aims and objectives set by the Secretary of State are fulfilled, and for promoting the efficient and effective use of staff and other resources. To this end, and in pursuit of its wider corporate responsibilities, the Board plays a major role in the risk management and internal control processes.

The Board is independently advised by an Audit Committee which has met five times during the year and received assurance on South West RDA's systems of transition and closure, risk management and internal control.

Clear responsibility for managing risk lies with the Board, Directors and staff of South West RDA. Internal Audit plays a crucial role in the risk management process by focusing activity on Transition and Closure (including Corporate) risks and auditing the risk management process and its application.

South West RDA has appointed KPMG as independent Internal Auditors, who operate in accordance with Government Internal Audit Standards and to an Internal Audit Plan approved by the Audit Committee. Internal Audit submits 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 2010/11, 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 South West RDA's risk management, control and governance processes. In our opinion South West RDA has adequate and effective risk management, control and governance processes to manage the achievement of its objectives. In giving this opinion it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes. Notwithstanding our overall opinion, our work identified a number of opportunities for improving controls and procedures to which management has responded positively."*

There are no significant control issues to report.

I conclude that the key risks faced by the Agency in this very challenging year have been managed effectively. For that achievement I express my gratitude and pay tribute to South West RDA Board members and staff.

Jane Henderson Chief Executive/Accounting Officer

The 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 2011 under the Regional Development Agencies Act 1998. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

As explained more fully in the Statement of Board and Accounting Officer's Responsibilities, the Board and 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, certify and report 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 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.

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

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 2011 and of its total comprehensive expenditure 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 thereunder.

Emphasis of Matter - Going Concern Uncertainty

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in note 27 to the financial statements concerning the application of the going concern principle in light of the announcement to abolish South West of England Regional Development Agency, which is subject to legislation. This proposal indicates the existence of a material uncertainty which may cast significant doubt about the ability of the South West of England Regional Development Agency to continue as a going concern. The financial statements do not include the adjustments that would result if the South West of England Regional Development Agency was unable to continue as a going concern.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with directions issued by Secretary of State under the Regional Development Agencies Act 1998; and
- the information given in the Management Commentary and Directors' 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control 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

14th July 2011

Financial Statements

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2011

	Note	2010/11 £000	Restated 2009/10 £000
Expenditure			
Programme expenditure	3	126,450	126,204
European funded programme expenditure	4	47,650	54,366
Staff costs	5	18,266	18,245
Depreciation	10	535	770
Other Administration Expenditure	6	3,194	7,191
Book value of inventories sold	13	10,113	859
Other losses	7	36,156	37,116
Total Expenditure		**242,364**	**244,751**
Income			
European funded income	8	64,761	56,381
Other income	9	10,590	14,414
Profit on disposal of property, plant and equipment		19	1
Proceeds from sale of inventories		10,884	1,171
Total income		**86,254**	**71,967**
Net expenditure		**156,110**	**172,784**
Interest payable		-	4
Interest receivable		(218)	(293)
Net expenditure before tax		**155,892**	**172,495**
Tax expense	23	675	437
Net expenditure after tax		**156,567**	**172,932**
Other Comprehensive Expenditure			
Credited/(released from) revaluation reserve:			
Net (gain)/loss on revaluation of Property, Plant and Equipment	10	3,195	627
Net (gain)/loss on revaluation of Non-Current Assets Held For Sale	12	172	-
Net (gain)/loss on revaluation of inventories	13	(2,876)	1,007
Total Comprehensive Expenditure for the year ended 31 March 2011		157,058	174,566

All activities are from continuing operations.
Net expenditure is financed by Grant in Aid as explained in note 1.2
The restatement is due to the removal of the cost of capital and is explained in note 2.

Financial Statements

Statement of Financial Position as at 31 March 2011

	Note	As at 31/03/11 £000	As at 31/03/10 £000
Non Current Assets			
Property, plant & equipment	10	94	25,995
Investments in associates and joint ventures	25	956	-
Loans and receivables	11	317	335
Total Non Current Assets		1,367	26,330
Current Assets			
Non current assets held for sale	12	18,473	-
Inventories	13	22,288	41,397
Trade and other receivables	14	4,897	856
Other current assets	14	41,861	23,753
Cash and cash equivalents	15	50,370	27,285
Total Current Assets		137,889	93,291
Total Assets		**139,256**	**119,621**
Current Liabilities			
Trade and other payables	16	16,587	4,694
Other liabilities	16	84,670	81,059
Current tax liabilities	23	675	1,078
Total Current Liabilities		101,932	86,831
Non Current Assets Plus Net Current Assets		**37,324**	**32,790**
Non Current Liabilities			
Provisions	17	2,888	1,507
Total Non Current Liabilities		2,888	1,507
Assets Less Liabilities		**34,436**	**31,283**
Taxpayers' Equity			
Grant in Aid reserve		22,020	18,678
General reserve		(205)	(211)
Revalution reserve		12,621	12,816
		34,436	31,283
Total Taxpayers' Equity		**34,436**	**31,283**

The notes on pages 49 to 63 form part of these accounts.

These financial statements were approved by the Board on 5th July 2011 and were signed on its behalf by:

Sir Harry Studholme — Chairman

Jane Henderson — Chief Executive and Accounting Officer

Financial Statements

Statement of Cash Flows for the year ended 31 March 2011

	Note	2010/11 £000	2009/10 £000
Net Cash Outflow From Operating Activities	18	**(135,944)**	**(126,112)**
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	10	(13)	(237)
Increase in Joint Ventures and Associates	25	(956)	0
Net Cash Outflow From Investing Activities		**(969)**	**(237)**
Cash Flows From Financing Activities			
Proceeds from sale of property, plant and equipment		141	660
Receipts from repayment and redemption of loans		-	2
Grant in Aid received		159,857	137,600
Net Financing		**159,998**	**138,262**
Net Increase/(Decrease) In Cash and Cash Equivalents In The Period		**23,085**	**11,913**
Cash and Cash Equivalents At The Beginning Of The Period	15	27,285	15,372
Cash And Cash Equivalents At The End Of The Period	15	**50,370**	**27,285**

Financial Statements

Statement of Changes in Taxpayers Equity for the year ended 31 March 2011

	Grant in Aid Reserve £000	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
Balance at 1st April 2009	53,772	14,166	(151)	67,787
Changes in Taxpayers Equity 2009/10				-
Total Comprehensive Expenditure				
Net loss on revaluation of inventory	-	(1,007)	-	(1,007)
Net loss on Property, Plant & Equipment revaluation	-	(627)	-	(627)
Net expenditure after tax	(172,932)	-	-	(172,932)
	(172,932)	(1,634)	-	(174,566)
By Analogy Pension Scheme transfer	60	-	(60)	-
Disposal transfer	178	(178)	-	-
Property, Plant & Equipment depreciation	-	462	-	462
Total Recognised Income And Expense for 2009/10	(172,694)	(1,350)	(60)	(174,104)
Grant in Aid received	137,600	-	-	137,600
Balance at 31st March 2010	**18,678**	**12,816**	**(211)**	**31,283**
Changes In Taxpayers' Equity 2010/11				
Balance at 1st April 2010	18,678	12,816	(211)	31,283
Changes in reserves for 2010/11				
Total Comprehensive Expenditure				
Net gain on revaluation of inventory	-	2,876	-	2,876
Net loss on Property, Plant & Equipment revaluation	-	(3,195)	-	(3,195)
Net loss on Non Current Assets Held For Sale	-	(172)	-	(172)
Net expenditure after tax	(156,567)	-	-	(156,567)
	(156,567)	(491)	-	(157,058)
By Analogy Pension Scheme transfer	(6)	-	6	-
Disposal transfer	58	(58)	-	-
Property, Plant & Equipment depreciation	-	354	-	354
Total Recognised Income And Expense for 2010/11	(156,515)	(195)	6	(156,704)
Grant in Aid received	159,857	-	-	159,857
Balance at 31st March 2011	**22,020**	**12,621**	**(205)**	**34,436**

Notes to the Financial Statements

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies 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 (the Agency) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the South West Regional Development Agency for the reportable activity are detailed below. They have been applied consistently in dealing with items that are considered material to the accounts.

Basis of Accounting

The Financial Statements of the Agency have been prepared in a form directed by the Secretary of State for the Department for Business, Innovation and Skills, with the approval of HM Treasury, in accordance with the Regional Development Agencies Act 1998.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment and inventories.

1.2 Grants In Aid

The Agency's activities are funded primarily by grants 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 support the statutory and other objectives of the entity are treated as financing, credited to the Grant in Aid Reserve, because they are regarded as contributions from a controlling party which give rise to a residual interest in NDPB's.

1.3 Income

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

1.4 Property, Plant and Equipment

Buildings are carried at fair value.
Investment properties are 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 are 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.
As part of the Agency's closure arrangements, the Agency plans to sell its investment properties, formalised within the Agency's Assets and Liabilities Plan submitted to BIS during January 2011. Investment properties at the 31 March 2011 have been transferred to non-current assets held for sale. Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale within twelve months of the reporting date is considered to be highly probable. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

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

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

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

1.5 Depreciation

Depreciation is provided to write off the cost of tangible non current assets 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

1.6 Inventories

Inventories, consisting of development land and buildings and work in progress, are shown at the lower of replacement cost taking into account the full costs and restrictions associated with regeneration and net realisable value. The Agency treats 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 is no credit on the Revaluation Reserve against which such a loss can be charged.

Notes to the Financial Statements

1.7 Financial Instruments

a) Financial assets

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

Partnership workspace schemes are the Agency's investment with partners, mainly local authorities, to provide workspace. These schemes provide rental income to the Agency and have been disclosed in the Statement of Financial Position as a financial asset at a valuation based on the present value of estimated future rental income. Expenditure on these projects is written off in the year of spend.

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

b) Financial liabilities and equity instruments

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

The category of other financial liabilities includes trade payables, borrowings and other payables. Other financial liabilities are initially measured at fair value, net of transaction costs and then subsequently measured at amortised cost using the effective interest method. The Agency only has short-term liabilities and therefore the recognition of interest expense would be immaterial.
The Agency derecognises financial liabilities when the Agency's obligations are discharged, cancelled or they expire.
An equity instrument is 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 is reserves and is measured in the Statement of Financial Position at nominal value.

c) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each Statement of Financial Position date. The assessment may be of individual assets or a portfolio of assets. Financial assets are impaired where there is 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 have been impacted.

For individual assets, objective evidence of impairment could include missed payments, arrangements in place to pay less than the contractual payments, fraud and bankruptcy and other financial difficulties.
For loans and receivables, where there is objective evidence that an impairment loss exists, impairment provisions are 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 reflects 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 is written off until the possibility of recovery is beyond doubt. Approval from BIS is obtained for any write-off in excess of £250,000.

1.8 Pension Costs

The Agency's employees are predominantly members of the Principal Civil Service Pension Scheme (PCSPS) which is a non contributory defined benefit scheme and is unfunded, or one of the following schemes: the Homes & Communities Agency Pension Scheme which is a defined benefit scheme; or the Partnership Pension Scheme which is a stakeholder pension scheme. The Agency recognises 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 is 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.

1.9 Deferred taxation

Full provision has been made for deferred tax assets and liabilities arising from timing differences between the recognition of gains and losses in the Financial Statements and their recognition in the tax computation.

1.10 Foreign Currency Transactions

Transactions in foreign currency are recorded in sterling at the rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currency are translated into sterling at the rates prevailing at the Statement of Financial Position date. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure

1.11 Leases

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

The Agency does not hold any finance leases.

Notes to the Financial Statements

1.12 Special Purpose Entities

Investments in associates and joint ventures

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

A joint venture is a contractual arrangement whereby the Agency and other parties undertake an economic activity that is subject to joint control, that is 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 are three types of joint venture, jointly controlled operations, jointly controlled assets and jointly controlled entities. The Agency has both jointly controlled assets and jointly controlled entities.

The results and assets and liabilities of associates and joint ventures are 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.

The jointly controlled assets relates to an agreement with St Modwen Developments Ltd and Quantum Property Partnership. The terms of the agreements are set out in Note 25. The jointly controlled assets are held at fair value. There were no associated assets or liabilities or income and expenses related to the jointly controlled assets in the period.

1.13 Provisions

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

Provisions have been made for environmental liabilities, redundancy costs, early retirement costs, onerous leases and the By-Analogy Pension Scheme. The amount recognised as a provision is 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.

1.14 VAT

The Financial Statements are prepared net of recoverable VAT.

1.15 Reserves

Grant in aid
Grants in aid are 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.

Revaluation reserve

The Revaluation Reserve comprises of upward revaluations in property, plant and equipment and inventories. Any downward revaluations are charged to the Statement of Comprehensive Net Expenditure to the extent that there is no credit on the Revaluation Reserve against which such a loss 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 arrangement is unfunded and the employer pays benefits as and when they arise. The provision represents an estimate of future payments to the Chairman following retirement. Further details are provided in the Remuneration Report.

Notes to the Financial Statements

2 Changes in Accounting Policies

In previous years a charge, reflecting the cost of capital utilised by the Agency was included in the Statement of Comprehensive Net Expenditure at the real rate set by HM Treasury (2009/10 3.5 per cent) on the average carrying amount of all assets less liabilities. This charge was then reversed in the Statement of Comprehensive Net Expenditure after Net Expenditure after Tax. The FREM states that this charge should no longer be made from 2010/11. Consequently the cost of capital charge and the reversal of that charge are no longer included in the Accounts and the comparatives for the Statement of Comprehensive Net Expenditure for 2009/10 have been restated to remove the charge and the reversal. This change in accounting policy has no impact on the Statement of Financial Position.

3 Programme expenditure

	Total programme expenditure 2010/11 £000	Total programme expenditure 2009/10 £000
Low Carbon	20,946	9,086
Successful Businesses	71,802	54,695
Prosperous Places	26,827	42,047
Leadership & Advocacy	2,165	5,170
Former Programmes - Exits	4,710	15,206
	126,450	126,204

Former Programmes - Exits are primarily older, longer running projects or programmes which no longer fit the Agency's evolving current priorities. The projects are coming to a natural closure or a managed exit.

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

4 European funded programme expenditure

	Total programme expenditure 2010/11 £000	Total programme expenditure 2009/10 £000
Low Carbon	16,310	6,232
Successful Businesses	16,723	26,095
Prosperous Places	13,635	19,232
Leadership & Advocacy	993	1,462
Former Programmes - Exits	(11)	1,345
	47,650	54,366

Former Programmes - Exits are primarily older, longer running projects or programmes which no longer fit the Agency's evolving current priorities. The projects are coming to a natural closure or a managed exit.

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

Notes to the Financial Statements

5 Staff Numbers and Related Costs

	Total 2010/11 £000	Permanently employed staff 2010/11 £000	Temporary staff 2010/11 £000	Total 2009/2010 £000
Wages and salaries	12,284	12,010	274	14,318
Social security costs	1,144	1,124	20	1,037
Other pension costs	3,544	3,509	35	2,723
Redundancy costs	1,770	1,770	-	346
Sub Total	18,742	18,413	329	18,424
Less recoveries in respect of outward secondments	(476)	(476)	-	(179)
Total net costs	**18,266**	**17,937**	**329**	**18,245**

Details of the Agency's pension schemes are disclosed in Note 1.8 and in the Remuneration Report.
Social Security costs and other pension costs have increased compared with the previous year while wages and salaries have reduced due to the impact of additional amounts incurred due to redundancy programmes during 2010/11.

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

	Permanent staff 2010/11 Numbers	Others 2010/11 Numbers	Total 2010/11 Numbers	Total 2009/2010 Numbers
Directly employed	280	8	288	334
Temporary staff	0	1	1	5
Total	280	9	289	339

5.1 Reporting of Civil Service and other compensation schemes - exit packages

Exit package 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	2009/2010 Number of compulsory redundancies	2009/2010 Number of other departures agreed	2009/2010 Total number of exit packages by cost band
<£10,000	1	16	17	-	3	3
£10,000 - £24,999	2	24	26	-	3	3
£25,000 - £49,999	4	20	24	-	5	5
£50,000 - £99,999	-	4	4	-	1	1
£100,000 - £149,999	-	2	2	-	-	-
£150,000 - £199,999	-	-	-	-	-	-
£200,000 +	-	-	-	-	-	-
Total Number of Exit Packages	**7**	**66**	**73**	**-**	**12**	**12**
Total Cost (£000's)	**176**	**1,594**	**1,770**	**-**	**346**	**346**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme a statutory scheme made under the Superannuation Act 1972 or under the provisions of the Homes and Communities Compensation Scheme. Where the Agency has agreed early retirements, the additional costs are met by the pension scheme and are not included in the table.

6 Other Administrative Expenditure

	2010/11 £000	2009/2010 £000
Running costs	3,465	5,265
Rentals under operating leases	(333)	1,780
Auditor's remuneration - statutory	62	62
Auditor's remuneration - IFRS audit services	-	7
Auditor's remuneration - Independent Supplementary Review	-	77
Total	**3,194**	**7,191**

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.

Notes to the Financial Statements

7 Other Losses

	2010/11 £000	2009/10 £000
Loss on disposal of property, plant and equipment	10	-
Loss on disposal of partnership workspace	-	10
Bad debts written off and movements in provision for bad and doubtful debts	69	(66)
Partnership workspace write down	18	186
Joint venture write down	1,613	-
Property, Plant & Equipment write down	3,685	3,030
Non-current assets held for sale write down	76	-
Inventories write down	30,685	33,956
	36,156	**37,116**

8 European Funded Income

	2010/11 £000	2009/10 £000
European Regional Development Fund	64,512	56,301
Direct EU Grants	249	80
	64,761	**56,381**

9 Other Income

	Note	2010/11 £000	2009/10 £000
Other Government Grants		4,630	4,070
Partner Contributions		1,202	666
Rental income		3,753	4,201
Joint venture write back	25	-	3,907
Sundry income		1,005	1,570
		10,590	**14,414**

Notes to the Financial Statements

10 Property, Plant and Equipment

	Investment Properties		Other Property, Plant and Equipment				
	Land at fair value	Buildings 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	£000
Cost or valuation							
As at 1 April 2010	2,190	22,637	435	1,260	1,869	684	29,075
Additions in year	-	-	13	-	-	-	13
Revaluation	(593)	(2,545)	(57)	-	-	-	(3,195)
Writedown	(240)	(2,987)	-	(458)	-	-	(3,685)
Disposals in year	(112)	(20)	-	-	(429)	(57)	(618)
Transfers to Non Current Assets Held For Sale	(1,245)	(17,085)	(391)	-	-	-	(18,721)
As at 31 March 2011	-	-	-	802	1,440	627	2,869
Depreciation							
As at 1 April 2010	-	-	-	759	1,672	649	3,080
Charge for the year	-	346	8	43	129	9	535
Revaluation	-	(346)	(8)	-	-	-	(354)
Disposals in year	-	-		-	(429)	(57)	(486)
Transfers to Non Current Assets Held For Sale	-	-	-	-	-	-	-
As at 31 March 2011	-	-	-	802	1,372	601	2,775
Net book value							
As at 31 March 2011	**-**	**-**	**-**	**-**	**68**	**26**	**94**
As at 1 April 2010	**2,190**	**22,637**	**435**	**501**	**197**	**35**	**25,995**
Asset financing							
Owned (net book value)	-	-	-	-	68	26	94
Cost or valuation							
As at 1 April 2009	2,530	24,047	445	1,152	1,860	912	30,946
Additions in year	-	2	73	108	18	36	237
Transfers in from Development assets	-	2,480	-	-	-	-	2,480
Revaluation	(85)	(459)	(83)	-	-	-	(627)
Writedown	(5)	(3,025)	-	-	-	-	(3,030)
Disposals in year	(250)	(408)	-	-	(9)	(264)	(931)
As at 31 March 2010	**2,190**	**22,637**	**435**	**1,260**	**1,869**	**684**	**29,075**
Depreciation							
As at 1 April 2009	-	-	-	690	1,442	912	3,044
Charge for the year	-	453	9	69	238	1	770
Revaluation	-	(453)	(9)	-	-	-	(462)
Disposals in year	-	-	-	-	(8)	(264)	(272)
As at 31 March 2010	**-**	**-**	**-**	**759**	**1,672**	**649**	**3,080**
Net book value							
As at 31 March 2010	**2,190**	**22,637**	**435**	**501**	**197**	**35**	**25,995**
As at 1 April 2009	**2,530**	**24,047**	**445**	**462**	**418**	**-**	**27,902**
Asset financing							
Owned (net book value)	2,190	22,637	435	501	197	35	25,995

A full valuation of freehold buildings was carried out as at 31st December 2010, which was undertaken by an independent valuer, GVA Grimleys, Chartered Surveyors. The position is not considered materially different at year end.

Properties have been valued on the basis of Market Value defined in the Valuation Standards as:-

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Notes to the Financial Statements

11 Financial Instruments

As the cash requirements of the Agency are met through Grant in Aid provided by the Department for Business, Innovation and Skills, financial instruments play a more limited role in creating and managing risk than would apply to a non public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Agency's expected purchase and useage requirements and the Agency is therefore exposed to little credit, liquidity or market risk.

Loans and receivables

	2010/11 £000	2009/10 £000
Partnership workspace	317	335
	317	**335**

Financial risk management

The Agency has 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. At the year end the Agency had an overdraft of £nil. The Agency relies primarily on departmental grants for its cash requirements and is therefore not exposed to liquidity risks. It has no material deposits and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk. Transactions entered into which result in non current receivables have a low credit risk. Trade receivables consist of a number of customers which are spread across diverse industries. Ongoing credit evaluation is carried out on the financial condition of accounts receivable.

Fair value estimation

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

12 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. The completion dates for sale are expected to be withn the 12 months to 31 March 2012.

	Land £000	Buildings £000	Total £000
Opening balance at 1 April	-	-	-
Transfers in from Property, Plant & Equipment	1,245	17,476	18,721
Revaluation	(46)	(126)	(172)
Writedown	(6)	(70)	(76)
Valuation as at 31 March	1,193	17,280	18,473

13 Inventories

	Note	2010/11 £000	2009/10 £000
Valuation at 1 April		41,397	64,265
Additions in year		18,188	15,434
		59,585	79,699
Book value of inventories sold		(10,113)	(859)
Inventory write down	7	(30,685)	(33,956)
Transfers to investment property		-	(2,480)
Transfers to environmental liability provision		625	-
Transfer from/to revaluation reserve		2,876	(1,007)
Valuation as at 31 March		**22,288**	**41,397**

Inventories relate to development land and buildings and work in progress.

14 Trade receivables and Other Current Assets

	2010/11 £000	2009/10 £000
Amounts falling due within one year:		
Trade receivables	5,362	1,284
Bad and doubtful debts	(465)	(428)
	4,897	**856**
Prepayments and accrued income	746	3,068
Other receivables	41,072	19,778
VAT	43	907
	41,861	**23,753**
Total	**46,758**	**24,609**

The average credit period on trade receivables is 56 days. No interest is charged on trade receivables. The Agency provided for trade receivables based on estimated irrecoverable amounts, determined by past default experience.

Included in the Agency's trade receivables are receivables with a carrying amount of £293,000 (31st March 2010 - £245,000) which are past due at the reporting date for which the Agency has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Receivables - Intra-government balances	2010/11 £000	2009/10 £000
Balances with other central government bodies	42,028	21,138
Balances with local authorities	16	475
Balances with NHS Trusts	-	-
Balances with bodies external to government	4,714	2,996
	46,758	**24,609**

15 Cash and Cash Equivalents

	2010/11 £000	2009/10 £000
Balance at 1 April	27,285	15,372
Net change in cash and cash equivalent balances	23,085	11,913
Balance at 31 March	**50,370**	**27,285**
The following balances at 31 March were held at:		
Commercial banks and cash in hand	50,370	27,285
Balance at 31 March	**50,370**	**27,285**

16 Trade Payables and Other Current Liabilities

	2010/11 £000	2009/10 £000
Amounts falling due within one year		
Trade and other payables:		
Trade payables	13,494	3,654
Other taxation and social security	294	359
Other payables	2,799	681
	16,587	4,694
Other Liabilities:		
Accruals and deferred income	34,840	40,070
ERDF deferred income	49,094	37,846
Payments received on account	736	3,143
	84,670	81,059
	101,257	**85,753**

Payables - Intra-government balances

	2010/11 £000	2009/10 £000
Balances with other central government bodies	49,156	39,564
Balances with local authorities	3,074	3,548
Balances with public corporations and trading funds	-	-
Balances with bodies external to government	49,027	42,641
	101,257	**85,753**

17 Provisions for Liabilities and Charges

	Environmental Liability £000	By Analogy Pension Scheme £000	Retirement £000	Redundancy £000	Onerous leases £000	Deferred Tax £000	Total £000
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**
Balance at 1 April 2009	-	151	456	-	116	-	723
Provided/(released) in the year	-	67	(87)	-	811	-	791
Provisions utilised in the year	-	(7)	-	-	-	-	(7)
Unwinding of discount	-	-	-	-	-	-	-
Balance at 31 March 2010	**-**	**211**	**369**	**-**	**927**	**-**	**1,507**

Environmental Liability
The provision for environmental liabilities represents the value of remediation work required, as a minimum, to return two sites 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.

By-Analogy Pension Scheme
The By-Analogy Pension Scheme relates to the present Chairman 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 to the Chairman following retirement. Further details are provided in the Remuneration Report.

Retirement
South West RDA employees have the option to join the Principal Civil Service Pension Scheme. If an employee is made redundant, under the terms of the scheme they are entitled to monthly compensation payments up until retirement age provided that certain conditions relating to age and length of service have been met. 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.

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.

Onerous Leases
At the year end there were three onerous leases relating to empty buildings, the remaining lease obligation has been provided for in full.

18 Reconciliation of Net Expenditure to Net Cash Outflow from Operating Activities

	2010/11 £000	2009/10 £000
Cash flows from operating activities		
Net expenditure after interest	(155,892)	(172,495)
Depreciation	535	770
Property, Plant & Equipment write down	3,685	3,030
Non-current assets held for sale write down	76	-
Loss on sale of property plant and equipment	10	-
(Profit) on sale of property plant and equipment	(19)	(1)
Decrease/(increase) in trade and other receivables	(4,041)	234
Decrease in inventories	19,109	22,868
(Increase)/decrease in payables	11,893	(802)
(Increase) in other current assets	(18,108)	(9,474)
Increase in other liabilities	3,611	33,030
Increase in provisions	1,381	784
Income taxes paid	(1,078)	(765)
Movement in other financial assets	18	196
Transfer from revaluation reserve on revaluation of inventory	2,876	(1,007)
Inventory transferred to property, plant and equipment	-	(2,480)
Net cash outflow from operating activities	**(135,944)**	**(126,112)**

Notes to the Financial Statements

19 Capital Commitments

	2010/11 £000	2009/10 £000
Contracted capital commitments at 31 March 2011 not otherwise included in these financial statements		
Inventory	1,345	2,667

20 Commitments Under Leases

20.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2010/11 Buildings £000	2010/11 Others £000	2010/11 Total £000	Restated 2009/10 Total £000
Obligations under operating leases comprise				
- Not later than one year	559	4	563	563
- Later than one year but not greater than five years	2,180	8	2,188	2,235
- Later than 5 years	1,600	-	1,600	2,267
	4,339	**12**	**4,351**	**5,065**

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.

Operating lease commitments over 5 years relate primarily to the leasing of office space at Sterling House, Exeter. Prior year comparatives have been restated to remove the charge in respect of the office at Rivergate, Bristol since the lease is held in the Department for Business, Innovation and Skills' name.

21 Contingent Liabilities

The Agency has the following contingent liabilities:

Homes and Communities Agency Pension

The Homes and Communities Agency Pension Scheme has a deficit, part of which may be required to be funded by the Agency since a number off the Agency's staff transferred from English Partnerships (now the Homes and Communities Agency) and were party to the Scheme arrangements. The amount is payable on the Agency ceasing to employ the last active member of the Scheme. The liability amount is not known therefore no provision is made in the accounts.

Staff Redundancies

In line with its closure plans, the Agency placed all employees at risk of compulsory redundancy on 4 April 2011. Due to the uncertainties surrounding the timing and precise circumstances of staff departures it is not possible to quantify the value the amounts of compensation payable in the future and therefore no charge is made in the accounts for redundancy costs other than for those staff who had notice served or terms agreed as at 31 March 2011.

22 Contingent Assets

South West RDA has issued a number of grant funding agreements for the purchase and development of land and buildings, where the agreements require a percentage of proceeds from the sale of these assets, or a share of future rental incomes, to be repaid to South West RDA in line with the terms of the contract. The timing and cash flows from these agreements is uncertain.

23 Taxation

The Agency taxation charge based on taxable profits for the year at 28% (2009/10 - 28%) comprises:

	2010/11 £000	**2009/10 £000**
Current Tax:		
Current Year	929	1,078
Prior Year	(254)	(641)
Total Current Tax	**675**	**437**
Deferred Taxation:		
Current Year	-	-
Prior Year	-	-
Total Deferred Tax	-	-
Income tax expense	**675**	**437**

The income tax charge for the current year is lower than the standard rate of corporation tax for the UK of 28%. The differences are explained below:

Income tax:		
Net expenditure before tax	(155,892)	(174,229)
Deficit before taxation at 28% (2009/10 - 28%)	(43,650)	(48,784)
Effects of:		
Expenses not deductible for tax purposes	11,223	11,444
Depreciation in the year in excess of capital allowances	149	216
Grant funding not taxed	(11,562)	(376)
Prior year corporation charge	(254)	(641)
Capital gains on investment property disposals	9	50
Grant in aid adjustment	44,760	38,528
Income tax current year charge for the period	**675**	**437**

Notes to the Financial Statements

24 Related party transactions

The South West of England Regional Development Agency is an Executive Non-Departmental Public Body sponsored by the Department for Business, Innovation and Skills (BIS). During the year ending 31 March 2011 the Agency received Grant in Aid through BIS together with European funding through the Department for Communities and Local Government (CLG). BIS and CLG are regarded as related parties.

CLG is the sponsor body of the Homes and Communities Agency and therefore the Homes and Communities Agency is also regarded as a related party. During the period, the Agency and the Homes and Communities Agency have acted in partnership on a number of projects.

BIS is the sponsor body of the other Regional Development Agencies in England and therefore the other RDAs are regarded as related parties. During the year, the Agency has jointly funded a number of projects with other RDAs. These RDAs were One North East, London Development Agency, East Midlands Development Agency and South East England Development Agency. At the year end there was a receivable balance of £6,859 (31 March 2010 £10,593) 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 has been appointed by the RDA to represent it to that organisation. Board Members took no part in funding decisions which 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 2010/11 where the Board Member/Executive Director has no equity interest in the organisation receiving or making payment:

Name	Role	Related party	Position	Nature	Total value of transactions 2010/11
Brian Robinson	Board Member	Gloucestershire County Council	Elected Member	Expenditure - Other Expenditure - Grant	628 4,345,029
		University of Gloucestershire	Member of University Court	Expenditure - Grant	1,550,818
Chris Lewis	Board Member	Torbay Council	Deputy Mayor	Expenditure - Grant	133,668
Ellen Winser	Board Member	National Maritime Museum Cornwall	Chair ofTrustees/Director of all subsidiaries	Expenditure - Grant	21,462
		Sutton Harbour Holdings Plc	Shareholder	Expenditure - Other Expenditure - Balance outstanding at year end	156,075 4,897
		Truro College	Chair/Governor	Expenditure - Other Expenditure - Grant Expenditure - Balance outstanding at year end	5,456 2,237,457 752,775
Ian Ducat	Board Member	SW TUC Executive	Member	Expenditure - Grant	217,224
John Savage	Board Member	Bristol Cultural Development Partnership Ltd	Director	Expenditure - Other	2,350
		Destination Bristol Ltd	Joint Chairman	Expenditure - Grant	197,892
		West of England Partnership	Vice Chairman	Expenditure - Grant	171,400
Judith Reynolds	Board Member	University of Plymouth	Board of Governors member	Expenditure - Grant	199,079
Kelvyn Derrick	Deputy Chairman	Regen South West	Chairman	Expenditure - Other Expenditure - Grant Expenditure - Balance outstanding at year end	3,000 1,409,949 32,330
Nick Buckland	Board Member	University of Plymouth	Chair of Govenors	Expenditure - Grant	199,079
		Technology Strategy Board	Governing Board member	Expenditure - Other Income - Other	17,000 15,864
Peter Madden	Board Member	Forum For The Future	Chief Executive	Expenditure - Other	9,550
Professor Steve Smith	Board Member	University of Exeter	Vice Chancellor	Expenditure - Other Expenditure - Grant Expenditure - Balance outstanding at year end	115,849 1,731,605 66,836
Sir Henry Studholme	Chairman	Exeter University – Centre for Rural Research Advisory Board	Chairman	Expenditure - Other Expenditure - Grant Expenditure - Balance outstanding at year end	115,849 1,731,605 66,836
		Forestry Commission	GB Commissioner	Expenditure - Other	27,200
Suzanne Bond	Executive Director of People and Skills (left 31 Oct 2010)	Visit England	Ex-officio Board member	Income - Other Expenditure - Grant	370 2,542

Notes to the Financial Statements

25 Interest in Associates and Joint Ventures

Investments in Associates

Details of the associates are as follows:

Name of undertaking	Interest at year end	Nature of business	Note Ref
Temple Quay Management Limited	24%	Property management	1, 2
Gloucester Docks Estate Company Limited	33.3%	Property management	3, 4

1 Temple Quay Management Limited has no assets and collects rental and service income from tenants of Temple Quay to meet the common outgoings of the estate. Any shortfall in income over expenditure is collected pro-rata from the tenants (including South West RDA), and any excess is returned to the tenants (including South West RDA) pro-rata. Thus the company records no profit or loss and maintains a balance sheet net worth of £996, being the value of the issued share capital which is wholly owned by the tenants in proportion to the area of the estate occupied by them. Temple Quay Management Limited has been excluded from consolidation in the accounts of the Agency on the grounds that it is immaterial for the purpose of giving a true and fair view.

2 The share capital of Temple Quay Management Limited comprises 994 ordinary shares of £1 each and 2 special ordinary shares of £1 each all held at par. The Agency's interest in the share capital of Temple Quay Management Limited amounted to 237 ordinary shares and 2 special ordinary shares at the year end.

3 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. Gloucster Docks Estate Company Limited has been excluded from consolidation in the accounts of the Agency on the grounds that it is immaterial for the purpose of giving a true and fair view.

4 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:

	2010/11	2009/10
	£000	£000
Total assets	282	294
Total liabilities	281	293
Net assets	1	1
Agency's share of net assets of associates	**0**	**0**
Total revenue	667	456
Total profit for the period	0	0
Agency's share of profits of associates	**0**	**0**

Joint Ventures

The Agency has no interests in joint ventures, however, in the year, the Agency stepped down from the following entities:

Name of undertaking	Interest at year end 2009/10	Nature of business	Note Ref
The New Swindon Company Limited	33.30%	Regeneration	1
Gloucester Heritage Urban Regeneration Company Limited	33.30%	Regeneration	1
Plymouth City Development Company Limited	33.30%	Regeneration	2

1 On 28th February 2011 the Agency's membership of the New Swindon Company and Gloucester Heritage Urban Regeneration Company Limited ceased.

2 The Liquidation of Plymouth City Development Company Limited commenced on 13th December 2010.

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. As at 31 March 2011, the value of the Agency's interest in this joint venture was £ nil (2009/10 - £nil). The jointly controlled asset is valued at fair value. There were no associated income or expenses, assets or liabilities relating to the jointly controlled asset during the year.

On 19 December 2006 the Agency entered into a development agreement (as subsequently varied by supplementary agreements) with Quantum Property Partnership for the latter to provide infrastructure and a first phase of buildings on a site owned by the Agency in Bristol at Emersons Green. Under the terms of this agreement the Agency contributes the sale proceeds of its land to a development account through the disposal of serviced plots, and Quantum Property Partnership deducts the cost of the infrastructure works, buildings and general development expenditure. The development account is reconciled as plots are disposed of, and returns are shared by the parties in accordance with the development agreement. As at 31 March 2011, the value of the Agency's interest in this joint venture was £956,000 (2009/10 - £nil). The jointly controlled asset is valued at fair value. 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 is as follows:

	2010/2011	**2009/2010**
	£000	**£000**
Valuation at 1 April	-	-
Transfers to/(from) Jointly Controlled Assets Account in year	2,569	(3,907)
Amounts written back/(off) on revaluation	(1,613)	3,907
Valuation at 31 March 2011	**956**	**-**

26 Events After the Reporting Period

The authorised date for issue is 14th July 2011. This is the date on which the accounts were certified by the Comptroller and Auditor General.

On 1 July 2011, the Government announced its intention to transfer certain development land and property assets from Regional Development Agencies to the Homes and Communities Agency (HCA) for management under a stewardship arrangement. Under this arrangement, HCA will continue to develop the related assets to deliver economic benefits, taking account of the purposes for which they were originally acquired.

The transfer is expected to take effect on 19 September 2011. The transfer order includes a number of South West RDA's assets that are currently included in these accounts under the headings of Property, Plant and Equipment (note 10), Non Current Assets Held For Sale (note 12) and Inventories (note 13). Details of the assets intended for transfer will be announced when the transfer order is agreed. The transfers will be at the current carrying value of the relevant assets and no gain or loss on transfer will arise.

27 Going Concern

Following the general election last year, the coalition Government outlined a series of proposed changes to how local economic development will be delivered, including its intention to abolish the Regional Development Agencies. Since the South West of England Regional Development Agency was established by statute through the Regional Development Agencies Act 1998, further legislation is required to effect its abolition. To this end, the Government published the Public Bodies Bill in Parliament on 29 October 2010. Whether South West of England Regional Development Agency will be abolished, and any resulting timetable for abolition, is subject to the passage of this legislation.

Ministers have confirmed that there will be an orderly transition to closure and that some Regional Development Agency activities will transfer to other parts of government. These have already begun; inward investment activity transferred to UKTI on 1 April 2011, the ERDF programme transferred to the Department for Communities and Local Government and the RDPE programme transferred to the Department for the Environment, Food and Rural Affairs both with effect from 1 July 2011. A series of further transfers to other parts of Government are planned throughout 2011/12. As abolition arrangements have yet to be confirmed there is a material uncertainty that casts significant doubt upon South West of England Regional Development Agency’s ability to continue to operate in its current form and with its current powers under the Regional Development Agencies Act 1998.

Management have considered the circumstances described above. Whilst there is a material uncertainty over the future of the organisation, management have concluded that, in the absence of the passing of the legislation necessary to abolish South West of England Regional Development Agency, in line with central government practice it is appropriate to continue to adopt the going concern basis in preparing the Annual Report and financial statements until such time as this legislation is passed.

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