

**Annual Report and Accounts 2008-2009**  
HC 828

July 2009





**One North East Annual Report and Accounts 2008-2009**

**Annual Report and Accounts presented to Parliament by the Secretary of State for Business, Innovation and Skills in pursuance of paragraphs 15 (2) and 17 (3) of Part 1 of the Regional Development Agencies Act 1998.**

**Ordered by the House of Commons to be printed on 20<sup>th</sup> July 2009.**

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ISBN: 9780102959345

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## Chairman's Foreword – Margaret Fay OBE

The past year has undoubtedly been one of the most challenging in recent times for the North East.

The state of the economy has required swift and decisive action from all partners to deal with the effects of the recession in our region.

One North East has played a key leadership role in helping companies and people affected by the fall in business confidence, restricted cash flow and rising unemployment.

We have led the public and private sector response to the large-scale redundancies at Nissan and Northern Rock which has helped to coordinate jobs fairs, careers support and employment advice to all affected workers. We have also helped these major businesses in areas such as communications, supply-chain support and sites and premises.

The Agency has moved quickly to establish a £46m package of frontline business support, including providing free healthchecks through Business Link which, to date, have been taken up by more than 2,500 regional firms.

And getting a clear message out of where to go for help has also been a key focus of our efforts in the year.

One North East, together with the Learning and Skills Council, Jobcentre Plus, Business Link, Government Office for the North East, the TUC and the Association of North East Councils, have led a coordinated communications campaign 'Real Help for People and Businesses Now' to promote the quickest and easiest routes to support.

The campaign has also highlighted those businesses that are performing well despite the recession and celebrating their success.

Business finance has taken on critical importance in recent months with the restriction of cash flow placing pressures on companies battling to pay bills and staff.

As part of this, One North East has pledged to pay all our own suppliers within 10 days and have a 95% record of doing so.

To ensure companies have access to vital finance, in December 2008 we established and administered a Transition Loan Fund, to help firms in immediate need of a cash injection to keep trading and plan for the future with greater confidence.

The £9m fund was substantially oversubscribed and has so far invested more than £6.9m into 56 North East firms, protecting 2,470 jobs.

While our focus is rightly on the here and now and the economic issues that demand our immediate attention, it is still important to take stock of the region's achievements over the past year and look ahead to future opportunities.

During 2008/9 grant support from One North East helped attract over £198m worth of investment into the region.

In the year we made 198 Grant for Business Investment payments to firms worth almost £17m; helping them grow and offering the potential to create more than 2,700 jobs and safeguard a further 1,400.

Among them, were green support services company eaga which has used its £1m grant to expand its North East operation and create 270 new jobs. As part of this eaga will relocate its main Newcastle base, as a result of an initiative by Newcastle City Council, to the Tower at Regent Centre in Gosforth, the office originally built for Northern Rock.

It is imperative that we continue to nurture innovative new ideas from concept to commercial reality. To support this, One North East administers the £2m Grant for Research and Development (R & D Grant) which we extended this year launching a new large company R&D grant scheme – worth an additional £2.4m a year to help bigger firms take forward bold ideas.

Electronics company Innocore Gaming Ltd of North Tyneside has developed a circuit board to control all elements of video display gaming machines, with the help of an R & D Grant of £84,000 from One North East.

The project has already proved a huge success, with the product selling £545,000 worth of units in its first quarter on the market.

These grants are part of the simplified portfolio of support from Government, de-cluttering the landscape, making it easier for companies to identify and access help.

The 'Solutions for Business' process is rationalising the vast array of support with a target of moving from 3,000 separate schemes down to a more simplified 30.

In the midst of tough times, we must still celebrate the stunning achievements of the region and the recent progress that has been made.

Indian telecommunications software giant Tech Mahindra is creating 500 new jobs in South Tyneside after announcing plans to use Jarrow as its European base. One North East awarded the company a Grant for Business Investment of almost £2m to help secure the firm's arrival and worked closely with South Tyneside Council to support the deal.

North East companies continue to perform strongly in export markets. The region is exporting more than ever. Statistics released by HM Revenue & Customs show a huge leap in exports from the North East, with the region exporting almost £2bn more in 2008 than it did in 2007 .

Another North East success story is tourism. Over the past five years there has been a 30% increase in tourism revenue, overnight visitors have risen from eight million to nine million and the industry is now worth nearly £4bn to the regional economy. Last year alone we saw a 10% increase in visitors – the only region outside London to experience growth.

This year's TV advert promoting North East England has helped boost the number of visitors to the tourism website [www.visitnortheastengland.com](http://www.visitnortheastengland.com) by 50%.

European money is underpinning new growth and opportunity. One North East administers the £337m European Regional Development Fund (ERDF) Competitiveness Programme.



Twenty four ERDF project approvals worth £35.9m have been made for projects such as £855,000 ERDF investment for the North East Business and Innovation Centre (BIC) to help drive forward the Sunderland Software City initiative and create over 70 new businesses.

The welfare and contribution of our rural areas to the regional economy is a key element of the Regional Economic Strategy.

The Rural Development Programme for England (RDPE) is investing into projects and communities across the region, driving new opportunities and securing jobs.

In County Durham, RDPE has been used to establish a new fund worth more than £2m to help farms, rural businesses and communities with plans that will boost the local economy and protect rural services for the future.

The cash will support larger investments for farm diversifications, promote the growth of local rural businesses or help rural communities working to safeguard and improve essential services.

The regeneration of the North East continues at a pace through schemes such as Durham 2020 Vision, the Infinity Bridge in Stockton and Sunnyside in Sunderland.

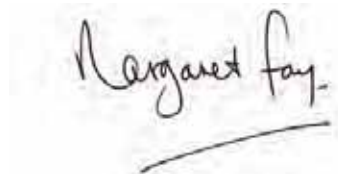
However, a significant reduction in the Agency's capital budgets and the poor state of the property market have resulted in a challenging time for our regeneration activities. It has meant an increasing focus, together with our local authority partners, on those physical projects that will provide the maximum economic returns.

As part of this, Langtree Group plc has been selected to be One North East's private sector partner in our property regeneration partnership Onsite North East , which will see the transfer of 23 of One North East's industrial and commercial sites in a deal worth around £25m. Langtree will manage the sites and lever in private sector resources to modernise the industrial areas.

There is no doubt that Nissan and Northern Rock have been the two dominant major business and employment issues in the region over the past 12 months.

But as we look back at a difficult year, we can see how important strong leadership, creativity and effective partnership working has been in supporting the North East economy through the recession.

It will be this same approach that will help us to take full advantage when more prosperous times return. And we are starting to prepare for them now.

A handwritten signature in black ink that reads "Margaret Fay". The signature is written in a cursive style and is positioned above a horizontal line.

Margaret Fay OBE, Chairman One North East

## Annual Report Review – Alan Clarke

In the past year, our aim has been to strike a balance between dealing with the immediate impact of the economic downturn and the challenges of reduced budgets; while at the same time taking forward those actions that will equip us well for rapid economic recovery.

We have also been focused on putting in place the ambitious plans for the longer term success of our regional economy.

In the past, the North East has been slow to emerge from economic downturns. One North East is working with public and private sector partners to ensure we are ready to prosper, laying the foundations for future growth beyond the recession.

The Government's 'New Industry, New Jobs' strategy of 'industrial activism' to invest in Britain's economic and industrial future is an approach that One North East has been following for many years.

Targeted interventions in high growth sectors have been a key strand of the Regional Economic Strategy and a key area of One North East's work.

Through a focus on new technologies such as plastic electronics, industrial biotechnology and low carbon industries our aim is to create higher value and sustainable jobs.

A network of innovation connectors supported by the Agency are now providing a physical focus for science and innovation activities which will help drive future economic growth, and at the same time boost the regeneration of particular areas.

The New and Renewable Energy Centre (NaREC), in Blyth is, for instance, leading the way in exploiting the economic potential of offshore wind and wave power. It has secured major investment from key businesses in the renewables field that will bring local jobs and region-wide benefits.

The North East is also working hard to position the region as the leading place in the UK for the development of electric vehicle technology - a hugely important

commercial opportunity for the region with many of the world's vehicle manufacturers investing heavily in this technology.

We are working closely with Nissan to ensure that the next generation of electric cars are built at its Sunderland plant and collaborating with partners to create a charging point infrastructure to enable people to use these cars in their everyday lives.

While innovation will play a key role in driving the regional economy out of recession, access to finance is also critically important to both existing firms and the firms of the future.

Our comprehensive finance programme still remains in place, offering vital loan and equity funding to firms at every stage of their evolution, but from early next year we aim to enhance this. We are working on plans to establish a new JEREMIE £125m 'super fund' which will form the new access to finance hub for regional firms looking to grow in the region.

Looking to the future, nurturing and retaining a talented workforce will underpin our economic growth. And we are working with our partners across the region to address this in a number of ways.

We have recently launched a guidebook for employers and young people to bring them closer together, to make it easier for 14-19-year-olds to gain the necessary skills they need to enter work and for firms to tap into the pool of talented young people in our region.

The Agency is also funding a 'Talent Challenge' programme which will be offering a tailor made service to hundreds of skilled managers and professionals facing redundancy, to help them find new work in the region, retaining their skills in the North East to help lead our economy forward.

Such activities - allied to the wealth of support delivered by our partners such as Jobcentre Plus and Business and Enterprise North East - are gearing the region to prepare for the upturn, to be ready to take maximum advantage of the opportunities it will present.

This close working relationship, particularly with our local authority partners, is mirrored in the way we are collaborating at a strategic level on the production of a new, single integrated strategy to lead sustainable economic development across the region.

Bringing together priorities for economic development alongside planning, transport, housing and climate change objectives for the first time presents a real opportunity for the North East to use our resources flexibly to drive prosperity.

One North East's board and the Leaders'/Elected Mayors' Board representing all 12 local authorities will oversee the preparation of this crucial document and has held a very productive first meeting. But we must take the region along with us in the development of the regional strategy.

We have and will continue to work closely with both Tyne and Wear and Tees Valley City Regions, to ensure the development of Multi-Area Agreements in these areas deliver maximum economic returns.

Local government has undergone its biggest change in a generation with the creation of unitary authorities in County Durham and Northumberland.

One North East is working alongside these two new authorities and the other councils, who will be instrumental in preparing and delivering the new regional strategy.

The Homes and Communities Agency is an important new partner in the region and we are committed to working with them to ensure we support prosperous places where people want to live *and* work.

We are also preparing for the new regional select committee which will scrutinise the regional strategy and the work of One North East and other organisations.

One North East is very open to scrutiny and we are committed to evaluating our activities to ensure they deliver maximum return for the public money we invest.

A recent independent report into the impact of England's regional development agencies (RDAs), which includes One North East, has shown they have generated economic benefits that significantly outweigh their costs.

The independent analysis by PriceWaterhouse Coopers looked at a range of RDA investments over the past five years and the outcomes achieved for their respective regions. Its key findings show that between 2002-03 and 2006-07, for every £1 spent by the RDAs, an average of £4.50 of economic output (or Gross Value Added – GVA) was put back into regional economies.

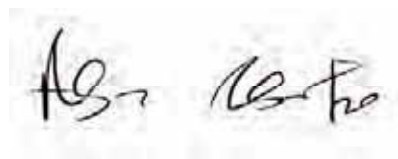
This kind of evaluation will help us to learn what works best for our region and will also inform our priorities moving forward.

There is no doubt that the remainder of this year and 2010 will present more challenges to our economy which has already felt the effects of the global recession.

The industrial activism approach offers opportunities for the upturn and preparing for a world economy that will be very different and more challenging.

It is about Government removing barriers to success, creating the conditions in which businesses can thrive and providing targeted support to industry.

One North East is fully supportive of this policy and indeed the region is already putting it into practice. In doing so, the North East stands to emerge stronger and better prepared to benefit from the upturn ahead.

A handwritten signature in black ink, appearing to read 'Alan Clarke', is positioned above the printed name.

Alan Clarke, Chief Executive One North East

## One North East Board

Margaret Fay OBE, Chairman

Margaret Fay was appointed Chairman of One North East in December 2003.

She is the former Managing Director of Tyne Tees Television. In her 22 years with Tyne Tees she moved from an initial role in the Accounts Department to her first managerial role in Facilities Management where she had responsibility for all Tyne Tees' premises and services. Her next promotion was into Production where she held various operational management positions before her appointment to the board as Director of Operations following the takeover in 1992 by Yorkshire Television. Following a further takeover in 1997 by Granada she was appointed Managing Director, which she held until she took early retirement in December 2003 in order to take up her current post.

During her time at Tyne Tees, Margaret was known for her open and direct style, continued to deliver against objectives and, in addition to the various posts she held, continued to specialise in human resources and industrial relations issues.

Margaret has established strong relationships with the region's business and political communities. This has continued throughout her time as Chairman of One North East and in 2006, she led the Agency in achieving the top "performing strongly" grading in a National Audit Office assessment of its work.

In 2007 Margaret played a key role on behalf of the RDA network as its Chair of Chairs – this involved her leading discussions with senior Government Ministers and officials about national economic development issues. She is currently a member of the Regional Economic Council (REC), which was established by the Prime Minister in November 2008 to ensure that the issues and concerns of each region are heard and acted upon across Government. The REC is jointly chaired by the Chancellor of the Exchequer and the Secretary of State for Business and Regulatory Reform.

Margaret is a Board Member of the new Homes and Communities Agency (transferring directly from the English Partnerships Board where she represented the RDAs from January 2004) and is Patron of Tees Valley Community Foundation. She is a former non-executive Director of Darlington Building Society and a former Governor at the University of Teesside.

She was awarded the OBE for services to broadcasting in 2004 and in the same year she received an Honorary Doctorate in Business Administration from Sunderland University for her services to Broadcasting, Business and Regional Life. Margaret received an Honorary Degree of Doctor of Laws from the University of Teesside in November 2008.

In June 2005, Margaret was appointed the Prince of Wales Ambassador for the North East of England.

Chris Thompson – Deputy Chairman

Chris Thompson joined the Agency as a Board Member in 2004 and was appointed Deputy Chairman in October 2006. He chairs the Board's Business and Skills Committee and also acts as lead Non-Executive contact to the Agency's Extended Enterprise network of companies.

Chris is Chief Executive of the Express Group, which provides engineering, design and manufacturing services to the aerospace, defence, oil and gas sectors. The development of the group has been fuelled by Chris' ability to read the market, and respond quickly to opportunities. He has formed several international joint ventures and partnerships and established over 40 new enterprises.

Ian Brown

North Northumberland businessman Ian Brown joined the Board of One North East in 2005 and has a specific role as 'rural champion' on the Board.

Ian has many business interests in the region. He is a consultant on sustainability issues, was the founding chairman of a gourmet food business and is director of four other companies. He has also successfully developed, and continues to manage, a rural business park near Alnwick, Northumberland.

He was Chairman of the North East Rural Affairs Forum for three years, and leads the Environment Agency's Regional Environmental Protection Advisory Committee for the North East and Yorkshire, and is an Honorary Alderman of the County of Northumberland.



Paul Callaghan

Paul is Chairman of Leighton, the North East based technology, software, media and communications group that he founded. The Leighton Group comprises six companies that are UK leaders in their respective markets. Among the Group's clients are British Airways, the Australian Government, Adidas, and Sage. He is a founder director of the Entrepreneurs' Forum, Chairman of RTC North and formerly Chairman of Business Link North East.

Born in Sunderland, Paul trained as an economist and has a first degree in Economics from the LSE, a Masters degree in Management and Education from Newcastle University and a further Masters degree in Finance and Economics from the University of Salford.

Paul is an Honorary Fellow of the University of Sunderland and is its Deputy Chairman. He is also a Fellow of the Royal Society of Arts and of the Institute of Administrative Management and is Co-sponsor and Chairman of Red House Academy, a new city academy in Sunderland. He also chairs the Agency's Audit Committee.

Alex Cunningham

Alex Cunningham is a Labour councillor on Stockton on Tees Borough Council and Cabinet Member for Children and Young People. He also represents the Council on a range of external bodies including the Local Strategic Partnership.

Alex is the founding Chair of the Children's Trust, responsible for local authority and health services to young people in his borough and is a Non Executive Director of the North Tees and Hartlepool NHS Foundation Trust. He recently stood down from the Museums, Libraries and Archives Council and Arts Council North East.

He was selected as the Labour Party's Prospective Parliamentary Candidate for Stockton North last year. He also manages his own communications, public relations and web design business based in Norton, Stockton on Tees.

Ian Dormer

Ian owns Rosh Engineering Ltd in Birtley, a specialist contractor to the electrical supply industry which repairs and refurbishes high voltage electrical plant equipment throughout the UK, Ireland and the Benelux countries.

Since the early 1990s Ian has been active at national level with the Institute of Directors, joining the main board and being appointed Vice Chairman in 2004.

He has also been a Director of the Northern Business Forum, a Director and Chairman of Business Link Tyne & Wear, and currently chairs the North East Business Support Simplification Programme Transition Management Board. He is an advocate of a positive health and safety culture, chairing an IoD-HSE oversight group on this issue.

Ian is Chair of Enterprise Development North East Ltd as well as sitting on the Board of 1NG Ltd, the City Development Company for NewcastleGateshead.

Gill Hale

Gill Hale is Regional Secretary for the public service trade union UNISON, and the Chair of the Northern Regional TUC – the first woman elected to that office. She joined the One North East Board in 2007.

Prior to moving to the North East, Gill worked for COHSE in Sheffield and before that was employed in the health service.

Professor Christopher Higgins

Durham University's Vice-Chancellor, Professor Christopher Higgins joined the One North East Board in 2007.

He has served as a director for the Medical Research Council and his research led to the UK's first clinical trials for cystic fibrosis gene therapy. He also served on the Councils of BBSRC and The Academy of Medical Sciences and the Executive Board of the Association of Medical Charities.

Chris is currently a member of the Human Genetics Commission and chairs the Spongiform Encephalopathy Advisory Committee, which advises the Government on BSE and vCJD.

Peter Jackson

Peter Jackson is the Conservative Group Leader on Northumberland County Council. He represents Ponteland South with Heddon. He chairs the Council's Scrutiny Management Board and is an Executive Member of the Association of North East Councils.

In business he has built up an arable farming enterprise covering 1,600 hectares in South Northumberland and Durham. Peter is Vice Chairman of the Tynegrain farmer co-operative and a director of GrainCo, the largest grain marketing company in its trading area of the North of England and Scotland.

Peter is also a director of Enterprise Development North East Ltd.

John Shipley OBE

Councillor John Shipley is Leader of Newcastle City Council. He was first elected as a councillor in May 1975 and led the Liberals and then Liberal Democrats from 1978 to 1998. He was also Leader of the Opposition for 10 years.

John represents the City Council on a number of outside bodies including the Board of Tyne and Wear Development Company Ltd and the Theatre Royal Trust. He is a member of the Northern Way Steering Group and the Northern Way Transport Compact. He was appointed a Board Member of One North East in December 2005 and is a Board member of both 1NG Ltd (the City Development Company for NewcastleGateshead) and Newcastle Science City Company Ltd. He chairs the Newcastle Partnership (LSP).

John worked for over 30 years with The Open University and was Regional Director for the North and for the European Union for 8 years until 2005.

Bob Symonds

Councillor Bob Symonds has been a powerful advocate for the City of Sunderland for more than 15 years, both as a Cabinet Member and Council Leader, during a time of dramatic economic and cultural regeneration. Bob has represented the council nationally on a number of influential political organisations, such as the Association of North East Councils and the Local Government Association, and held portfolios on the Modernisation of Local Government, External Affairs, Regional Matters and Community Safety.

Alison Thain OBE

In April 2008 Alison became Group Chief Executive of social housing manager and developer Fabrick Housing Group, a strategic partnership of Tees Valley Housing (where Alison was previously Chief Executive) and Erimus Housing. With a turnover approaching £60m, over 700 staff and capital spending of £100m pa, Fabrick is one of the top companies in the Tees Valley.

Alison is also a Governor of Teesside University and one of the private sector partners of Tees Valley Unlimited Leadership Board where she has the housing brief. She was awarded the OBE in 2004.

She chairs the Regeneration Committee and is the Agency's Design Champion.

Ruth Thompson OBE

Ruth Thompson OBE is the former Group Corporate Director of National Grid plc, and former Director for the North of England Gas Distribution Networks for Transco plc, which was pivotal in the transformation of the gas industry.

Ruth represents the Agency on the regional Science and Industry Council. She chairs National Energy Action and is a Director of NaREC. She is also a non-executive Director of Northern Ireland Water Limited, the North East Strategic Health Authority and the University of Northumbria.

She chairs the Board's Corporate Resources Committee.

Graham Thrower

Graham Thrower is a Director and founder of the North East based music business alt.vinyl, which is an online and physical retailer of music and an increasingly successful record label. He also contributes to creative and cultural activities in the region through his role as Chairman of Generator, the North East based national music development agency.

Graham's background is in corporate finance, primarily the telecom, media and technology sectors where, most recently as a Managing Director at Citigroup, he played a leading role raising debt and equity for numerous leading global corporates in over 30 countries between 1988 and 2002.

Kate Welch OBE

Kate Welch OBE is founder and Chief Executive of Acumen Development Trust which works to achieve social and economic regeneration through learning, employment and enterprise. Acumen works across the North East and Cumbria engaging people in disadvantaged communities and supporting them to achieve their potential. Kate founded Acumen in 2003 having previously worked for JobCentre Plus and County Durham Training & Enterprise Council.

Acumen won the Enterprising North East England title for their work in Easington in 2006. The following year, Kate was chosen as a BT Essence of the Entrepreneur winner and the North East Woman Social Entrepreneur of the Year. In 2008 she was awarded an OBE for services to Social Enterprise in the North East and was the Ernst and Young Entrepreneur of the Year Social award winner for the North. She was chosen as one of the 100 most entrepreneurial women in the UK this year and is a finalist in the Women in Ethical Business Awards 2009.

Kate has an MA from the Department of Social Policy at the University of York. She sits on the Learning and Skills Council for the region and chairs the Mature and Working Lives Regional Advisory Group for the Public Health Board. She supports a number of small social enterprises and social entrepreneurs as a Director or mentor and is active in the Methodist Church and Girlguiding UK.

## Management Commentary - Introduction

One North East's primary aim is to grow the economy of the region in a way that makes it sustainable and competitive in the future.

In doing so, our work touches every part of the region and cuts across a host of industries, sectors and policy issues.

Summarising the Agency's activities over the past year is therefore, not easy. This annual report shows the priority areas we are investing in and the results of that investment in terms of jobs, new businesses, regeneration and skills.

Support for business has always been at the heart of everything that we do – and never more so than in this past year.

During 2008/09 we have invested over £120m in direct help for businesses which has created and safeguarded 16,000 jobs and 4,200 new firms and helped a further 21,500 regional businesses develop and grow.

While we are required each year to report our progress against a number of set targets – figures alone don't reflect the full story of our impact.

That's why, throughout this document you will read about the individual businesses, people and places that have benefited directly from our support over the past 12 months.

During the year we struck a balance between dealing with the economic downturn, preparing for the upturn and maintaining a focus on our longer term economic ambitions. To do this we have refocused our Programmes and Activities to ensure they support the region's economy to recover and grow, and to take account of the evidence provided by the Independent Impact Evaluation which was carried out by PriceWaterhouseCoopers (PwC) on behalf of BERR during 2008.

This evaluation into the impact One North East has made to our region's economy showed that for every £1 we spend, an average of more than £4 of economic output or GVA was put back into the regional economy.

In particular, One North East's work in the area of Business Competitiveness and Development, which covers activities such as overseas investment and enterprise support, realised an overall return on investment of £8 for every £1 spent.

This report also outlines those areas where we work with our partners, particularly with the business community and in local authorities, to deal with the strategic issues affecting our region that will have an impact for many years to come.

Working together to develop a new single strategy for sustainable economic growth is just one example of local and regional partners working together, across boundaries to agree what's best for the North East and to make it happen.

Another long-term aim is to continue reshaping our economy to become more diverse, robust and global. Our work in supporting key growth sectors is aligned closely to the Government's 'industrial activism' policy and is an approach that is already reaping results in terms of new businesses and new jobs in the North East.

Partnership working between business, public sector and academia is a strength in the region and has become increasingly important in supporting the higher-value, sustainable jobs of the future.

Since the start of the year the Regional Minister Nick Brown MP, has been chairing the Public Sector Economic Forum, to ensure that the regional response to the downturn links effectively to national government activities and can have influence at the highest level.

During the year One North East has also jointly with the local authorities led the region on a number of key policy issues such as the Regional Funding Advice submitted to Government. Nationally, we have also led on behalf of the RDA network the consultation on the Sub-National Review of Economic Regeneration – a crucial area of policy that will inform the development of the single strategies in each region.

It is ten years since One North East came into being. Over that time we have seen significant growth in our economy and major improvements in the business base and physical landscape of the region.

This report gives a summary of the activities that have made an impact over the past year.

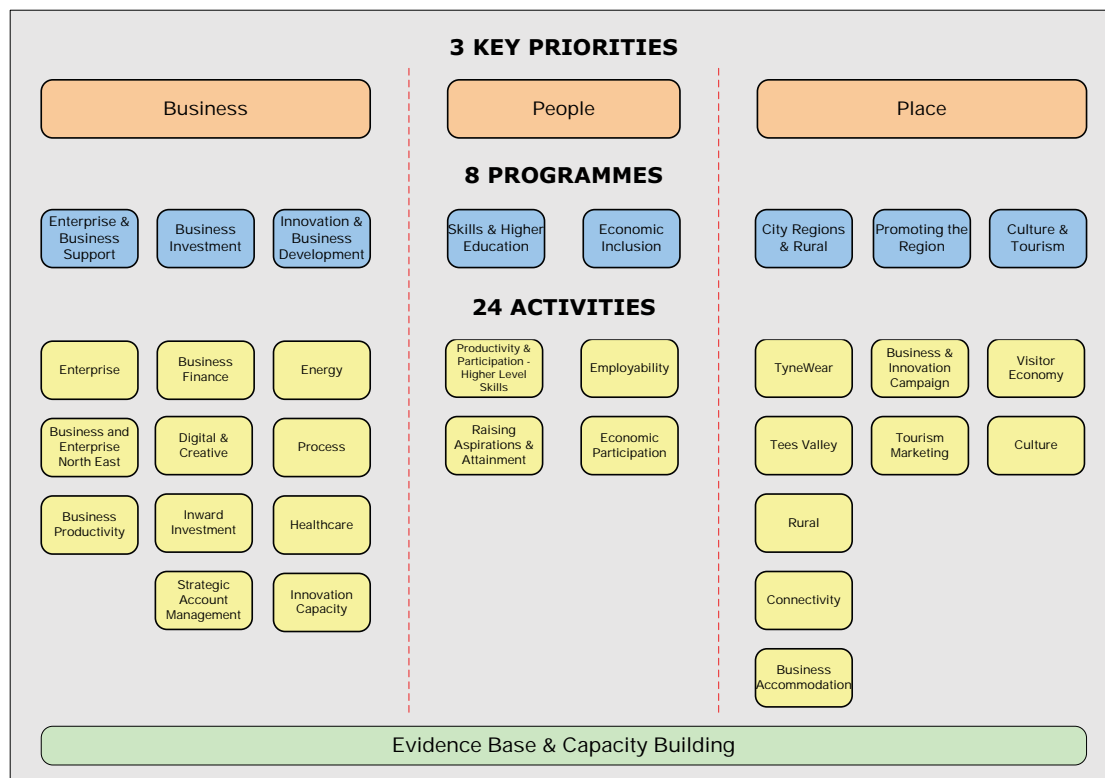
#### Achievements at a glance

- Achieved all financial and non-financial targets
- £120m invested in direct support for business
- £30m MAS North East programme launched
- £17m of Grant for Business Investment awarded to 198 firms
- £9m Transitional Loan Fund established with 56 firms benefiting to date
- CPI secured £2m from the European Regional Development Fund 2007-13 to install advanced, hi-tech equipment in a newly opened cleanroom at the Printable Electronic Technology Centre (PETEC)
- £6.25m to expand the North East Investment funds
- £2.4m of R&D grants awarded to 32 firms
- £2.4m of Innovation Vouchers to help North East link to academic expertise
- £5m of Single Programme funding to the £26m revamp of the Great North Museum
- 240 North East firms helped to make £3.7m in productivity savings in past two years
- £715,000 to Durham County Cricket Club for ground improvements
- 45 overseas businesses attracted or retained in the region
- Inward investment activity creates 2,800 new jobs and safeguards almost 1,500
- 3,000 Business Link 'Health Checks' for North East firms
- One North East invested £2.4m into Saltholme Wildlife Reserve which combines a visitor centre, cafe, shop, classrooms, community meeting space and offices
- 34,000 firms helped by Business Link
- 4,400 new businesses created through Business Link – up 15% on last year
- £2m to the Bowes Museum to create new galleries and improve exhibits
- £1.35m investment into National Skills Academy for the Process Industry
- 10% increase in tourists to the North East – the only region outside London to record a rise in visitor numbers



Our programme of investments continues to fit with the Three Priority Themes of Business, People and Place. The Eight Programmes also align closely with our operational arrangements so that there are clear lines of responsibility and accountability for the development and delivery of the Programmes and the 24 Activities alongside them.

We ensure our investments are tightly focused and prioritised through our focus on the Priorities and Programmes, each with clearly defined investment activities. This approach is summarised below:



In summary, this report illustrates how we, together with our key partners, have continued to deliver another year of significant achievements and positive overall performance against our objectives despite the present downturn in the economy and RDA budget reductions.

We have refocused our interventions to strongly support businesses and individuals to survive the downturn and to help ensure they are in a strong position to respond to the upturn.

The report also shows our progress against our outputs set by Government and also demonstrates the role that our Board and Executive team play in leading this work.

The accounts section of the report shows our financial information in detail and also gives details on those companies which help the Agency deliver its agenda in our extended enterprise.

## Business

### Enterprise and Business Support

#### Real Help for Business and People Now

The Government unveiled a £22bn package of support to help businesses across the North East and wider UK through the global credit crisis.

Business Secretary Lord Mandelson launched 'Real Help for Businesses Now' to address the cash flow, credit and investment needs of small and medium-sized businesses.

On top of the £120m of Single Programme funding that the agency is investing in direct support for business, One North East launched the 'Real Help for Business & People Now' programme in the region with Business Link the main point of contact for companies seeking assistance, Jobcentre Plus and the region's nextstep service are the main contacts for individuals needing help with employment or training issues.

The programme is supported by key regional partners Business and Enterprise North East, Government Office for the North East, Jobcentre Plus, the Learning and Skills Council (LSC), local authorities and TUC.

The scheme tackles the key issue of firms getting access to the finance they need to help stimulate the economy, through the Government's Enterprise Finance Guarantee Scheme, Working Capital Scheme and Capital for Enterprise Fund.

Real Help for Business & People Now was launched in the region at Peterlee company Sotech, which has benefited from public sector finance in the past to drive forward the growing family run business which designs and manufactures specialist cladding systems for the construction industry.

A successful media and marketing campaign is running across regional newspapers to communicate the new programme to businesses.

## One North East Economic Impact

A Government report into the impact of England's regional development agencies (RDAs), which includes One North East, showed they have generated economic benefits that significantly outweigh their costs.

Its key findings revealed that between 2002-03 and 2006-07, for every £1 spent by the RDAs, an average of £4.50 of economic output (or Gross Value Added – GVA) was put back into regional economies.

The analysis of the spending impact of all nine RDAs was carried out by Pricewaterhouse Coopers on behalf of the Department of Business Enterprise and Regulatory Reform.

The study looked at a range of RDA investments over the past five years and the outcomes achieved for their respective regions.

In particular, One North East's work in the area of business competitiveness and development, which covers activities such as overseas investment and enterprise support, realised an overall return on investment of £8 for every £1 spent.

In the report, the headline statistics for One North East over the past five years revealed that it:

- directly created more than 24,400 jobs from the investments it made
- helped to create 1,140 new businesses
- helped 1,710 companies improve their business performance
- reclaimed 210 hectares of disused land for new business development
- helped more than 6,300 people into employment
- assisted more than 98,000 people to gain new skills

## Industrial Activism

One North East is already playing its part in the 'New Industry, New Jobs' industrial activism agenda.

For instance, it is working hard to ensure that the region leads at a national and international level in the development of a new low carbon economy - characterised by sustainable manufacturing and innovative technologies with the potential to create thousands of new jobs.

## Innovation Connectors

The seven Innovation Connectors continue to be driven by One North East and partners to use innovation to stimulate economic regeneration across the North East.

Newcastle Science City, the New and Renewable Energy Centre (NaREC), the Northern Design Centre, Digital City, the Wilton Centre, Sunderland Software City and NETPark are key to the sustainable growth of the North East.

Innovation Connectors provide a physical focus for science and innovation activities which will help drive overall regional growth, and at the same time boost the regeneration of a particular area.

These connectors concentrate on industrial sectors such as new and renewable energy, digital media and process industries, all proven generators of growth and prosperity.

They are enabling the development of world-class facilities through new approaches to integrating business and universities, engagement with communities, particularly through education, awareness raising and access to employment programmes.

Adroit Economics completed an economic appraisal of infrastructure options for three innovation connectors – the Wilton Centre, NETPark and NaREC which provides a detailed assessment of the economic potential and infrastructure requirements to deliver a range of scenarios.

An ERDF Innovation Connector call was announced which closed at the end of September with 40 expressions of interest equalling £191m in total project costs.

## Business Investment

### Business Finance

In the current economic climate, business finance is playing a crucial role in supporting regional companies and attracting inward investment.

One North East launched the £9m Transition Loan Fund, a temporary measure to help viable small and medium-sized firms with short term cash flow issues prior to the introduction of the banks' Government-backed loan products.

More than 50 firms were supported by the fund with nearly £7m to date pledged to these companies, protecting 2,470 jobs.

Wider grant support from One North East helped attract over £197m worth of investment into the region during the last financial year.

### Grant for Business Investment

The Agency administers the Grant for Business Investment (GBI) and over the last 12 months made 198 payments to companies of almost £17m, which has created more than 2,700 jobs and safeguarded a further 1,400.

One North East invested an extra £2.5m into the Grant for Business Investment in the last financial year - to help more small and medium-sized firms expand, create new jobs and safeguard existing posts during tough economic times.

GBI is part of the comprehensive business support package for indigenous businesses and inward investors.

Highlights of 2008/09 include:

Tech Mahindra - Indian telecommunications giant creating up to 500 new jobs in Jarrow, South Tyneside, with the support of a grant of nearly £2m from One North East

Express Group - creating 40 new jobs as part of an ambitious expansion plan at Team Valley, Gateshead - underpinned by grant support totalling £550,000 from One North East

eaga - the green support services company announced its intention to create an additional 270 jobs thanks to a £1.15m grant from One North East.

#### Research and Development Grant

Uptake and interest in R&D grant support in the second half of the year was significantly higher than 2007-08, with increased interest from companies preparing for the future and the economic upturn.

In total during 2008-09, 32 offers were made to companies of almost £2.4m. These awards also levered in over £3.6m worth of private sector investment.

One North East Chairman Margaret Fay hosted the second successful One North East Research and Development Awards Dinner, where the region's great innovators and creative thinkers were honoured. The Large Company R&D Scheme was launched at these awards, to support bigger firms with innovative ideas.

Highlights of 2008/09 include:

- Kromek – receiving £250,000 in R&D grant support to develop groundbreaking X-ray technology - the North East's 100<sup>th</sup> R&D grant award
- Lumemed - receiving a £99,000 grant for developing new technology for delivering drugs to the inside of the eyeball
- Applied Superconductor – awarded £250,000 to further develop their anti-surge fault limiter technology for connecting renewable devices to the UK electricity grid

#### Access to Finance

Access to finance for firms during the recession is vital and One North East has made further investment of more than £6m into the North East Investment and Co-Investment Funds to help small and technology focused firms looking to grow.

Work is continuing to deliver the proposed £125m JEREMIE 'super fund', which could support 850 North East companies to access finance over a five year period, to grow and invest for the future.

JEREMIE - the Joint European Resources for Micro to Medium Enterprises Initiative - will be financed by One North East, ERDF and European Investment Bank money, creating a £125m 'super fund' which would be the first venture capital fund of its type in England.

## Business Productivity

### MAS North East

As part of the business simplification process, MAS North East - a new organisation that is delivering a £30m contract to bring efficiency and energy savings to manufacturers - was created by the Agency.

MAS North East is the new name for the organisation delivering the MAS (Manufacturing Advisory Service) and former NEPA (North East Productivity Alliance) skills and productivity support service, which were combined in 2008.

It combines the skills, knowledge and experience of three great organisations – NEPA, MAS and PA Consulting, a private company which is managing the service.

MAS North East offers a major support package for all North East manufacturers to benefit from. Hundreds of manufacturing businesses have already accessed the support they offer, saving firms approximately £30m, making them more productive and reducing energy waste and expense.

For example, 240 regional firms have saved a total of £3.7m over the past two years thanks to MAS North East's lean green energy team which offers advice on how to eliminate energy waste from manufacturing processes and guidance on energy costs and bills.

MAS North East has also extended its services to include a design guidance programme which will help businesses to be more innovative in product design and project management.



## Business and Enterprise North East

Over the course of the last financial year, Business Link, on behalf of the Agency, has helped more companies in the North East than ever before to start up, develop and build for the future.

In total, Business Link, which has been reshaped by the Agency to provide a more efficient service to regional business, worked with more than 34,000 customers and helped create nearly 4,400 new businesses, which is an increase of almost 15% on the previous financial year.

Business and Enterprise North East runs the Business Link service in the region.

These statistics illustrate that despite the current challenging economic conditions the North East is one of the best places in the UK to start and grow a business.

Over 13,000 companies accessed the in depth business service, which comprehensively assesses strengths and weaknesses and offers recommendations for future development.

In addition, more than 4,000 businesses have received skills support advice, with guidance and direction on training and staff development that is vital for those seeking to optimise output and staff potential during the economic downturn.

Business Link also provided a substantial programme of practical workshops and events throughout the region. These included over 700 pre-start workshops along with major exhibitions such as The North East Regional Business Fair, which matched almost 2,000 buyers and suppliers from across the region's major industrial sectors, providing opportunities for companies to make contacts and generate new business.

## Inward Investment

### Investment and Aftercare

Attracting foreign inward investment remains a primary focus of the Agency, which offers guidance, finance and support to companies creating a base in the region.

The North East continues to perform strongly in attracting valuable new inward investment – playing a key role in attracting or retaining 45 overseas businesses in the region in 2008/09.

In addition, the Investment & Aftercare team has actively supported eight UK-owned businesses to establish operations in the region.

In total, these investments are anticipated to create over 2,800 new jobs, safeguard almost 1,500 posts, leveraging in capital expenditure of just over £200m by the investing companies.

Investment in science and technology-advanced areas has remained integral to the focus of the Investment and Aftercare team. Over the year, the team played a pivotal role in facilitating 33 global partnership agreements between overseas companies and research institutions and their equivalents in the North East.

Despite the challenges caused by the recession and global economic downturn, North East companies continue to perform strongly in export markets. The region is exporting more than ever, with statistics released by HM Revenue and Customs showing a huge leap in exports from the North East - the region exporting almost £2bn more than it did in 2007.

Major regional investment successes include Heerema Hartlepool Ltd's contract for the fabrication of a deck and bridge for the Nexen Buzzard oilfield in the North Sea, which is creating 280 new jobs in Tees Valley.

The first UK and European demonstration of Japanese company Yanmar's Combined Heat and Power (CHP) engines went live in the North East, which represented a significant step forward in bringing new green technology to the region.

## Strategic Account Management

### Strategic Account Management Programme

The Agency has a long established business focus which informs policy and regional economic development.

The Strategic Account Management (SAM) programme engages directly with a top tier of 500 businesses in the region to understand their investment decisions and support their current and future priorities.

The team also co-ordinates and leads the regional response to large scale redundancies.

There were 507 meetings with strategic companies during the year, resulting in 136 businesses supported and 28 capital investment projects identified.

Examples include safeguarding projects such as Cheviot Foods and expansion projects such as Convergys, Piramal Healthcare, Care Quality Commission and the Marine Management Organisation, planning to create nearly 700 jobs between them.

An independent evaluation of the SAM Programme was undertaken, finding clear evidence of strategic added value and business community support for the programme.

The Strategic Accounts Team was strengthened this year to work with companies on the resilience and growth agenda.

This programme, and the high levels of trust that exist between the company and its strategic account manager, often provides an early indicator of companies experiencing difficulties, allowing the Agency to manage the impact of significant economic shocks.

### Responding to Economic Shocks

One North East plays the leading role in the region's response to economic shocks and has a strong track record in bringing together public and private sector experts to help workers affected by redundancies.

Throughout the course of 2008-09, the Agency has instigated a total of 94 large scale redundancy response groups through its Strategic Accounts programme.

This is a significant increase on the 33 cases handled in 2007-08, highlighting the impact of the economic downturn on the North East in recent months.

In the most serious situations, and where there is a wider regional impact, the Agency will chair a public and private sector response group, as it has done with Northern Rock, Nissan and most recently Corus.

Jobcentre Plus, Business and Enterprise North East, the Learning and Skills Council (LSC), local authorities, North East Chamber of Commerce, CBI North East and EEF play a vital role in our response to large scale economic shocks.

The response group works closely with company management to ensure every directly affected employee and in its wider supply chain has the best possible chance of finding new work and accessing opportunities.

Using this approach, the Agency is co-ordinating the up-skilling and retraining of affected staff and identifying vacancies to enable them to move quickly back into the workforce.

The Agency has also provided significant strategic assistance to businesses as they move forward, providing not only business support, but communications guidance and supply chain support.

Typically, where a response group has intervened to help staff in a major job loss situation, more than 80% are back in work or retraining within six months of being made unemployed.

Achieving this level of success has become increasingly challenging in the current jobs market.

Rapid response was also crucial to help businesses affected by the floods that swept the North East last September, badly affecting towns such as Morpeth and Rothbury.

A Flood Economic Recovery Group of public and private sector partners has helped over 130 of the region's businesses to get back up and running, providing almost £250,000 worth of support via the North East England Investment Centre.

One such business is Morpeth's Waterford Lodge coaching inn, serving food and drink just ten days after its cellar was under five feet of filthy water.

European Regional Development Fund (ERDF)

The ERDF Competitiveness programme 2007-13 for North East England is administered by One North East on behalf of the European Commission, Government and regional partners.

ERDF provides economic development funding for regions like the North East which are encouraging structural economic change.

The ERDF 2007-13 programme is focusing on innovation, business support and enterprise. It will help create and safeguard 28,000 new jobs, start 3,000 new businesses and increase the region's productivity by £1.1bn per annum.

More than £4.2m ERDF investment is helping deliver the groundbreaking MAS North East service.

Business & Enterprise North East, the delivery body for the region's Business Link service, is also using ERDF to create hundreds of additional new businesses, thanks to a £9m investment to open up more business support solutions and funding opportunities.

Sunderland based Codeworks, the region's centre for digital innovation, has secured ERDF funding to link small and medium sized companies with the latest digital knowledge and creativity from local universities.

The 'Digital Placements and Knowledge Transfer' project is supporting 120 more companies, thanks in part to an ERDF contribution of £733,000 and a renewed effort to utilise the cream of graduate expertise in the region.

An ambitious investment in digital technology facilities and financial support for small and medium-sized firms to develop commercial ideas is to create 90 more new businesses.

The Institute of Digital Innovation (IDI) is benefiting from a £1.9m injection of ERDF money to add to investment from One North East and the University of Teesside.

## Enterprise

### Enterprising North East England

One North East is managing the Enterprising North East England competition, a high profile search to recognise the most enterprising place in the region.

This year's winner was the Tynedale Enterprise Network, which was crowned the North East's most enterprising place.

Tynedale Enterprise Network, a coalition of organisations supporting enterprise in the area, involves the community in stimulating enterprise by engaging with small businesses in remote locations, working with more established companies to tackle local economic issues while nurturing the talents of young people.

The network has helped to safeguard over 360 jobs and supported the growth of 81 local businesses. An additional 19 new enterprises have been created and over 2,000 local people have become involved in enterprise with the network's support.

Examples of successful initiatives include Tynedale Virtual College and ID8, a fund growing and nurturing young peoples' enterprise ideas.

## Entrepreneurs' Forum

The online mentoring programme 'If We Can, You Can' was launched and received positive feedback, instilling a 'can do' culture into regional business start-ups.

The 2009 programme is building on last year's success as it continues to uncover the entrepreneurial talent that exists in the North East.

More than 100 new company owners have put themselves forward for the entrepreneurial challenge which seeks to find the North-East's business leaders of the future.

Of the entrants, almost half have been from female-led start-up businesses, many of whom have shared inspirational stories of setting up their venture while juggling family commitments.

Many more entries are from young people, aged under 25, and several have been received from entrepreneurs aged 50 or over.

The challenge, run by the Entrepreneurs' Forum and supported by One North East, was launched to find aspiring business people whose ventures can play a key role in the region for years to come.

#### Education for 16–19 Year Olds

One North East further supported schools and colleges to embed enterprise and entrepreneurship into the curriculum of sixth form students.

Funding of up to £10,000 per organisation was made available during 2008-09 to 54 schools, sixth form colleges and further education colleges, to support enterprise and entrepreneurship for young people within the target age range.

Financial support was provided on a matched basis upon evidence of spending on enterprise activities, either at Key Stage 4 in the case of schools, or equivalent spending from sixth form and further education colleges during the 2007-08 academic year.

During the year, almost 200 new sustainable businesses were created by the students, schools and colleges with more than 12,000 students and teaching staff receiving over six hours of entrepreneurial skills support.

## Launch Pad

The North East Enterprise Bond aims to positively influence the culture and attitudes within the region towards enterprise and being entrepreneurial.

The bond and One North East are funding two Launch Pad vehicles which take this enterprise message onto the streets, taking practical actions to spark a positive change in attitudes.

The Launch Pad bus went to South Tyneside College where the winner was announced from the 'It's a Beautiful Business' challenge – a competition which saw ambitious hair and beauty students tackling real-life business situations.

The project was made possible thanks to a partnership between Launch Pad and UCanB – a scheme funded through South Tyneside Means Business and managed by TEDCO (The Tyneside Economic Development Company) to help spread awareness of enterprise and self-employment in South Tyneside.

The competition attracted over 50 entrants and was designed to reward students who demonstrated an impressive level of business acumen.

Launch Pad also helped would-be entrepreneurs in County Durham take their first steps towards starting up their own business at The Stanhope Show in Bishop Auckland, providing visitors with the opportunity to try out a computer generated simulation game that helps people put their business venture plans into practice.

## Business Support Simplification Programme (BSSP)

A new national approach which aims to make it easier for businesses to get the help they need went live.

Responding to calls from companies for business support that is easier to understand and access, regional and national partners, including One North East, worked for two years to simplify public support provision as part of the Business Support Simplification Programme (BSSP).



A revised portfolio of 30 advice, loan and grant 'products and services' has been developed which respond to market failure and business need under the new banner 'Solutions for Business'.

Covering a range of needs from companies looking for finance or support for growth, staff skills development, help in accessing international markets through to business start-up support and backing for innovation, 'Solutions for Business' is accessible primarily through Business Link and also through a variety of other business support providers in the region.

This new approach will build on the best of current business support and will use Business Link as the primary access channel for all firms seeking public sector funded business support. Specialists will work with companies to identify individual needs before pinpointing appropriate help.

## London 2012 Olympic and Paralympic Games

### CompeteFor

More than 1,200 North East firms have so far signed up to use the groundbreaking 'business dating agency' CompeteFor in a bid to win work from the London 2012 Games.

The e-brokerage service aims to help companies from across the UK secure London 2012 contracts.

The Olympic Delivery Authority (ODA) and London Organising Committee (LOCOG) expect to allocate over £6bn of work as part of an estimated 75,000 future business opportunities covering direct contractors and their supply chains over the next three years.

In addition, One North East has funded Business and Enterprise North East to establish a small team of experts to help companies with public procurement issues and identify opportunities for future work, including the London 2012 Games.

North East companies that have been working directly with the ODA include local architects FaulknerBrowns, who are currently designing the Olympic canoe slalom course facilities building. They are also designers of the Weymouth and Portland National Sailing Academy which has been selected as the venue for the London 2012 Olympic sailing events.

## Skills

Jonathan Edwards - Olympic triple jump gold medallist and world record holder - launched 'Personal Best', a £1m training programme to boost employment in the North East. The programme is aimed at helping learners gain qualifications and provide them with the opportunity to volunteer at the London 2012 Games.

The North East is the first UK region to launch 'Personal Best', following a successful pilot in London. It is being delivered in partnership by the Learning and Skills Council North East, One North East and LOCOG.

'Get Set', London 2012's education programme aimed at inspiring young people to open their minds and explore the Olympic and Paralympic Values, was officially launched in the North East in October last year.

## Sport

A total of 20 Olympic and Paralympic training venues across the North East now feature in the official London 2012 Olympic and Paralympic Pre-Games Training Camp Guide – offering national and international teams and athletes the best training facilities in the run up to the London 2012 Games.

Similarly, One North East has produced the North East England Pre-Games Training Camp Guide – a promotional booklet which features all the region's venues.

London 2012 leaders visit North East

Lord Sebastian Coe, double Olympic 1,500 metres champion and Chairman of LOCOG, visited the North East in June 2008 to see first hand how the region is taking up the opportunities presented by the London 2012 Games.

One North East will host a second visit by Lord Coe to the North East this summer.

In October last year, Charles Allen CBE, Chairman of the London 2012 Nations and Regions Group visited the Percy Hedley Academy for Disability Sports in Killingworth and Marden High School in North Shields to chat with children and learn more about their programmes and facilities.

And John Armit - Chairman of the ODA - travelled to the region to encourage more firms to take advantage of the billions of pounds worth of commercial opportunities available in the run up to the London 2012 Games.

Business Accommodation

Newburn Riverside

A prime new green and sustainable multi-business development is set to open on time at Newburn Riverside, one of the North East's biggest and most prestigious business parks.

The prominent £30m Gateway West development, on completion this year, will provide new industrial space and offices and has attracted a high level of interest from potential occupiers.

Caddick Group is both the developer and builder of Gateway West. The buildings feature solar thermal hot-water heating, rainwater harvesting, high thermal insulation, energy-saving lights/heating and solar shading.

Occupiers already at Newburn Riverside include One North East, Defra, North East Ambulance Service NHS Trust, Stannah, North East Strategic Health Authority and the site will soon be home to a new state of the art Holiday Inn.

## Sunniside

thePlace is a new £6m development located on the previous Manor Hotel site, next to the Sunniside Gardens and comprises a newly built complex and six refurbished grade II listed buildings.

The development provides Sunniside with its own state-of-the-art business and arts centre, accommodating performance space, conference space, art gallery/exhibition area, ground floor cafe, meeting rooms and a range of business suites and artists' studios.

thePlace won the 'Best Office Development' in The Journal Landmark Awards 2008 and was a finalist in the 'Environmental Award' in the same competition.

The transition Sunniside has undergone has proved a huge draw for artists, with rolling art projects taking place in and around the gardens.

Further public realm improvements are planned and Sunderland City Council has completed a successful consultation on the Sunniside Planning and Design Framework.

## Boho Zone

One North East has committed investment of £5.8m to provide 35,000 sq ft of new build and refurbished accommodation to house creative industries, to sit alongside Middlesbrough Borough Council's investment in 30 work units.

These facilities will establish a creative core sited between the town centre and the Middlehaven project.

A key part of the initiative has been to help Platform Arts with a robust business plan to make it as simple as possible to rent studio units to other artists to achieve their vision of a joint supportive facility for both Middlesbrough and Tees Valley artists.

Core Building Three, the Platform Arts Studios, was officially launched in March 2009, and is the first of three exciting initiatives to be completed as part of the Boho Zone.

## Berwick WorkSpace

Berwick WorkSpace is a flagship business centre hosting 35 offices with conference facilities and business incubation services.

It is a joint project between Northumberland County Council and Berwick upon Tweed Borough Council to create a managed business incubation centre in the heart of Berwick and was officially opened in April 2008.

The centre is managed by TEDCO and provides a focus for promoting enterprise. The state of the art facilities encourage and support growth in the town from the wider areas on both sides of the border.

The project was supported with approximately £2.5m from One North East, along with additional funding from Northumberland Strategic Partnership, the European Regional Development Fund and Berwick and Northumberland Councils.

## Digital and Creative

### Design Network North (plus pic of Northern Design Centre)

The One North East funded Design Network North was launched by internationally renowned designer Wayne Hemingway.

The new hub for pioneering design in the North East will help companies develop innovative solutions to design problems and support opportunities for collaborative working, knowledge exchange, advice, project funding, and brokerage to the most appropriate regional design specialists and suppliers.

The aim is to improve regional companies' ability to use high-quality design, skills and processes to deliver high return on investment, improved competitiveness and increase the contribution of design to the regional economy.

A Memorandum of Understanding was signed with the Design Council to further enhance the regional design agenda and ensure close alignment with the national agenda and initiatives.

The network will be housed in the Northern Design Centre, a new £13m facility planned to be built at the Baltic Business Quarter near the Baltic Centre for Contemporary Art and The Sage Gateshead.

The centre will house the next generation of design companies and raise the profile of product design which is seen as crucial to the future success of regional firms in the global marketplace.

#### Sunderland Software City

The North East Business and Innovation Centre at Sunderland secured a £2.1m investment to help drive forward the Sunderland Software City initiative and create over 70 new businesses in the area.

The project is being part financed by the European Union's ERDF Competitiveness Programme, securing £855,000 ERDF investment to add to £1.25m from One North East.

The Sunderland Software City initiative is developing the region's knowledge assets and physical infrastructure to create and grow software enterprises and attract inward investment.

This investment will provide bespoke, pre-start support for software entrepreneurs, mentoring, finance, facilities and services.

It will provide dedicated premises for new and growing software companies to co-ordinate start up activity and bring together a mix of managers, graduates and investors for software ventures.

## Three Pillars Fund and Design and Creative Fund

An extra £1.75m has been channelled into the Three Pillars and Design and Creative Funds to help underpin projects that will put the region on the international map as a hotbed of creative design talent and as a prime business investment for the technologies of tomorrow.

Some of the region's brightest business talent is leading the development of key sectors such as design and creative industries and new and renewable energy, with the potential to generate thousands of new jobs and secure tens of millions of pounds in new investment for the North East.

One North East has topped up the £4.8m it has already pumped into the Three Pillars and Design and Creative Funds to assist a new and exciting raft of projects.

Previous recipients from the Design and Creative Fund include rising design stars Elliot Brook and Dan Ziglam, both 27, and Northumbria University design graduates, who secured £150,000 from the fund to back their ambitious plans to develop a top British design label in the North East.

They will grow their Deadgood brand, based in Newcastle, which specialises in high quality, niche furniture and interior accessories.

## Digital Sector

Codeworks Connect, the One North East-funded organisation supporting the digital and ICT sector, held the inaugural and highly successful 'Thinking Digital Conference'.

The conference, supported by the Agency, attracted speakers and attendees from across the globe and received excellent feedback from industry leaders and opinion formers.

## Northern Film and Media

One North East has committed £1.9m to help bolster the region's burgeoning commercial and creative sector and create over 130 new jobs.

It awarded Northern Film & Media (NFM) – the Regional Screen Agency for the North East – additional funding to finance its on-going efforts to support the commercial creative industries and drive its growing success as a hub for commercial creative talent.

One of nine regional screen agencies across England, NFM exists to develop the content and media sectors of the region, covering Northumberland, Tyne & Wear, County Durham and the Tees Valley.

Funding will help NFM step up its efforts to bolster the work of individuals and companies working across film, TV, games and music production up until March 2012.

The funding will also help bring further commercial content production to the region by attracting more film location activity, securing jobs and ensuring the North East's position on the cinematic centre stage - the region has already been the backdrop for blockbuster films such as Atonement, Get Carter and Harry Potter and the Philosopher's Stone.

## Innovation and Business Development

### Energy

#### New and Renewables

North East England has quickly become recognised as a European hub for green energy. In a visit to the region, former Energy Minister Malcolm Wicks claimed that expansion in offshore wind could create up to 30,000 new jobs in manufacturing and bring £3bn worth of investment to the North East.



Thanks to the creation of the New and Renewable Energy Centre (NaREC), in Blyth, the region has positioned itself to play a leading role in the UK's development of green energy and to make the most of the major economic and employment opportunities it presents.

For example, NaREC's turbine blade test facility continues to perform strongly, with prototype blade tests from the US and Germany and a third order from another German manufacturer now confirmed.

And NaREC is developing the technology to scale up the design of an existing demonstrator device from technology firm Addpower, which has produced a new low temperature turbine for heat recovery converting waste heat into energy.

The Chancellor's Budget announcement that the Government would be making £525m available for the development of offshore wind energy is an endorsement of One North East's decision to place new and renewable energy at the heart of its economic growth plans.

Thanks to the thriving oil and gas sector and historic shipbuilding industry, the region boasts the riverside yards and the skilled workforce required for the manufacture of giant offshore wind turbines.

## Oil and Gas

Tyneside-based oil and gas engineering firm Fabricom Offshore Services Ltd has gone from strength to strength since it was brought to the region by One North East's Inward Investment and Aftercare team.

The firm, which is based at Baliol Business Park, North Tyneside, is on track to double its turnover and create up to 150 new jobs after a successful first year of trading.

Fabricom Offshore Services – a subsidiary of Fabricom GDF Suez UK – aims to quadruple its workforce to 200 by 2012 after securing lucrative contract wins, including a multi-million pound deal with upstream oil and gas operator Talisman Energy (UK) Limited.

Fabricom's decision to locate a new design engineering centre of excellence in North Tyneside was secured thanks to a £1.6m grant from One North East.

## Process

### North East Process Industry Cluster (NEPIC)

NEPIC is an organisation that represents 500 pharmaceutical, biotechnology, speciality, polymer and rubber, petrochemical and commodity chemical companies based in the North East.

NEPIC member companies are currently investing a further £7bn into the region by 2015. This expansion, together with the current demographics within the sector requires the industry to attract 16,000 new employees.

Through NEPIC the region's process industry companies are working to promote the attractiveness of the sector as a career opportunity.

Due to its success, One North East has pledged further funding of £1.68m to NEPIC over the next three years.

NEPIC and North East Biofuels (NEB) are working closely with One North East to progress the region's first Biofuels Strategy.

The strategy outlines the huge opportunities for the region to benefit from the biofuels economy, given North East England's combination of a strong rural sector and world class chemical and petrochemical industries.

### Centre for Process Innovation (CPI)

During 2008, One North East funded six cutting edge projects across CPI's four technology platforms.

Total funding for these projects will be £9.6m over a three year period. These projects were BioSource, Novel Particulates NP3, Low Carbon Development Centre, NE Energy 2015, Advance Coatings Facility and Atomic Layer Deposition.

CPI is leading the development of the Printable Electronics Technology Centre (PETEC) which was officially opened for business in March by Lord Broers and launched internationally by Business Secretary Lord Mandelson.

The Agency and Northern Way provided £9.5m of funding to establish the centre and its capital infrastructure. PETEC has leveraged additional funding from the Technology Strategy Board and ERDF.

Working in collaboration with multinationals and leading research bases, PETEC will be established as an internationally recognised facility for the development and commercialisation of printed electronic devices and flexible functional materials.

The centre has attracted international interest from major blue-chip companies wishing to access its knowledge, expertise, capability and skills from printable ink formulations to pre-production processes.

## Healthcare

### Centre of Excellence for Life Sciences (Cels)

John Denham, Secretary of State for Innovation, Universities and Skills, visited a number of the North East's world class facilities and businesses in healthcare and life sciences, including Cels' North East Proteome Analysis Facility.

He met with business leaders in the North East to discuss how to ensure local people can benefit from the new growth industries that will help the UK emerge stronger from the economic downturn.

Across the North East, more than 172,000 people work in the medical, healthcare and life science sectors producing an annual turnover of more than £8bn. The NHS has more than 60,000 employees and £3.5bn annual funding.

Delegates from the Nanjing government's science and innovation arm travelled to the region from China to officially open the European office of a growing Chinese multinational drug development company, paving the way for new research and development activities in the North East.

Leaders from the Nanjing Science and Technology Bureau joined representatives from One North East, Gateshead Council and Cels to officially launch Signalway Antibody (SAB) UK Co. Ltd – the UK subsidiary of Nanjing-based antibody manufacturer Nanjing Chuanbo Biotech Ltd – at the International Business Centre in Gateshead.

Institute of Ageing and Health

Nick Brown MP, Minister for the North East, officially opened the Edwardson Building, part of the Institute for Ageing and Health.

One North East provided £1.9m towards the building, which will form a key part of Newcastle Science City.

Health Technology Development Programme

An integrated service for businesses to develop healthcare concepts was launched by Northumbria University to exploit the North East's strengths in health sciences and bring successful new products to market.

Funded jointly by the university, One North East and ERDF over three years, the £1.6m project will deliver a unique service to North East based small businesses seeking to develop healthcare concepts to help them manufacture and market successful products and services, generating sales, commercial growth and new jobs.

## Innovation capacity

Boosting the innovation and science capability of the North East is key to long-term improvements in regional productivity and competitiveness.

One North East's Strategic Economic Change and Innovation and Business Development teams work closely with knowledge-based companies of all sizes who operate at the cutting edge of their fields.

The teams of specialists have also established partnerships with the North East's academic research base working with regional colleges and universities, offering guidance and support to organisations seeking to exploit groundbreaking scientific research and development for commercial benefit.

The ambitious Strategy for Success programme led the way in focusing investment in areas of particular regional strengths – building capacity in knowledge intensive areas.

Business Secretary Lord Mandelson formally backed One North East's decision to place innovation at the forefront of its economic development plans when he visited the region in March.

Lord Mandelson's visit which included a tour of Nissan's Sunderland production line, also observed the signing of an historic Memorandum of Understanding by One North East and the Japanese car giant to examine the potential for electric vehicle production and use in the North East.

He also visited the Smith Electric Vehicles plant at Washington, where he drove a pioneering electric-powered van, and PETeC in County Durham, at which he stressed the importance of using the centre's cutting edge research and development into commercially viable products.

Among the region's key projects over the past 12 months are:

## Newcastle Science City

Pioneering designs to create Europe's finest science quarter in the heart of Newcastle went on display to the public for the first time.

The innovative approach to Science City involves a unique "triple helix" partnership of the public, private and academic sectors. This unique approach will help attract project funding, bring knowledge-based businesses to the region and create commercial opportunities from university and college research.

Newcastle Science City's masterplan for Science Central on the former Gallowgate brewery site includes imposing new streets, a new city square, landmark buildings and wide public spaces opening up this new science quarter to the rest of the city centre.

The masterplan for the 19 acre site is to establish a centre of scientific excellence, with the potential to create thousands of new jobs. It will be home to Newcastle University research institutes, Newcastle College's new School of Applied Sciences, a specialist business support hub and state of the art facilities for small start up science companies as well as inward investors.

Sitting alongside these academic and business neighbours will be family homes and apartments for local people, accommodation for students studying at Newcastle University along with leisure and retail facilities.

Over 180 residents and local businesspeople gave their views on Newcastle Science City's masterplan at consultation sessions, with the majority of people very much in favour of the ambitious plans for the £700m development on the former brewery site.

Other Newcastle Science City strands of activity include:

- Newcastle Innovation Machine which will provide a method for creating science businesses by identifying needs within the community and developing businesses to meet them, in comparison with funding leading edge research which might not generate direct benefits for the local economy in the immediate future.

- Scientia 08, attended by about 200 scientists and researchers in the city, represented the inclusive nature of Newcastle Science City with participants attending from Newcastle College, Northumbria University, businesses, International Centre for Life and many small businesses.
- Developing routes to finance and working with groups across the city to develop funding proposals.
- Raising the scientific business birth rate through providing incubator space and a central support hub.

## Electric Vehicles

Nissan and One North East have formed a partnership to explore the development of a zero-emission mobility programme in the UK.

The two organisations signed a Memorandum of Understanding (MOU) in the presence of Business Secretary Lord Mandelson, marking the beginning of a four month development programme to drive the use of electric vehicles in the UK. It includes a feasibility study into the introduction and manufacture of electric vehicles in the region.

Under the terms of the agreement, Nissan and One North East will form working teams to promote zero emission electric vehicles (EVs) including incentive schemes and educational programmes.

In addition, the partnership will share information on EV development and examine the suitability of the North East infrastructure for the launch of EVs, as well as promoting Nissan's Sunderland Plant as a strong contender for EV production.

One North East with partners in the public and private sectors has recognised the potential for the region to be a world leader in the development and use of EVs.

Taking the lead role in their development will bring new economic opportunities and will enable North East England to make a major contribution to achieving climate change targets.

## Angel Alliance

With One North East, two of the region's leading universities have joined forces in a ground-breaking agreement aimed at giving the North East a leading edge in the commercialisation of research for funding potential.

Durham and Newcastle Universities, together with One North East, have formed the Angel Alliance – a partnership designed to maximise the exploitation of the scientific discoveries being made at both institutions.

With a combined annual research spend of £121m, Durham and Newcastle's partnership will help create a critical mass to attract investment.

The Angel Alliance is celebrating its first major success after securing £3.6m to harness science and engineering technology which could ultimately lead to improvements in healthcare.

The award of a Knowledge Transfer Account (KTA) over the next three years will allow the results of research by engineers and scientists from the universities to be applied commercially to the healthcare sector.

## Innovation Vouchers

Over £2m has been made available to help North East firms boost their competitiveness by working closely with the region's colleges, universities and other academic organisations.

Accessed via Business Link, the £2.4m Innovation Vouchers project will encourage collaboration between businesses and academic and engineering institutions, allowing companies to use the vouchers to purchase support services and improve their competitiveness and efficiency.

The Innovation Vouchers aim to encourage small and medium sized companies to engage with higher education institutions such as the region's five universities, Innovation Connector projects, Centres of Excellence and other knowledge based providers. Businesses most likely to attract support will be in the process of developing or testing a technology, product or service.



The project is being part financed through £1.2m ERDF investment matched by One North East. The total value of any one voucher will be at least £3,000, through to a ceiling limit of £7,000.

Networks, Innovation Connectors and Inward Investment (NICCI)

This project will be delivered by Cels to provide support for the healthcare sector, managing and improving the region's healthcare networks, collaborating with regional partners within the Innovation Connectors and providing One North East with assistance in delivering its inward investment strategy.

Knowledge Transfer Partnerships (KTPs) and Collaborative Innovation Partnerships (CIPs)

These two projects were formally approved by One North East in March with project values of £1.3m and £1.4m respectively.

They are designed to help small and medium sized businesses access the knowledge base in a collaborative partnership and affect knowledge transfer through an associate acting as a conduit.

The partnership is based around a short term (CIP) or long term (KTP) strategic project to help and enable firms to become more competitive and productive through, for example, shortening and accelerating the product development life cycle.

## People

### Skills and Higher Education

The North East spends nearly £2bn annually on education and skills. The key objective of the Skills Programme is to work with partners to ensure that the North East economy has the necessary skills levels to compete globally in a knowledge based environment.

In order to transform North East England into a 'knowledge driven high-skilled economy', the Agency needs to stimulate the demand for, as well as the supply of, skills in the region.

### Productivity and Participation - Higher Level Skills

One North East has led a multi-agency approach to meeting the skills and employment challenges of the economic downturn.

The Agency has worked closely with regional partners to ensure the North East has a robust offer under the 'Real Help For Business and People Now' campaign to support the retention of jobs, redundancy and redeployment services, recruitment and retention provision and to ensure the region is ready and prepared for the upturn.

The Skills and Higher Education Programme will ensure the region develops and retains the skills and talent required to increase the competitiveness and productivity of the region's businesses.

The programme supports measures to inform and stimulate demand for, and participation in, higher level skills. It will help ensure that in a demand led skills system, individuals and employers are able to make informed choices linked to the needs and opportunities of the regional economy.

## STEM Programme

If the region is to support new industry and new jobs it must ensure the skills of its future workforce meet the needs of a modern economy.

The Science, Technology, Engineering and Maths (STEM) Programme was established by One North East to promote young people's engagement and attainment in science, technology, engineering and maths subjects and careers.

A £2.4m investment will increase study in maths and science subjects, increase science graduates and boost the number of entrants teaching in STEM subjects.

Key achievements for the programme to date include a local STEM strategy in place for all 12 local authorities, aligned local authority and Single Programme investment in all local authority areas and increased employer engagement in STEM activity.

Northumbria, Teesside, Sunderland and Newcastle Universities all work with local schools and arrange innovative events to capture the interest of young people in Years 6, 7 and 8.

The Schools NorthEast project forms part of STEM and represents all primary, secondary, maintained, independent and special schools in the North East. It works to enable a strategic role for schools in shaping the region as well as supporting and influencing the North East's economic development.

Schools NorthEast was established to provide an independent voice for all schools in the region. It is the first network of its kind in the UK.

## Higher Level Skills Capacity Fund

In a new demand led skills system it is critical that providers of training and learning have the capacity to deliver flexible and responsive provision that meets the needs of the region's businesses.

The Higher Level Skills Capacity Fund is designed to help drive up the quantity, quality and economic relevance of skills provision in the region.

There are twelve projects currently underway including the development of new flexible subsea engineering and management provision with Newcastle University and Newcastle College and new provision and facilities for digital forensics at Gateshead College.

#### Regional Employment and Skills Partnership - Skills North East

Young people and business are being brought closer together through a unique guidebook which will help companies reap the benefits of a new generation of better skilled youngsters.

Skills North East – a regional partnership supporting skills and employment – has launched a 14-19 year old employer engagement guide for North East businesses, to help support the skills development of young people.

'Working With 14-19 Year Olds in the North East' acts as a quick and easy resource for businesses and organisations currently working with or looking to support the development of young people through learning which relates better to the world of work. Featuring a 'How To' guide and directory of school, college and work based learning providers, the guide aims to increase the engagement between education providers and local employers, which supports the Government's priorities for 14-19 education.

#### Raising Aspirations and Attainment

##### 14-19 Commission

The North East 14-19 Commission, the only organisation of its type, brings together One North East, the Learning and Skills Council, Government Office for the North East, local authorities and provider representatives to support the ongoing implementation of the Government's 14-19 reform programme.

It provides a forum where regional stakeholders can debate and consider key aspects of the reform programme and identify areas where enhanced partnership working can support and add value to local delivery.

Working through the commission has significantly improved collaboration between partners and real progress is now being made with a number of work streams emerging which will support local delivery, for example:

#### NEET (Not in Education, Employment or Training)

The North East continues to be the worst performing region in respect of the numbers of 14-19 years who are not in education, employment or training (NEET). Through the commission a sub-group has been formed to consider how regional activity can support local delivery.

Initially a series of workshops and seminars is planned, together with a joint project to develop partnership working between 14-19 and adult employability services.

#### Information Advice and Guidance (IAG)

In partnership with Government Office for the North East, the Agency has commissioned research on behalf of the 14-19 Commission, examining how we can improve the links between and quality of labour market intelligence and IAG. Its recommendations will be taken forward during 2009

#### Employer Engagement

Through its Employer Engagement sub-group, the commission is carrying out research which provides a comprehensive analysis of the state of employer engagement in 14-19 education and skills – which is essential to the delivery of the 14-19 reform agenda.

A series of publications have been developed to encourage and support more employers to become involved.

## The Skills Academy, Gateshead

In September last year, a new Skills Academy was opened in the North East. Funded by the Learning and Skills Council and One North East, the new £6m Team Valley-based centre provides enhanced training facilities for vocational qualifications in construction trades, business management, apprenticeships and tailored courses for local employers.

The venture also houses a 14-16 Skills and Enterprise centre for school pupils wishing to take a practical vocational course.

The academy will help the region prepare the next generation of tradesmen. The new site will provide learning amenities for more than 1,500 students and is the result of a unique partnership between seven leading training providers and the Gateshead Education Improvement Partnership.

Gateshead College's dedicated construction facilities are housed in the Skills Academy, offering employers and students hundreds of full and part time courses, including joinery, plumbing, carpentry, electrical installation, brickwork, plastering, gas servicing and repair and painting and decorating.

## Process Industry National Skills Academy

One North East led the national development of the Process Industry National Skills Academy, which opened at the University of Teesside in January 2008.

The Agency has invested £1.35m into the National Skills Academy which will help put in place the skilled workers of tomorrow to ensure the process sector's future prosperity.

The academy is working directly with employers to identify skills gaps, help company's up-skill their workforce and develop a training infrastructure across the UK that better supports the sector's needs.

Now entering its second year, the skills academy has established five new regional bases around the country that together represent over 20% of the UK's process industries workforce.

## Aviation Academy

In March 2009, the £3.3m Newcastle Aviation Academy was launched by the Duke of Kent. The cutting edge facility is equipped with workshops and classrooms as well as a huge hangar and a fully functioning Boeing 737 aircraft.

The academy has excellent links with employers such as Newcastle International Airport, Thomas Cook, Avalon Aviation and British Airways, and has already built a reputation for producing top quality graduates.

The purpose built academy building and hangar was funded by Newcastle College Capital Fund, One North East and Learning and Skills Council North East.

## Economic Inclusion

### Employability

#### Local Delivery of Employment Support

The Agency has approved investment of more than £9.2m between 2008 and 2012 in four sub-regional projects to help people off benefits and into work.

They comprise projects in Northumberland, Tyne and Wear, County Durham and Tees Valley. Each project will be based on measures to engage and support employers to take on people from disadvantaged groups and help them stay in employment. This work forms a major part of the Agency's response to the recession.

#### Easington Aim High Routeback

A pilot project to test innovative ways of helping people to move off incapacity benefit and into work is to see some of its findings rolled out across County Durham – after successfully supporting more than 150 people into jobs.

Aim High Routeback was launched in Easington in 2005, with the task of working with local GPs and other health professionals on the issues facing people who have been on incapacity benefit for several years but want to go back to work.

Each client was offered one-to-one support tailored to their specific needs, along with group activities on topics like back care, writing a CV and completing job applications, assertiveness and confidence-building and relaxation techniques.

In its two and a half years of operation, Aim High Routeback worked with almost 400 clients, of which 151 have already moved into jobs, triggering improvements in their health and saving thousands of pounds in benefits.

County Durham and Darlington Primary Care Trusts now plan to use the pilot's findings to launch a new county-wide programme, in partnership with Jobcentre Plus, which will provide health support and advice for patients on incapacity benefit.

#### Support for rural employment

Three towns in rural Northumberland are testing innovative ways of helping people back into work and to start their own business - thanks to new funding from One North East via Northumberland Strategic Partnership.

Wooler, Seahouses and Rothbury are trying out practical solutions to challenges facing people in rural areas when it comes to finding jobs or changing to a different career, with help from a £600,000 investment.

In a new partnership with local development trusts, the cash will be used by the county's Removing Barriers to Work Partnership (RBtW) to help roll out a successful electronic notice board system – promoting up-to-date job opportunities, employment services and transport to work options - to high streets in Seahouses and later in Rothbury, following an award-winning pilot in Wooler.

It is also testing the idea of providing employability services through the development trusts in Wooler and Seahouses. In Wooler this will be a local point of contact for anyone trying to find work, training or help to start a business. In Seahouses the trust will support micro-businesses and provide local training opportunities, along with a specific focus on helping young people find local employment.



## Economic Participation

### Third Sector Capacity Fund

The £6.8m Third Sector Capacity Fund has been created by One North East and will be available over the next four years to help organisations develop innovative ways of helping people move into work, deliver regeneration and boost the third sector's contribution to economic growth.

Grants will be offered to a maximum of £150,000 per project. One North East and Rocket Science, who will be administering the fund, are communicating with third sector organisations to explain more about the fund and the bidding process.

Organisations will be able to bid for funding for activities including projects supporting collaboration, partnership working and innovative activities, to strengthen financial and organisational capacity in the sector and represent the voice of excluded groups in shaping the region's future.

Funding will also support activities reducing grant dependency, preparing for commissioning and enabling the third sector to win and deliver public service contracts.

This project builds on the success of a pilot Third Sector Capacity Fund launched in 2006. This provided grants to 23 different projects, ranging from a social enterprise creating websites for third sector organisations, to the development of an employers' guide to hiring staff with learning disabilities.

### Third Sector Leadership Strategy

Voluntary Organisations Network North East (VONNE), the regional infrastructure body for the voluntary and community sector in the North East, has produced the UK's first Regional Third Sector Leadership Strategy.

It is designed to give voluntary and community organisations a clear idea of how leadership can help them to be more effective; to make sure existing third sector

leaders are recognised and supported and set out what needs to be done to develop the skills of future leaders in the sector.

One North East funding has also helped VONNE to establish a Third Sector Economic Regeneration Forum in the region, to create a new website for organisations across the sector and to support leadership training.

In March 2009 a £1m investment in 'Winning Business through Equality' was approved. This will create a new fund, managed by Business Link, to support businesses to address equality and diversity issues. The project represents a significant increase in the Agency's commitment to help deliver the region's Equality and Diversity Action Plan.

## Place

### City Regions and Rural

#### Onsite North East

The creation of Onsite North East was officially completed in March 2009 with property development and investment company Langtree.

Onsite North East will build on the success of the Buildings for Business partnership, a £130m property portfolio generating jobs and high quality accommodation for companies.

The Onsite North East project establishes another innovative Public Private Partnership (PPP) to manage 24 of the Agency's development sites from the Scottish Borders to the Tees Valley, and to provide an additional vehicle for delivering some of its physical regeneration priorities.

Langtree will work alongside One North East in regenerating some of the region's most exciting land development opportunities.

The project will see the transfer of 23 of One North East's industrial and commercial sites into the PPP in a deal worth around £25m. Langtree will manage the sites and lever in substantial resources to modernise estates, undertaking site remediation, site servicing and development work.

The scheme will benefit from private sector leverage and expertise. Some of the sites included in the portfolio are Newburn Riverside and East Quayside in Newcastle, Queens Meadow in Hartlepool and Meadowfield in Durham.

## Northumberland

### Hadrian Business Park, Haltwhistle

An innovative £3.6m scheme to improve access into Haltwhistle's Hadrian Business Park is now complete, heralding major regeneration and business opportunities for the town.

The construction of a new roundabout on the A69, an access road, flood defence bank, lighting and associated works form the finished development, which provides direct vehicle access into Hadrian Business Park and the surrounding development land on both sides of the A69.

Of the total project cost of £3.6m, £2.4m has been made available by One North East through Northumberland Strategic Partnership (NSP). A further £891,000 has come via ERDF, with Tynedale Council investing £132,000.

Previously, access to the existing enterprise park on the north side of the A69 was restricted by a low bridge under the railway line and many businesses and potential developers had been deterred by the operational difficulties this caused.

The site has the capacity to support up to 800 new jobs.

## Tyneside

### Gateshead Central West Scheme

One North East has pledged more than £9.7m to aid the regeneration of the Gateshead Central West area. The scheme, which includes the Tyne Bridge Tower area, will complement the further expansion of the Baltic Business Quarter, which will feature the new Northern Design Centre.

Options for the re-development of the Gateshead Central West area are being considered and it is planned that these will attract new investment and visitors into Gateshead.

The area is part of the overall plan to transform Gateshead Town Centre and Quays and could be the catalyst to the further development of the nearby Baltic Business Quarter and the wider Quayside.

Tyne Bridge Tower, which has been standing empty since 2005, will be demolished as part of this funding approval. The tower stands next to the A167 and railway line and at present is a significant barrier to opening up access between the town centre and riverside.

## 1NG

The NewcastleGateshead City Development Company (1NG) has been established as a private sector-led partnership, which will radically transform the economic landscape of Gateshead and Newcastle over the next 15 years.

The company, which is backed by Gateshead Council, Newcastle City Council and One North East, is dedicated to attracting business to the area and growing companies already there. It reflects the strong partnership between the two places and the increasing physical connections which span the Tyne.

Former Housing Minister and Lord Chancellor Charles Falconer will lead the new organisation which is tasked with realising the vision for Gateshead and central Newcastle by co-ordinating a major economic development programme to transform the area.

1NG's first task will be to oversee the production of the area's economic masterplan which will be a blueprint for action, co-ordinating key economic and physical projects to bring in new investment and business. Lord Falconer will oversee this important work.

## Sunderland

The Urban Regeneration Company Sunderland arc is moving ahead with its regeneration plans for the city. Its key targets are to help create 13,600 new job

opportunities, develop 380,000 sq m of new business space, create approximately 4,000 new dwellings and remediate more than 300 hectares of brownfield land.

Key projects include:

#### Vaux Brewery site

One of the North East's most significant brownfield regeneration sites covering 10 hectares in the heart of the city. Proposals for the site comprise up to 1,000 new homes, office space, two new hotels and leisure and retail space.

Situated in the heart of Sunderland, next to the River Wear on top of dramatic natural cliffs, the former Vaux Brewery site forms an important gateway into Sunderland city centre.

The planned development of the site will reinvigorate the economic heart of the city through the creation of a vibrant new office market, create approximately 3,000 job opportunities, reconnect the city and its river, provide a model of sustainable urban regeneration and create a new and distinctive urban quarter.

Outline planning permission for the Vaux masterplan has been granted by the Secretary of State. This has been further endorsed by the City Council's adoption of the Unitary Development Plan Alteration No.2 Central Sunderland.

The selection process to appoint a lead developer partner to deliver a comprehensive, employment-led, mixed-use scheme, commenced in 2008. A formal appointment is due to be made in late 2009.

#### Holmeside

The £180m scheme will provide new retail and leisure facilities, apartments and a car park.

A mixed-use, retail led scheme on Holmeside that could create 1,700 jobs has been proposed by the arc and its appointed developer Thornfield Properties.

A development agreement is being negotiated and Thornfield is continuing to work up its detailed scheme proposals.

### Stadium Village

This will form the initial phase of a combined mixed use leisure led development which extends to a total area of 25 hectares around the Stadium of Light.

People in Sunderland had their chance to have their say on a blueprint for the development of the new sports and leisure facilities surrounding Sunderland's stadium and award-winning Aquatic Centre.

A draft development framework for Stadium Village was prepared by Sunderland arc and went on public display. The document set out appropriate uses for the long term development of the site, and, once formally adopted by the city council, will provide guidance to developers on how the scheme should be developed over the next 15 years.

As well as state-of-the-art sports, health and leisure uses, the proposals also include new offices, a hotel and homes in a quality urban setting.

### Sunderland Aquatic Centre

The new Sunderland Aquatic Centre, comprising a 50 metre Olympic sized swimming pool and wellness centre was officially opened in April 2008.

The £20m Aquatic Centre boasts the only 50 metre pool between Leeds and Edinburgh. It has been built to the highest standards in sustainability and is earmarked as a potential training camp for the London 2012 Games.

The centre is another major investment in Sunderland's future and adds to its sporting credentials, sited next to Sunderland Football Club's Stadium of Light.

## Port of Sunderland

The Port of Sunderland extends to 106 hectares, a substantial element of which is operational, lying just one mile from the city centre.

The last 18 months has seen significant investment into the port. Access has been improved via the Southern Radial Route, which was completed during 2007.

A new crane and warehouse are the latest additions to the site and the city council is currently exploring the possibility of entering into a partnership for the operation of the port.

The aim of this is to help existing businesses grow and also secure new businesses in future. Opportunities to diversify activities within the port are being explored, especially its potential to attract offshore industries.

## County Durham

### Thorn Lighting

Thorn Lighting opened a brand new £32m factory and Academy of Light in Spennymoor.

Thorn - which manufactures low energy fluorescent fittings - transferred production to the site on the town's Green Lane Industrial Estate, from its previous base in nearby Merrington Lane, which it had occupied since 1952.

More than 600 people work at the factory and the new Spennymoor plant is the largest investment the company has made in one of its facilities. One North East supported the company in its move with GBI grant assistance of £445,000.

The new Academy of Light competence sharing centre, which fronts the factory and its laboratory at Spennymoor, aims to ensure that those engaged in the built environment and public realm have a good working knowledge of professional lighting.

Built at a cost of £1.3m, the centre is built on two levels. Up to 100 customers and



staff can experience light at work, view exhibitions and attend workshops and seminars.

Thorn will make maximum use of the new facility to enhance its portfolio of highly energy efficient lighting products.

#### Barnard Castle Vision

One North East has pledged £1.85m of Single Programme funding to lead the next stage of Barnard Castle Vision, a joint initiative between the Agency, Teesdale District Council, Durham County Council and County Durham Economic Partnership to transform the market town into a visitor attraction and leading business location.

The Barnard Castle Vision team will be working with local businesses to look at ways of encouraging retail distinctiveness, expanding local food production and other innovative measures to make Barnard Castle a thriving entrepreneurial location.

The Barnard Castle Vision partnership won the 'Partnership and Strategic Working Category' of the North East Market Town Awards 2008.

#### Durham City Vision

One North East is a major partner in Durham City Vision, a joint initiative by the City of Durham Council, Durham County Council, Durham University, Durham Cathedral Chapter and the North East Chamber of Commerce.

It aims to transform the centre of the city by making the most of its cultural and historic assets while creating a vibrant economy.

Durham University, in partnership with Durham City Vision, unveiled plans for its £60m Gateway development – earmarked for land on the University's Science Site, alongside Stockton Road, Durham – which will be home to a new Law School and a centre for student services such as admissions, counselling, welfare and careers advice.

One North East also approved a £4m funding package for the refurbishment of Durham City's Market Place, a key element of plans to create more jobs and businesses in the city.

The upgrade of the Market Place, led by the Durham City Vision team, will create a high quality public space that can be used for markets, events and gatherings and as a much-improved gateway to the city's World Heritage Site.

#### City West Business Park

A state of the art business development which has the potential to create dozens of new jobs and support business start-ups is now finished.

B and K Developments has created 20 new business units, branded as City West Business Park, at Meadowfield Industrial Estate in County Durham.

The project, made possible after the company struck a deal to buy land from One North East, is the latest in a series of developments which are breathing new life into the estate.

The units will provide high specification office accommodation for new and expanding SMEs and will provide a boost to business support in the area through the range of incentives on offer to potential occupiers.

#### Spectrum Business Park

A development on a County Durham business park - which could create as many as 3,500 jobs - is now complete.

The Hillford Group's scheme - eight office blocks at Spectrum Business Park, located on the 34-acre site of the former Dawdon Colliery in Seaham - is finished and is now being marketed.

The units, Spectrum 1-8, cater for new companies as well as expanding regional and national firms and complement the wider regeneration package of improvements on-going across Seaham.

The site was reclaimed and developed with money from the National Coalfields Programme (NCP) run by English Partnerships and One North East, which oversees the development of brownfield sites throughout the region and the UK.

## Tees Valley

TVR to hand over regeneration reins  
Changes in the way that the Government delivers regeneration mean that Tees Valley Regeneration (TVR) will be wound up in March 2010, leaving a legacy of work that has helped change the face of the Tees Valley.

TVR's schemes including Middlehaven in Middlesbrough; North Shore, Stockton; Central Park, Darlington; Durham Tees Valley Airport and Victoria Harbour, Hartlepool, will be handed over to local authorities, the Homes and Communities Agency (HCA) and One North East to complete.

TVR has brought some of the UK's leading private sector developers to the area including BioRegional Quintain, Urban Splash and Muse.

Over the past seven years, TVR's business investment team has also been instrumental in attracting almost £1bn worth of investment to the area and has created and protected thousands of jobs.

## Saltholme

The £7m Saltholme wildlife reserve and discovery park has opened to the public and become a major visitor attraction.

In five years' time, the RSPB and Teesside Environmental Trust, who together have developed the wildlife reserve and discovery park, expect 100,000 people a year will visit the site to see its rich variety of wildlife and sample its fantastic facilities.

It is hoped that around half of the visitors will be from outside the local area. The Saltholme site is situated near the mouth of the River Tees between Billingham and Seaton Carew, adjacent to the A178.

One North East invested £2.4m into Saltholme which combines a visitor centre, cafe, shop, classrooms, community meeting space and offices.

Infinity Bridge, Stockton

Stockton's new £15m Infinity Bridge is now complete. The iconic structure spans the River Tees and links the North Shore development and the Teesdale area.

The bridge was funded by the Homes and Communities Agency, Stockton Council, One North East and ERDF.

Infinity Bridge is set to become another symbol of the North East's transformation and a picture postcard image that represents the regeneration of the whole Tees Valley.

The name was chosen by a panel of representatives from Tees Valley Regeneration, Stockton Borough Council, English Partnerships and One North East, from those submitted by members of the public.

Temenos

The largest public art initiative the world has ever seen was unveiled by Tees Valley Regeneration.

Tees Valley Giants will be a series of five world-class art installations by internationally acclaimed sculptor Anish Kapoor and leading structural designer Cecil Balmond, of Arup.

And images of the first installation –Temenos – drew worldwide attention and acclaim.

The artist and engineer are known for the monumental scale of their work and are two of the most sought after names in the art world. Their works can be seen in prominent locations around the globe including New York, Chicago and Beijing.

Temenos will be located at the north-eastern corner of Middlehaven Dock, Middlesbrough - one of TVR's five flagship redevelopment schemes. It will cost £2.7m and will be 110m long and almost 50m high.

Temenos is funded by The Northern Way, One North East, the Arts Council England, the Northern Rock Foundation, Middlesbrough Football Club and BioRegional Quintain.

Rural

Rural Development Programme for England

One North East led the development of the North East Implementation Plan, a regional strategy for the Rural Development Programme for England (RDPE) 2007-2013. RDPE is jointly funded by the European Union (EU) and the Government.

Investment to help small businesses in rural areas to start-up and grow was lined up via the North East England Investment Centre and preparations for the launch of the first programmes of strategic investment are well underway in areas such as bioenergy and traditional skills.

The Agency has approved £20m of RDPE funds until March 2011. Rural businesses have already accessed £1m of RDPE funding through Business and Enterprise North East, in addition to £3.1m of mainstream funds.

Amble Food Specialists Saved

A specialist food manufacturer has been saved from going out of business after a buy-out deal - protecting the jobs of the vast majority of its 190 employees.

A consortium comprising part of the existing management team at Cheviot Foods in Amble, together with private investor backing, has taken over the firm which is the Northumberland port's largest employer.

Northumberland Foods Limited, as the firm will now be known, has plans to grow the business which is good news for employees and the supply chain which provides produce to the factory specialising in frozen potato products.

Northumberland County Council, Alnwick District Council and One North East worked closely with the new management team and administrators Vantis to help secure the buy-out.

One North East has offered the new owners a £440,000 investment from its Rural Development Programme for England pot to help the new management team buy assets and also help support the local supply chain into the company.

#### Northumberland Rural Communities Investment

Communities in Northumberland will decide how a £2.1m budget of rural funding is used to promote economic development in the county over the next three years.

The multi-million pound fund has been formally approved by One North East as part of the Rural Development Programme for England.

The cash will be allocated to local projects by two partnerships - Northumberland Uplands and Northumberland Coast and Lowlands - made up of local residents, farmers, landowners, businesses and community groups, using a special approach to rural development called NEW LEADER.

NEW LEADER involves broad-based community partnerships developing a regeneration strategy for their area.

#### Support for Newton Aycliffe Butchers

Mike Fenwick Quality Catering Butchers in Newton Aycliffe - which supplies meat to hotels, restaurants, pubs, golf clubs, nursing homes and industrial caterers right across the North - has won a £236,000 investment from the Rural Development Programme for England to increase its capacity in a move to larger premises.

The relocation to a new unit on the Aycliffe Industrial Park in Darlington will mean the firm can source beef, pork and lamb directly from local farmers – increasing quality and offering products that can be fully traced for both catering customers and a retail outlet within the expanded business.

The investment will also help the company buy new machinery so that it can start curing its own bacon, provide a whole range of cooked meats and create new jobs.

#### Ice Cool Customer for RDPE

A Northumberland dairy farm is aiming to become cream of the crop - by setting up a quality ice cream parlour with help from the Rural Development Programme for England.

Wheelbirks Farm in Stocksfield has secured a grant from the fund to help grow its successful Jersey ice cream business by creating the first farm-based parlour in the area.

The parlour will be part of a larger cafe serving snacks and light meals. The funding will also help create a shop to sell other products from the farm and from other local quality food and drink businesses in the region.

A new children's play area has been designed to help put Wheelbirks on the map as a local tourist attraction, and the whole project will build on the educational offer that the farm already makes to schools, youth groups and universities learning about local agriculture and where their food comes from.

#### Cracking Idea for Farm

A Northumberland farm is to create the region's first dedicated free-range egg processing facility – with help from the Rural Development Programme for England.

The new unit at Detchant Farm in Belford will offer specialist free-range grading, branding and packing services for the first time in the North East, with the potential to handle more than 18m eggs every year.

With existing providers of egg packaging and grading services working at almost full capacity in the region, the new facility - which will be built alongside an existing egg production unit at Detchant farm – will eliminate the 180-mile round trip into Scotland

that the farm's own 'Sunny Hill' brand eggs currently have to make to get ready for sale.

The Jackson family will also be offering the service for use by other egg producers, creating and safeguarding a total of 13 local jobs. The project is being supported with just over £96,000 from RDPE, funded by the European Union and Defra and managed by One North East.

### Tea's Up For Farm

A County Durham farm is set to become an even more welcome sight for people walking and cycling the 'Coast to Coast' route.

Howns Gill Farm, near Consett, is creating a new tearoom with the aid of the RDPE micro-enterprise programme in the North East, complementing a bunkhouse which has already been developed in the farm's former milking parlour.

Brothers John and Stephen Shaw converted the building last year when they switched from dairy farming to beef cattle, and are hoping that their latest venture will pull in even more passing visitors to add to their income.

Business Link referred John and Stephen to the North East England Investment Centre, where they were among the first recipients of RDPE micro-enterprise funding. The brothers used the cash to buy the catering equipment they needed to set up their new venture.

### Skills Boost for Land-based Businesses

People working in agriculture, forestry and land management in the North East will get the chance to develop their skills in a £1.2m investment providing training for land-based businesses.

An estimated 2,000 staff at micro enterprises in rural areas will have the opportunity to increase their knowledge and skills as part of the investment approved by One North East.



It will enable training to be provided for land-based businesses in practical and technical work; animal health and welfare; technology; resource management; marketing and promotion; supply chain efficiencies and management and leadership.

The idea is to help them improve their profitability, competitiveness and sustainability, but also to encourage more businesses to exchange knowledge and increase the demand for higher-level skills in land-based industries.

## Food and Drink

The North East England Food & Drink Group (NEEFDG), led by Northumbria Larder in partnership with North East Chamber of Commerce and Improve, is working with quality regional food and drink businesses to create new jobs and oversee training and development to increase consumer awareness and the availability of a wide range of produce.

During its first year of operation, the group's activities generated £3.3m of additional income for food and drink producers in the North East. Businesses have been able to attend 16 consumer events, 11 trade exhibitions and three major 'meet the buyer' conferences, from which the additional revenue was generated.

In total, 459 organisations have benefited with NEEFDG providing access to an average of one event every fortnight.

## Business support

One North East worked closely with partners to support local farms and rural companies in Morpeth in the wake of the 2008 floods.

Businesses were able to seek specialist advice and information from Business Link North East and access a fund made available from One North East, via the North East England Investment Centre, to offer professional support to those businesses suffering economically from the effects of the disaster.

As a direct response, One North East has set up a new £1.5m fund to help small businesses in the future cover the costs of their immediate recovery needs after a natural disaster - including insurance excess and buying essential equipment for trade and clean up work.

## Connectivity

### NorthernNET project

To support the continuing growth of the digital and creative industries sector in the North of England, and to exploit the opportunities arising from the development of MediaCityUK in Manchester, the Northern Way is working to develop and install a high-speed fibre network called 'NorthernNet' - linking MediaCityUK to existing clusters of digital, creative and ICT businesses across the North of England.

NorthernNet aims to help provide smaller independent production companies, digital content and technology businesses with access to buyers and new markets and provide a platform for innovation.

The 18 sites that form the NorthernNET network include five in the North East - Tyneside Cinema, Newcastle, Project NE, Newcastle, Northern Film and Media, Newcastle, Digital City, Middlesbrough, and the North East Business and Innovation Centre, Sunderland.

NorthernNet connects organisations and businesses from the digital and creative industries with a high performance - 100mbps, upgradeable to 1Gbps - reliable network. NorthernNet members will share information and work together quickly, efficiently and in innovative ways.

## Promoting the Region

In order to progress and develop the Regional Image Campaign, One North East conducted over 20 consultations and a programme of market research across the region over the past year.

Views were sought from opinion formers and influencers and professionals from the North East and wider UK.

Topics covered included the successes of the campaign so far, current inward investment challenges, talent attraction challenges, the focus of the Regional Image Strategy in supporting the Regional Economic Strategy and ambassadors for the region.

The main successes of the campaign since its launch in 2005 were identified as the strong brand identity created through the strapline 'Passionate people. Passionate places' and the achievement in updating the positive perceptions of the region.

The consultations also highlighted the success in securing more than 1,000 brand supporters, with many desiring more pro-active ambassador roles.

In future, it was felt the campaign should focus on a number of general awareness raising and focused sector specific activity.

The findings from the consultation period informed and helped develop the current business-led phase of the Regional Image Campaign, which began in September 2008. To date, the campaign has reached almost two million people within its target audiences.

#### Current Regional Image Campaign Focus and Objectives

The overall aim of the campaign is to position North East England as a dynamic business location which nurtures and supports successful businesses and talented individuals and to promote the region as a sound investment proposition.

The main objectives for the campaign are to ensure the region becomes synonymous with excellence and innovation in key business sectors and to create awareness of North East England as an excellent place to live, work, invest and do business.

The target audiences for the campaign include national businesses, potential investors and influencers in business investment, talented people with potential to relocate to the region and the local business audience.

New media will be a critical element of the campaign and a new website has been launched at [www.northeastengland.co.uk](http://www.northeastengland.co.uk)

Five sectors have been identified within North East England as the key areas for promotion through the campaign. They are Healthcare and Life Sciences, Digital Media and Animation, Energy and Low Carbon Technologies, Chemicals and Automotive and Advanced Manufacturing.

### Media Partnerships

In February, One North East worked in partnership with the Financial Times to produce a supplement entitled 'Doing Business in North East England'.

A breakfast event was held at Durham's Radisson Hotel to launch the supplement attended by dozens of leading business people from across the region discussing how the North East can work through the recession to be better prepared for the economic upturn.

The supplement is now available online at [www.FT.com](http://www.FT.com), which links to the regional image website and has had over 17,770 hits to date.

Other activity included the 'Made in North East England' supplement with the Northern Echo, profiles of ambassadors in several regional titles including The Journal and case studies in Business Quarterly magazine.

Public relations activity during this period reached over 245,000 people from key sectors, in titles such as Chemical Week and The Economist.

Over 50 businesses have been involved in press trips to North East England, with coverage in national press and trade titles including The Economist, ICIS Chemical Business and Develop and internationally in publications including the Stavanger Aftenblad and Offduty Oil and Gas.

## Ambassador Programme

Launched in September 2008, the North East England Ambassador Programme is a network of passionate people united to spread the word about the region as a vibrant and forward thinking hub for business investment, growth and career advancement.

Ambassadors are encouraged to help put North East England on the map and champion it as a dynamic, influential centre for innovation and business success – as part of their overall business activities.

A number of tools to help them are available when they register online at [www.northeastengland.co.uk](http://www.northeastengland.co.uk), such as current facts and figures about the region, presentation templates and sector information. To date over 800 ambassadors have registered online.

## Tourism Investment

One North East continued to make significant investment into the growth of the visitor economy through business support initiatives such as Desti.ne and the Tourism Business Toolkit - both available online - as well as Profit Through Access and the publication Experience.

Significant funding has been given to attractions and events, including £2m to the Bowes Museum, £2.3m to the Saltholme Wildlife Reserve, £715,000 to Durham County Cricket Club and £775,000 to the Tall Ships Race scheduled to visit Hartlepool in 2010.

In October 2008 the North East England Tourism Awards took place – celebrating the high standard of attractions and businesses with which the region is now synonymous.

## Visitor Economy

The value of tourism to the North East economy has grown by 30% over the past five years and it is now worth almost £4bn annually.

The tourism sector directly employs more than 60,000 people in the North East - an increase of 14.5% over the past five years.

More visitors are coming to the region, with over four million people visiting the North East last year.

The 10% increase in 2008 means North East England was the only region outside London to record a rise in visitor numbers last year, bucking the national trend which saw numbers for the UK drop by 4.65%.

In addition, one million more visitors are now staying overnight in the North East than in 2003 – an increase of 12%.

Visitors were also spending more money in the region - with the average visitor spend up by 7%.

## Tourism Marketing

### National

In total, campaign activity reached an audience of 36.2m people. This is 30% above target, with quarter four delivering an audience of six million above target.

Proactive press and media activity created high profile travel features in national titles such as The Guardian, The Telegraph, The Times, The Sun, The Observer as well as Red, Glamour and Chat women's magazines; three of Britain's leading magazine titles.

The visitor website had 800,000 unique visitors last year, which was an overall increase of 69% on 2006-07. Views of accommodation product pages were up by over 200% compared to the same period for 2007 during the autumn accommodation offers campaign.

Thirty million adults had the opportunity to view the North East England television adverts in three bursts during May 2008 and January and March this year.

More than 600,000 adults had the opportunity to hear the Smooth Radio promotion running from January to March.

A 16 page supplement was issued with the Daily Telegraph in March 2009, which led to a 59% visitor increase to the North East England website.

Television coverage included a full morning's link-up live from Tynemouth Priory by BBC Breakfast, focusing on the strong visitor numbers to the region.

#### International

A public relations campaign in Australia and New Zealand continued throughout 2008, with several journalists coming to the region on press trips resulting in widespread national press and television coverage.

A press competition to win a holiday to North East England received more entries than a previous competition offering a holiday to New York.

Overall, this campaign targeted over 11m consumers during the year.

The North East England advertisement aired on national television and in cinemas. The new Australian and New Zealand North East England tourism website launched in March 2009.

The Emirates daily route from Newcastle celebrated its first anniversary in September 2008 - a key connection point for visitors travelling to and from Australasia.

The 2008 visitor survey showed an increase from 15% to 35% in the proportion of visitors from these international markets versus 2006.

The North East England awareness campaign in Holland, in partnership with VisitBritain and DFDS, has achieved 150,175 visits to the bespoke campaign website and over 20,000 unique visits – which is well over target. Similar activity in Germany has generated almost 20,000 unique visits to its campaign microsite.

Independent research in 2008 indicated that overall tourism marketing activity produced a return on investment of £23 for every £1 spent. Therefore the Agency's investment of £3.6m in tourism marketing during the year has generated £82.8m in direct spend for the regional economy.

This marketing activity helped towards a 10% increase in trips to the region during 2008, up from 3.6m to 4m with spend increasing by 7%. October to December saw a particularly significant increase of 28%, with spend up by 18%.

This was the highest rate of annual growth outside London and is against a background of other English regions seeing a decline.

#### Awards

Best public sector website - North East Digital Awards, April 2009

Highly Commended for personalised email campaign – Econsultancy awards, Autumn 2008,

Best UK Tourist Board – Group Leisure Travel Awards, Autumn 2008

#### Culture & Tourism

The region enjoyed several high profile events in 2008, such as the award-winning Durham Enlightenment which drew thousands of visitors to the region, the Evolution music festival in NewcastleGateshead and the North East leg of the Tour of Britain cycle race.

#### Great North Museum

The flagship £26m Great North Museum has opened to the public. The museum incorporates collections from the Hancock Museum and Newcastle University's Museum of Antiquities, the Shefton Museum and the Hatton Gallery.

Highlights of the new museum include a large-scale, interactive model of Hadrian's Wall, major new animal and plant kingdom displays, spectacular objects from the Ancient Greeks and mummies from Ancient Egypt, a planetarium and a life-size T-Rex dinosaur skeleton.

One North East is one of the joint funders of the new museum with a host of national and regional partners.



A collection of photographs documenting the transformation of the former Hancock Museum into the spectacular Great North Museum: Hancock, went on display to the public.

### Herrington Country Park

The reclamation process for Herrington Country Park began in 1996. The main objective was to reclaim the former colliery site to provide a country park.

The former colliery site has successfully been transformed into a 150-hectare public park. In addition to the substantial open spaces and landscaped areas of the park, other attractions include a model boating lake, fishing lake, children's play areas, skate park, bridle paths, amphitheatre, numerous art features, a miner's memorial and a network of public footpaths.

One North East investment was given to improve the park's capability and capacity of attracting more large-scale events - including the infrastructure of the park; new and improved access roads, drainage, cultivation, fencing, paths, on-site facilities and the provision of dedicated events spaces.

Investment will provide a dedicated purpose built events space and give the park the ability to revolve large scale events on two or three of the biggest sites.

### Bowes Museum

Bowes Museum was awarded a £2m investment by One North East through the County Durham Economic Partnership.

The investment helped transform visitor amenities, carry out restoration work and create new galleries.

The magnificent Bowes Museum stands in the historic market town of Barnard Castle housing internationally significant collections of fine and decorative arts.

The museum houses the internationally famous Silver Swan, recently restored to its full glory.

## Wearmouth Jarrow World Heritage Site

The twin Anglo-Saxon monastery of Wearmouth-Jarrow is the UK's nomination for World Heritage Site status in 2010. The monastery is centred on St Peter's Church in Wearmouth, Sunderland, and St Paul's Church in Jarrow.

Wearmouth-Jarrow was a major centre of European learning and culture in the 7th Century and was home to the Venerable Bede.

Original and rare remains of 7th Century architecture are also still standing. If it achieves World Heritage Site status, this incredible site and its inspirational story will receive world-wide recognition and protection for future generations.

One North East investment has been granted to support the salary of the co-ordinator of capital infrastructure to bring the site up to UNESCO standards.

## Evidence base and capacity building

### Northern Way

The Northern Way is a unique initiative, bringing together the cities and regions of the North of England to work together to improve its sustainable economic development.

Formed as a partnership between the three northern regional development agencies Yorkshire Forward, Northwest Regional Development Agency and One NorthEast, it aims to influence policy and delivery at a local, city region, regional and national level, to join up thinking and encourage collaboration.

The Northern Way unveiled a series of recommendations which highlighted the value of localised approaches to welfare reform, resulting from ten pilot programmes run by the Northern Way since 2005, including the Aim High Routeback project in Easington which helped long term incapacity benefit claimants back into work.

The results of the pilot projects showed that localised approaches to this issue work best when there is a critical mass, scope for creativity and flexibility and integration with national provision. It also found links across policy areas, in particular health and employment services, are best managed at a local level.

Another Northern Way report 'Residential Futures: Tyne and Wear City Region', highlighted the potential of neighbourhoods to support long term economic growth in Tyne and Wear.

#### Economic Analysis Team

The team supports One North East's chief economist, providing economic intelligence, briefing and advice to inform the Agency's strategy and evaluation.

They support the development of economic research to provide the evidence base which underpins the Agency's strategy development, and provide wider economic support and capacity building.

The team analyses a wide range of data at national, regional and sub-regional level and works closely with teams across One North East and regional organisations to support two-way information sharing.

The team plays an increasingly important role in providing the economic intelligence to underscore the work of response groups set up to tackle major job losses at key regional employers.

## Agency Financial Summary 2008-2009

### Financial Performance 2008-2009

During the year the principal source of funding for the Agency continued to be Grant in Aid via Central Government. However, following a change in Accounting policy in 2006-07, as stated in the Accounting policies notes, this is now credited directly to Reserves, it is not included as Income in the Income and Expenditure statement. The Grant in Aid was supplemented by European Funding, Capital Receipts from the disposal of assets, rental income from the Investment Portfolio, interest receivable and other income resulting in a total of £264 million for the year, which was applied to the Agency's activities shown in the table below.

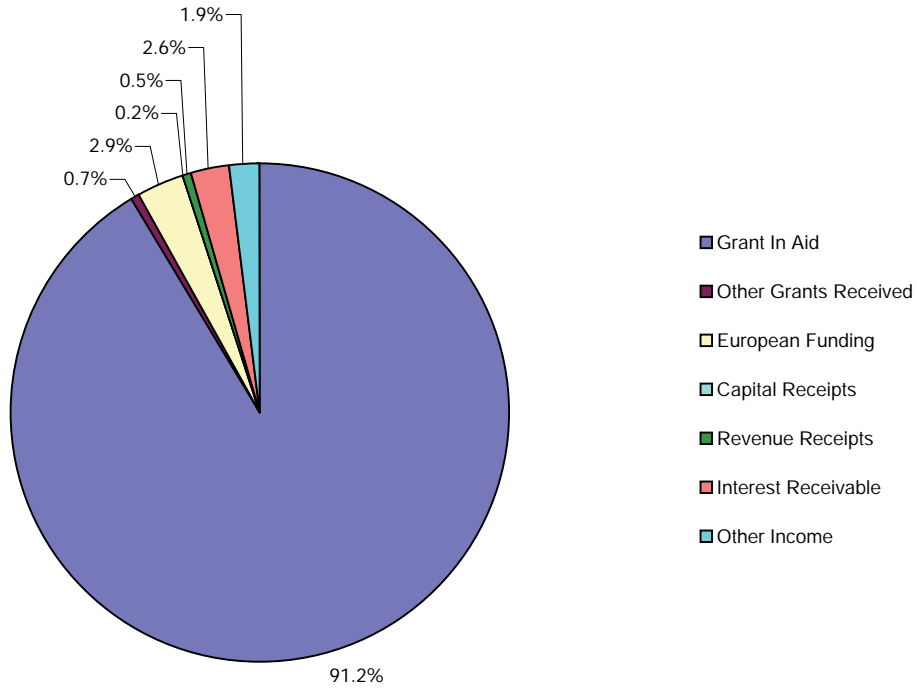
2008-09 saw a continuation of the excellent track record the Agency has established in terms of its financial management. It has maximised the use of programme resources to address the need for significant regional investment, and will therefore require only a minimal amount of end of year flexibility in terms of resources carried forward into 2009-10 financial year.

The Agency will continue to be proactive in terms of seeking to secure additional resources for both the Agency and the region and in their deployment to address regional priorities. The Agency recognises the support of the European Community via the European Regional Development Fund.

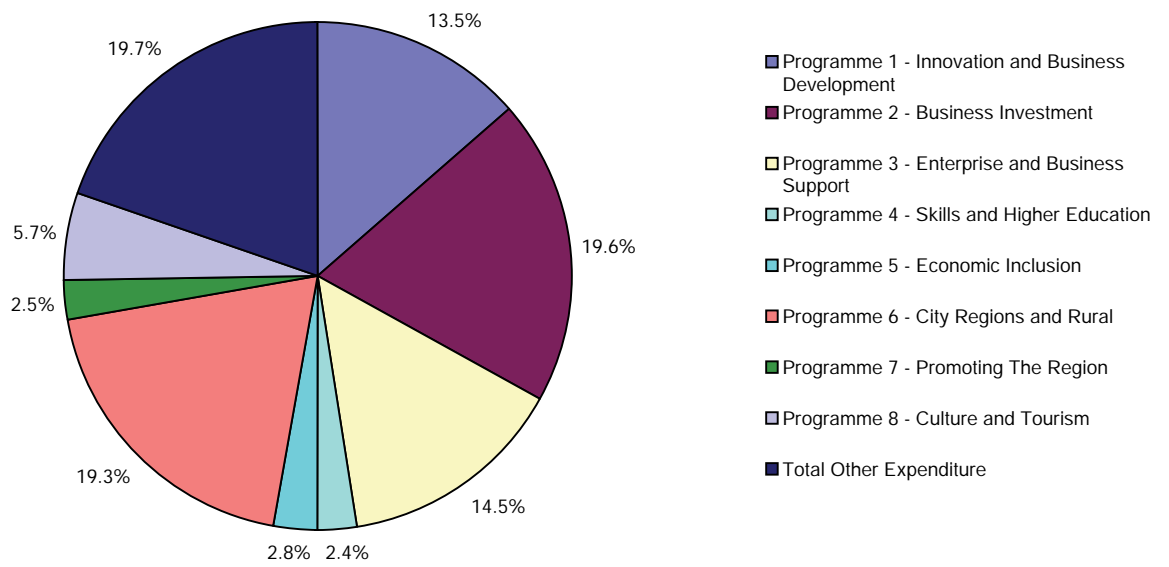
Funding by Source for the Agency: [excluding subsidiaries]	£ 000	%
Grant In Aid	241,000	91.2%
Other Grants Received	1,838	0.7%
European Funding	7,611	2.9%
Capital Receipts	470	0.2%
Revenue Receipts	1,323	0.5%
Interest Receivable	7,039	2.6%
Other Income	4,953	1.9%
<b>Total</b>	<b>264,234</b>	<b>100.0%</b>

Expenditure by Programme for the Agency: [excluding subsidiaries]	£ 000	%
Programme 1 - Innovation and Business Development	36,900	13.5%
Programme 2 - Business Investment	53,529	19.6%
Programme 3 - Enterprise and Business Support	39,682	14.5%
Programme 4 - Skills and Higher Education	6,687	2.4%
Programme 5 - Economic Inclusion	7,660	2.8%
Programme 6 - City Regions and Rural	52,929	19.3%
Programme 7 - Promoting The Region	6,816	2.5%
Programme 8 - Culture and Tourism	15,658	5.7%
<b>Programme Expenditure Sub Total</b>	<b>219,861</b>	<b>80.3%</b>
Total Other Expenditure	53,771	19.7%
<b>Expenditure Total</b>	<b>273,632</b>	<b>100.0%</b>

Income by Source



Expenditure by Programme



## RDA Performance Monitoring Framework

### Overview

In accordance with the 2007 Corporate Plan Guidance and RDA Sponsorship Framework, agreed between Regional Development Agencies (RDA) and the Department for Business, Enterprise and Regulatory Reform (BERR), the Agency now formally reports to BERR via the production of the Annual Performance Report. This report contains details of activities undertaken in support of the overarching growth objective and underpinning outcome-focused indicators, as set out within our 2008-11 Corporate Plan. This is shared with BERR (and other Government departments) as part of the Annual Report and Accounts to be laid before Parliament (contained at Annex A). To ensure we continue to monitor and improve performance throughout the year the Agency also produces quarterly performance reports for our Board which show progress against the Agency Corporate Plan and Business Plan and our Independent Performance Assessment (IPA) Improvement Plan.

### Agency Targets

Agency targets relate to Single Programme expenditure and are used to measure the performance of Agency-funded activities/projects. As per the 2008-11 Corporate Plan, the Agency is now using the following five Corporate Targets to allow us to measure and demonstrate the contribution we are making towards the overarching growth objective, the five regional outcome performance indicators and the RES objectives:

- Jobs Created/Safeguarded
- Employment Support
- Business Creation
- Business Support
- Skills

Definitions for the targets are based on previous Tasking Framework definitions.

During the year the Agency has continued to make progress towards the development and implementation of its Performance Framework approach to performance management. This approach seeks to use the concept of logic chains to link outputs to outcomes and impacts, and is in line with the requirements of the Sponsorship Framework.

### Reporting to Government

The Agency is now required to formally submit an Annual Performance Report as part of the Annual Report and Accounts to Ministers and BERR. This report is contained at Annex A.

The report provides information on the following key areas:

- Activities undertaken in support of the overarching growth objective, underpinning outcome-focused indicators and Regional Economic Strategy (RES) objectives
- Progress against Corporate Objectives
- How the cross-cutting principles (Sustainable Development & Economic Opportunity for All) have been applied to our business and what effect their application has had on the way we have developed and delivered our corporate objectives in support of the regional growth objective
- Evaluation work completed over the previous year, presenting evidence-based impact information using appropriate quantitative and qualitative data

The Agency and BERR also hold twice yearly Strategic Review Meetings to review performance and identify current successes, challenges and risks in relation to the delivery of our Corporate Plan.

In line with the Government's policy on openness and accountability, the quarterly Board reports are placed on the Agency's website.

## Agency Corporate Targets 2008-09

The following table shows the Agency's achievements against its Corporate Targets in 2008-09:

### Agency Corporate Targets

	Target 2008-09	Actual 2008-09	% Achieved	Original Target for 2009-10	Revised Target for 2009-10
Jobs Created/Safeguarded (units)	17,315	17,549	101%	17,700	17,750
Employment Support (units)	6,825	7,359	108%	7,000	7,000
Business Creation (units)	3,844	3,913	102%	3,900	3,270
Business Support (units)	23,472	28,481	121%	24,000	26,590
Skills (units)	49,502	51,300	104%	50,900	69,580

### Overall Assessment of Performance

The above table shows that the Agency has successfully achieved all of its Corporate Targets in 2008-09 which is extremely encouraging given the current economic climate. These targets have been achieved by the Agency refocusing in the short-term to provide funding to both new and existing interventions to support businesses and individuals through the recession. These interventions have had a positive impact on the Jobs Created/Safeguarded, Employment Support, Business Support and Skills targets in particular. Despite the recession, the Agency has also been working hard to support start-up businesses and attract businesses to the region which has ensured that the Business Creation target has been met.

### Targets - 2009-10

The Agency and its partners are committed to delivering the best value for money possible in return for the resources allocated to it and continue to aim to deliver more for less. In light of the work undertaken on reprioritising funding during 2008-09, and the subsequent increase in the number and value of projects we will be undertaking to provide direct support to safeguard jobs, to enable businesses to survive and then thrive and to support individuals in up-skilling to find employment opportunities, we have increased our original 2009-10 targets for Job Created/Safeguarded, Business Support and Skills.

However the adverse economic conditions mean that we have marginally reduced the target for Business Creation. This has been reduced as a direct impact of the global economic downturn. Indications are that business creation will continue to be challenging for the foreseeable future so it would have been unrealistic to keep this target at a level which was deemed achievable within a prospering economy.

Further detail on the work we have done to review our Corporate Objectives and refocus our interventions in response to RDA budget reductions, the difficult economic circumstances and the evidence provided by the Independent Impact Evaluation is contained in the Annual Performance Report Annex A. The above figures are the mid-points of a range of target values for each output.

## One North East Directors Report 2008-2009

The Directors present their Annual Report and Accounts for the year ended 31 March 2009.

### Statutory Background

One North East, the Development Agency for the North East of England was established under the provisions of the Regional Development Agencies Act 1998. It came into existence on 14 December 1998, following Parliamentary approval of the Regional Development Agencies Act 1998 and the appointment of Board Members.

The Agency became fully operational on 1 April 1999 when it took over the regional activities of English Partnerships, the Rural Development Commission and the SRB Challenge Fund formerly administered by the Government Office for the North East and the Northern Development Company Limited under the provisions of the Regional Development Agencies Act 1998.

### Review of Principal Activities and Results for the Year

The results for the year ended 31 March 2009 are set out in the Financial Statements on pages 116 to 144.

The Agency's income receivable from grants, disposals of assets, rents and other sources totalled £264 million. After taking account of disposals, the Agency's income was applied to its activities in paying grants and on property development.

During the year reserves decreased to £157 million, comprising a decrease from disposals of stocks of land and buildings held for development (development asset stock) amounting to £22m, a decrease due to an amount written off in relation to development assets of £34m, a decrease in cash at bank and in hand of £12m, a decrease due to a reduction in investments in joint ventures of £16m, partly offset by an addition to stocks of land and buildings held for development (development asset stock) amounting to £13m, an increase in long term loans of £21m, an increase in debtors of £5m, a decrease in amounts falling due within one year (creditors) £15m and a decrease in provisions for liabilities and charges of £5m.

The Agency has maintained its track record of strong financial performance during 2008-09 financial year. It has maximised the use of programme resources and will request only a minimal amount of end of year flexibility, in terms of resources carried forward into 2009-10 financial year. Full commentary on the financial results of the Agency is given within the Agency Financial Summary on pages 91 to 92.

### Significant Changes in Fixed Assets

The Agency formed Onedin General Partner Limited, a limited partnership with Langtree North East Limited. Assets valued at £21.7 million at 30th March 2009 were transferred on 31st March 2009 to Onedin General Partner Limited in exchange for loan notes valued at £23.8 million.

### Post Balance Sheet Events

- Under the machinery of government changes announced by the Government on 8 June 2009, responsibility for the sponsorship of the Agency was transferred from the Department for Business, Enterprise and Regulatory Reform (BERR) to the Department for Business, Innovation and Skills (BIS).
- On 1 April 2009, the Agency became a one third member of Newcastle Science Company Limited (a company limited by guarantee). This company will be the delivery vehicle for the Newcastle Science City Project.

### Statement of the Agency's and Chief Executive's Responsibilities

Under Section 14 of the Regional Development Agencies Act 1998 the Group is required to prepare a statement of accounts 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.

The Accounts have been prepared in the form directed by the Secretary of State for BERR.

The Accounting Officer has carried out his responsibilities to ensure that:

- so far as he is aware, there is no relevant audit information (as defined) of which the Agency auditors are unaware;
- he has taken all steps he ought to ensure that he is aware of any relevant audit information; and
- he has taken all steps he ought to establish that the entity's auditors are aware of the information.



In preparing the accounts the Agency is required to:

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements.
- Prepare the accounts on a going concern basis, unless it is inappropriate to presume that One North East will continue in operation.

The Accounting Officer for BERR has designated the Chief Executive as the Accounting Officer for One North East. His responsibilities as Accounting Officer include responsibility for ensuring propriety, and regularity and value for money of the public finances and for the keeping of proper records and advising and informing the Board of financial considerations, controlling and monitoring expenditure and income and ensuring effective systems are maintained for internal management, financial control, and internal audit. The Agency and the Chief Executive are also 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. These requirements are set out in the "Non-Departmental Public Bodies' Accounting Officers' Memorandum" issued by the Treasury and published in Government Accounting.

#### Board Membership

One North East held six Board meetings during the course of the year.

The Agency has fifteen Board Members who are appointed by the Secretary of State and they are representatives from Local Authorities, Trade Unions, the voluntary sector and the private sector.

Board Members during the year were as follows:

Ian Brown	Paul Callaghan	Margaret Fay OBE (Chairman)
Cllr Peter Jackson	Cllr John Shipley OBE	Cllr Bob Symonds
Alison Thain OBE	Christopher Thompson (Deputy Chairman)	Ruth Thompson OBE
Kate Welch OBE	Cllr Alex Cunningham	Ian Dormer
Gill Hale	Graham Thrower	Professor Christopher Higgins

Board representation on Audit Committee and Remuneration Committee was as follows:

#### Audit Committee

Paul Callaghan, Chairman  
Cllr John Shipley OBE  
Alison Thain OBE  
Kate Welch OBE  
Ruth Thompson OBE  
Graham Thrower

#### Remuneration Committee

Margaret Fay OBE, Chairman  
Christopher Thompson  
Paul Callaghan

One North East maintains a Register of Board Members' Interests, which is available for inspection on request by contacting the Agency's Head of Legal Services and Procurement. Members declare their interests to the Board in any transactions involving the relevant organisations and do not participate in any discussions or vote on any related matters. Related party transactions of Board Members and senior members of staff are detailed further in note 32.

During the course of the year, the Board Members have been involved in a range of Agency activity and as well as attending full Board meetings, the members are involved in a number of committees focusing on specific issues. All Board members receive an appropriate induction into their roles and regular training and self-assessment exercises are carried out.

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

#### Audit Committee

The Board is independently advised by an Audit Committee whose role is to provide the Board with advice and information and to undertake a governance and supervisory role as required in accordance with Corporate Governance Best Practice. The Audit Committee produce an annual report for the Board which informs them of the adequacy of the Agency's systems of control and governance and highlight any issues of concern.

The Terms of Reference of the Audit Committee, including its role and the authority delegated to it by the Board, has been made available to the public on the Agency's website.

The Audit Committee met five times during 2008-09 to receive assurance on the Agency's systems of corporate governance, risk management and internal control. The Committee also received regular reports from KPMG as independent Internal Auditors. The range of Audit Committee activity carried out during 2008-09 has provided positive assurance about the Agency's governance and control environment and has supported the Accounting Officer in signing a satisfactory Statement of Internal Control for the year.

The Committee was active in managing the governance agenda by requiring updates of Agency policies to ensure they remained at the leading edge of best practice, including Risk Management arrangements, Financial Regulations, the Scheme of Delegations and Whistle-blowing and anti-fraud arrangements.

#### Remuneration Committee

The work of the Remuneration Committee is detailed in the remuneration report contained in pages 101 to 109 of this report.

#### Movements of Chair, Chief Executive and Executive Management Team

There were no changes to the Chair or Chief Executive during the year. Malcolm Page was appointed as Deputy Chief Executive which was a newly created role on 1 October 2008.

As a result of the retirement of Ed Rowley as Director of Regeneration on 9 January 2009, David Cramond was appointed as Director of Capital Development on 5 January 2009.

Following the resignation of Pat Ritchie as Assistant Chief Executive (Strategy) on 30 November 2008, Alan Welby was appointed as Director of Strategy on 1 February 2009.

#### Prompt Payment Policy

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

The Agency aims to comply with the HM Treasury target by paying at least 95% of all undisputed invoices within 30 days. In the year ended 31 March 2009 the Agency paid 99.7% of invoices within 30 days of their receipt (2008: 98.2%).

The Agency aims to comply with the Government's announcement in October 2008 to pay our suppliers within 10 days to support the region in the current economic climate. One North East subscribes to the "Prompt Payment Code" to reflect our continuing commitment to this payment code. Formal reporting on payment times commenced in March 2009 for the quarter 1 January 2009 to 31 March 2009. In the period 1 January 2009 to 31st March 2009 the Agency paid 95.51% of invoices within 10 days of their receipt.

#### Work Undertaken from the One NorthEast Strategic Research Budget

The Strategic Research Budget 2008-2009 has been utilised to support the development of the evidence base underpinning the development of the single integrated Regional Strategy and evaluations of key programme areas within One North East.

Key activities have included the following:

Futures work for the single integrated Regional Strategy commenced with initial scoping of the Futures process.

Work has continued on the development of the North East Economic Model by Durham Business School. This project is managed on a day-to-day basis by the One North East with support from North East Regional Information Partnership (NERIP).

The following Programme-level evaluation reports have been published which contributed to the Agency's response to the BERR RDA Impact Evaluation report - 'One North East Economic Inclusion Programme Evaluation Report' and 'An evaluation of the One North East Innovation, Industry and Science Programme: Strategy for Success'. Contributions have also been made to the bi annual 'Cross RDA Survey of Business Trends' published in June and December 2008.

#### Freedom of Information

As part of open government the Agency fully complies with the Publication Scheme through use of its website.

The Information section of the Legal Services and Procurement Team works with colleagues across the Agency to ensure that we meet the legal obligations we have in relation to the Freedom of Information Act 2000. The Agency has received 106 (2008 - 72) requests for information during the year and has a 100% (2008 - 100%) compliance rate in relation to responding fully to requestors within the statutory 20 working day time limit.

### Agency Accommodation

One North East has offices at Newburn and Stockton on Tees. The value of the offices owned at Newburn was £8,270,000 at 31 March 2009. The annual operating cost of the buildings at Newburn and Stockton on Tees in 2008-09 were £1,254,272 and £239,039 respectively.

### Employment, Health & Safety and Environment policies

#### Disability Equality and One NorthEast employees

One North East has drafted a Single Equalities Scheme bringing together existing equality schemes and action plans into one cohesive plan to ensure we meet the three mandatory duties of Race, Disability and Gender. Also in line with the new Single Equality Duty on public bodies the scheme has been extended to cover age; gender reassignment; marriage and civil partnership; pregnancy and maternity; religion or belief; sex; and sexual orientation. It also includes the Human Rights Act in relation to One North East.

One North East has been awarded a Silver Standard in the Opportunity Now Benchmarking exercise (The Opportunity Now Benchmarking Survey is the UK's most extensive survey of gender equality diversity and inclusion in the workplace).

One North East has joined Stonewall's Diversity Champions programme. Stonewall's Diversity Champions programme is Britain's good practice forum in which employers can work with Stonewall, and each other, to promote lesbian, gay and bisexual equality in the workplace.

#### Health and Safety

The Agency has in place health and safety policies and procedures that set out how we fulfil our health and safety responsibilities. These apply to all staff, visitors, contractors and anyone else that may be affected by our activities, including our offices, commercial and industrial properties and projects.

Our internal Health and Safety Committee meets regularly to receive reports on health and safety matters and to agree future action. The Committee is chaired by the Director of Business and Industry. The Head of HR and Facilities reports to the Corporate Resources Committee on a bi monthly basis.

#### Sustainable Development Duty

The Agency has its project level sustainability appraisal system embedded within the Business Process. This has assisted in improving the quality of projects, and the plans to move towards Programme not Project appraisal. To ensure a consistent message the Agency has produced a DVD demonstrating the relevance of Sustainable Development to its activities. The Agency has also ensured that ERDF Sustainable Development requirements are fully embedded, ensuring that it has a robust Business Process that meets all requirements of both ERDF and Single Programme. Development of the ERDF Operational Programme was supported by a Strategic Environmental Assessment and an Equality Impact Assessment Screening report, and guidance for this programme will cover environmental sustainability along with equality and diversity. The initial approach towards developing a single integrated Regional Strategy has also ensured that sustainable development has been considered at inception.

Externally One North East continues to contribute towards national policy on such issues as energy and climate change, along with modelling work regarding environmental impact assessment. One North East continues to work with the regional Champion Body for sustainable development (Sustaine).

The North East Climate Change Partnership has been established with a broad membership covering many key sectors. The Agency has provided funding support for work investigating how the region can adapt to climate change and pinpoint potential risks and opportunities for businesses through the following activities. Through this partnership the Agency contributed to the ground break North East Climate Change Adaptation Study. The partnership is now researching the economic impacts of climate change - again ground breaking research at the regional level.

One North East is integrating resource efficiency into business support programmes through programmes of activity.

The Agency continues to use recycled paper and promotes local procurement wherever possible. Within the offices we continue to recycle paper, brochures, newspaper, cardboard, cans, glass and print cartridges.

## Employee Information and Consultation

During the year, the Agency has continued with its restructuring activities. These are now broadly complete with the exception of some final actions in Communications, Tourism and Capital Development. Some further minor adjustments to the structure should be expected during 2009-10.

Relations with PCS Trade Union Representatives have continued to be positive and productive throughout the year.

The benefits from our investment in timely restructuring and the introduction of a flexible pay and grading system over the last 18 months have put us in a strong position to respond to the difficult economic climate and will enable us to respond to uncertainties in the political landscape. Innovative solutions to recruitment and the introduction of workforce planning processes will allow us to flex our staffing support as required.

The Agency continues to develop and improve internal communications channels to engage with its staff.

Information has continued to be provided internally to staff through a number of channels:

- OneZone – the One North East corporate intranet provides an accessible, one-stop shop for all Agency information and acts as a communications tool to share corporate messages and policy.
- Staff Briefing's – Alan Clarke and the Director's Team host sessions to update staff on Directorate and Agency priorities.
- TGI Friday – Informal weekly newsletter informing staff of up and coming events both internally and externally.
- The Agency - a weekly ebulletin to update staff on the key decisions, discussion and outputs taken by the Directors' Team.
- Employee Survey – a regular employee wide survey is conducted, 86% of employees responded to the November 2006 survey, with 75% of respondents stating they were satisfied or very satisfied working at One NorthEast. The next survey is planned for October 2009.
- The Essential Guide to..... – Informal information sessions for all staff with updates on key Agency activities and priorities.
- Team Briefing's 'Spreading the Word' – monthly cascade packs are distributed to all heads of team to ensure consistency and timeliness of key messages these are delivered to teams by their manager on a regular basis. Also providing a forum for teams to share information and updates about the Agency.
- Director's lunch sessions - informal sessions where staff can meet and share views with Directors.
- Touch Base - a new question and answer channel introduced in 2009 that allow staff to put their questions to Directors.

## Financial Memorandum

The Secretary of State issued to One North East a Financial Memorandum on its formation setting out the financial framework under which the Agency should operate. The Memorandum was updated by the RDA Accountability Framework in October 2008 and the Agency has complied, in all material respects, with the Memorandum during the course of the 2008-2009 financial year.

## Audit Services

The external auditor of One North East is the Comptroller and Auditor General (C&AG) who acts as the principal auditor of the group. He is appointed to undertake the audit of the financial statements by statute. The total amount due to the National Audit Office (NAO), the body that undertakes the audit on behalf of the C&AG, for 2008-09 was £72,950 (2007-08: £66,000). Of this sum £67,250 related to external audit work undertaken by NAO and £5,700 related to work carried out in connection to the conversion to International Financial Reporting Standards (IFRS).

## Risk Management

Risk management includes identifying, assessing and judging risks, taking actions to mitigate them, and monitoring and reviewing progress. To ensure that the Agency is developing a culture and a set of behaviours which are conducive to the demands of risk management, a Risk Management Strategy, which is published on the Agency's website and widely communicated throughout the Agency, is in place and is updated annually. The Agency has ensured that high quality risk management is at the core of our decision making at all levels.

## Pension costs

The treatment of pension liabilities and the relevant pension scheme details are set out in the accounting policies note on page 120, in the Salaries and Wages note to the Financial Statements (note 8) and in the Remuneration Report on pages 101 to 109.

## Political and charitable donations

No political or charitable donations were made during the year.

#### International Financial Reporting Standards

In accordance with current Treasury Guidance to public sector bodies, the Agency has not adopted International Financial Reporting Standards for the preparation of these accounts.

The 2007 Budget announced that from 2008-09 the annual financial statements of government departments and other entities in the public sector will be prepared using International Financial Reporting Standards adapted as necessary for the public sector. This timetable has subsequently been updated in the 2008 budget, and now requires the adoption of IFRS for the 2009-10 financial statements. One North East is well placed to report under IFRS from 2009-10, at which time these 2008-09 Accounts will also be restated under IFRS.

#### Annual Review Meeting

The Annual Review Meeting before which this Annual Report and Accounts will be presented is to be held on 20 October 2009.

Approved by the Board on 9 July 2009

## One NorthEast Remuneration Report 2008-2009

### Introduction

This report for the year ended 31 March 2009 is produced by the Board on the recommendation of the Remuneration Committee and deals with the remuneration of the Chairman, Board Members, Chief Executive and Executive Management Team and the pension arrangements in place for all Agency employees.

### Remuneration of the Chairman and of Board Members

The remuneration of the Chairman and of Board Members is reviewed every year by BERR who set the remuneration levels in line with the recommendations of the Senior Salaries Review Board.

### Remuneration Committee

The Remuneration Committee has delegated authority from the Board of the Agency to make recommendations to BERR on the pay progression and performance related pay of the Chief Executive. The cost of living increase awarded to the Chief Executive is set according to a national scale approved by BERR. The Remuneration Committee also has delegated authority from the Board of the Agency to advise the Chief Executive in setting the remuneration of the Executive Management Team. Three members of the Board sit on the Remuneration Committee.

The Remuneration Committee met five times during the course of the year and was chaired by Margaret Fay. The other members of the Committee were Christopher Thompson and Paul Callaghan.

### Remuneration of the Chief Executive

Performance pay for the Chief Executive is determined by BERR on the recommendation of the Remuneration Committee. Recommendations are submitted to the Minister for approval alongside the Agency's annual pay remit. Performance is measured against weighted targets determined by the Remuneration Committee following consultation with the Regional Director of the Government Office. The amount of the performance award can be up to a maximum of 20% of salary. In 2008-2009 the weighted targets set related to managing and influencing the implementation of the Sub National Review, managing the Agency's national role, ensuring significant progress was made on the delivery of key transformational programmes and projects, the effective leadership and management of the Agency as a business, including Shape, and the delivery of financial and governance arrangements, ERDF and strengthening relationships with and support for business, particularly in light of the increasingly challenging economic context.

The Remuneration Committee makes recommendations on the remuneration of the Chief Executive within the scope of the national pay and grading scale applicable to RDAs, with due regard to measured performance and the need to retain and motivate the Chief Executive.

### Remuneration of the Executive Management Team

Performance pay of the senior management team 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 and the amount of the performance award can be up to 5% of annual salary as determined in accordance with the performance pay arrangements of the Agency.

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

- The need to recruit, maintain 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 inflation target.

### Service contracts

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

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

There are no provisions in place for Board Members' early termination of appointment.

The Chief Executive Alan Clarke and all other members of the Executive Management team are employed under permanent full time employment contracts.

Early termination of employment for the Chief Executive and Executive Management team, 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.

## Audited part of the Remuneration Report

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

Emoluments of Board members	Salary £	Pension Contribution £	Taxable Benefit £	2009 Total £	2008 Total £
Margaret Fay OBE (Chair) (Appointed from 14/12/2006 to 13/12/2009) (three year appointment)	80,510	20,530	-	101,040	100,712
Alison Thain OBE (reappointed 14/12/07) (three year appointment)	8,538	-	-	8,538	8,371
Christopher Thompson (reappointed 14/12/07) (three year appointment) (Deputy Chair from 11/09/06 )	17,076	-	-	17,076	16,742
Cllr Bob Symonds (reappointed 14/12/07) (three year appointment)	8,538	-	-	8,538	8,371
Ian Brown (reappointed 14/12/08) (three year appointment)	8,538	-	-	8,538	8,371
Cllr John Shipley OBE (reappointed 14/12/08) (three year appointment)	8,538	-	-	8,538	8,371
Kate Welch OBE (reappointed 13/03/09) (two year 9 month appointment)	8,538	-	-	8,538	8,371
Paul Callaghan (appointed 14/12/2006 to 13/12/2009) (three year appointment)	8,538	-	-	8,538	8,371
Ruth Thompson OBE (appointed 14/12/06 to 13/12/2009) (three year appointment)	8,538	-	-	8,538	8,371
Cllr Peter Jackson (appointed 05/03/07 to 04/03/2010) (three year appointment)	8,538	-	-	8,538	8,371
Cllr Alex Cunningham (appointed 14/12/07 to 13/12/2010) (three year appointment)	8,538	-	-	8,538	2,478
Ian Dormer (appointed 14/12/07 to 13/12/2010) (three year appointment)	8,538	-	-	8,538	2,478
Gill Hale (appointed 14/12/07 to 13/12/2010) (three year appointment)	8,538	-	-	8,538	2,478
Prof Christopher Higgins (appointed 14/12/07 to 13/12/2010) (three year appointment)	8,538	-	-	8,538	2,478
Graham Thrower (appointed 14/12/07 to 13/12/2010) (three year appointment)	8,538	-	-	8,538	2,478

## Emoluments of Chief Executive and Executive Management Team

	Salary £	Performance Related Salary £	Other Benefits £	Pension Contributions £	2008-2009 Total £	2007-2008 Total £
Alan Clarke (Chief Executive)	139,144	23,703	4,569	29,988	197,404	189,774
Malcolm Page (Deputy Chief Executive)	116,366	7,828	4,000	29,509	157,703	145,837
Stacy Hall (Director of Communications and Tourism)	95,167	-	4,000	24,267	123,434	123,440
David Cramond (appointed 5/1/09) (Director of Capital Development)	23,843	-	973	6,080	30,896	-
Pat Ritchie (resigned 30/11/08) (Assistant Chief Executive, Director of Strategy & Development)	79,666	7,826	2,194	20,193	109,879	143,953
Alan Welby (appointed 1/2/09) (Director of Strategy)	15,417	-	667	1,966	18,050	-
Ian Williams (Director of Business and Industry)	94,827	3,232	4,000	24,181	126,240	115,692
Ed Rowley (retired 9/1/09) (Director of Regeneration)	147,856	-	3,217	17,486	168,559	66,911

### Benefits in kind

An estimated taxable benefit for 2008-09 of £672 (2007-08 £195) has been calculated in relation to Board members which relates to mileage claims for meetings held at Stella House (which is classified as their permanent place of work).

The Chief Executive and members of the Executive Management Team are provided with lease cars by the Agency.

### Non Cash remuneration

No amounts of non cash remuneration were paid during the year to Board members, the Chief Executive or members of the Executive Management Team.

### Compensation paid, significant awards to former Executive Management Team members

No amounts of compensation or significant awards were paid during the year to former Executive Management Team members.

### Amounts payable to third party for Executive Team services

No amounts were paid to third parties during the year for Executive Management Team services.

### Payments made for loss of office

Payments during the year for loss of office were £49,295 (2008-09 £Nil).





## Pension benefits

### Pension benefits of Board Members

A pension scheme has been established for the Chairman with the approval of BERR. The contribution rates and benefits of this scheme, which is funded directly by the Agency, are identical to the Principal Civil Service Pension Scheme (PCSPS). 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 BERR. No other Board members are eligible for pension contributions, performance related pay or any other taxable benefit as a result of their employment with the Agency.

### Pension benefits of Chief Executive and Executive Management Team

The Chief Executive and members of the Executive Management Team are members of the PCSPS except for one member of the management team who is a member of the Home & Counties Agency Pension Scheme. Further details of the pension schemes are shown on page 105.

The pension entitlements of the Chief Executive and Senior Management Team are as follows:

Name of Officer	Pension Scheme	Accrued pension at age 60 as at 31 03 09 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 03 09 £000	CETV at 31 03 08 £000	Real increase in CETV as funded by employer £000
A Clarke	Premium	65 - 70	0 - 2.5	1,173	1,075	25
M Page	Classic	35 - 40 plus lump sum of 105 - 110	0 - 2.5 plus lump sum of 2.5 - 5.0	486	436	18
P Ritchie	Premium	35 - 40	0 - 2.5	564	515	24
S Hall	Premium	30 - 35	0 - 2.5	362	331	4
I Williams	Classic	25 - 30 plus lump sum of 85 - 90	0 - 2.5 plus lump sum of 5 - 7.5	389	336	29
E Rowley	Home & Counties Agency Pension Scheme	45 - 50 plus lump sum of 140 - 145	5 - 7.5 plus lump sum of 30 - 35	1,035	832	203
D Cramond	Nuvos	0 - 5	0 - 2.5	2	-	2
A Welby	Nuvos	0 - 5	0 - 2.5	3	-	2

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

### Cash Equivalent Transfer Values

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

The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. 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 drawn.

### Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

### Pension Arrangements

Permanent staff of the Agency are members of either the PCSPS, the Homes & Communities Agency Pension Scheme (formerly English Partnerships Scheme) or the North East Development Agency Retirement Benefits Scheme (NEDARBS). The PCSPS is a non-contributory defined benefit scheme, whilst the EPPS and the NEDARBS are contributory defined benefit schemes where members contribute 5% or 6% of pensionable salary.

#### Homes & Communities Agency Pension Scheme

The Homes & Communities Agency Pension Scheme (formerly English Partnerships Scheme) is a multi-employer defined benefit scheme but One NorthEast is unable to identify its share of underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007 and more details can be found in the separate scheme statement of the Homes & Communities Agency Pension Scheme. For 2008-09, normal employer contributions of £619,305 were payable to the Homes & Communities Agency Pension Scheme (2007-08: £109,931) at the rate of 23.8% of pensionable pay.

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

The PCSPS are unfunded multi-employer defined benefit schemes but One North East is unable to identify its share of underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the within Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2008-09, employers' contributions of £2,855,153 were payable to the PCSPS (2007-08: £2,864,737) at one of four rates in the range of 17.1 to 25.5% of pensionable pay, based on salary bands and will remain the same for the next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

From 30 July 2007, civil servants may be in one of four statutory based final salary defined benefit schemes (classic, premium, classic plus and nuvos). The scheme they are in is dependant on the date they joined One NorthEast. New entrants after 30 July 2007 may choose between membership of nuvos or joining a good quality money purchase stakeholder based arrangement with a significant employer contribution (partnership pension account).

##### (a) Classic Scheme

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

##### (b) Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on commuting the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

##### (c) Classic Plus Scheme

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 Pensions payable under classic, premium and classic plus are increased in line with Retail Prices Index.

##### (d) Nuvos

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

##### (e) Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum. For 2008-09, normal employer contributions of £10,782 were payable to the Partnership Pension Account (2007-08: £11,239).

North East Development Agency Retirement Benefits Scheme (NEDARBS)

Employees of One North East who were previously employees of the Northern Development Company Limited participate in the North East Development Agency Retirement Benefits Scheme. This is a defined benefit scheme financed through separate trustee-administered funds. The scheme has no active members.

The latest full actuarial review of the scheme considered the position as at 5 April 2006. This was updated by the actuary to 5 April 2009. The major assumptions used by the actuary were:

	At 05-04-09	At 05-04-08
Deferred pension revaluation	2.9%	3.4%
Rate of increase of pensions in payment	2.9%	3.4%
Discount rate	7.2%	6.4%
Inflation assumption	2.9%	3.4%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 05-04-09	Value at 05-04-09 (£000)	Long-term rate of return expected at 05-04-08	Value at 05-04-08 (£000)
Equities	7.0%	1,110	7.5%	1,365
Bonds	5.6%	1,134	5.4%	973
Other	0.5%	89	5.3%	220
Total market value of assets		2,333		2,558
Present value of scheme liabilities		(2,135)		(2,608)
Net pension surplus / (deficit)		198		(50)

Analysis of amount credited to other finance income

	2008-09 (£000)	2007-08 (£000)
Expected return on pension scheme assets	170	173
Interest on pension scheme liabilities	(167)	(154)
Net return	3	19

Analysis of amount recognised in the Statement of Recognised Gains and Losses

	2008-09 (£000)	2007-08 (£000)
Actual return less expected return on scheme assets	(492)	(205)
Experience gains and losses arising on scheme liabilities	(206)	(6)
Changes in assumptions underlying the present value of scheme liabilities	583	367
Actuarial (loss)/gain recognised in the SRGL	(115)	156

Movement in (deficit) during the year

	2008-09 (£000)	2007-08 (£000)
Opening (deficit)	(50)	(312)
Movement in year:		
Contributions	165	87
Other finance income	-	19
Actuarial (loss)/ gain	(115)	156
Closing (deficit)	-	(50)

On the basis of an actuarial valuation at 05 April 2003, the Agency agreed to increase the funding to the scheme to £6,302 per month, payable from April 2004 and increasing with inflation each year and for 10 years.

History of experience gains and losses

	2008-09	2007-08
Difference between expected and actual return on scheme assets:		
Amount (£000)	(492)	(205)
percentage of scheme assets	21%	8%
Experience gains and losses on scheme liabilities:		
Amount (£000)	(206)	(6)
percentage of scheme liabilities	10%	0%
Total amount recognised in statement of recognised gains and losses:		
Amount (£000)	(115)	156
percentage of scheme liabilities	5%	6%

One NorthEast by analogy scheme for Chairs with rules equivalent to those of PCSPS

The arrangement is a UK-based defined 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. The arrangement shadows the benefits provided under the premium scale of Civil Service Pension Scheme. The arrangement provides benefits to the present Chair and one former Chair of One North East. Contributions paid to date by the Agency and the respective Chairs not yet paid out in retirement benefits have been deducted from these calculations.

	At 05-04-09	At 05-04-08
Deferred pension revaluation	2.9%	3.4%
Rate of increase of pensions in payment	2.9%	3.4%
Discount rate	7.2%	6.4%
Inflation assumption	2.9%	3.4%

<u>Liability and funded status</u>	At 05-04-09 (£000)	At 05-04-08 (£000)
Value of liabilities	(165)	(167)
(Deficit)	<u>(165)</u>	<u>(167)</u>

#### Analysis of amount charged to operating deficit

	2008-09 (£000)	2007-08 (£000)
Current service cost	29	31
Total operating charge	<u>29</u>	<u>31</u>

#### Analysis of amount credited to other finance income

	2008-09 (£000)	2007-08 (£000)
Interest on pension scheme liabilities	(11)	(8)
Net return	<u>(11)</u>	<u>(8)</u>

#### Analysis of amount recognised in the Statement of Recognised Gains and Losses

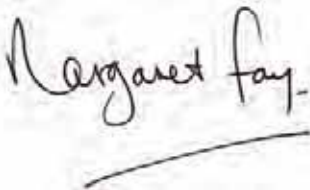
	2008-09 (£000)	2007-08 (£000)
Experience gains and losses arising on scheme liabilities	4	3
Changes in assumptions underlying the present value of scheme liabilities	35	17
Actuarial (loss) recognised in the SRGL	<u>39</u>	<u>20</u>

#### Movement in (deficit) during the year

	2008-09 (£000)	2007-08 (£000)
Opening (deficit)	(167)	(151)
Movement in year:		
Current service cost	(29)	(31)
Contributions	3	3
Other finance income	(11)	(8)
Actuarial (loss)/ gain	39	20
Closing (deficit)	<u>(165)</u>	<u>(167)</u>

History of experience gains and losses

	2008-09	2007-08
Experience gains and losses on scheme liabilities:		
Amount (£000)	4	3
percentage of scheme liabilities	2%	2%
Total amount recognised in Statement of recognised gains and losses:		
Amount (£000)	39	20
percentage of scheme liabilities	24%	12%
Reconciliation to overall FRS 17 disclosure comprises:	Value at	Value at
	05-04-09	05-04-08
	(£000)	(£000)
Closing pension (deficit):		
NEDARB Scheme	-	(50)
By analogy Scheme	(165)	(167)
	<u>(165)</u>	<u>(217)</u>
Actuarial (loss)/gain take to SRGL:		
NEDARB Scheme	(115)	156
By analogy Scheme	39	20
	<u>(76)</u>	<u>176</u>
Net return on pension scheme assets and liabilities:		
NEDARB Scheme	3	19
By analogy Scheme	(11)	(8)
	<u>(8)</u>	<u>11</u>



Margaret Fay OBE  
Chairman  
9 July 2009



Alan Clarke  
Chief Executive/Accounting Officer  
9 July 2009

## STATEMENT ON INTERNAL CONTROL 2008-09

### Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of Internal Control that supports the achievement of One North East's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

One North East ('the Agency') is a Regional Development Agency (RDA), classified as a non-departmental public body (NDPB) of the sponsoring Department for Business, Enterprise and Regulatory Reform (BERR). The Secretary of State is accountable to Parliament for the activities and performance of the Agency. Operational responsibility for monitoring the Agency's activities rests with BERR. One North East provides comprehensive quarterly reports on performance against targets to its Board and to BERR. The Agency has corporate responsibility for ensuring that it fulfils the aims and objectives set by the Secretary of State, and for promoting the efficient and effective use of resources by the organisation. The Agency is committed to the pursuit of economy, efficiency and effectiveness and has sought to adopt good practice and incorporate value for money principles in all of its activities. I, as designated Accounting Officer of the Agency, establish, in agreement with the sponsoring Department, the Agency's Corporate and Business Plans in the light of the Department's wider strategic aims and the Regional Economic Strategy (RES). I advise the Board on the Agency's performance compared with its aims and objectives and ensure that its governance responsibilities can be discharged in accordance with established criteria.

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

### The Purpose of the System of Internal Control

The Agency's 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 is based upon an ongoing and embedded process designed to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system has been in place in One North East for the year ended 31 March 2009 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

### Capacity to Manage Risk

The Audit Committee, on behalf of the Board, provides leadership of the risk management process. In an executive capacity, I have charged the Deputy Chief Executive with operational responsibility to maintain an effective risk management system. Our approach is to have a hierarchy of risk management and associated risk responsibility registers, which mirrors the hierarchy of objectives and management structure within the Agency. In this way, lower level risks inform the consideration of risks at the next level in a 'bottom up' approach. Those significant risks identified by the Directorate are then reported to and managed by the appropriate Director. The Directors' Team, Audit Committee and the Board are provided with regular updates as to the status of risks and the actions taken to manage them.

The Directors' have also identified a concise register of key Strategic Risks faced by the Agency, providing a high-level, overarching approach which identifies more-general risks to the achievement of the Agency's objectives. The Directors' Team and Board lead on the identification and consideration of these Strategic Risks and this provides assurance that the high-level, overarching risks faced by the Agency are identified, reported and effectively managed.

The Risk Management Strategy is subject to annual review and a revised strategy for 2008-09 was approved by the Board in April 2008. The Strategy reflects the fact that the management of risk forms an integral part of the Agency's performance management and business planning processes. It is designed to ensure that it is clear where ownership and accountability for risk lies. The Strategy closely follows the guidelines as set out in Dear Accounting Officer letters, and is in accordance with the HM Treasury Orange Book and Office of Government Commerce (OGC) guidance. In addition, the Agency has incorporated the key elements of the new British Standard on Risk Management (BS31100, effective October 2008), to ensure its arrangements continue to adhere to best practice. The Agency continues to refine and improve its processes still further, to ensure that the risk and internal control systems continue to be appropriate and are working effectively.

#### The Risk and Control Framework

One North East has a continuous process for identifying, assessing, evaluating and managing significant risks, which has been in place and operating for the period to which this statement relates.

At an operational level, risk registers and risk reduction measures for all teams across the Agency continue to be monitored and reported on a quarterly basis. Significant risks, those above the Agency's risk appetite, must be addressed as a matter of priority and are brought to senior management's attention until mitigating actions reduce the risk to an acceptable level.

In its project appraisal and compliance processes, the Agency undertakes significant risk analysis and assessments, which facilitates the identification of the key risks associated with the project that might prevent the achievement of objectives.

The role of the Strategic Support & Assurance team includes the identification and support of high risk projects and organisations, in addition to undertaking its more general governance and assurance related activities. This project support function is overseen by the High Risk Programme and Project Board, which meets quarterly and is chaired by the Deputy Chief Executive.

In general, the Agency adopted the Good Governance Standards for Public Services (2004) in March 2005, and continued adherence is reviewed and reported annually to the Audit Committee. The Agency has an independent Internal Auditor, KPMG, which operates in accordance with Government Internal Audit Standards and delivers a programme in accordance with a Joint Assurance Plan. This plan is prepared and delivered in conjunction with the Strategic Support & Assurance team and was approved by the Audit Committee before the financial year commenced.

The Agency has comprehensive policies and procedures in place covering financial, legal and human resource management, together with appropriate appraisal and approval procedures governing Agency operations and projects. Adherence to the Agency's policies and procedures is subject to ongoing review under the Joint Assurance Plan.



Information security and the importance of safeguarding information is high on the Internal Control agenda at One North East and is regularly assessed by Internal Audit, which undertook a broad and comprehensive review during the year and concluded that the arrangements were 'Satisfactory'. During the year, the Agency has further strengthened its arrangements in this area by confirming the Deputy Chief Executive as Senior Information Risk Officer in accordance with Cabinet Office guidelines, and establishing a senior management "Information Group", which has drawn up, an Information and Records Action Plan encompassing all aspects of electronic information, physical access and security and records. The Information Group has taken responsibility for its continued delivery. As in previous years, all employees must adhere to an ICT Security Policy, which ensures the continued delivery of appropriate standards of collection, use, control and access to the organisation's information. The Agency recognises that further requirements may emerge during 2009-10, and has planned for further work to be completed under the guidance of the Information Group to ensure that the Agency continues to have strong information governance arrangements in place. The Agency also continues to work towards compliance with an internationally recognised standard in information security (ISO27001), a standard which is not specifically required of RDAs, but which the Agency considers represents good practice.

The Agency learns from best practice in relation to governance arrangements through close working with its external and internal auditors, and links to the RDA Internal Audit Network. The Agency has also established close links with other public sector bodies and relevant forums in order to share experiences and knowledge.

In relation to Single Programme Funding, BERR's Guidance for RDAs in Appraisal, Delivery and Evaluation (GRADE) has been in place throughout the year. The Agency has ensured continuing GRADE compliance of its own Project Handling Framework which has been validated through Internal Audit reviews. During the year BERR has also conducted its own objective review of compliance, which was found to be highly satisfactory.

The Agency also has responsibility for several external funding streams. Communities for Local Government (CLG) conducted a management and control review of the Agency's European Regional Development Fund (ERDF) arrangements on behalf of the European Commission, which concluded positively. An Internal Audit review of Rural Development Programme for England (RDPE) management arrangements was also undertaken, which also concluded positively.

#### Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of Internal Control. My review is informed by the work of the Strategic Support & Assurance team, Internal Audit, Directors, and Heads of Teams within the organisation, who have responsibility for the development, maintenance and operation of the Internal Control framework, and comments made by the external auditors 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 Board and the Audit Committee, and plans are in place to ensure continuous improvement of the system.

The Agency's Board has corporate responsibility for ensuring that the Agency fulfils the aims and objectives set by the Secretary of State, and for promoting the efficient and effective use of staff and other resources by the Agency. 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 meets regularly to consider the Agency's plans and strategic direction, in which it is supported by a number of specific Standing Committees.

The Board delegates the detailed review of assurance on the Agency's systems of Corporate Governance, Risk Management and Internal Control to the Audit Committee, which has met regularly during the year. The Terms of Reference of the Audit Committee, including its role and the authority delegated to it by the Board, have been made available to the public on the Agency's website. A more detailed explanation of the role of the Audit Committee can be found on pages 96 to 97 of the Agency's Annual Report and Accounts, within the Directors' Report Section.

The Agency is clear that responsibility for managing risk lies with the Board, Directors and staff of One North East. However, Internal Audit also plays a crucial role in the risk management process by:

- Focusing audit activity on the key business risks.
- Being available to act as facilitators by guiding managers and staff through the risk management process.
- Auditing the risk management process and its application.

Internal Audit submits regular reports on the adequacy and effectiveness of the Agency's systems of internal control and the management of key business risks together with recommendations for improvement. Throughout the year recommendations have been accepted by management and have been implemented or progressed in accordance with agreed timetables.

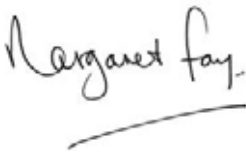
The status of Internal Audit recommendations, and the collection of evidence to verify their implementation, is regularly reviewed by the Strategic Support & Assurance team in line with follow-up protocol, the outcomes of which are regularly reported to the Audit Committee.

For its 2008-09 operational plan, Internal Audit categorised its audits in terms of key Agency business risk areas and core operational systems. Following completion of the planned work for 2008-09, 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:

"Based on the reviews undertaken during 2008-09, in my opinion One North East has adequate and effective risk management, control and governance processes to manage the achievement of its objectives."

On the basis of the information provided above, I, as Accounting Officer, conclude that the Agency has had a satisfactory system of Internal Control in operation for the financial year 2008-09.

Approved by the Board on 9 July 2009



Margaret Fay OBE  
Chairman



Alan Clarke  
Chief Executive / Accounting Officer

## One North East

### The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and One NorthEast

I certify that I have audited the financial statements of One North East Regional Development Agency for the year ended 31 March 2009 under the Regional Development Agencies Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Recognised Gains and Losses 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 being audited.

Respective responsibilities of the Agency, Chief Executive Accounting Officer and auditor  
The Agency and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Regional Development Agencies Act 1998 and directions made thereunder by the Secretary of State and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Agency's and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Regional Development Agencies Act 1998 and directions made thereunder by the Secretary of State. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Management Commentary, the Directors' Report, and the Annual Performance Report included in the Annual Report is consistent with the financial statements. I also report whether 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.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises Chairman's Foreword, the Chief Executive's Annual Report Review, the One North East Board and the unaudited parts of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

#### Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Audit Opinions

In my opinion:

- The financial statements give a true and fair view, in accordance with the Regional Development Agencies Act 1998 and directions made thereunder by the Secretary of State, of the state of the Agency's affairs as at 31 March 2009 and of its net expenditure, recognised gains and losses and cashflows for the year then ended;
- The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Regional Development Agencies Act 1998 and directions made thereunder by the Secretary of State; and
- Information which comprises the Management Commentary, the Directors' Report and the Annual Performance Report, included within the Annual Report is consistent with the financial statements.

## 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.

## Report

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London

14 July 2009

Group Income and Expenditure Account  
for the Year Ended 31 March 2009

	NOTE	Year Ended 31 March 2009 £000	Year Ended 31 March 2008 £000
<b>INCOME</b>			
European Funding	3	7,611	8,351
Other Government Grants	4	1,838	326
Proceeds from Disposal of Development Assets		490	7,838
Proceeds from Disposal of Investment Assets		20	-
Investment Income from Loan Investments		1,051	1,124
Rents and Maintenance Charges		1,323	1,494
Income from North East Property Partnership		325	481
Other Income		5,475	7,261
<b>Total income</b>		<b>18,133</b>	<b>26,875</b>
<b>E PENDITURE</b>			
Book Value of Development Assets Sold	18	309	4,155
Book Value of Investment Assets Sold	14	116	-
Book Value of Operational Assets Sold	13	2	-
Book Value of Investment Assets Written Off	14	219	126
Book Value of Development Assets Written Off	18	27,263	677
Other Provisions		(3,982)	(565)
Amounts Provided Against Fixed Asset Investments in Relation to Subsidiaries		2,260	1,288
Release of Provision Against Fixed Asset Investments		(6)	(28)
Bad Debts Written Off and Movements in Provision for Bad and Doubtful Debts		(18)	129
Operating Costs in Relation to Subsidiaries		1,237	1,619
Salaries and Wages	8	21,585	21,618
Other Administrative Costs	9	8,985	7,407
Programme Expenditure	2	218,709	233,392
Northern Way Grant Expenditure	5	667	17,205
Northern Way Direct Expenditure	5	-	17,207
<b>Total Expenditure</b>		<b>277,346</b>	<b>304,230</b>
Net Expenditure on Continuing Operations		(259,213)	(277,355)
Interest Receivable and Other Finance Income	6	7,412	7,951
Interest Payable and Similar Charges in Relation to Subsidiaries	7	(343)	(393)
Notional Cost of Capital	10	(6,054)	(6,474)
<b>Net Expenditure on Ordinary Activities</b>		<b>(258,198)</b>	<b>(276,271)</b>
Taxation	11	2,224	(2,493)
<b>Net Expenditure after Tax</b>		<b>(255,974)</b>	<b>(278,764)</b>
Other Operating Recharges	1.17	2,453	1,167
Reversal of Notional Cost of Capital		6,054	6,474
<b>Net Expenditure Taken to Reserves</b>	<b>25</b>	<b>(247,467)</b>	<b>(271,123)</b>

Net expenditure is financed by Grant In Aid as explained in accounting policy note 1.12 on page 122.  
The notes on pages 120 to 144 form part of these accounts. All activities are from continuing operations.

Group Statement of Recognised Gains and Losses  
for the Year Ended 31 March 2009

	NOTE	Year Ended 31 March 2009 £000	Year Ended 31 March 2008 £000
Revaluation not Released to Income and Expenditure Account		(4,908)	(32)
Corporation Tax Offset Against Revaluation Reserve		1,674	30
(Deficit)/surplus in Relation to Share in Joint Ventures	16	(1,194)	337
Actuarial (loss)/gain on FRS 17 Pension Scheme [as per Remuneration Report]		(76)	176
Gains and Losses Recognised for the Year		<u>(4,504)</u>	<u>511</u>

Group Cash Flow Statement  
for the Year Ended 31 March 2009

	NOTE	2008-09 £000	2008-09 £000	2007-08 £000
<b>OPERATING ACTIVITIES</b>				
Net Cash Outflow from Operating Activities	26	(274,104)		(277,771)
Dividends from Joint Ventures and Associates				
Dividends Received from Joint Ventures		325		481
Returns on Investments and Servicing of Finance				
Interest Received	6	7,412		7,951
Interest Paid and Similar Charges	7	(343)		(393)
Investment Income on Loan Investments		1,051		1,124
Taxation:				
Corporation Tax Charge	11	2,224		(2,493)
Corporation Tax Offset Against Revaluation Reserve		<u>1,674</u>		<u>30</u>
			(261,761)	(271,071)
<b>Capital Expenditure and Financial Investment</b>				
Purchase of Fixed Operating Assets		(236)		(503)
Purchase of Investments in Relation to Subsidiaries	15	(7,640)		(4,040)
Repayments of Investments in Relation to Subsidiaries	15	4,688		3,661
Investments in Relation to Subsidiaries Written Off	15	2,058		1,506
Receipt on Repayment of Loans	17	2,503		10,966
Proceeds from Disposal of Investment Assets		20		-
Cash Inflow from Capital Expenditure and Financial Investment			1,393	11,590
<b>Financing</b>				
Grant in Aid Received	25	241,000		267,000
Subsidiary Activities		2,415		627
Bank Loans		<u>3,547</u>		<u>(3,857)</u>
			246,962	263,770
(Decrease) Increase in Cash in the Year	27		<u>(13,406)</u>	<u>4,289</u>

Group Balance Sheet  
as at 31 March 2009

	NOTE	31 March 2009 £000	31 March 2008 £000
<b>FIXED ASSETS</b>			
Intangible Assets	12	149	259
Tangible Operating Assets	13	9,067	10,005
Investment Properties	14	392	928
Investments	15	8,410	7,738
Investments in Joint Ventures:			
Share of Gross Assets	16	70,011	86,760
Share of Gross Liabilities	16	(68,975)	(69,793)
Long Term Loans	17	130,375	109,032
		<u>149,429</u>	<u>144,929</u>
<b>CURRENT ASSETS</b>			
Stock of Development Properties	18	44,181	86,775
Debtors	19	31,552	25,109
Cash at Bank and in Hand	27	29,017	42,423
		<u>104,750</u>	<u>154,307</u>
<b>CREDITORS</b>			
Amounts Falling Due Within One Year	20	69,236	85,777
		<u>35,514</u>	<u>68,530</u>
<b>NET CURRENT ASSETS</b>			
<b>CREDITORS</b>			
Amounts Falling Due After More Than One Year	20	18,737	17,082
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
	22	5,589	10,694
		<u>160,617</u>	<u>185,683</u>
<b>TOTAL ASSETS LESS LIABILITIES EXCLUDING PENSION LIABILITIES</b>			
FRS17 PENSION LIABILITY (See Remuneration Report)		165	217
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<u>160,452</u>	<u>185,466</u>
<b>RESERVES</b>			
General Reserve	23	7,238	20,147
Revaluation Reserve	24	8,670	16,986
Grant in Aid reserve	25	144,544	148,333
		<u>160,452</u>	<u>185,466</u>

Approved by the Board on 9 July 2009



Margaret Fay  
Chairman



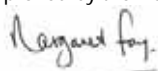
Alan Clarke  
Chief Executive/Accounting Officer

The notes on pages 120 to 144 form part of these accounts

Agency Balance Sheet  
as at 31 March 2009

	NOTE	31 March 2009 £000	31 March 2008 £000
<b>FIXED ASSETS</b>			
Intangible Assets	12	149	259
Tangible Operating Assets	13	9,055	9,980
Investment Properties	14	392	928
Investments in Subsidiaries	16	137	(516)
Investments in Joint Ventures	16	1,036	16,967
Long Term Loans	17	130,375	109,032
		<u>141,144</u>	<u>136,650</u>
<b>CURRENT ASSETS</b>			
Stock of Development Properties	18	44,181	86,775
Debtors	19	27,038	22,514
Cash at Bank and in Hand	27	18,524	30,798
		<u>89,743</u>	<u>140,087</u>
<b>CREDITORS</b>			
Amounts Falling Due Within One Year	20	67,694	83,357
<b>NET CURRENT ASSETS</b>		<u>22,049</u>	<u>56,730</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
	22	5,589	10,694
<b>TOTAL ASSETS LESS TOTAL LIABILITIES EXCLUDING PENSION LIABILITY</b>		<u>157,604</u>	<u>182,686</u>
<b>FRS17 PENSION LIABILITY (See Remuneration Report)</b>		165	217
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<u>157,439</u>	<u>182,469</u>
<b>RESERVES</b>			
General Reserve	23	4,225	17,150
Revaluation Reserve	24	8,670	16,986
Grant in Aid Reserve	25	144,544	148,333
		<u>157,439</u>	<u>182,469</u>

Approved by the Board on 9 July 2009



Margaret Fay  
Chairman



Alan Clarke  
Chief Executive/Accounting Officer

The notes on pages 120 to 144 form part of these accounts



## Notes to The Financial Statements for The Year Ended 31 March 2009

### 1. Accounting Policies

#### 1.1 Basis of Accounting

The financial statements of One North East have been prepared in a form directed by the Secretary of State for the Department of Business, Enterprise and Regulatory Reform, with the consent of H M Treasury, in accordance with the Regional Development Agencies Act 1998. The financial statements have been prepared using the historical cost convention as modified by revaluations of investment properties and stock and in accordance with applicable Accounting Standards and without limiting the information given, meet the accounting and disclosure requirements in accordance with the Accounts Direction and Treasury Guidance.

The Agency was issued with a new Accounts Direction on 26 March 2008 which was effective for the 2007-08 financial year and subsequent years.

A summary of the main accounting policies, which have been applied consistently, is as follows.

#### 1.2 Basis of Consolidation

No separate income and expenditure account is presented for the Agency as provided by Section 230 of the Companies Act 1985.

The consolidated accounts incorporate the accounts of the Agency and its subsidiary undertakings North East Regional Investment Fund Three Limited, The North East Regional Investment Fund Partner Limited, Enterprise Development North East Limited and DOTT07/Designs of the Time Ltd. On 3 March 2008, North East England Trading Limited was incorporated. The company (limited by shares) is a wholly owned subsidiary of the Enterprise Development North East Limited.

Joint ventures relating to Sunderland ARC Ltd, Tees Valley Regeneration Ltd, NEL Fund Management Group Limited, the North East Regional Aggregation Board LLP (ADIT), the North East Property Partnership, Hadrian's Wall Heritage Limited, 1NG Ltd and Onedin General Partner Limited have been accounted for on a gross equity accounting basis.

#### 1.3 Pensions

Employees and ex-employees of One North East are predominantly members of the following defined benefit schemes: The Homes & Communities Agency Pension Scheme (formerly English Partnerships Scheme), Principal Civil Service Pension Scheme and the North East Development Agency Retirement Scheme (NEDARBS).

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

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

The "By Analogy" scheme is for Chair's past and present 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.

These schemes are subject to regular valuations by independent, professionally qualified actuaries. These determine the level of contributions required to fund future benefits. Following the full adoption of FRS 17, the current service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service is charged or credited through the Income and Expenditure account in the year.

#### By Analogy scheme and NEDARBS

A credit, representing the expected return on assets in the fund during the year is included in other finance income. This is based on the market value of the assets at the start of the financial year.

A charge, within other finance charges, representing the expected increase in the liabilities of the scheme during the year is included within net interest. This arises because the liabilities of the scheme are one year closer to payment.

The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset in the balance sheet.

Differences between actual and expected returns on assets during the year are recognised in the Statement of Recognised Gains and Losses, together with differences arising from changes in actuarial assumptions.

## Notes to The Financial Statements for the Year Ended 31 March 2009

### 1.4 Land and Buildings

Land and buildings held as industrial or commercial investment properties or properties shown in the course of development are shown in the balance sheet at open market value. Undeveloped land is also valued at open market value. Valuations are carried out in accordance with best practice as contained in the Statement of Asset Valuation Practice and Guidance Notes (3rd Edition) published by the Royal Institute of Chartered Surveyors.

An independent external valuation of the whole portfolio was carried out as at 31 March 2009, the majority of which was undertaken by GVA Grimley Ltd, Chartered Surveyors.

Partnership workspace schemes, the Agency's investment with partners who are mainly local authorities, to provide rural workspace are included in the Balance Sheet at a valuation based on present value of estimated future rental income. Expenditure on these projects is written off in the year of spend.

Disposals and purchases of land and buildings are accounted for on the earlier of the date of legal completion and the date of transfer of the significant risks and rewards of ownership.

All expenditure is capitalised relating to acquisition fees, legal fees to purchase the property, development work and reclamation work to land.

### 1.5 Fixed assets - Investment Properties

In accordance with the Agency's accounting policy the portfolio of industrial and commercial investment properties are valued at market value. The Agency treats each investment asset individually with upward revaluations being credited to the Revaluation Reserve and downward revaluations being charged to the Income and Expenditure Account (to the extent that there is no credit on the Revaluation Reserve against which such a loss can be charged).

### 1.6 Fixed Asset Investments in relation to subsidiaries

Fixed Asset Investments in the form of unsecured loans and redeemable preference shares are made in small and medium sized enterprises which are high risk.

Provisions against investments are charged to the income and expenditure account in line with the expected risk of loss to the projected net book value of the investments at each year end.

### 1.7 Website Development Costs

Website development costs are written off to the income and expenditure account in the period which the cost is incurred.

### 1.8 Fixed assets -Tangible operating asset and intangible assets

Fixed operating assets other than properties used by the Agency are capitalised at their cost of acquisition and installation.

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

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

The assets are valued on the basis of depreciated historic cost as being an accurate reflection of their current value.

### 1.9 Depreciation amortisation

Depreciation/amortisation is provided to write off the historic cost of tangible and intangible fixed assets over their anticipated useful lives on a straight line basis at the following annual rates:

Tangible Assets:	
Leasehold buildings with less than 25 years to run	Period of lease
Computer equipment	3 years
Office equipment and plant	5 years
Office fixtures and fittings	10 years
Intangible Assets:	
Software licences	3 years

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

### 1.10 Long Term Loans

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

## Notes to The Financial Statements

for the Year Ended 31 March 2009

### 1.11 Stock of Development Properties

In accordance with the Agency's accounting policy development assets are valued at the lower of current replacement cost or 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 Income and Expenditure Account (to the extent that there is no credit on the Revaluation Reserve against which such a loss can be charged).

### 1.12 Government Grants Receivable and Payable

One North East's activities are funded primarily by Grant-in-Aid provided by the Department for Business Enterprise and Regulatory Reform for specified types of expenditure. Grant-in Aid used to finance activities and expenditure which support the statutory and other objectives of One North East is treated as financing, and credited to the Grant-in-Aid Reserve, because it is regarded as contributions from a controlling party. Other grants relating to capital expenditure used to acquire specific capital items are credited to a General Reserve and grants to fund revenue expenditure are credited to the Income and Expenditure account. Grants payable are recognised in the period in which the underlying event or activity giving entitlement to the grant occurs.

### 1.13 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 statement and their recognition in the tax computation.

### 1.14 Foreign Currency Transactions

Transactions in foreign currencies are recorded in sterling at the rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates prevailing at the Balance Sheet date. Resulting exchange gains and losses are taken to the Income and Expenditure Account. All material assets and liabilities are denominated in sterling, therefore the group is not exposed to currency risk.

### 1.15 Leases

Operating lease rentals are charged to the Income and Expenditure Account over the period of the lease on a straight line basis. There are no Finance Leases.

### 1.16 Financial Instruments

The Agency has no borrowings and 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.

The subsidiary companies North East Regional Investment Fund Limited, North East Regional Investment Fund Two Limited, North East Regional Investment Fund Three Limited and North East Regional Investment Fund Partner Limited were formed to provide access into an investment and loan fund for Small and Medium Enterprises (SMEs) in key industrial/commercial sectors in the region. These companies aim to facilitate the creation, diversification and expansion of SMEs in the region by providing access to finance where risks are in excess of normal market considerations and on terms which will encourage take up. On 27 January 2009 One North East sold their investment in North East Regional Investment Fund Limited and North East Regional Investment Fund Two Limited.

Given the subsidiary companies' role as a 'gap funder' to support SME businesses seen to be viable, but with an inability to obtain all their funding requirements from traditional sources these investments are evaluated as high risk. In the subsidiary companies provisions are charged to the profit and loss account in line with the expected risk of loss to the fund. North East Regional Investment Fund Three Limited makes a provision for bad debts of 25% of the capital lent each year.

The provisions against investments will only be increased if the provision basis shown above does not reflect an adequate provision in the financial statements. The increase in the provision will only be made if specific investments are seen as not being fully recoverable.

These subsidiaries have been funded by the Agency, bank loans and ERDF funding. The borrowings of the subsidiaries are detailed in note 21.

### 1.17 Other Operating Recharges

Funding is received by North East Regional Investment Fund Three Limited for the purpose of investing in SMEs. Until the funding is applied to investments the funding is repayable.

Subsequently as investments are realised, the recycled money must be rolled into a legacy fund together with all interest and dividends received plus capital gains and impairment losses. Such movements flow through the group financial statements and are allocated to the resulting legacy funds as other operating charges.

Notes to The Financial Statements  
for the Year Ended 31 March 2009

2. Analysis of Programme Expenditure by Key Driver

	Programme Expenditure Recorded in I & E a c 2009 £000	Programme Expenditure Recorded in I & E a c 2008 £000
Programme 1 - Innovation and Business Development	36,900	44,135
Programme 2 - Business Investment	52,377	50,200
Programme 3 - Enterprise and Business Support	39,682	28,447
Programme 4 - Skills and Higher Education	6,687	17,351
Programme 5 - Economic Inclusion	7,660	10,862
Programme 6 - City Regions and Rural	52,929	62,524
Programme 7 - Promoting The Region	6,816	6,012
Programme 8 - Culture and Tourism	15,658	13,861
	<u>218,709</u>	<u>233,392</u>

3. European Funding

	2009 £000	2008 £000
European Regional Development Fund - Agency	7,611	7,626
European Regional Development Fund - Subsidiaries	-	725
	<u>7,611</u>	<u>8,351</u>

4 Other Government Grants

	2009 £000	2008 £000
Other Government Grants - Agency	1,838	326
	<u>1,838</u>	<u>326</u>

Notes to The Financial Statements  
for the Year Ended 31 March 2009

5. Northern Way

During 2008-09 the Agency along with Yorkshire Forward and the North West Development Agency worked together on the flagship Northern Way Growth Fund. The Agency is the overall accountable body for the Fund, which had a total size of £100m over the 2005-08 period.

The Fund seeks to maximise regional outcomes through a joined up and innovative pan-regional approach.

The Agency's share of expenditure and the amount of grant paid to Yorkshire Forward and the North West Development Agency are shown as separate lines in the Income and Expenditure account.

The Income arising from Northern Way is received as part of Grant in Aid and has been credited to the Grant in Aid reserve.

The 2008-11 Northern Way programme has had a greater focus on higher level pan regional strategic objectives than the more project driven expenditure of the previous programme. As a result there is a substantially reduced level of expenditure in the current year.

Northern Way direct expenditure was £nil (2008: £17,207,000).

The amount of grant paid to Yorkshire Forward and the North West Development Agency is £667,000 (2008: £17,205,000)

Northern Way Seconded Staff Costs

Name of Organisation	2009 No. of Staff	2009 Cost £000	2008 No. of Staff	2008 Cost £000
Department for Work and Pensions	-	-	1	27
Department for Communities and Local Government	1	188	1	44
Government Office North East	-	-	1	158
	<u>1</u>	<u>188</u>	<u>3</u>	<u>229</u>

Included in Other Debtors in note 19 is an overall debtor relating to Northern Way activity of £1,379,580 ( 2008 Creditor of £16,360,000)

6. Interest Receivable and Other Finance Income

	2009 £000	2008 £000
Net return on pension scheme assets and liabilities	(8)	11
Bank Interest Receivable	1,733	1,767
Other Interest Receivable	14	66
Interest from Loans re North East Property Partnership	<u>5,673</u>	<u>6,107</u>
	<u>7,412</u>	<u>7,951</u>

7. Interest Payable and Similar Charges in Relation to Subsidiaries

	2009 £000	2008 £000
Bank Loan Interest - Subsidiaries	<u>343</u>	<u>393</u>
	<u>343</u>	<u>393</u>

Notes to The Financial Statements  
for the Year Ended 31 March 2009

8. Salaries and Wages

	2009 Salaries & Wages Total £000	2008 Salaries & Wages Total £000
Board Members		
Fees and salaries	209	206
Chairman's Pension Contributions	20	20
Social Security Costs	15	15
	<u>244</u>	<u>241</u>
Staff		
Salaries and Wages inc. Overtime	14,884	15,474
Pension Costs	3,485	2,949
Social Security Costs	1,149	1,229
	<u>19,518</u>	<u>19,652</u>
Redundancy Costs	677	690
Temporary Staff	526	223
Seconded Staff Costs	271	499
	<u>1,474</u>	<u>1,412</u>
Subsidiary Staff Costs	349	313
Total Salaries and Wages	<u>21,585</u>	<u>21,618</u>

Included in the above are Northern Way staff costs of £473,000 (2008 was £458,000).

Included in 2008 figures is £4,298,000 previously included in programme spend.

Cash paid in relation to redundancy costs amounted to £1,010,882 (2008: £253,803). No staff retired early on ill-health grounds during the year.

The number of days lost to sickness absence during 2009 was 2155 (2008: 2288)

8.1. Staffing Numbers

The average number of staff employed by the Agency during the year (including seconded staff was 410 (2008: 437). The 2009 figures include 19 (2008: 8.4) new full time equivalent posts relating to the additional responsibility for European Regional Development Fund Programme which was previously undertaken by Government Office North East.

Staff Numbers Including ERDF

	2009	2008
Chief Executive's Office	22	18
Communications and Tourism	62	73
Capital Development	24	28
Strategy and Development	90	103
Business and Industry	113	122
Resources	99	93
	<u>410</u>	<u>437</u>
<i>Northern Way</i>	<i>8</i>	<i>8</i>
<i>Subsidiary Companies</i>	<i>22</i>	<i>22</i>

Staff Numbers Excluding ERDF

Chief Executive's Office	22	18
Communications and Tourism	62	73
Capital Development	24	27
Strategy and Development	80	99
Business and Industry	110	121
Resources	93	90
	<u>391</u>	<u>428</u>
<i>Northern Way</i>	<i>8</i>	<i>8</i>
<i>Subsidiary Companies</i>	<i>22</i>	<i>22</i>

Notes to The Financial Statements  
for the Year Ended 31 March 2009

8.2. Seconded Staff

Staff, excluding Northern Way, were seconded from the following organisations during the year and were funded from Administration expenditure:

Name of Organisation	2009 No. of Staff	2009 Cost £000	2008 No. of Staff	2008 Cost £000
Department for Work and Pensions	1	109	3	183
Government Office North East	2	111	1	60
Shared Intelligence	-	-	1	51
Komatsu	-	-	2	109
NEA	-	-	1	24
CLG (formerly ODPM)	-	-	1	44
University of Teesside	-	-	-	28
Ward Hadaway	-	40	-	-
Muckle LLP	-	11	-	-
	<u>3</u>	<u>271</u>	<u>9</u>	<u>499</u>

In addition, staff were seconded from the following organisations for which no charge was made, but in respect of which there was an estimated benefit:

Name of Organisation	2009 No. of Staff	2009 Benefit £000	2008 No. of Staff	2008 Benefit £000
Barbour	-	-	1	52
Environment agency	-	-	1	45
BAE	1	26	-	-
	<u>1</u>	<u>26</u>	<u>2</u>	<u>97</u>

## Notes to The Financial Statements

for the Year Ended 31 March 2009

### 9. Other Administrative Costs

	2009	2008
	£000	£000
Agency:		
Administration Costs	1,378	848
Office Costs	1,794	1,393
Marketing and PR	1,513	1,240
Professional Fees and Project Costs	543	390
Travel and Subsistence	949	903
IT and Communication	931	852
Depreciation	552	594
Amortisation of Intangible Assets	187	183
Auditors' Remuneration - Statutory Work	67	66
Auditors' Remuneration - Statutory IFRS Work	6	0
Operating Lease Rentals	39	60
	<u>7,959</u>	<u>6,529</u>
Subsidiaries:		
Administration Costs	451	438
Office Costs	98	80
Professional Fees and Project Costs	421	306
Travel and Subsistence	6	8
IT and Communication	10	1
Depreciation	13	18
Auditors' Remuneration - Statutory Work	27	27
	<u>1,026</u>	<u>878</u>
Total	<u>8,985</u>	<u>7,407</u>

### 10. Notional Costs of Capital

When calculating the surplus or deficit for the year, the Agency is required to include as expenditure, a notional cost of capital, to the extent that there is no real charge for this. This has been calculated as 3.5 % of the average of total assets less total liabilities.

### 11. Taxation

The Group taxation charge based on Group taxable profits for the year at 28% (2008: 30%) comprises:

	2009	2008
	£000	£000
Corporation Tax :		
Current ear	11	2,965
Prior ear	(1,032)	10
	<u>(1,021)</u>	<u>2,975</u>
Deferred Taxation:		
Current year	(1,213)	(180)
Rate Change	-	(321)
Prior ear	10	19
	<u>(1,203)</u>	<u>(482)</u>
	<u>(2,224)</u>	<u>2,493</u>



## Notes to The Financial Statements

for the Year Ended 31 March 2009

### 11. Taxation continued

The corporation tax charge for the current year is higher than the standard rate of corporation tax for the UK of 28% (2008:30%). The differences are explained below:-

	2009 £000	2008 £000
Net Expenditure on Ordinary Activities Before Taxation for the Group	(258,198)	(276,271)
Tax Arising on Net expenditure at 28% (2008: 30%)	(72,295)	(82,888)
Effects of:-		
Income Not (taxable)/Allowable for Tax Purposes	1,093	1,822
Non-allowable Deficit on Non Taxable Activities	66,996	84,518
Other Permanent Differences (primarily capital gains)	2,527	5
Capital Allowances in Excess of Depreciation	11	(6)
Utilisation of Tax Losses	(168)	(484)
Trading Losses Carried Forward to Relieve Future Trading Profits	-	-
Prior Year Corporation Tax Charge	(2,707)	10
Marginal Relief and Other Tax Credits	(3)	-
Unrelieved Tax Losses Arising in Period	3,525	-
Corporation Tax Rate Change	-	(1)
Corporation Tax Current Year Charge for the Period	<u>(1,021)</u>	<u>2,976</u>

This reconciliation has been prepared for the Agency and excludes subsidiary tax losses of £637,000 (2008: £1,237,000).

### 12. Intangible Assets

	Group: Software Licenses  £000	Agency: Software Licenses  £000
Cost or Valuation :		
At 1 April 2008	1,229	1,229
Additions in Year	<u>77</u>	<u>77</u>
At 31 March 2009	<u>1,306</u>	<u>1,306</u>
Amortisation:		
At 1 April 2008	970	970
Amortisation in Year	<u>187</u>	<u>187</u>
At 31 March 2009	<u>1,157</u>	<u>1,157</u>
Net Book Value at 31 March 2009	<u>149</u>	<u>149</u>
Net Book Value at 1 April 2008	<u>259</u>	<u>259</u>

Notes to The Financial Statements  
for the Year Ended 31 March 2009

13. Fixed Assets - Tangible Operating Assets

	Freehold Properties Occupied by the Agency £000	Group: Furniture, Fixtures and Equipment £000	Total £000
Cost or valuation:			
At 1 April 2008	8,800	4,507	13,307
Additions in year	-	159	159
Revaluation	(530)	-	(530)
Disposals	-	(7)	(7)
At 31 March 2009	<u>8,270</u>	<u>4,659</u>	<u>12,929</u>
Depreciation:			
At 1 April 2008	-	3,302	3,302
Depreciation in year	-	565	565
Disposals	-	(5)	(5)
At 31 March 2009	<u>-</u>	<u>3,862</u>	<u>3,862</u>
Net Book Value at 31 March 2009	<u>8,270</u>	<u>797</u>	<u>9,067</u>
Net Book Value at 1 April 2008	<u>8,800</u>	<u>1,205</u>	<u>10,005</u>

	Properties Occupied by the Agency £000	Agency: Furniture, Fixtures and Equipment £000	Total £000
Cost or Valuation:			
At 1 April 2008	8,800	4,436	13,236
Additions in year	-	159	159
Revaluation	(530)	-	(530)
Disposals	-	(7)	(7)
At 31 March 2009	<u>8,270</u>	<u>4,588</u>	<u>12,858</u>

Depreciation:			
At 1 April 2008	-	3,256	3,256
Depreciation in year	-	552	552
Disposals	-	(5)	(5)
At 31 March 2009	<u>-</u>	<u>3,803</u>	<u>3,803</u>
Net Book Value at 31 March 2009	<u>8,270</u>	<u>785</u>	<u>9,055</u>
Net Book Value at 1 April 2008	<u>8,800</u>	<u>1,180</u>	<u>9,980</u>

Notes to The Financial Statements  
for the Year Ended 31 March 2009

14. Fixed Assets - Investment Properties

	Group		Agency	
	2009 £000	2008 £000	2009 £000	2008 £000
At 1 April	928	1,066	928	1,066
Additions in year	-	-	-	-
	<u>928</u>	<u>1,066</u>	<u>928</u>	<u>1,066</u>
Disposals	(116)	-	(116)	-
Transfer to Onedin	(127)	-	(127)	-
Write Off to I & E Account	(219)	(126)	(219)	(126)
Revaluation	(74)	(12)	(74)	(12)
At 31 March 2009	<u>392</u>	<u>928</u>	<u>392</u>	<u>928</u>

15. Investments Held As Fixed Asset Investments

	Group:			
	Redeemable Preference Shares £000	Equity £000	Loan £000	Total £000
Cost				
At 1 April 2008	92	200	10,923	11,215
Additions	-	-	7,640	7,640
Repayments	-	-	(4,688)	(4,688)
Arising on Disposal of Subsidiary	(92)	-	(159)	(251)
Investments Written Off	-	-	(2,058)	(2,058)
At 31 March 2009	<u>-</u>	<u>200</u>	<u>11,658</u>	<u>11,858</u>
Provisions				
At 1 April 2008	71	185	3,221	3,477
Charge in year	-	-	2,276	2,276
Release in year	-	(17)	(2,058)	(2,075)
Arising on Disposal of Subsidiary	(71)	-	(159)	(229)
At 31 March 2009	<u>-</u>	<u>168</u>	<u>3,280</u>	<u>3,448</u>
Net Book Value				
At 31 March 2009	-	32	8,378	8,410
Net Book Value at 1 April 2008	<u>21</u>	<u>15</u>	<u>7,702</u>	<u>7,738</u>

The Agency does not hold any Redeemable Preference Shares or Loans.

On 27 January 2009 One North East sold their investment in North East Regional Investment Fund Limited and North East Regional Investment Fund Two Limited.

Notes to The Financial Statements  
for the Year Ended 31 March 2009

16. Investments in Subsidiaries and Joint Venture Undertakings

Name of Undertaking	Interest	Year End	Nature of Business
North East Regional Investment Fund Three Limited [Company limited by Guarantee] (Principal Place of business: Stella House, Goldcrest Way, Newburn Riverside, Newcastle upon Tyne NE15 8N )	100%	31 March	Provision of unsecured loans and redeemable preference shares for SMEs based in the North East.
Enterprise Development North East Limited (formerly North East Regional Portal 2001 Limited) [Company limited by Guarantee] (Principal place of business: Kielder House, Lakeside Court, 5th Avenue Business Park, Team Valley Trading Estate, Tyne and Wear, NE11 ONL]	100%	31 March	To maximise the potential of e-business in the region.
The North East Regional Investment Fund Partner Limited [Company limited by Guarantee] (Incorporated 20th June 2006) (Principal Place of business: Stella House, Goldcrest Way, Newburn Riverside, Newcastle upon Tyne NE15 8N )	100%	31 March	Participation in equity investment funds.
DOTT07/Designs of the Time Ltd (Incorporated 21st March 2006) (Principal place of business: The Robert Stephenson Centre, Sussex Street, Newcastle upon Tyne, NE1 3PD]	100%	31 March	The development of good design.
Sunderland ARC Ltd. [Company limited by Guarantee] (Principal place of business: North Sands Business Centre, Liberty Way, Sunderland SR6 0 A	33.33%	31 March	Urban Regeneration Company
Tees Valley Regeneration Limited [Company limited by Guarantee] (Principal place of business: Cavendish House, Teesdale Business Park, Stockton on Tees, TS17 6	33.33%	31 March	Urban Regeneration Company
NEL Fund Management Group Ltd (formerly NEL Fund Managers Limited) (Principal place of business: Ground Floor, Victoria House, Hampshire Court, Newcastle Business Park, Newcastle NE4 7 J	40%	31 March	Involved in the management of venture capital funds to provide loans and equity finance to SMEs.
North East Regional Aggregation Body LLP (Principal place of business: Kielder House, Lakeside Court, 5th Avenue Business Park, Team Valley Trading Estate, Tyne and Wear, NE11 ONL]	50%	31 March	To facilitate the redeployment of universally available and affordable broadband infrastructure.
North East Property Partnership (Principal place of business: Picture House, ueens Park ueensway, Team Valley, Gateshead, NE11 0N ]	50%	31 March	Property investment and management.
Hadrian's Wall Heritage Limited [Company limited by Guarantee] (Incorporated 17th May 2006) (Principal place of business: East Peterel Field, Dipton Mill Rd, Hexham NE46 2JT	25%	31 March	To co-ordinate protection, development and promotion of the Hadrian's Wall World Heritage Site.
Onedin General Partner Limited (Principal place of business: Cavendish House, Teesdale Business Park, Tees Valley, Stockton on Tees, TS17 6 ]	50%	31 March	To develop and market development sites ready for disposal to developers.
1NG Ltd (Principal place of business: Fourth Floor, Central Square South, Orchard Street, Newcastle upon Tyne, NE1 3AZ]	33.33%	31 March	An economic development and regeneration company focussed on delivery.

Notes to The Financial Statements  
for the Year Ended 31 March 2009

16. Investments in Subsidiaries and Joint Venture Undertakings (continued)

	2009 Total £000	2009 Agency Share £000	2008 Total £000	2008 Agency Share £000
Key Financial Results of Subsidiaries:				
North East Regional Investment Fund Limited Profit/(Loss) for the year After Taxation	622	622	525	525
North East Regional Investment Fund Two Limited Profit/(Loss) for the year After Taxation	-	-	267	267
North East Regional Investment Fund Three Limited Profit/(Loss) for the year After Taxation	-	-	-	-
The North East Regional Investment Fund Partner Limited Profit/(Loss) for the year After Taxation	-	-	22	22
Enterprise Development North East Limited Profit/(Loss) for the year After Taxation	33	33	3	3
DOTT07/Designs of the Time Ltd Profit/(Loss) for the year After Taxation	-	-	-	-
<b>Total Profit/(Loss) of Subsidiaries for the year After Taxation</b>	<b>655</b>	<b>655</b>	<b>817</b>	<b>817</b>
Balances between Enterprise Development North East Limited and the Agency:				
Amounts due to Enterprise Development North East Limited	-	-	1,008	1,008
Key financial results of Joint Ventures:				
Sunderland ARC Ltd. Profit/(Loss) for the year After Taxation	10	3	20	7
Tees Valley Regeneration Ltd. Profit/(Loss) for the year After Taxation	-	-	-	-
NEL Fund Management Group Limited Profit/(Loss) for the year After Taxation	(51)	(20)	-	-
North East Regional Aggregation Body LLP Profit/(Loss) for the year After Taxation	119	59	132	66
North East Property Partnership Profit/(Loss) for the year After Taxation	(2,472)	(1,236)	526	263
Hadrian's Wall Heritage Limited Profit/(Loss) for the year After Taxation	2	0	3	1
1NG Ltd Profit/(Loss) for the year After Taxation	-	-	-	-
Onedin General Partner Limited Profit/(Loss) for the year After Taxation	-	-	-	-
<b>Total Profit/(Loss) of Joint Ventures After Taxation</b>	<b>(2,392)</b>	<b>(1,194)</b>	<b>681</b>	<b>337</b>

Notes to The Financial Statements  
for the Year Ended 31 March 2009

16. Investments in Subsidiaries and Joint Venture Undertakings (continued)  
In Relation to Joint Ventures the Balance Sheet Assets and Liabilities Comprised:

	2009 Total £000	2009 Agency Share £000	2008 Total £000	2008 Agency Share £000
<b>Fixed Assets:</b>				
Sunderland ARC Ltd.	56	19	87	29
Tees Valley Regeneration Ltd.	21	7	33	11
NEL Fund Management Group Limited	8	3	8	2
North East Regional Aggregation Body LLP	12	6	6	3
North East Property Partnership	119,760	59,880	151,960	75,980
Hadrian's Wall Heritage Limited	900	225	-	-
1NG Ltd	-	-	-	-
Onedin General Partner Limited	-	-	-	-
	<b>120,757</b>	<b>60,140</b>	<b>152,094</b>	<b>76,025</b>
<b>Current Assets:</b>				
Sunderland ARC Ltd.	1,241	414	1,140	380
Tees Valley Regeneration Ltd.	1,061	354	1,104	368
NEL Fund Management Group Limited	19	8	56	14
North East Regional Aggregation Body LLP	7,691	3,846	8,178	4,089
North East Property Partnership	10,263	5,132	11,532	5,766
Hadrian's Wall Heritage Limited	468	117	376	94
1NG Ltd	-	-	-	-
Onedin General Partner Limited	-	-	-	-
	<b>20,743</b>	<b>9,871</b>	<b>22,386</b>	<b>10,711</b>
<b>Liabilities Due Within One Year:</b>				
Sunderland ARC Ltd.	1,193	398	1,071	357
Tees Valley Regeneration Ltd.	819	273	756	252
NEL Fund Management Group Limited	26	10	1	1
North East Regional Aggregation Body LLP	7,751	3,876	8,044	4,022
North East Property Partnership	8,101	4,051	11,284	5,642
Hadrian's Wall Heritage Limited	428	107	340	85
1NG Ltd	-	-	-	-
Onedin General Partner Limited	-	-	-	-
	<b>18,318</b>	<b>8,715</b>	<b>21,496</b>	<b>10,359</b>
<b>Liabilities Due After One Year or More:</b>				
Sunderland ARC Ltd.	-	-	-	-
Tees Valley Regeneration Ltd.	101	34	-	-
NEL Fund Management Group Limited	-	-	-	-
North East Regional Aggregation Body LLP	1,126	563	1,432	716
North East Property Partnership	118,876	59,438	117,388	58,694
Hadrian's Wall Heritage Limited	900	225	-	-
1NG Ltd	-	-	-	-
Onedin General Partner Limited	-	-	-	-
	<b>121,003</b>	<b>60,260</b>	<b>118,820</b>	<b>59,410</b>
<b>Gross Assets:</b>				
Sunderland ARC Ltd.	1,297	433	1,227	409
Tees Valley Regeneration Ltd.	1,082	361	1,137	379
NEL Fund Management Group Limited	27	11	64	16
North East Regional Aggregation Body LLP	7,703	3,852	8,184	4,092
North East Property Partnership	130,023	65,012	163,492	81,746
Hadrian's Wall Heritage Limited	1,368	342	376	94
1NG Ltd	-	-	-	-
Onedin General Partner Limited	-	-	-	-
	<b>141,500</b>	<b>70,011</b>	<b>174,480</b>	<b>86,736</b>

Notes to The Financial Statements  
for the Year Ended 31 March 2009

16. Investments in Subsidiaries and Joint Venture Undertakings (continued)

	2009 Total	2009 Agency Share	2008 Total	2008 Agency Share
	£000	£000	£000	£000
Gross Liabilities:				
Sunderland ARC Ltd.	1,193	398	1,071	357
Tees Valley Regeneration Ltd.	920	307	756	252
NEL Fund Management Group Limited	26	10	1	1
North East Regional Aggregation Body LLP	8,877	4,439	9,476	4,738
North East Property Partnership	126,977	63,489	128,672	64,336
Hadrian's Wall Heritage Limited	1,328	332	340	85
1NG Ltd	-	-	-	-
Onedin General Partner Limited	-	-	-	-
	<u>139,321</u>	<u>68,975</u>	<u>140,316</u>	<u>69,769</u>

Investments in Subsidiaries and Joint Ventures are Calculated on the Basis of the Agency's share in Net Assets as Detailed Below:

	2008-09 £000	2007-08 £000
Investments in Subsidiaries:		
North East Regional Investment Fund Ltd	-	(618)
North East Regional Investment Fund Two Ltd	-	(2)
North East Regional Investment Fund Three Ltd	-	-
Enterprise Development North East Ltd	137	104
The North East Regional Investment Fund Partner Ltd	-	-
DOTT07/Designs of the Time Ltd	-	-
	<u>137</u>	<u>(516)</u>
Investments in Joint Ventures:		
Sunderland ARC Ltd.	35	52
Tees Valley Regeneration Ltd.	54	127
NEL Fund Management Group Limited	1	15
North East Regional Aggregation Body LLP	(587)	(646)
North East Property Partnership	1,523	17,410
Hadrian's Wall Heritage Limited	10	9
1NG Ltd	-	-
Onedin General Partner Limited	-	-
	<u>1,036</u>	<u>16,967</u>

17. Fixed Assets - Long Term Loans

	Group		Agency	
	2009 £000	2008 £000	2009 £000	2008 £000
Balance as at 1 April	109,032	119,998	109,032	119,998
Amounts Released in year	90	-	90	-
Arising in year	23,756	-	23,756	-
Amounts Repaid in the year	(2,503)	(10,966)	(2,503)	(10,966)
Balance as at 31 March	<u>130,375</u>	<u>109,032</u>	<u>130,375</u>	<u>109,032</u>

Notes to The Financial Statements  
for the Year Ended 31 March 2009

18. Stock of Development Properties

	Group		Agency	
	2009 £000	2008 £000	2009 £000	2008 £000
Valuation as at 1 April	86,775	77,574	86,775	77,574
Additions in year	12,539	14,133	12,539	14,133
	<u>99,314</u>	<u>91,707</u>	<u>99,314</u>	<u>91,707</u>
Disposals	(309)	(4,155)	(309)	(4,155)
Transfer to Onedin	(21,583)	-	(21,583)	-
Write off to I & E account	(27,263)	(677)	(27,263)	(677)
Revaluation	(5,978)	(100)	(5,978)	(100)
Valuation at 31 March	<u>44,181</u>	<u>86,775</u>	<u>44,181</u>	<u>86,775</u>

19. Debtors

	Group		Agency	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts Receivable Within One Year:				
Trade Debtors	5,730	4,607	5,696	2,013
Other Debtors	5,652	626	1,982	626
Prepayments & Accrued Income	13,899	19,847	13,089	19,846
Value Added Tax	1,055	29	1,055	29
Taxation	5,216	-	5,216	-
	<u>31,552</u>	<u>25,109</u>	<u>27,038</u>	<u>22,514</u>

Debtors - Intra-government Balances

Balances with Other Central Government Bodies	16,645	3,253	16,645	3,253
Balances with Local Authorities	580	(44)	580	(44)
Balances with Bodies External to Government	14,327	21,900	9,813	19,305
	<u>31,552</u>	<u>25,109</u>	<u>27,038</u>	<u>22,514</u>



Notes to The Financial Statements  
for the Year Ended 31 March 2009

20. Creditors

	Group		Agency	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts Falling Due Within One Year:				
Bank Loans	842	1,423	-	-
Trade Creditors and Accruals	43,304	61,576	42,860	60,593
Other Creditors	5,460	17,471	5,221	17,471
Tax and National Insurance	10	417	4	417
Corporation Tax	11	743	-	729
Deferred Income	19,609	4,147	19,609	4,147
	<u>69,236</u>	<u>85,777</u>	<u>67,694</u>	<u>83,357</u>
Amounts Falling Due After More Than One Year:				
Bank Loans	3,575	3,602	-	-
Other Loans	15,162	11,007	-	-
Accruals and Deferred Income	-	2,473	-	-
	<u>18,737</u>	<u>17,082</u>	<u>-</u>	<u>-</u>
Creditors - Intra-government Balances				
Balances with Other Central Government Bodies	22,945	19,974	22,929	19,974
Balances with Local Authorities	11,716	17,066	11,716	17,066
Balances with NHS Trusts	391	152	391	152
Balances with Public Corporations and Trading Funds	370	3,226	370	3,226
Balances with Bodies External to Government	52,551	62,441	32,288	42,939
	<u>87,973</u>	<u>102,859</u>	<u>67,694</u>	<u>83,357</u>

21. Borrowings

	Group		Agency	
	2009 £000	2008 £000	2009 £000	2008 £000
(Interest Payable 1.5% above LIBOR Rates)	-	687	-	-
2013 (Interest Payable 1.5% above LIBOR rates plus 0.625% Bank Margin)		1,034	-	-
2017 (Interest payable 2.95% above LIBOR rates)	4,417	-	-	-
2010 Other Loan	5,470	-	-	-
2013 Other Loan	3,840	2,568	-	-
2014 Other Loan	5,852	8,783	-	-
	<u>19,579</u>	<u>13,072</u>	<u>-</u>	<u>-</u>
Less: Amounts Falling Due Within One year	(842)	(1,423)	-	-
Amounts Falling Due After More Than One year	<u>18,737</u>	<u>11,649</u>	<u>-</u>	<u>-</u>
Analysis of Bank Loan Repayments:				
In One year or Less or on Demand	842	1,423	-	-
In More Than One year But Not More Than Two years	842	736	-	-
In More Than Two years But Not More Than Five years	2,528	2,030	-	-
In More Than Five years	205	-	-	-
	<u>4,417</u>	<u>4,189</u>	<u>-</u>	<u>-</u>

Notes to The Financial Statements  
for the Year Ended 31 March 2009

22. Provisions for Liabilities and Charges

	Group		Agency	
	2009 £000	2008 £000	2009 £000	2008 £000
Deferred Tax				
Balance at 1 April	4,327	4,809	4,327	4,809
(Released) to Income and Expenditure Account	(1,203)	(482)	(1,203)	(482)
Balance 31 March	<u>3,124</u>	<u>4,327</u>	<u>3,124</u>	<u>4,327</u>
Other				
Balance at 1 April	6,367	6,676	6,367	6,676
Utilised in year	(1,098)	(2,513)	(1,098)	(2,513)
(Released) in year	-	(159)	-	(159)
Arising in year	(2,804)	2,363	(2,804)	2,363
Balance 31 March	<u>2,465</u>	<u>6,367</u>	<u>2,465</u>	<u>6,367</u>
Total Provisions for Liabilities and Charges	<u>5,589</u>	<u>10,694</u>	<u>5,589</u>	<u>10,694</u>

The major components of the provision for deferred taxation which has been fully provided at a corporation tax rate of 28% (2008: 30%) are as follows:

	Group		Agency	
	2009 £000	2008 £000	2009 £000	2008 £000
Capital Gains on Buildings for Business Partnership Assets	3,123	4,335	3,123	4,335
Accelerated Capital Allowances	1	(8)	1	(8)
Balance 31 March	<u>3,124</u>	<u>4,327</u>	<u>3,124</u>	<u>4,327</u>

No deferred tax provision has been made in respect of trading losses, as calculated for tax purposes, carried forward at 31 March 2009 estimated at £12,567,000 gross (2008: nil) are potentially available to relieve future trading profits. The potential deferred tax asset on these losses has not been recognised as the Agency do not consider it likely that the losses will be utilised in the foreseeable future.

In addition, there is potential unprovided deferred tax liability relating to capital gains in respect of Agency unrealised property revaluations of £190,000 (2008 - £388,000) and the Agency's share of the North East Property Partnership unrealised property revaluations of £1,409,000 (2008 - £5,421,000).

Notes to The Financial Statements  
for the Year Ended 31 March 2009

23. General Reserve

	Group		Agency	
	2009 £000	2008 £000	2009 £000	2008 £000
<b>Pensions</b>				
Balance at 1 April	(217)	(463)	(217)	(463)
Transfer from Grant in Aid Reserve	52	246	52	246
Balance 31 March	<u>(165)</u>	<u>(217)</u>	<u>(165)</u>	<u>(217)</u>
<b>Activities in Relation to Subsidiaries &amp; Joint Ventures</b>				
Balance at 1 April	20,364	20,946	17,367	17,422
Additions	(13,899)	(2,315)	(13,248)	(970)
Corporation Tax re NEPP	260	915	260	915
Transfer from Grant in Aid Reserve	678	819	11	-
Balance 31 March	<u>7,403</u>	<u>20,364</u>	<u>4,390</u>	<u>17,367</u>
Balance 31 March	<u>7,238</u>	<u>20,147</u>	<u>4,225</u>	<u>17,150</u>

A corporation tax credit of (£1,674,000) in respect of development asset revaluations has been deducted from the revaluation reserve in the Statement of Total Recognised Gains and Losses for the year (2008: £30,000 in respect of investment asset revaluations).

24. Revaluation Reserve

	Group		Agency	
	2009 £000	2008 £000	2009 £000	2008 £000
<b>Revaluations</b>				
Balance at 1 April	16,986	16,316	16,986	16,316
Arising in year	(4,908)	(32)	(4,908)	(32)
Transfer (to) / from Grant in Aid Reserve	<u>(3,408)</u>	<u>702</u>	<u>(3,408)</u>	<u>702</u>
Balance 31 March	<u>8,670</u>	<u>16,986</u>	<u>8,670</u>	<u>16,986</u>

Notes to The Financial Statements  
for the Year Ended 31 March 2009

25. Grant in Aid Reserve

	Group		Agency	
	2009	2008	2009	2008
	£000	£000	£000	£000
Opening Balance at 1 April	148,333	154,223	148,333	154,223
Grant in Aid Received in Year Applied to Purchase of Assets	12,775	14,624	12,775	14,624
Grant in Aid Received in Year Applied to Resource Expenditure	228,225	252,376	228,225	252,376
Transfer from Revaluation Reserve	3,408	(702)	3,408	(702)
Transfer to General Reserve	(678)	(819)	(11)	-
Transfer to Pension Reserve	(52)	(246)	(52)	(246)
Transfer from Income and Expenditure Account	<u>(247,467)</u>	<u>(271,123)</u>	<u>(248,134)</u>	<u>(271,942)</u>
Balance at 31st March	<u>144,544</u>	<u>148,333</u>	<u>144,544</u>	<u>148,333</u>

26. Reconciliation of Group Operating Deficit to Net Cash Flow from Operating Activities

	2009	2008
	£000	£000
Net Expenditure	(259,213)	(277,355)
Dividends Received From Joint Ventures	(325)	(481)
Depreciation and Amortisation of Fixed Assets	752	795
Increase in Provision in Relation to Subsidiary	2,276	1,288
Book Value of Investment Assets Written Off	219	126
Book Value of Development Assets Written Off	27,263	677
Book Value of Development Assets Sold	309	4,155
Book Value of Operational Assets Sold	2	-
Book Value of Investment Assets Sold	116	-
Provision for Long Term Loans	(90)	-
Decrease/(Increase) in Debtors	(6,442)	728
Increase/(Decrease) in Creditors	(18,410)	9,209
Additions to Development Assets Stock	(12,539)	(14,133)
Other Provisions Paid	(2,353)	(3,241)
Taxation Adjustments Relating to North East Property Partnership	260	915
Investment Income From Loan Funds	(1,051)	(1,124)
Increase/(Decrease) in Other Provisions	(2,804)	2,204
Release in Year in Relation to Subsidiary Investments	(2,075)	(1,534)
Net Cash (outflow) From Operating Activities	<u>(274,104)</u>	<u>(277,771)</u>

Notes to The Financial Statements  
for the Year Ended 31 March 2009

27. Reconciliation of Net Cash Flow to Movement in Net Funds

	2009 £000	2008 £000
Group Position:		
Increase/ (Decrease) in Cash for the year	(13,406)	4,289
Net Funds at 1 April	<u>42,423</u>	<u>38,134</u>
Net Funds at 31 March	<u>29,017</u>	<u>42,423</u>
Less: Subsidiary Net Funds at 31 March 2009	(10,493)	(11,625)
Agency Net Funds at 31 March 2009	<u>18,524</u>	<u>30,798</u>

28. Operating Leases

As at 31st March 2009 the Agency had annual commitments under operating leases as follows:

	2009			2008
	Buildings	Others	Total	Total
	£000	£000	£000	£000
Leases Expiring:				
Within One year	640	5	645	683
Between One and Five years	1,026	5	1,031	1,500
in Over Five years	884	-	884	1,091
	<u>2,550</u>	<u>10</u>	<u>2,560</u>	<u>3,274</u>

Rental costs of operating leases are charged to the Income and Expenditure Account on a straight line basis over the term of the lease.

29. Contingent Liabilities

A total of £336,539 (2008 - £1,048,475) of ERDF grants are classified as non structured grants which have the potential to be repaid.

The Agency has no significant current legal negotiations which involve potential contingent liabilities

30. Commitments

	2009 £000	2008 £000
Expenditure Authorised by the Board and Contracted for at 31 March 2009		
Capital Expenditure on Development Assets	24,527	27,533
	<u>24,527</u>	<u>27,533</u>

## Notes to The Financial Statements

for the Year Ended 31 March 2009

### 31. Post Balance Sheet Events

Under the machinery of government changes announced by the Government on 8 June 2009, responsibility for the sponsorship of the Agency was transferred from the Department for Business Enterprise and Regulatory Reform to the Department for Business, Innovation and Skills.

On 1 April 2009, the Agency became a one third member of Newcastle Science Company Limited (a company limited by guarantee). This company will be the delivery vehicle for the Newcastle Science City Project.

The Agency's financial statements are laid before the Houses of Parliament by the Secretary of State of the Department for Business Innovation and Skills (BIS) formerly the Department for Business Enterprise and Regulatory Reform (BERR). FRS 21 requires the Agency to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Agency's management to the Secretary of State of the Department of Business Enterprise and Regulatory Reform.

The authorised date for issue is 21 July 2009.

No other significant post balance sheet events have been identified.

## Notes to The Financial Statements

for the Year Ended 31 March 2009

### 32. Related Party Transactions

One North East is an Executive Non-Departmental Public Body of the Department for Business Enterprise & Regulatory Reform (BERR, formerly DTI). During the year, One North East had significant transactions with this department and with other entities for which BERR is regarded as the parent, and in particular with other RDAs. In addition, during 2008-09 the Agency along with Yorkshire Forward and the North West Development Agency operated a North American Office, costs in the year were £1.3 million which were borne in equal shares by the three agencies.

In addition, the Agency was involved in the following related party transactions and proposals during the period which are considered to be material:-

Chairman of One North East Margaret Fay OBE is:

- a Director of the Homes & Communities Agency (from December 2008) which received £364,306 from the Agency.

Board Member Ian Brown is:

- a trustee of Groundworks Northumberland which received £196,725 from the Agency.
- a partner of IE & JM Brown who received £451.60 from the Agency.

Board Member Paul Callaghan is:

- Chairman of The Leighton Group, which is a corporate member of Codeworks. Codeworks received £1,809,972 from the Agency.
- a Chairman and Director of RTC North Ltd which received £845,145 from the Agency.
- a Director of the Entrepreneurs' Forum Ltd which received £237,110 from the Agency.
- is Deputy Chair of Sunderland University which received £1,842,270 from the Agency.

Board Member Alexander Cunningham is:

- a Member of Stockton on Tees Borough Council which received £8,989,178 from the Agency.

Board Member Ian Dormer is:

- a Director of 1NG Ltd which received £401,221 from the Agency.
- Chair of Enterprise Development North East Limited which received £1,285,355 from the Agency.

Board Member Christopher Higgins is:

- Vice Chancellor of Durham University which received £1,720,034 from the Agency.

Board Member Peter Jackson is:

- a Member of the Association of North East Councils which received £53,500 from the Agency.
- a Councillor for Northumberland County Council which received £14,808,170 from the Agency.
- a Council Leader for Castle Morpeth Borough Council which received £27,606 from the Agency.
- a Director at Enterprise Development North East Limited which received £1,285,355 from the Agency.

Board Member Councillor John Shipley OBE is:

- Leader of Newcastle City Council which received £1,068,688 from the Agency.
- a Director of 1NG Ltd which received £401,221 from the Agency.
- a Director of Tyne & Wear Development Company Ltd which received £61,526 from the Agency.

## Notes to The Financial Statements

for the Year Ended 31 March 2009

### 32. Related Party Transactions (continued)

Board Member Councillor Robert Symonds is :

- a Member of Sunderland City Council which received £3,410,979 from the Agency.

Board Member Alison Thain OBE is:

- a Governor at the University of Teesside which received £1,513,061 from the Agency.

Board Member Christopher Thompson is:

- a Director of NStar (since renamed) (until June-08) which received £945,299 from the Agency.
- a Director of Omega North East Ltd which received a Grants for Business Investment of £25,000 from the Agency.
- a Director of Express Engineering (Thompson) Ltd which received a Grants for Business Investment of £120,000 from the Agency.

Board Member Ruth Thompson OBE is:

- a Governor of Northumbria University which received £673,479 from the Agency.
- a Director of New & Renewable Energy Centre Limited (NAREC) which received £6,360,702 from the Agency.
- a Director of Enterprise Development North East Limited which received £1,285,355 from the Agency.
- Chair of National Energy Action which received £267,914 from the Agency.

Board Member Kate Welch OBE is:

- a Member of Learning & Skills Regional Council which received £110,153 from the Agency.
- a Director of Acumen Community Enterprise Development Trust Ltd which received £148,351 from the Agency.

NETA Board Chairman Geoff Hodgson is:

- a Director of Business & Enterprise North East Ltd which received £25,090,833 from the Agency.

NETA Board Member Hugh Lang is:

- a Group Director of Durham Tees Valley Airport which received £328,572 from the Agency.

NETA Board Member Dr Tom Mordue is:

- Assistant Dean at the University of Teesside which received £1,513,061 from the Agency.

IGNITE Steering Group Member Dr Tony Chapman is:

- Assistant Dean at the University of Teesside which received £1,513,061 from the Agency.

IGNITE Steering Group Member Steven Gawthorpe is:

- an Area Director of the Homes & Communities Agency which received £364,306 from the Agency.
- a Director of Tees Valley Regeneration Ltd which received £776,367 from the Agency.
- a Director of Sunderland Arc Ltd which received £1,128,391 from the Agency.

IGNITE Steering Group Chair Phillip Hughes is:

- a Director of North East Regional Aggregation Body LLP (ADIT) which received £118,149 from the Agency.
- a Director of Portal e-business Division Enterprise Development North East Limited which received £1,285,355 from the Agency.

Richard Baker, Policy & Research Manager is:

- a Visiting Fellow at Newcastle University which received £4,581,291 from the Agency.

David Cramond, Director of Capital Development is:

- a Member of SOLACE which received £199 from the Agency.
- a Director of Tees Valley Regeneration Ltd which received £776,367 from the Agency.
- a Director of Sunderland Arc Ltd which received £1,128,391 from the Agency.
- a Director of North East Property Partnership LLP which received £29,375 from the Agency.



## Notes to The Financial Statements

for the Year Ended 31 March 2009

### 32. Related Party Transactions (continued)

Louise Davis, Head of Tourism & Culture is:

- a Director of Hadrian's Wall Heritage Limited which received £729,055 from the Agency.

Stacy Hall, Director of Communications & Tourism is:

- a Director of Hadrian's Wall Heritage Ltd which received £729,055 from the Agency.

Colin Herron, Manufacturing & Productivity Manager is:

- a Visiting Professor of Engineering at Newcastle University which received £4,581,291 from the Agency.

Norma Hope, External Affairs Manager is:

- is an Advisory Board Member of the University of Teeside which received £1,513,061 from the Agency.

Peter Judge, Head of Legal Services & Procurement is:

- a Trustee and Director of Acumen Community Enterprise Development Trust Ltd which received £148,351 from the Agency.

Malcolm Page, Deputy Chief Executive is:

- a Board Member of Young Enterprise North East which received £350,237 from the Agency.
- a Director of North East Property Partnership LLP which received £29,375 from the Agency.

Ed Rowley, former Director of Regeneration is:

- a Director (resigned Jan-09) of Tees Valley Regeneration Limited which received £776,367 from the Agency.
- a Director (resigned Jan-09) of Sunderland Arc Ltd until 09/01/09 which received £1,128,391 from the Agency.
- a Director (resigned Jan-09) of North East Property Partnership LLP which received £29,375 from the Agency.

Emma Speight, Head of Special Projects is:

- a Director of North East Property Partnership LLP which received £29,375 from the Agency.

Elaine Scott, Marketing Specialist Advisor is:

- a Director of Scott Racing Ltd which received £9,463 from the Agency.

Trevor Waggett, Head of Finance & IM&T is:

- a Director of North East Property Partnership LLP which received £29,375 from the Agency.

Ian Williams, Director of Business & Industry is:

- a Director of Enterprise Development North East Limited which received £1,285,355 from the Agency.
- a Director of North East Regional Aggregation Body LLP (ADIT) which received £118,149 from the Agency.





One North East

2008-09

# Annual Performance Report

Covering the period  
1 April 2008 to 31 March 2009

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## 1. Headline Summary

This 2008-09 Annual Performance Report provides a summary of the Agency's response to the difficult economic circumstances the region has faced in the last year and the significant progress achieved against our 2008-11 Corporate Plan and 2008-09 Business Plan despite these challenging times.

The environment in which the region finds itself has changed significantly over the last year. The UK economy has entered, and remains, in recession. Regional evidence from employer surveys, labour and housing market data and business intelligence indicates that the North East's economic activity, in line with the national picture, will contract further in the coming months, although the rate of contraction appears to be beginning to ease.

In April 2009 there were 83,000 people claiming Jobseekers Allowance in the North East - up by 10,900 since January 2009. This however was the lowest percentage increase of any UK region. At the end of the year, the region had the lowest six-monthly percentage increase in Jobseekers Allowance claimants and the second lowest annual percentage increase, just behind London. However unemployment does continue to rise in the region – our annual unemployment rate increased from 6.3% in 2007 to 7.6% in 2008, compared to a national average of 5.9%.

More positively, December 2008 saw the latest annual release of the regional Gross Value Added (GVA) estimates for 2007. Regional GVA for the North East in 2007 totalled £40.2bn - an annual increase of about £2bn and, in terms of GVA per head, we were the fastest growing region outside London between 2002 and 2007, with an increase of 1.9% in real terms since 2006.

The region was better prepared and in better shape to go into the current economic slowdown than previous downturns. Our economy is now more diverse. We've seen a higher rate of VAT registrations than the UK average for the past six years. During 2008, annual growth in goods exports from the North East was significantly above the national average and the third highest in the UK, just behind Wales and the South East.

Overall, whilst 2008-09 has been a difficult year for the region and the Agency, real progress has been made and there are a significant number of positive achievements to report, including:

- the achievement of all financial and non-financial targets, despite budget reductions (full details of these achievements are contained within the main body of the Annual Report and Accounts)
- successful refocusing of our interventions to help businesses and individuals survive through the recession and thrive once the economy recovers
- positive Independent Impact Evaluation feedback from BERR
- continued provision of strong strategic leadership to enable the region and the wider network to be represented at the national level, including taking the lead role on behalf of all RDAs in relation to the Sub National Review
- positive performance and progress from each of our 8 Programmes
- successful launch and management of the ERDF and RDPE 2007-13 Programmes
- strong performance by Business & Enterprise North East (BENE) who have delivered excellent output and strategic results
- highly effective responses to economic shocks in the region, including leading the task forces established in response to Northern Rock and Nissan redundancies and the rapid provision of assistance to SMEs following the floods in summer 2008 to help with immediate recovery needs

Overall we believe that these successes help put the North East in a strong position to survive the economic downturn currently being experienced and then thrive when the economy does recover.

## 2. Maximising One North East's Impact and Responding to the Economic Downturn

In order to deliver our 2008-13 Corporate Plan, the Agency established a set of Corporate Objectives relating to its 8 Programmes. This report provides an update against the action taken to achieve these in 2008-09, a year which has seen difficult economic conditions and reductions in the resources allocated to RDAs.

During 2008-09 One North East has aimed to strike the right balance between dealing with the economic downturn, preparing for the upturn and maintaining a focus on our longer term economic ambitions. To do this we have refocused our Programmes and Activities to ensure they support the region's economy to recover and grow, and to take account of the evidence provided by the Independent Impact Evaluation which was carried out by PricewaterhouseCoopers (PwC) on behalf of BERR during 2008.

### 2.1 Refocusing our Budget

Since the budget settlement in 2008-09, the RDA Network experienced budget allocation reductions totalling £422m. The total reduction in resources to the Agency for the two years 2009-11 is £49m. This impact will be mainly felt in 2010-11 due to the major reductions in allocation that year, as well as the advance of £10m from 2010-11 to 2009-10 as part of the Capital fiscal stimulus package agreed with RDAs. The main allocation reductions will be £35.2m for Homebuy initiative and £6.7m announced at the Pre-Budget Report in 2008.

To reflect these reduced allocations the Agency re-assessed its 2009-11 Programme budget allocations during the year to ensure we are delivering maximum impact. Addressing the needs of businesses in the short to medium term is essential during the recession and the Agency has therefore reprioritised resources from the People and Place Priorities to the Business Priority. The largest reduction will be in the City Regions & Rural Programme, whereas the Business Programmes will be far less affected. The Agency has successfully prioritised its business focused activity and this will result in the Business Priority accounting for 67.5% of our Programme expenditure in 2010-11 compared in 53% in 2008-09.

The Business Programmes have and will continue to provide the majority of the extra support to businesses in response to the Credit Crunch (£28.3m in 2009-10 and £17.4m in 2010-11) as well as delivering the Agency's commitments to Low Carbon Vehicles (£11.7m in 2009-10 and £10.5m in 2010-11) which will be key in continuing to drive the region forward and enabling it to expand into new industries in the medium term. This refocusing is also supported by Impact Evaluation findings showing that investment in business support is likely to result in a substantial return on investment in short term of 4.5:1, and reflects the fact that the main budget reductions have been Capital rather than Revenue.

### 2.2 Refocusing our Interventions

To enable us to refocus our Programmes and Activities we also revisited our Corporate Objectives, as set out in our 2008-11 Corporate Plan, to ensure that they remain relevant for the region. More information on this review is contained within Section 5. Overall it highlighted that whilst our Objectives remain appropriate, their focus and the interventions through which they are delivered required adjustment in light of the economic circumstances, our improved evidence base (including Impact Evaluation findings) and the ongoing development of sub-regional/city regional arrangements, including the development of Multi Area Agreements (MAAs) for Tees Valley and Tyne & Wear. Using these information sources ensured that our interventions provided, and will continue to provide, maximum impact for the region, addressing the acute problems of 2008-09 and laying strong foundations for recovery.

The changes to our interventions in response to the recession consisted of a mix of enhancements to existing interventions, new measures and strategic responses. These were agreed with regional partners and reflected in the North East's Regional Funding Advice (RFA) which was submitted to Government in February 2009.

Changes to our interventions to ensure we continued to deliver against our Corporate Objectives in 2008-09 and respond effectively to the recession are set out in the following sections.

Significant Enhancements to Existing Interventions - a number of the Agency's existing interventions were identified as key to providing assistance to businesses and stimulating recovery and growth. Resources were refocused over the course of the year to provide further enhancements to these, as described below.

- The Agency is continuing its contact with the 500 large firms in the Region through its Strategic Account Management programme, ensuring the impact of expansions or contractions can be managed
- Grant for Business Investment (GBI) – an additional £2.5m to help SMEs to sustain and grow was extended to those with potential for high growth and long term investment viability whose plans are being constrained by current economic conditions
- Investment Funds - the North East Investment and Co-Investment Funds has been expanded, with an additional £6.25m to give vital access to finance for growing firms. Grant support is expected to encourage around £9.5m of additional investment funds in the region.
- Cashflow and Debt Management Advice - additional £2.4m made available through Business & Enterprise North East to deliver health checks, workshops, mentoring, debt management, new market and product development
- Design, Creative and Three Pillar investment funds – as part of the Access to Finance initiative a further £1.75m has been identified to support our business Proof of Concept work on projects in relation to design talent and technologies of tomorrow
- Regional Enterprise Loan Fund – an additional £1m for SME loan support, making available a total of £2m
- Energy Resource Efficiency – a further £1m to help firms cut rising fuel bills
- Company Rescue Pathfinder – additional £0.5m to provide targeted support to companies experiencing financial difficulties
- Strategic Acquisitions and Regeneration Initiatives – proposals have been drawn up to allocate £25m for strategic acquisitions to support future regeneration programmes. These are targeted at existing and proposed regeneration areas and business led initiatives to stimulate and support private sector investment, ensuring investment in physical regeneration and business investment complement each other
- Bringing forward Capital Projects - as part of the fiscal stimulus package falling out of the Pre-Budget Report (PBR) the Agency is seeking to bring forward capital spend from 2010-11 totalling £10m to accelerate/reinvigorate major developments including South East Northumberland. The initiatives will be taken forward in partnership with key public sector partners including the LSC and HCA as well as private sector developers

New Regional Initiatives - in addition to enhancements to existing interventions, in 2008-09 a range of new projects were approved, or developed, as a direct response to the economic downturn:

- Transitional Loan Fund - launch of a £2m Transition Fund in December 2008, to put in place short term loan finance into large and small companies. Due to demand this has been increased to £9.9m for 2009. In total £8m has been spent to date and an additional £1m is committed
- Large Company Research and Development - £2.4m has been approved for an 18 month pilot for a large company R&D scheme, which matched by private investment, could generate £20m in increased productivity over three years
- JEREMIE - plans are well advanced to secure up to £125m from the Joint European Resources for Micro to Medium Enterprise (JEREMIE) initiative which will allow the vital continuation of existing North East Investment Funds and create new funding mechanisms providing essential access to finance for SMEs
- BUILD High Growth Coaching Programme (BUILD) – Understanding Finance for Business - £1.6m is being invested in a high growth coaching programme, including intensive investment readiness activity
- Investment Centre - Economic Shocks - following the floods in summer 2008, a further £1.5m has been approved to assist SMEs with further economic shocks
- Innovation Vouchers – £2.4m has been made available to help firms boost their competitiveness by working closely with the region's academic organisations
- Capacity Fund – approval for £6m to be invested to develop the skills supply in response to employer demand in priority sectors
- UK Trade & Investment (UKTI) - £1m new initiative to help companies develop their export activity into new markets
- Sub-Regional Services – over £5m investment accelerated into sub regional services to match job seekers to vacancies and provide specific support to employers to recruit and retrain

- SME Resilience - £1.2m scheme approved to aid the resilience of SMEs by providing them an accessible affordable resource of highly skilled workers for a fixed period of time

Strategic Leadership – below are a number of examples which demonstrate the strategic leadership of the Agency during the period to address specific issues caused by the economic downturn:

- Northern Rock Response Group - the Agency chaired the response group to support the restructuring of Northern Rock including the development of a dedicated package of support for those workers affected by redundancy. Every worker affected by redundancy had access to a specially designed website containing hundreds of vacancies in the North East. The last 1,300 redundant staff left the company on 29 August 2008. Six months after the main tranche of redundancies around two-thirds of the workers who left the bank are now in new employment, retraining or have taken early retirement. Early indications from the Northern Rock Tracking Study indicate that the Response Group's efforts have been well received
- Nissan Response Group – the Agency chaired the response group following the announcement by Nissan in January 2009 of its plan to reduce staff by 1,200. This comprised representatives from Nissan, Job Centre Plus, Learning and Skills Council, Sunderland Council, BENE, CBI and the North East Chamber of Commerce. The Group actively worked to support employees leaving the Sunderland plant, and affected workers in Nissan's supply chain, with advice on accessing job vacancies, retraining opportunities, updating CVs, interview skills and benefits. At this point it is too early to formally measure the success of the but initial feedback has been positive
- Flood Response - the Agency co-ordinated the rapid provision of assistance to SMEs following the floods in summer 2008, helping them with their immediate recovery needs
- Skills and Employment Response Group (SERG) - the Agency is chairing this group, established in November 2008 which co-ordinates a clear and robust response in relation to employment and skills; so far it has identified strengths and weaknesses of current regional arrangements and addressed gaps in funding
- Science and Industry Council (SIC) - the Agency worked with the SIC and public and private sector partners to drive industrial change in the regional economy. This approach aligns closely with the Government focus on 'industrial activism' and has enabled strategic partnership with agencies including the Technology Strategy Board, NHS and Energy Technologies Institute. Implementation plans bringing together public and private sectors and investment were brought forward through the year for areas including electric vehicles, offshore wind, bioprocessing and healthcare innovation
- Real Help for Business and People Now - One North East in conjunction with partners – Learning Skills Council, Jobcentre Plus, Business Link and Government North East – has co-ordinated efforts to signpost people and businesses to support available during the downturn. In early February 2009 a campaign entitled "Real Help for Business and People Now" was launched across the region. The aim of the campaign is to ensure that businesses and individuals are made aware that help is out there – whether it be tailored business advice on topics such as financial assistance, business health checks, redundancy or advice specific to helping individuals gain access to the training and employment opportunities within the North East
- 10 Day Payments Pledge – in response to the Government request for RDAs to help improve SME's cashflow by paying all SMEs supplying services within 10 working days, the Agency has implemented this scheme and extended it to include all suppliers. Formal quarterly reporting on payment performance commenced in March 2009 for the quarter 1 January 2009 to 31 March 2009. In this period the Agency paid 95.51% of invoices within 10 days of their receipt.

The work of the Agency in direct response to the recession will continue for the foreseeable future. For example, the May 2009 announcement by Corus that it plans to mothball its plant at Redcar, Teesside has led to the Agency chairing the Corus Response Group. The Group will develop a package of support for affected workers at the plant and look at every option to enable the plant to remain open.

### 2.3 Independent Impact Evaluation

During 2008-09 PwC drew together evaluation evidence from all 9 RDAs to produce an assessment of the impact of RDA spending to date. The Agency was well positioned to input into the evaluation as we already have an established evaluation culture, and an ongoing programme of strategic evaluations to inform continuous improvement, which we used to provide 12 of the evaluations PwC required. In addition to this we commissioned four impact assessments to provide additional data to comply with PwC's requirements. The national report, which was published by BERR on the 31 March, was designed to provide an assessment of combined RDA impact based on 'Business', 'People' and



'Place' investment, focusing primarily on an assessment of impact on the economy from the jobs created as a result of our interventions.

The headline findings from the report were extremely positive, with the following key messages:

- RDAs collectively have exceeded all BERR targets
- RDAs are generating positive regional economic benefits
- expenditure between 2002 and 2007 (£5.2bn) has added £8.1bn to regional GVA
- this is likely to rise to between £23bn and £28bn when long term impact of investment is realised, for example through Physical Regeneration programmes

The One North East Regional Annex of the report showed that the Agency had performed extremely well since its inception as per the national findings above. PwC carried out an assessment of 'Value for Money' for programmes based on the return on investment (GVA or 'Gross Value Added') achieved for every £1 invested. Because the Agency has a long standing commitment to evaluation through our 'Learning from Experience' programme, several of the evaluations used in the National Report were carried out before PwC defined the terms of reference of the evaluation. In order to produce the most up to date analysis possible, and to add to the work done by PwC, we commissioned independent evaluators S W Consulting to carry out additional analysis based on established methodology approved by PwC.

The S W analysis showed that for every £1 invested One North East will achieve over £4 return for the regional economy. The following table shows the return on investment figures for each of the Agency's Priorities for every £1 invested:

	To Date (PwC analysis)	Long Term (additional S W analysis)
Business	2.8	8.2
People	1.6	3.7
Place	0.1 – 0.6	0.4 – 2.0

The Agency also identified the following learning from the PwC report and is in the process of developing an action plan to address the findings which included:

**Business**

- Investment, Aftercare and Overseas produced exceptionally high net returns but the evaluation was based on a small sample so confidence intervals are large
- E-business produced good value for money in the long-term for a small programme, with a broad range of additional impacts. Needs to focus on fewer bigger initiatives and be geared towards support for businesses and business infrastructure
- Strategy for Success perceived by stakeholders as delivering 'substantial benefits' but difficult at present to provide evidence on economic impact due to long term nature of initiatives (evaluation suggests 10 -15 years for impacts to accrue)

**People**

- Skills and higher education programme has already been refocused using learning from earlier evaluation. Follow-up evaluation identified how through leveraging national pilots, the programme has influenced national policy
- Economic Inclusion programme demonstrated a positive return on investment but further development will need to be redefined in the light of Sub National Review (SNR) and Integrated Regional Strategy (IRS). The Regional Employability Framework was singled out as good practice

**Place**

- Physical Regeneration/ uality of Place interventions have substantial value in creating local infrastructure and the environment for other interventions to be effective. However these longer term 'indirect' effects are not currently reflected in direct output measures. The most noticeable impacts are from large scale investments
- 'Solid' return on investment for tourism marketing with variation in effectiveness between campaigns. Good Strategic Added Value for Regional Image Strategy but not possible to evidence full economic impact yet.

Overall learning for the Agency

- Importance of being able to demonstrate what impact we have made/what has changed as a result of our interventions. Increased clarity of objectives, clearer intervention logic and improved data collection are essential – especially for long term interventions and those at arms length from the Agency
- Need to establish mechanisms to demonstrate all impacts of interventions using the most relevant indicators (The Capital Investment Framework currently in development should improve this)

As discussed previously, we have also used the evidence that informed the National Impact Evaluation to identify which interventions will make the biggest difference in the current complex economic context and have refocused our Programmes accordingly.

During the year we have refocused our organisational structure in relation to evaluation, aligning it more closely with economic impact assessment by bringing them together under the remit of the Agency's Chief Economist to ensure a co-ordinated approach to drawing together evidence for investment planning and impact evaluation. We have also completed the development of a new Capital Investment Framework model for economic impact appraisal across all new local capital investment programmes receiving Single Programme funding which, when fully implemented, will help to ensure that going forward we continue to return the maximum impact for our capital investment.

By taking the time in 2008-09 to refocus and reprioritise our interventions, in light of the changing economic circumstances, budget reductions and improved evidence base available to inform our funding decisions, we believe that One North East has successfully responded to the challenge of supporting the region and its businesses and people throughout the year. We also believe that we remain in a strong position to effectively drive the region forward in the short, medium and long-term, and to continue to make a major contribution to the ambitious growth targets set out in the Regional Economic Strategy (RES).

All revised programme allocations and interventions are reflected in the Corporate Plan Update 2009-11 which was submitted to BERR in June 2009.

### 3. Strategic and Influencing Role

During 2008-09 the Agency has continued to work towards its long-term ambition of achieving sustainable economic growth in the North East and to reinforce our commitment to working together with Government and partners to achieve our shared ambitions.

The following section sets out how we have worked towards these goals during 2008-09 in conjunction with regional partners by providing strategic leadership in developing and implementing initiatives that support our region's businesses and communities in the short term, whilst maintaining our focus on the long term direction we have set out.

In delivering our strategic leadership role we have worked with partners on a number of areas including:

#### 3.1 Regional Strategy

RDA Boards and new Local Authority Leaders Boards will have joint responsibility to develop and sign off the Regional Strategy, and will also jointly become 'responsible regional authorities' in setting regional planning policy, subject to legislation.

During 2008-09, One North East undertook significant developmental work on the Regional Strategy. Local Authorities are closely involved in this in recognition of our new joint responsibility. To date, developmental work has focused on the evidence base. This includes the following areas:

- Policy and Evidence Reviews: primarily led by the Agency, these cover a range of policy areas under the overarching categories of Business, People, Built Environment and Natural Environment
- Baseline and Modelling Work: led by the Agency Research and Evaluation Team and the North East Regional Information Partnership (NERIP)
- Peer Assist: Newcastle University's Centre for Urban and Regional Development Studies (CURDS) in collaboration with the Spatial Economics Research Centre and GHK Consulting have been appointed as peer reviewers to advise on and test our evidence base as it develops
- Preparation for an Examination in Public: the Agency has held discussions with Government and an Examination in Public (EiP) Chair to understand more about the expectations and demands of a statutory strategy development process
- Futures and Strategic Direction Setting: during 2008-09 significant planning has been undertaken in the development of a Futures process. This will feed into the Options and Issues formal Strategy development phase
- Sustainability Appraisal (SA): training was held on the technical aspects of a Sustainability Appraisal, and key partners have agreed the approach to the SA for the Regional Strategy, which will accompany the formal parts of the process

Further activity has been undertaken in relation to building capacity. The Regional Strategy team within One North East has been recruited, and this team is working closely with Association of North East Councils (ANEC). Plans going forward include the creation of a Joint Strategy Team, composed of RDA and local authority staff – this is set out in the Change Management Plan which was submitted to Government in March 2009.

#### 3.2 Sub National Review (SNR)

In March 2008 the Government published the consultation paper 'Prosperous Places: Taking Forward the Review of Sub National Economic Development and Regeneration' for response by June 2008. The consultation sought views on the proposals contained in the SNR including:

- streamlining the regional tier, introducing integrated strategies and giving the RDAs lead responsibility for regional planning
- strengthening the local authority role in economic development, including a new statutory duty to assess local economic conditions
- supporting collaboration by local authorities across economic areas

The Agency led on the production of a number of submissions to the SNR consultation, which were all successfully completed during the reporting period and included: a response on behalf of all RDAs; a joint response with the Core Cities and HCA; and a joint response with the Local Government Association (LGA).

Following submissions to the review, Government published their response on 25 November. At this time One North East worked closely with CLG, on the next steps of implementation including joint RDA and local authority investment planning and regional strategy production. Throughout the year the Agency has led on SNR for all RDAs and has co-ordinated RDA input into the development of a policy statement on taking forward local economic assessments by representing the network on the CLG Advisory Group.

At a regional level, the Agency continued to work closely with partners to progress implementation of the SNR recommendations. The Agency worked with the Association of North East Councils (ANEC) and the North East Assembly (NEA) on the drafting of a regional response to the SNR consultation. Through the SNR submission and subsequent discussions a number of proposals were agreed for SNR implementation in the region including:

- proposed governance model for the development of the Integrated Regional Strategy (IRS)
- initial process and timescale for the development of the IRS, including work to build required evidence and engage in future activity with partners
- transitional arrangements for the management of Assembly planning functions, including the co-locating of Assembly planning staff within the RDA

Currently a draft project plan for work on the Regional Strategy has been produced with informal preliminary work underway. This includes developmental work on the evidence base and planning for the formal stages of development. We also worked with the Regional Assembly and ANEC to produce a Change Management Plan for implementing SNR in the region which has now been submitted to Government.

### 3.3 Communities and Local Government (CLG) Lead Role

The Agency has continued to perform effectively in delivering its CLG Lead Role on behalf of all RDAs. Key relationships were maintained and developed at all levels with Government, key partners and across the network. Policy highlights of 2008-09 included: successfully supporting sub-national economic development policy, including SNR and resulting legislation; influencing the Government's Regeneration Framework and national policy on city regions and MAAs; early national engagement with the HCA; and further successful joint policy development with the Core Cities Group.

An independent review of RDA Lead Roles during the period concluded that the Agency was the best performing RDA in delivery of its lead role. This reflects the effort and positive work the Agency has taken forward within its Lead Role capacity.

### 3.4 Multi-Area Agreements (MAAs)

The Agency has continued to work with the City Regions to take forward the development and implementation of the MAAs. Final drafts of the Tees Valley and Tyne and Wear MAAs were submitted to Government early in the first quarter and officially signed off by Ministers and the Leaders from the City Regions at a ceremony in London on 14 July 2008. Tees Valley has focused its MAA on effective and flexible use of capital funding streams, particularly across transport, housing and economic development while Tyne and Wear has focused on transport and employability and skills issues within the City Region.

The Agency has actively supported Tees Valley in its bid to become one of Government's pilot City Region. Tees Valley submitted their proposal in March but unfortunately were unsuccessful, with Government confirming in April 2009 that Leeds and Manchester had been awarded pilot status. The Agency will continue to work closely with Tees Valley to deliver our shared aims for economic growth in the Tees Valley city region.

### 3.5 Regional Funding Advice (RFA)

During the period the Agency successfully coordinated the development, drafting, consultation and submission to Government of North East Regional Funding Advice 2009. Working closely with local authorities, HCA, the private sector and others, the Agency coordinated specialist evidence and analytical work across the key areas covered by RFA, including transport, housing and regeneration, economic development and skills. The advice set out the region's priorities for £6bn of investment over

a 10 year period in these policy areas. Our advice also set out an over-arching strategy for the region to respond to the recession in the short term while ensuring continued investment in the North East's long term growth. A key achievement within this activity was that clear engagement and endorsement was secured from partners, including North East Local Authority Leaders, Tyne and Wear and Tees Valley city regions, and Durham and Northumberland councils, the HCA and the private sector. Aspects of the model used for development of RFA are also being used to manage the future development of a new Regional Strategy. Discussions are due to take place with Government Departments in 2009 on RFA next steps.

### 3.6 European Programmes

#### European Regional Development Fund (2007-13) – ERDF

The Agency invested significant resources in 2008-09 to support the launch and ongoing implementation of the 2007-2013 ERDF Competitiveness Operational Programme (OP). The Strategy and Resources Directorates have established dedicated ERDF teams within the context of the separation of functions required by the European Commission to oversee the compliant implementation of the programme. A significant governance framework involving regional partners has also been established in line with EC Regulation EC No 1083/2006 incorporating a Programme Monitoring Committee (PMC) and Programme Executive Group (PEG) – the Agency is responsible for managing and servicing this governance framework and in 2008-09 three PMCs and eight PEG meetings were held.

In performing the tasks delegated to it by CLG, the Directorates within the Agency responsible for these Managing Authority functions (i.e. Strategy and Resources) continue to work closely with Delivery and external partners to generate, appraise and implement compliant ERDF projects in pursuit of the agreed outputs, outcomes and spend targets included in the OP. A dedicated ERDF team has also been established in Delivery to support the development and submission of ERDF projects and to advise internal and external partners on the Agency's ERDF / Business Process.

#### Rural Development Programme for England (2007-13) - RDPE

All aspects of the Rural Development Programme for England (RDPE) are now operational and the programme is being delivered to the regions rural businesses and communities. RDPE is jointly funded by the EU and DEFRA and One North East is managing the delivery of two RDPE initiatives 1) improving the competitiveness of farming and forestry sectors and 2) improving the quality of life and promoting diversification in the rural economy.

The Agency is taking forward these responsibilities by managing Rural Business Support activity in the region, including supporting rural micro businesses and farm diversification, improving land based skills and sector development work in bio-energy supply chains. The Agency will also, through the two Rural Sub Regional Partnerships, provide Rural Community Support including supporting bottom up rural development initiatives including tourism development and rural community development.

### 3.7 Northern Way

During 2008-09 the Agency has continued to host the Northern Way initiative which has made considerable progress, in adding value to the work of three RDAs across the North of England, alongside the eight northern city regions, universities, business and other partners. Work under the Northern Way reflects a focus on three priority policy areas - transport, innovation in industry and private investment – a policy and research programme, and pooling RDA resources to support collaborative investments.

On transport, the focus has been on delivery of the 2007 Strategic Direction, led by the Northern Way Transport Compact, and the set of short, medium and long term priorities agreed across the North. A third platform at Manchester Airport station was opened to improve cross-northern connectivity, and work to expand the capacity for freight access from the northern ports, and for larger freight containers across the wider rail network. The Northern Way joined other partners in the Greenguage21 coalition to plan an expansion of High Speed Rail, and has significantly influenced government policy in this and other areas.

The Northern Way supported a major study by the OECD on innovation systems in the North of England, calling for greater alignment between national government and the regions. The Northern Way Innovation in Industry Group established a strategy for cross-regional investment. This has led to the establishment of the Northern Innovation Programme, pooling £15 million of RDA investment,

leveraging additional support from the Technology Strategy Board, the private sector and other partners: into offshore wind; carbon abatement technology; printable electronics; and the NorthernNet e-connection network.

The Northern Way Private Investment Commission has been conducting a year-long programme of analysis of the barriers to expansion of private investment flows to the North. An interim report was launched at the Treasury, and the final report is generating proposals on venture capital, regeneration finance, local leadership and infrastructure.

The Residential Futures programme has developed analysis and recommendations on the North's housing market and the economy, providing a firm basis for the work of the new Homes and Communities Agency. An analysis of a series of pilot programmes to address worklessness helped make the case for more flexible local approaches.

The Northern Way also contributed analysis and proposals to the government's Sub-National Review, to the Manchester Independent Economic Review; and to the Calman Commission, calling for stronger economic ties between the North and Scotland. It has conducted collaborative research on economic policy issues with a wide range of national think-tanks and academic research groups, including the newly established Spatial Economics Research Centre. The City Region Forum has brought together the North's city regions to identify and resolve common barriers, supporting a significant strengthening of city region partnerships across the North. New members have joined the Northern Way Steering Group. Finally, the Northern Way conducted an evaluation of its work from 2004-08, establishing a firm basis for future work.

## 4. Organisational Capacity and Improvement

Over the course of 2008-09 the Agency has continued to be fully engaged in a programme of activity to further enhance its performance and capacity, ensuring we continue to successfully lead the economic development of the region and fulfil our increased strategic role set out in the Sub National Review.

### 4.1 Shape of the Agency

The Agency has continued to progress the Shape of the Agency project focused on reviewing our organisational structure to ensure it remains fit for purpose and best placed to provide support for businesses and individuals throughout the region. During 2008-09 Capital Development restructuring began and recruitment activity is now underway to fill vacant posts. Tourism structures were also agreed and consultation with staff began in April 2009. These two activities will bring the significant Shape restructuring activities to a conclusion. The project demonstrates the Agency's continued commitment to demonstrating value for money in all areas of its spend.

### 4.2 Comprehensive Spending Review 2007 Value for Money Efficiency Savings

The Comprehensive Spending Review (CSR) 2007 Efficiency Savings Programme targets were agreed for 2008-09 (£12.4m, of which £6m are cash reductions and £6.4m are recyclable efficiencies), 2009-10 (£24.9m, of which £11.9m are cash reductions and £13m are recyclable efficiencies), and 2010-11 (£37m, of which £17.6m are cash reductions and £19.4m are recyclable efficiencies). To meet these efficiency savings the Agency's Value for Money Strategy was approved at the March 08 meeting of the Corporate Resources Committee and the VFM Action Plan 2008-11 was approved at the June 08 meeting. In the year 2008-09, the savings target of £12.4m, including £6.4m in recyclable efficiencies, has been achieved, and we expect to continue meeting future targets.

In addition to achieving the CSR 2007 efficiency targets, the Agency is taking the Value for Money agenda forward through targeted initiatives to raise Agency-wide awareness of Value principles, implement process efficiencies, identify cost savings, and realise potential synergies across the Agency.

### 4.3 Continuous Improvement Strategy (incorporating the Independent Performance Assessment Improvement Plan)

An Agency Continuous Improvement Strategy incorporating our Independent Performance Assessment (IPA) Improvement Plan was developed and approved during quarter 1 2008-09 by Directors' Team, Corporate Resources Committee and the NAO. The updated Strategy and Action Plan was developed to co-ordinate Agency improvement activities and to anticipate and reflect the changes required in response to the emerging SNR requirements. These refreshed actions continue to drive progress towards the themes identified in the original NAO IPA report including:

- Evidence Base - to further improve the evidence base available to the Agency and the region
- Sustainability - to clearly embed the achievement of sustainable development into everything that the Agency does
- RES Action Plan - the RES Action Plan clearly demonstrates how the region will collectively achieve its ambition
- Delivery Arrangements - delivery arrangements for the Agency's single programme resource meets the current and future needs of the region
- Agency and Regional Performance – ensure that the Agency remains fit for purpose and understands and communicates the performance of itself and the region
- Rural - ensure that the Agency's cross cutting rural programme continues to gather momentum to achieve the goals of the RES

Progress against the Strategy was updated at the end of March 2009 and the key points are summarised below.

- Regional Strategy (inc RES) – greater clarity on SNR has enabled the discussion with ANEC to progress. This will allow resource planning proposals to be considered
- Extended Enterprise – a reward framework is in development to ensure a consistent framework is applied to rewards packages for all new and existing Extended Enterprise organisations

- Evaluation and Research Strategy – an evidence base steering group has been established and priorities for the next three years have been agreed

Actions have been identified for 2009-10 and will be approved and published during quarter 1 2009-10.

#### 4.4 Evidence Base

To ensure the Agency has the evidence to support its goal of meeting the RES priorities and at the same time delivering best value interventions we have continued to implement the Evidence Base Programme in 2008-09. This has included work to support Policy and Evidence to contribute to the development of the Regional Strategy and enhancements to the Agency's and our partners' ability to develop and use evidence effectively with the establishment of a cross-programme 'Evidence Base' group to co-ordinate investment in evidence and dissemination of findings. We are also currently reviewing the North East Index of Production as part of the Integrated Regional Strategy evidence base development work.

The Agency has continued to house the North East Regional Information Partnership (NERIP) who have worked to co-ordinate the provision of and access to shared economic data and intelligence across the region's public, private and voluntary sector organisations. They have produced several key pieces of work during the year including the State of the Region 2008 report, which contains substantial data used to monitor progress towards achieving the RES Priorities.

We are also continuing to work closely with colleagues across the RDA network and in BERR to proactively share learning and to improve evaluation practice.

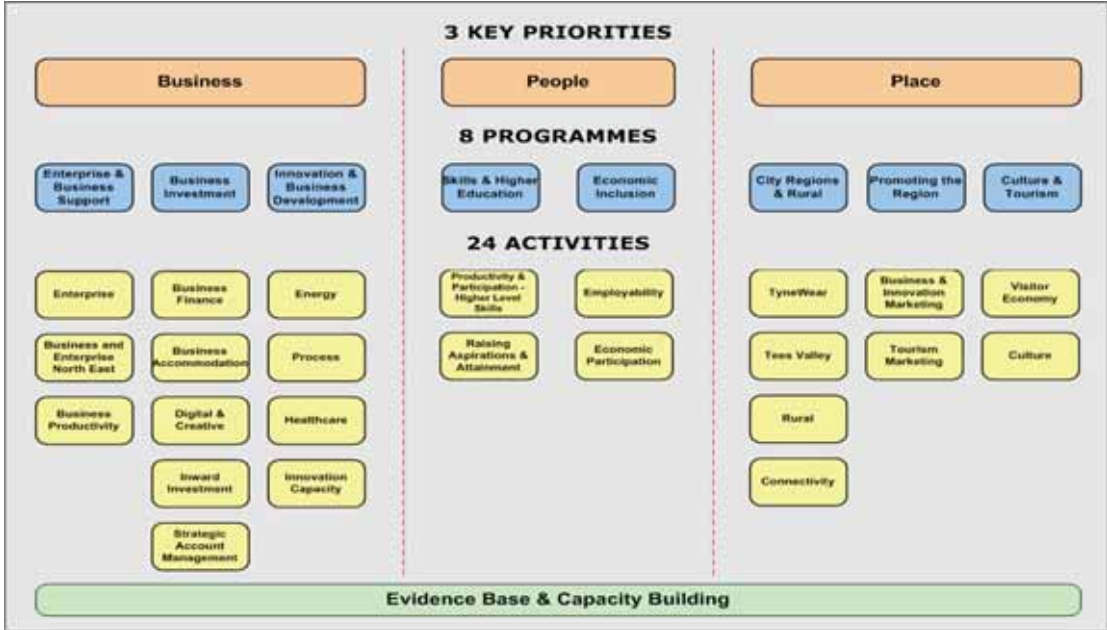


## 5 MANAGING THROUGH PROGRAMMES

The following section provides details of achievements by each of the Agency’s Programmes during the year. It includes Programme level information on financial and non-financial performance. Aggregate Agency financial and non-financial performance figures are contained within the main body of the Annual Report and Accounts.

### 5.1 Agency Programme Structure and Corporate Objectives

The Agency has maintained its focus on 8 Programmes and 24 supporting Activities, grouped under the priorities of **Business**, **People** and **Place** to reflect the themes of the Regional Economic Strategy (RES).



As set out in the 2008-11 Corporate Plan, for the Agency’s 8 Programmes we have established a set of Corporate Objectives which, within a consistent Performance Framework, will deliver a number of outputs, outcomes and impacts and in doing so help us to contribute to the achievement of the regional growth target and ensure we deliver against the five outcome-focused performance indicators (Enterprise, Skills, Innovation, Employment and Productivity).

As discussed in Section 2.2, whilst we believe that the current structure of our Programmes and their Corporate Objectives remain sound, their content and focus was reviewed and revised during the year to ensure they provide the best opportunities for the Agency to assist the region through the recession and ensure we deliver the maximum impact possible.

The Impact Evaluation findings were built into the review of each Programme’s focus to ensure that our Programmes focus on delivering projects that:

- generate additional economic activity which would not have occurred without the Agency’s intervention
- can make the most difference and which have the potential to catalyse growth in surrounding areas
- strengthen the region’s competitive advantage, with priority given to areas of high economic success

The remit of the review of each Programme’s focus included a review of the Agency’s Corporate Objectives and it was found that:

- whilst there have been new interventions developed and additional funding provided for existing interventions, the overall Corporate Objective for each individual Programme, and therefore the Agency, remain relevant to the needs of the region
- the description for each Programme, which underpins its Corporate Objective, required updating to ensure they continue to reflect the content and focus of the revised Programme
- the Programme Performance Frameworks, which the Agency has put in place to measure the performance of individual Programmes and demonstrate how the Agency is contributing to the achievement of the regional growth target and the five outcome-focused performance indicators, needed updating

As well as further developing and updating individual Programme Frameworks to take account of the Programme review, during the year the Agency has continued to make progress towards the implementation of its Performance Framework approach to performance management. This approach seeks to use the concept of logic chains to link outputs to outcomes to impacts and is in line with the requirements of BERR's Sponsorship Framework for RDAs. The updated Programme Performance Frameworks can be found in Annex A.

Each Programme's Corporate Objective and updated description are set out on the following pages along with a summary of the Programme's financial and non-financial performance for 2008-09. Progress on each Programme's Key Projects during the period is available within the Agency's 2008-09 Year End Performance Report which will be presented to our Board in July.

## 5.2 Programme Performance

### BUSINESS PRIORITY

#### Enterprise and Business Support Programme

##### Corporate Objective

A long-term commitment to generating a more enterprising and entrepreneurial culture, increasing business starts and encouraging business survival and growth, so that the North East's people and business base can compete with other regions across the UK and globally.

##### Programme Description

This Programme takes forward activity under the RES Action Plan Transformational Interventions of 'Building a New Enterprise Surge' and 'Boosting productivity and innovation in business'. It is a key element in the delivery continuum of the other business programmes. Working closely with regional and sub-regional partners, this Programme will foster a more enterprising culture through investing in innovative, dedicated forms of support and awareness raising; developing a vibrant business growth environment through a single, dedicated support service; and supporting the productivity and competitiveness of manufacturing.

##### Financial Performance

Expenditure Income	Budget £000	Actual £000	% Variance
Total Spend	40,861	39,682	3%
Total Income	5,039	5,166	3%
Net Expenditure	35,822	34,516	4%

The year end outturn position is 4% below budget due to slippage on the Start Up Finance project. This enabled extra funds to be made available to the Transition Loan Fund project in the Business Investment Programme.

## Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	8,939	6,315	71%
Employment Support (units)	455	490	108%
Businesses Creation(units)	3,588	3,687	103%
Business Support (units)	16,198	20,061	124%
Skills (units)	11,991	6,317	53%

The table above shows that corporate targets for Employment Support, Businesses Created and Business Support have all been met. However, the number of Jobs Created and Skills achieved has fallen considerably short of the targets. This performance is due to the reallocation of funds during the year to support interventions during the economic downturn, in particular the Transitional Loan Fund, delivered by the Business Investment Programme. This has however had no impact on the Agency level targets, which have all been met.

## Business and Enterprise North East (BENE) – Key Outputs 2008-09

Key Outputs	Target	Actual	% Achieved
Penetration	32,548	34,456	105.9%
Customer Satisfaction	90%	89%	98.9%
Account managed in-depth diagnostic support	2,537	3,913	154.2%

**Penetration** – A count of all pre start up customers including businesses that the BENE has assisted which have been trading less than twelve months and including businesses that the BENE has assisted and have been trading over 12 months.

**Customer Satisfaction** – BENE customers who, when independently surveyed, stated that they were either 'fairly' or 'very' satisfied with the service(s) received.

**Account managed in depth diagnostic support** – An in depth diagnostic should cover all aspects of the business and lead to either an action plan to enable the business to achieve growth/improvement objectives and or the collection of GVA.

2008-09 has been an excellent year for BENE who have over-achieved their targets for Business Penetration by 1,908 businesses and for Account Managed In-Depth Diagnostic Support by 1,376 diagnostics. They only narrowly missed achieving their target for customer satisfaction by 1%. Analysis has suggested that it is 'light touch' customers and workshop attendees who are less satisfied with the service they receive and BENE are currently working to rectify this.

## Business Investment Programme

### Corporate Objective

To provide effective support and interventions which will allow businesses to invest, diversify and grow in the future, within a globally competitive economy.

### Programme Description

This Programme directly supports the RES Action Plan Transformational Interventions of 'Boosting productivity and innovation in business' and 'Creating 21<sup>st</sup> Century transport and digital connections'. It brings together a wide range of activities to provide targeted support and interventions which will allow businesses to invest, diversify and grow in the future, within an internationally competitive economy. It builds on a number of existing, strong support mechanisms and is complementary to the general support provided via Business Link.

## Financial Performance

Expenditure Income	Budget £000	Actual £000	% Variance
Total Spend	51,742	52,376	-1%
Total Income	2,129	2,186	3%
Net Expenditure	49,613	50,190	-1%

The year end outturn position is 1% ahead of target as a result of the additional funding transferred to the Transition Loan Fund project.

## Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	6,000	7,324	122%
Employment Support (units)	225	332	148%
Businesses Creation(units)	70	95	136%
Business Support (units)	2,000	2,563	128%
Skills (units)	2,000	6,212	311%

The annual position shows that all corporate targets have been achieved. Targets were on course to be achieved for this programme and the enhancements to existing initiatives and new interventions to address the economic downturn have had a positive impact on performance.

## Innovation and Business Development Programme

### Corporate Objective

To achieve long-term improvements in productivity and competitiveness through building on our technological strengths in the Three Pillars of Energy, Process Technologies, Health Sciences and Healthcare. Also to accelerate growth in business capacity and drive the development of high-value adding activity, with the ability to compete globally.

### Programme Description

This Programme takes forward activity under the RES Action Plan Transformational Intervention of 'Boosting productivity and innovation in business'. We need to create a step change in the structure of the North East economy. To do this we will continue to accelerate the recent successes of businesses in the North East and sustain our evolution to a high value-added, internationally competitive economy. We will focus on achieving long-term improvements in regional productivity and competitiveness by boosting the science and innovation capability of the region, particularly linkages with manufacturing. We will generate a significant improvement in regional economic performance by moving forward from the capacity building phase of the Strategy for Success to one of high impact by embedding and sustaining significant growth companies in the North East economy.

## Financial Performance

Expenditure Income	Budget £000	Actual £000	% Variance
Total Spend	33,472	36,900	-10%
Total Income	2,009	2,226	11%
Net Expenditure	31,463	34,674	-10%

The year end outturn position shows a 10% overspend due to advanced expenditure on Carbon Trust Pyrolysis Challenge, Innovation Vouchers and Transitional Loan Fund projects.

#### Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	2,000	3,196	160%
Employment Support (units)	80	108	135%
Businesses Creation(units)	80	34	43%
Business Support (units)	2,500	2,475	99%
Skills (units)	2,500	2,248	90%

The table above shows that corporate targets for Jobs Created, Employment Support and Business Support have all been met. However, the Businesses Creation target has not been achieved which is a reflection of the difficult economic conditions the region is currently facing. The refocusing of finances during the year has also impacted on this target and the achievement of the skills target. It should be noted though that in spite of this, overall Agency targets have been achieved.

## PEOPLE PRIORITY

#### Skills and Higher Education Programme

##### Corporate Objective

To ensure the Region develops and retains the skills and talents required to increase the competitiveness and productivity of regional businesses, the Programme will support measures to inform and stimulate demand for, and participation in higher level skills. It will help ensure that in a demand led skills system, individuals and employers are able to make informed choices linked to the needs and opportunities of the regional economy.

##### Programme Description

This Programme supports the RES Action Plan Transformational Intervention of 'Supporting world class skills and increased economic activity'. One North East skills investment will focus on driving up the provision, demand and attainment of higher-level skills in the region, especially in key sectors that will drive future growth, ensuring the regions future workforce has the skills for new industry and new jobs. This will be done by: the Agency acting as a catalyst to increase the quantity, quality and economic relevance of skills provision in the region; incentivising providers to develop and offer new flexible and responsive provision; increasing regional participation and attainment in STEM subjects; and attracting and retaining talent and high level skills in the region. By working in collaboration with partners we aim to help employers better articulate and anticipate skills needs. We will lead the Regional Employment and Skills Partnership which seeks to join up cross agency working and work closely with the main funders and strategic partners in skills and employment, including LSC, Higher Education Funding Council for England (HEFCE), Jobcentre Plus, to ensure that investment is aligned regionally.

##### Financial Performance

Expenditure Income	Budget £000	Actual £000	% Variance
Total Spend	7,411	6,687	10%
Total Income	239	409	71%
Net Expenditure	7,172	6,278	12%

The year end outturn position is 12% below budget due to higher than expected receipts in the year, lower than anticipated take up of Capacity Building project funds and a delay in moving forward the Talent Attraction project, which was reviewed in light of the economic downturn.

Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	230	435	189%
Employment Support (units)	212	658	310%
Business Creation(units)	104	78	75%
Business Support (units)	2,144	836	39%
Skills (units)	27,995	26,581	95%

The table above shows that corporate targets for Jobs Created and Employment Support have been met. However, Business Creation, Business Support and Skills have all fallen short of the target. The underachievement of the Business Creation, Business Support and Skills targets is due to the current economic difficulties and the refocusing of projects during the year to support businesses and individuals through the recession. It should be noted though that in spite of this, overall Agency targets have been achieved.

The Jobs Created actual is considerably above target thanks to projects being approved which are retaining graduates in businesses in ‘priority sector areas’; those sectors which have struggled in the past to retain graduates or which are underperforming in the current economic climate. The Employment Support actual is also considerably above target due to the Programme funding projects which are concentrating on vocational learning, both with school-leavers and graduates, to assist them in finding employment.

Economic Inclusion Programme

**Corporate Objective**  
 To, through the Regional Employability Framework and Regional Skills Partnership, align regional investment to support more people into and staying in work, and to effectively integrate employment and skills across the region and to develop and embed equality and diversity best practice.

Programme Description

This Programme takes forward the RES Action Plan Transformational Intervention of ‘Supporting world class skills and increased economic activity’. The programme will support measures to promote economic inclusion in ways that directly meet the needs of employers and increase the number of people in employment across the North East. We will provide support to help unemployed people to progress into work and stay in work, and/or prevent employees from losing their jobs, to reduce barriers to participation and will seek to widen economic participation measures through for example, supporting the economic contribution of the Third Sector. Through the work we do we will also seek to deliver Strategic Added Value including: the provision of strategic regional leadership in relation to the creation and implementation of the Regional Employability Framework; increasing co-ordination via the creation of the North East Equality and Diversity Action Plan; and improving intelligence, influencing and awareness raising by developing a shared understanding of the challenges and opportunities facing the region around Economic Inclusion. The proposed activities will add value to the mainstream interventions of other public sector partners, particularly Jobcentre Plus.

Financial Performance

Expenditure Income	Budget £000	Actual £000	% Variance
Total Spend	7,291	7,660	-5%
Total Income	0	0	0%

Net Expenditure	7,291	7,660	-5%
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The year end outturn position shows a 5% overspend due to advanced expenditure on the third sector capacity holding fund.

#### Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	21	99	471%
Employment Support (units)	5,853	5,771	99%
Business Creation(units)	2	0	0%
Business Support (units)	264	890	337%
Skills (units)	3,116	7,095	228%

The annual position indicates that all corporate targets have been met with the exception of Business Creation which was a minimal target for this programme. The Business Support actual is particularly high for this Programme due to projects being approved which provide support to voluntary and community organisations to improve their performance.

## PLACE PRIORITY

### City Regions and Rural Programme

#### Corporate Objective

To maximise private sector investment and market opportunities for growth through strategic infrastructure investment in our city regions and rural areas

This Programme takes forward the RES Action Plan Transformational Interventions of ‘Investing in the economic hearts of our region’ and ‘Creating 21<sup>st</sup> Century transport and digital connections’. The regeneration of our City Regions and their rural hinterlands is fundamental to our regional growth ambitions. It will provide an essential underpinning to our efforts in the Business and People priority themes to raise productivity and increase participation. This Programme has an explicit spatial dimension and is about developing and delivering prioritised area-based investments in our cities, towns and rural communities. Its overall aim is to boost private sector investment and develop strong market opportunities for growth. Through a focused geographic approach to physical regeneration we will ensure that individual initiatives are delivered on the ground as part of a package, which directly links to the activities of other Programmes.

#### Financial Performance

Expenditure Income	Budget £000	Actual £000	% Variance
Total Spend	66,924	67,045	0%
Total Income	6,310	6,564	4%
Net Expenditure	60,614	60,481	0%

The year end outturn position is on target.

It should be noted that the difference between actual spend figure above and the figure included in Note 2 in the main body of the Annual Report and Accounts is due to capitalised expenditure.

## Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	100	135	135%
Employment Support (units)	0	0	N/A
Businesses Creation(units)	0	17	N/A
Business Support (units)	0	202	N/A
Skills (units)	0	639	N/A

This Programme reports on one corporate target, Jobs Created, which has achieved its annual target. Despite having no other corporate targets to achieve, this Programme has reported actuals for Business Creation, Business Support and Skills which have helped to reduce any shortfall reported in other Programmes.

## Promoting the Region Programme

### Corporate Objective

Increase the region's economic growth by promoting a clear and positive image of North East England which attracts people and businesses from outside the region to live, work and invest.

### Programme Description

This Programme supports all the RES Action Plan Transformational Interventions by significantly improving the image and perception of the North East amongst key target audiences, particularly businesses and visitors. Through the Regional Image Strategy (RIS) we have built a solid base for attracting tourists to the region. We will develop this further working with key partners to increase the number of visitors and contribution of tourism to the regional economy through a programme of inspirational marketing. The next phase of the regional image campaign will focus on attracting businesses and inward investment. We will work closely with the business community, particularly strategic high-growth sectors, and with key partners to communicate the strengths of the region in these areas, building a firm foundation for future growth, whilst ensuring those businesses who need support are able to obtain it. We will continue to market the region both nationally and internationally, recognising that we are operating in a global economy. The aim of this Programme is to help underpin business growth, create jobs through inward investment, increase tourist numbers and attract talent to live and work in the region through a programme of image and marketing campaigns.

### Financial Performance

Expenditure Income	Budget £000	Actual £000	% Variance
Total Spend	6,543	6,816	-4%
Total Income	0	0	0%
Net Expenditure	6,543	6,816	-4%

The year end outturn shows a 4% overspend due to additional activity in relation to Dubai.

## Corporate Targets

This Programme does not directly deliver against the Agency's Corporate Targets.

## Culture and Tourism Programme



### Corporate Objective

To create and promote a culturally vibrant region through investments in cultural and leisure facilities and activities which support business confidence and encourage growth within the culture and tourism sectors

### Programme Description

The aim of this Programme is to raise the productivity of the tourism and hospitality sector by 10% over ten years by increasing the number and spending levels of visitors, facilitating the sector to increase performance, invest in key products and meet gaps in market demand that also benefit regional regeneration objectives, making the North East a vibrant place to live, work, visit and study. This supports the RES Action Plan transformational interventions of 'Boosting productivity and innovation in business' and 'Investing in the economic hearts of our region'. The North East's Culture and Tourism offer builds on the steps being taken to promote the region and contributes significantly to building business confidence and the growth of these particular sectors which are important in their own right.

We will do this by:

- Investing in cultural and leisure facilities and activities, including festivals and events to create and promote vibrant City Regions and sustainable rural spaces
- Supporting improvements in the region's tourism offer by investing in visitor economy and cultural businesses and products
- Developing a strong network of advice and support through the Area Tourism Partnerships
- Taking forward capital investment in visitor and cultural developments, such as Hadrian's Wall, through the City Regions and Rural Programme, using the combined expertise of the Culture and Tourism team and the Communications Directorate.

### Financial Performance

Expenditure Income	Budget £000	Actual £000	% Variance
Total Spend	15,293	15,658	-2%
Total Income	347	432	24%
Net Expenditure	14,946	15,226	-2%

The year end income outturn position figure shows a favourable variance of 24%. This additional income relates to ESF activity and the Eviivo project (an on-line booking system for SMEs in the tourism sector e.g. B&Bs).

### Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	25	45	182%
Employment Support (units)	0	0	N/A
Businesses Creation(units)	0	2	N/A
Business Support (units)	366	1,454	397%
Skills (units)	1,900	2,208	116%

The table above shows that all Corporate Targets for this programme have not only been met but have been considerably exceeded, in particular Business Support. This performance has helped to reduce the shortfall reported in other programmes and therefore helped towards achieving the Agency level targets.

## 5.3 Managing the delivery of ERDF and RDPE

The Agency has responsibility for managing both the delivery of the ERDF 2007-13 Programme, with the first call for projects issued in February 2008, and the RDPE 2007-13 Programme which launched in January 2008. Progress during the year of both these programmes is detailed below.

#### European Regional Development Fund (ERDF) 2007-13

Over the course of the year the Agency has initiated and managed four calls for projects as agreed within the Operational Programme Delivery Framework utilising the following routes:

- Non-competitive selection (e.g. used to bring forward BENE, JEREMIE and MAS-NEPA)
- Open Call for projects
- Limited Call focused upon Innovation Connectors
- Call for projects linked to the Economic Downturn

In February 2009, the Agency also facilitated a further open call for projects against Priority 1 (Enhancing and Exploiting Innovation) and 2 (Business Growth and Enterprise) of the Operational Programme, although this call will remain open until December 2009.

At the end of the year some £46.2m had been forecast against a mix of 55 live and concept projects from a range of sectors focusing upon key issues such as enterprise, innovative and productivity support. Examples of projects that are up and running with ERDF support include Business Enterprise North East, MAS-NEPA, the North East Business and Innovation Centre (BIC) as part of Sunderland Software City and the Printable Electronic Technology Centre (PETEC LACE) project submitted by the Centre for Process Innovation (CPI) at NETPARK, Durham.

The Agency remains confident that this progress will make a major contribution to the achievement of the first ERDF spend target of £31m by December 2009.

#### Rural Development Programme for England (RDPE) 2007-13

Progress against the Programme's 2 main strands:

1) A £4m pa business support package:

- a small grants fund to rural businesses, which is delivered by Business Enterprise North East. This has proved very popular, with over 500 rural businesses accessing almost £1m of RDPE funds.
- £344k of RDPE funds has been awarded to wood-fuel supply chain projects, to support the demand for renewable energy.
- £350k of RDPE funds have been allocated towards developing land based skills under a 'Landskills' project.
- £2m of RDPE funds have been awarded to develop food and forestry supply chains.

2) £3m pa support package for rural communities:

The new LEADER approach

The LEADER approach is a 'bottom up' method of delivering RDPE, where local people sitting on 'Local Action Groups' decide what projects they wish to fund. There are 4 Local Action Groups (LAGs), covering most of the rural areas in the region. Each LAG has been given an £350,000 allocated per annum, projects so far, include:

- Cheviot Futures, a project to help address climate change at a local level with landowners in Glendale and North Northumberland (first LEADER project approved in England)
- I Run Orienteer Cycle (IROC) Adventure Weekend, support provided to establish the first event of a major annual adventure weekend race (running navigating and cycling) in Weardale, held on the weekend of 18/19 April.

### 5.4 Ensuring Cross-Cutting Themes are fully embedded

Our approach to delivery through our structure of 3 Priorities, 8 Programmes and 24 Activities ensures that the cross-cutting themes of 'Sustainable Development' and 'Economic Opportunities for All' are fully embedded across our Programmes. Even though the Agency is presently sharply focused on the combating the economic downturn we have not neglected our commitment to delivering these cross-cutting themes. Progress on these themes during the year is detailed below:

#### Sustainable Development

One North East has been the main funding body for SustainNE, the region's sustainable development champion body, alongside DEFRA (via the Government Office), the Environment Agency, Regional Assembly and local authorities. The Agency has been in dialogue about the future of Sustainable Development support in the region, given that the regional architecture will be changing as Sub-National Review is implemented, and has funded the Climate Change Partnership, a partnership convened by SustainNE.

As part of the activity of SustainNE and the North East Climate Change Partnership, during the last year the Agency and NERIP have contributed to a regional study looking at regional greenhouse gas emissions baselines and trajectories. The study aimed to:

- provide a greenhouse gas emissions inventory for the North East
- deliver a greenhouse gas emissions monitoring methodology for all sectors
- develop greenhouse gas emissions trajectories illustrating the impact of existing regional strategies, providing a methodology for the region to use when developing future strategies

This work is in its early stages of dissemination but is already proving influential across both strategy development and project level activities.

The Agency also positively engaged in the North East Assembly's scrutiny exercise on 'Maximising Regional Growth: The Challenge of Sustainability' in Spring 2008. The final report was published in July 2008 and One North East is committed to utilising the learning from this exercise in developing the Single Regional Strategy.

#### Economic Opportunities for All

The Agency has taken steps to embed its equality impact assessments within its Procurement Strategy, employment practices and the processes for project appraisal and policy development. In addition, the Agency plays a leading role in shaping wider activity to address equalities issues through the region's Equality and Diversity Action Plan, overseen by the North East Equality and Diversity Partnership, which it originated.

The Agency is currently preparing a Single Equality Scheme, which will reflect the expected requirements under the Single Equalities Bill.

In March 2009 £1m investment in 'Winning Business through Equality' was approved. This will create a new fund, managed by Business Link, to support businesses to address equality and diversity issues. The project represents a significant increase in the Agency's commitment to help deliver the region's Equality and Diversity Action Plan.

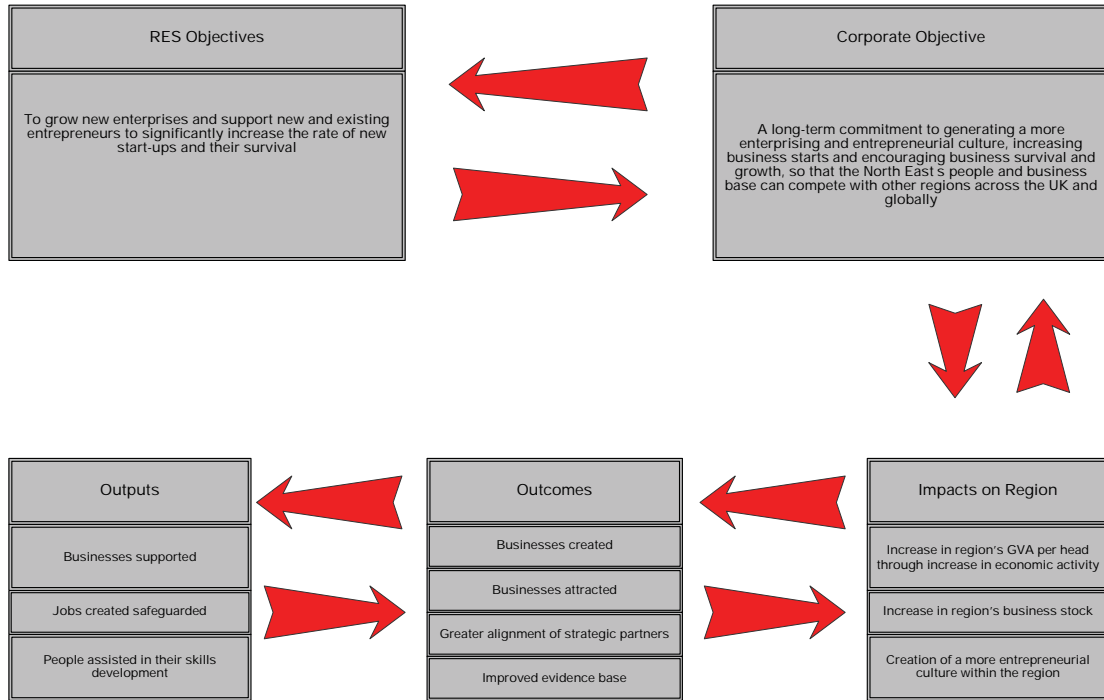
One North East is 'mainstreaming' rural delivery by ensuring that its policies and programmes maximise the opportunities in rural areas. This is illustrated in the delivery of mainstream business support, through Business Enterprise North East (BENE). The Agency has funded three Rural Account Managers, to help rural businesses to gain better access to mainstream business support, delivered through BENE. This approach has proved highly effective at ensuring that the rural businesses better engage with the 'mainstream' and the rural share of business support funding in 2007/08 (year end August 2008) was £3.1m, amounting to 35% of publicly funded business support available through BENE.



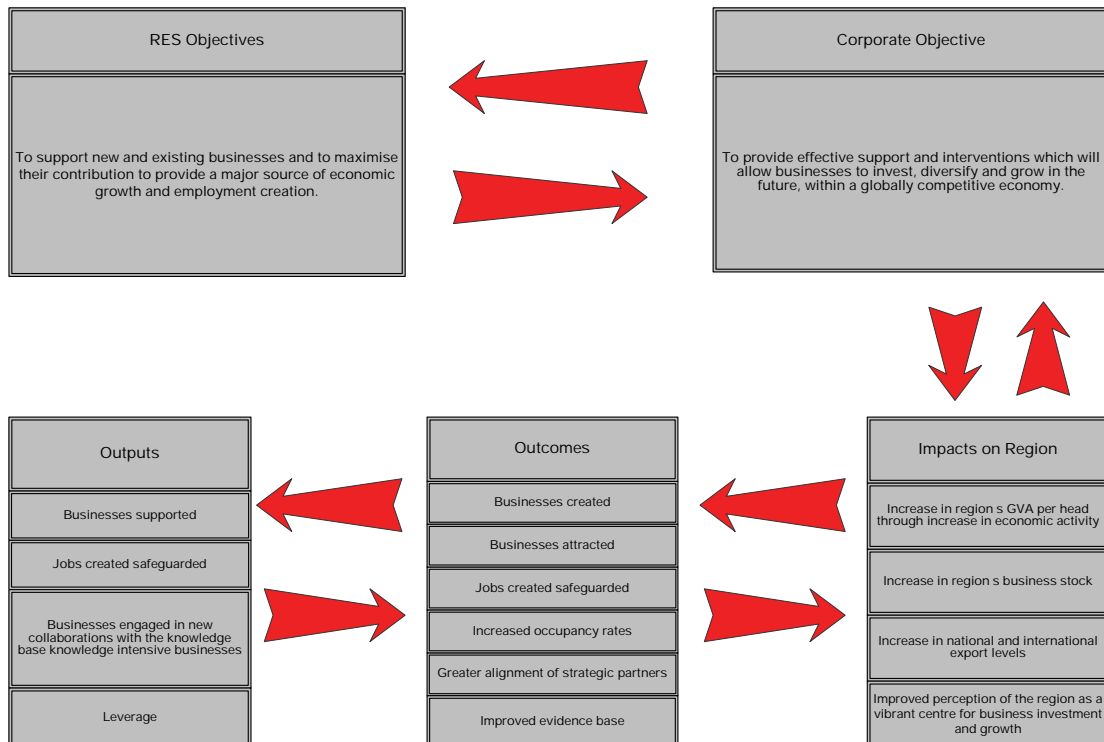
# Annex A Performance Frameworks

Following the review of their focus each Programme's Performance Framework has been updated to reflect the outputs, outcomes and impacts they will deliver to achieve their Corporate Objective:

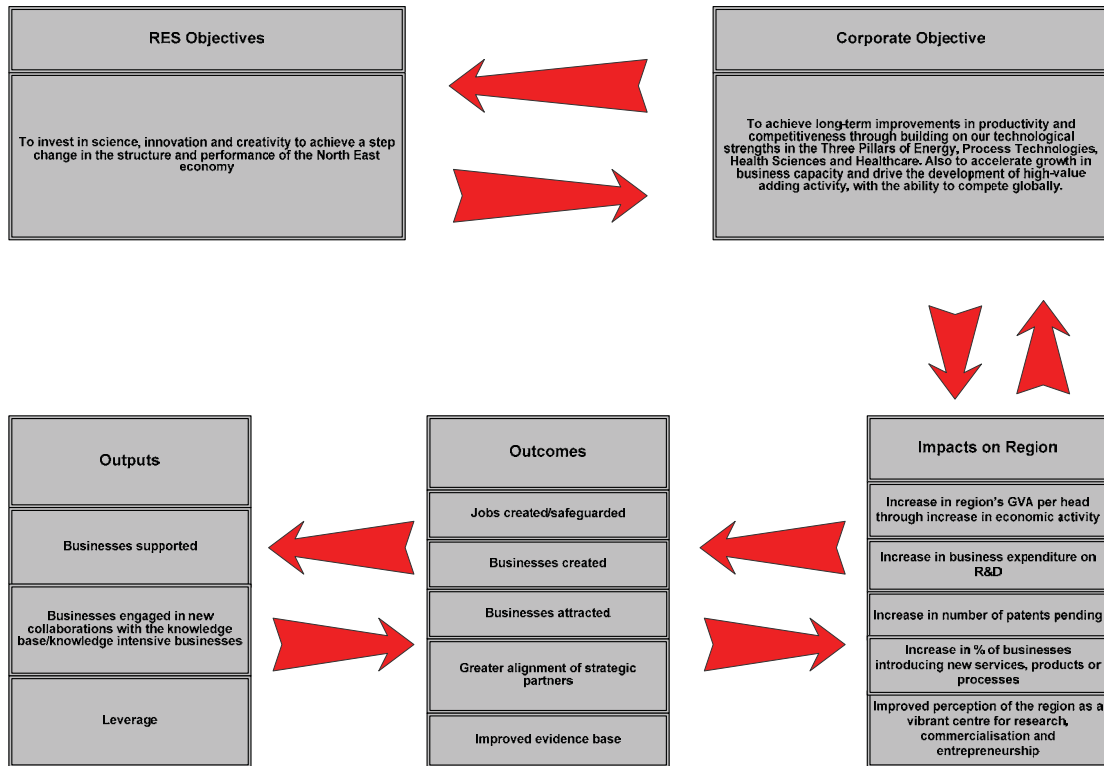
## Enterprise and Business Support



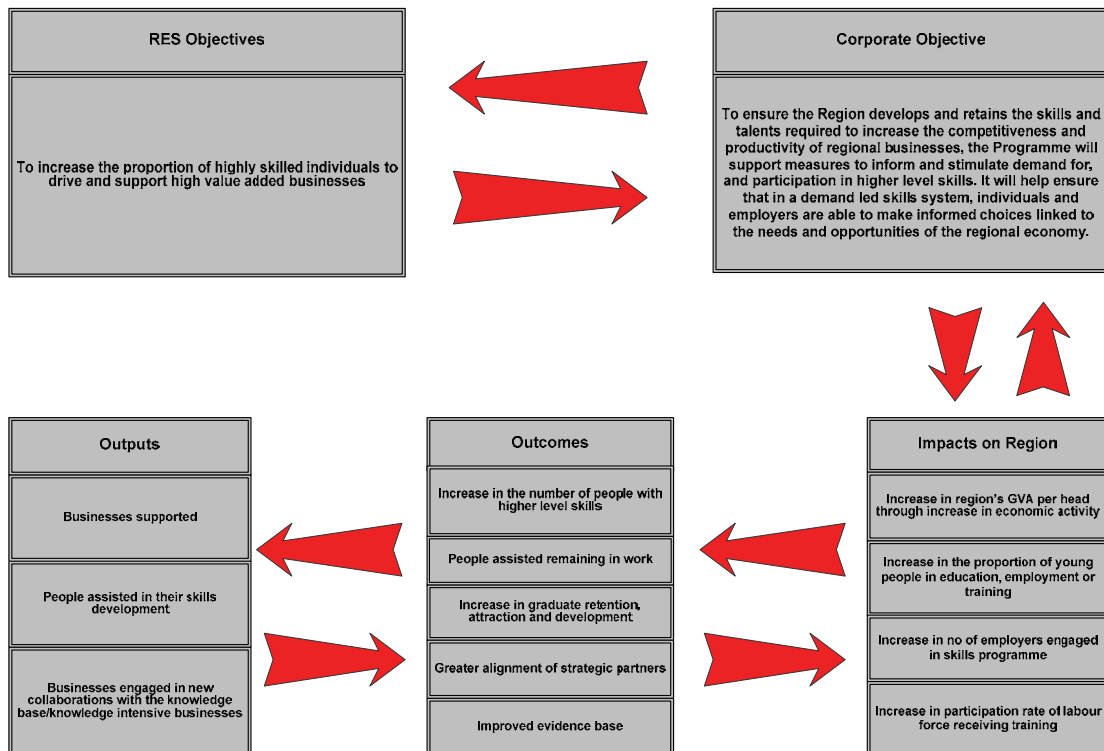
## Business Investment



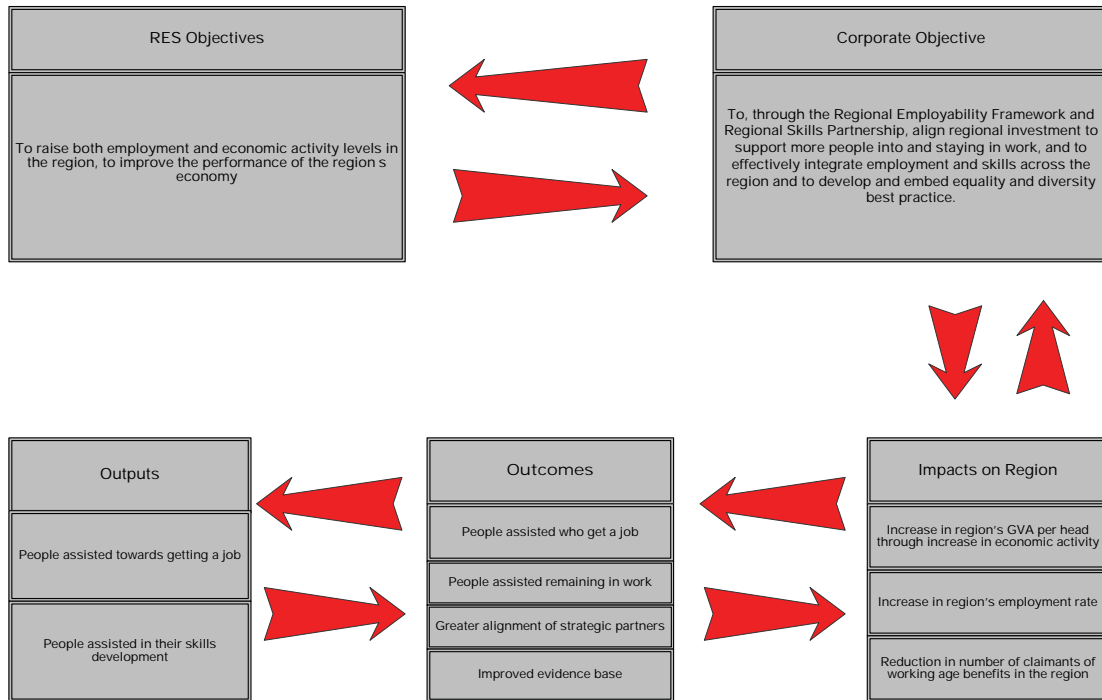
## Innovation and Business Development



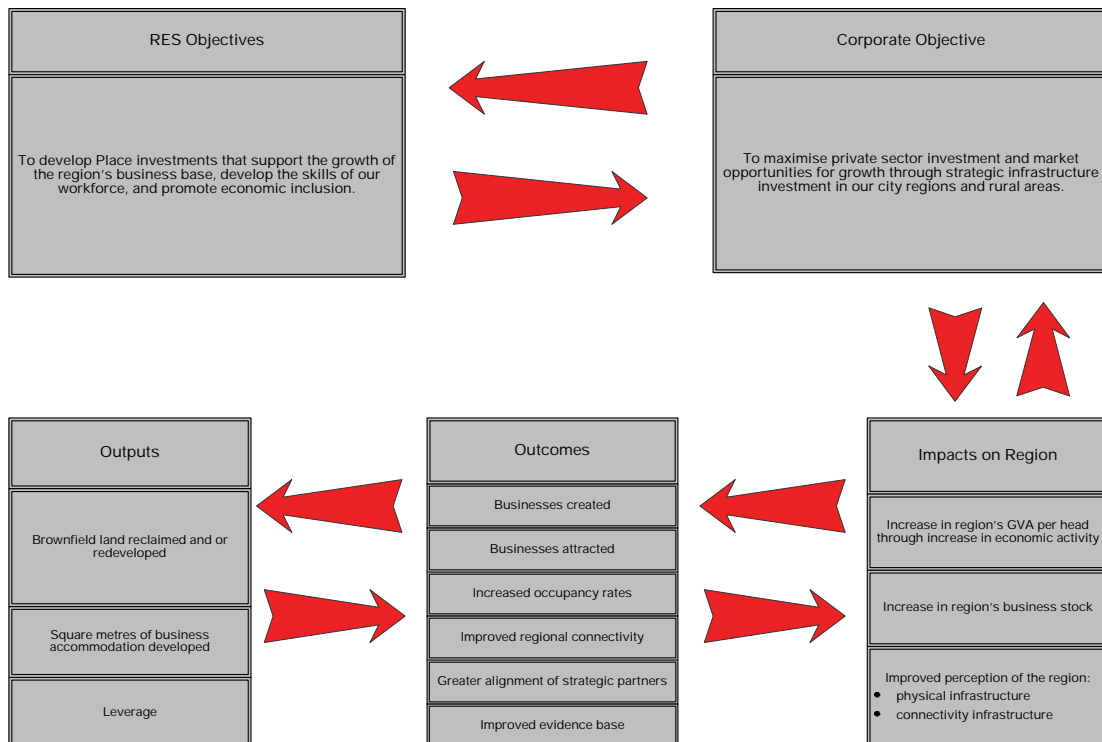
## Skills and Higher Education



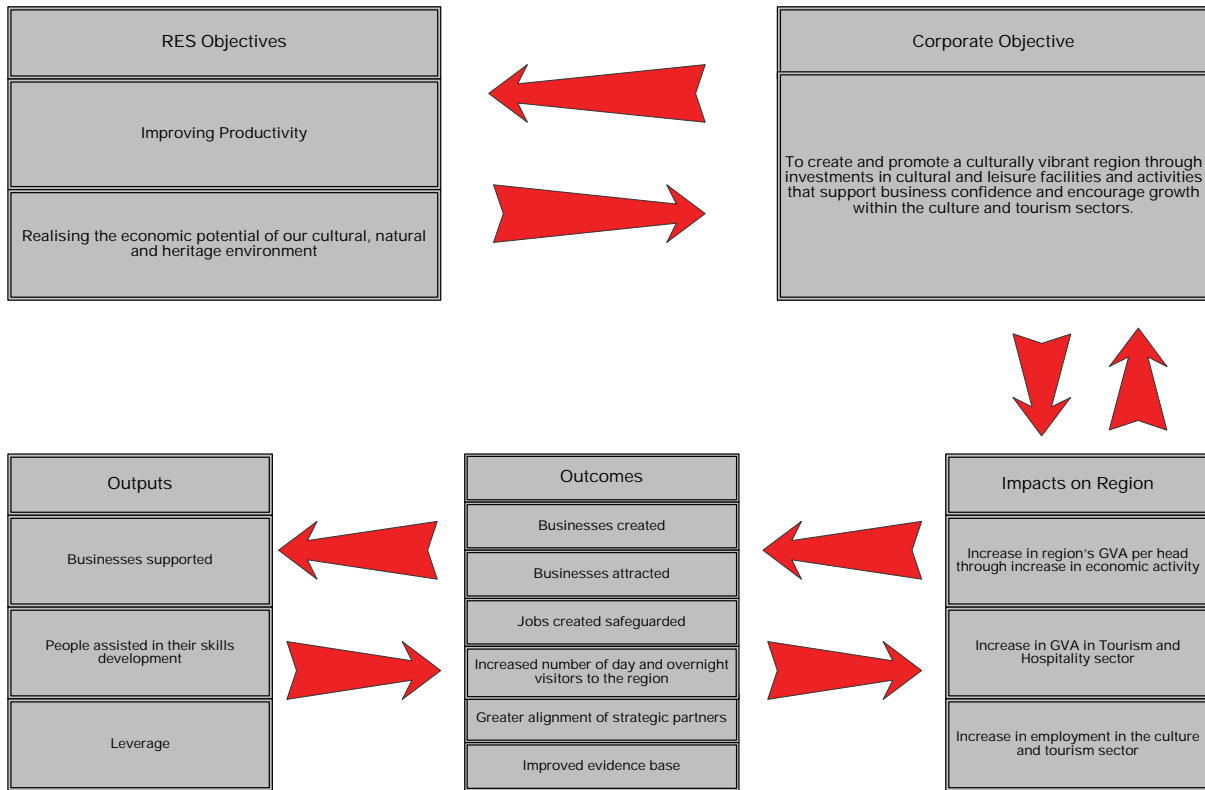
## Economic Inclusion



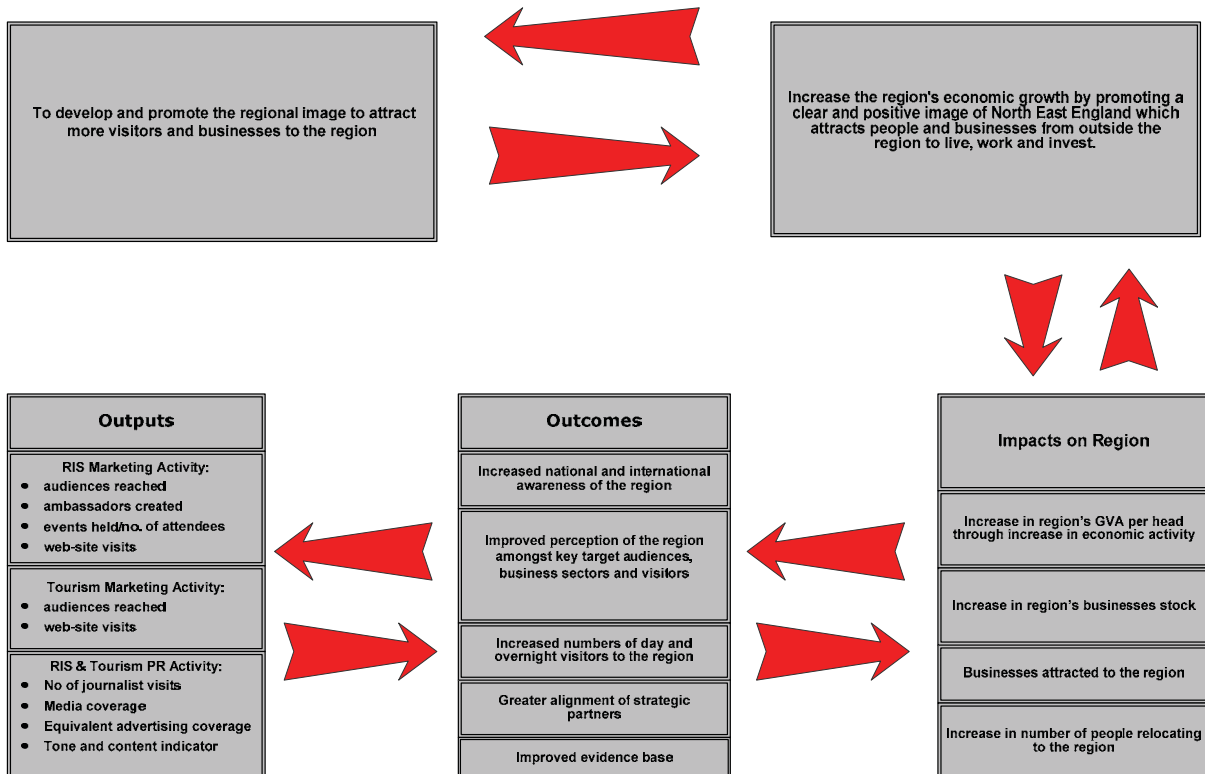
## City Regions and Rural



## Culture and Tourism



## Promoting the Region



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