East Midlands Development Agency (*emda*) Annual Report and Accounts 2010 – 2011

east midlands
development agency

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East Midlands Development Agency (*emda*)

Annual Report and Accounts 2010 – 2011

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Welcome to the 12th Annual Report from East Midlands Development Agency (*emda*)

Chairman's foreword

The past year has been challenging both for the region in terms of the national economic context and its impact upon the region's businesses and for East Midlands Development Agency (*emda*) as an organisation.

To give some economic context, during the past year the UK has continued to recover from the recession of 2008-2009. However, the recovery has not been smooth with rapid growth during the second and third quarters of 2010 giving way to contraction in the final quarter of the year. Overall the UK economy grew by 1.3% between 2009 and 2010[1].

The performance of the East Midlands has reflected the national picture during the past year. The latest available survey evidence reports manufacturing has driven the recovery in the region, with exporters in particular reporting strong sales and orders[2]. Though recently, manufacturers have been reporting pressure on their margins as input costs, and energy and steel costs in particular, have risen rapidly. However, manufacturing only accounts for a limited part of the economy. The service sector, which accounts for around 79% of the economy, has been growing much more slowly as consumer expenditure remains low and austerity measures begin to take effect.

Levels of output per head in the region remain below the UK average (at 88% in 2009)[3]. Conditions in the labour market remain difficult, both for the region and the UK. The employment rate in the region remains above the national average (71.1% compared to 70.5%) and the unemployment rate in line with the national average, at 8.0%. Both figures are similar to those of a year ago[4]. Given that unemployment has not fallen significantly from the peak reached during the recession and it may yet rise further this year, 2011 looks like it will be another difficult year for all of us.

Within this economic context a new Coalition Government came into being in May 2010. With their stated aim to reduce the budget deficit within this Parliament, the Government's approach has meant substantial reductions to public sector budgets along with the realignment of business support and delivery of economic development. Emphasis has been placed upon the private and voluntary sector having greater involvement in delivering previously directly funded business support services and driving economic development. Other significant changes have been made to a wide range of Non-Departmental Public Bodies across the country including the closing of the Government Offices. *emda* has had over the years a very positive and constructive relationship with the Government Office for the East Midlands (GOEM), our region's Government Office. It has also been announced that *emda,* along with all the Regional Development Agencies, will close by March 2012 and Local Economic Partnerships (LEP) will take the lead on responding to economic development challenges for their area.

The LEPs are made up of public and private sector representatives who will coordinate public and private investment in transport, housing, skills, regeneration and other areas of economic development. In supporting the move to LEPs and Enterprise Zones *emda* has endeavoured to assist local authorities and business representative organisations to

[1] Quarterly National Accounts, Office for National Statistics, 29th March 2011.
[2] Quarterly Economic Survey 4th Quarter 2010, British Chambers of Commerce, January 2011
[3] Regional, Sub-regional and Local Gross Value Added, Office for National Statistics, December 2010
[4] Labour Market Statistics, Office for National Statistics, March 2011

formulate their approach to defining both the geographic and strategic reach of each LEP in driving economic development for their area.

It is against these decisions that *emda* has had a significant in-year reduction in our operational budgets. Despite this we have continued to respond positively to supporting businesses in the East Midlands. In many ways the past year has been no different and it’s been business as usual as we have ensured that the investments we have made will deliver the greatest impact and benefits for the region’s economy. There is more about how our funding has been used to good effect in the Chief Executive’s review of the year which follows.

Over the years *emda* has developed an approach to investment and particularly evaluation of projects that provides learning and processes that can be adopted by other organisations, such as the LEPs, taking forward economic development.

During the spring of 2011 we ran a series of dissemination events to help spread knowledge created through *emda* activity to partners and successor bodies, where it may be relevant to their future activities. The events covered a range of topics including the economy, low carbon, skills and wellbeing. The latter was organised in partnership with the Office of National Statistics and looked at the Regional Index of Sustainable Economic Wellbeing (RISEW) which resonates nationally with current Government initiatives.

In addition to these events we have created a legacy “knowledge bank” with Nottingham Trent University (NTU). Thanks to the University’s commitment to the region this wide ranging electronic library will be made available to academics, businesses and the public free of charge. *emda* is keen to ensure that this body of work continues to be proactively used and, in some cases, developed further. As we move towards the Agency’s closure we will be identifying individual pieces of work to be proactively passed on to relevant and interested partners.

As part of our work to ensure learning from our activity is disseminated we have produced thematic legacy documents on key areas. These thematic legacy documents are available on *emda*’s website and through the NTU knowledge bank. They encompass our approach to tourism, inward investment, enterprise, low carbon, innovation, business support (including access to finance), STEM (activities to encourage young people to take up science, technology, engineering and maths subjects), manufacturing and *emda*’s partnership approach to regeneration – showcasing the coalfields.

In reflecting on the past year’s activities I’d like to close by commending the work of *emda*’s Board and staff who have embraced an approach to partnership delivery which I believe leaves the region in a good position to continue to address the many challenges that lie ahead. Over the years our many partner organisations from the public and private sector, universities, the voluntary and third sector and business have been critical to this region’s success and I would like to thank them on behalf of the *emda* Board. Finally, despite working towards closure, this organisation has not lost its desire to see the East Midlands continue to grow, develop and succeed and we will continue to work to this end.

Bryan Jackson
***emda* Chairman**

Chief Executive's review – management commentary

emda has continued to perform well throughout 2010-2011, meeting all expected output targets despite the tough economic climate and uncertainties facing the future delivery of economic support and regeneration activity in the region.

Some of the highlights of the past year include achieving our targets set for job and business creation, employment and business support as well as the number of people assisted with their skills development. Full details can be found on page 11-12 of this annual report.

Following on from the Independent Performance Assessment (IPA) published in 2006, which gave *emda* the joint highest rating possible, the National Audit Office published their Independent Supplementary Review (ISR) of *emda*'s activity in July 2010. The ISR confirmed *emda* to be one of the best performing RDAs, demonstrating strong performance in all of the areas against which we were assessed. The NAO were impressed by our robust, bold and innovative approach to evaluation and praised the way that *emda* has used independent evaluation evidence to prioritise our projects and alignment of priorities with partners and joint investment planning through sub-regional investment plans.

In preparing for the closure of *emda* we will continue to apply the same rigorous approach to our processes and administration. We are committed to leaving our projects and records in an ordered state to be handed on to those that follow us.

Following the General Election in May 2010, the new Coalition Government announced a range of spending cuts. RDAs were affected by this first announcement of cuts, with *emda* having to make an in-year budget cut of £30.3m. This has obviously had an impact on our activity over the past 12 months though we continue to meet and in some cases exceed our targets. We have continued to use the resources we have to deliver vital support for businesses across the East Midlands throughout 2010-2011, and I'd like to take the opportunity here to highlight some of *emda*'s key achievements over the past year.

Grants totalling £2.6m have been awarded through the Grant for Business Investment (GBI) programme in 2010-2011, helping businesses across the region to create and safeguard jobs and develop employment floorspace. For example, Lincolnshire manufacturer of specialist seed packets for the horticultural industry, Focus Packaging and Design Limited, received £104,000 to purchase additional manufacturing machinery and expand their site in Louth; B M Catalysts in Mansfield, one of the UK's leading independent manufacturers of catalytic converters, received £550,000 towards the purchase of a new manufacturing facility; and Swiftool Precision Engineering Limited in Huthwaite, one of the region's leading precision engineering businesses, completed the purchase of a new manufacturing facility after being awarded a grant of £600,000.

A report into the effectiveness of *emda*'s Grant for Research and Development (GRD) scheme was published in July 2010[5], which found it to be one of the most effective in the UK, with a return on investment of almost £10 for every £1 spent and a Gross Value Added (GVA) impact of £300m. Since *emda* took over responsibility for the GRD in 2005, a total of

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[5] Evaluation of Grants for Research and Development in the East Midlands – Public and Corporate Economic Consultants

203 grants have been awarded to regional businesses, with a total value of over £18.5m. From April 2011 a new GRD scheme is being introduced, managed by the Technology Strategy Board.

During 2010-2011 the Business Link service offered support to an increased number of businesses and entrepreneurs, whilst maintaining independently assessed customers service ratings of above 90%. We are now working closely with Government and the regional Business Link providers to ensure that there is a managed closure of the regional services, which are due to close on 25th November 2011 to be replaced by a national website and call centre. Under the management and funding of the RDAs, the number of businesses and aspiring entrepreneurs assisted each year by Business Link increased by a third to over a million nationally.

Since July 2010 the Coaching for High Growth programme has been supporting 50 of the region’s most ambitious high growth businesses to unlock their growth potential through tailored master classes and coaching support. A further 35 businesses have now been enrolled for the final six month coaching programme, running from April to September 2011.

emda also continues to encourage inward investment, with 42 international companies encouraged to invest in the region in 2010-2011, creating or safeguarding some 4,522 jobs, our best ever year for the number of jobs created and safeguarded in the region. Successes have included the announcement that Changan Automobile Co, one of China’s leading car manufacturers, is opening its new UK Research and Development Centre at Nottingham Science Park, where it will help to develop the low carbon vehicles of the future. Changan will be directly investing £20m over the next five years to open and run the Nottingham operation. The company’s investment in research and development in Nottingham will create up to 200 new jobs over the next three years.

Funded by *emda* and the European Regional Development Fund (ERDF), the four innovation networks (iNets) remain an important part of our business support activity, offering specialist support and grants to businesses in the priority sectors of healthcare and bioscience, transport, construction and food and drink. The Transport iNet, for example, celebrated its first full year of operation in June 2010. During its first year it assisted more than 150 small to medium sized businesses, made a significant impact on manufacturing and engineering companies across the region, and brokered seven major research collaborations between East Midlands' universities and regional businesses, thanks to £575,000 of HEI Collaboration grants. One company benefiting from the Transport iNet's support is Northampton based Delta Motorsport, who are building five battery-powered E-4 coupés. The innovative cars will, on average, reduce harmful emissions by around 67% without compromising performance.

Collaborative work with universities through the Lachesis Fund has continued in 2010-2011. Investing in spin-out technology companies from the universities, *emda* first established this fund in 2002, which fills a ‘seed-corn’ funding gap for very early technologies in the higher education sector. Through the ERDF a further £2m investment in the Lachesis Fund was announced in August 2010, bringing the total investment since it was established to £10m.

emda has also continued to work collaboratively with the other Midlands RDA, Advantage West Midlands, on the establishment of a Manufacturing Technology Centre (MTC) on the border between the East and West Midlands, with a total of £40m investment from the two RDAs. Work commenced on the MTC in April 2010, which will be operated by a partnership made up initially of four leading UK research organisations – the universities of Birmingham, Nottingham and Loughborough and TWI Limited, the operating division of The Welding Institute. Founder industrial members of the MTC are Rolls-Royce, Aero Engine Controls and Airbus UK.

Through the Unleashing Enterprise Programme *emda* again supported activity during Global Entrepreneurship Week (GEW), which took place in November 2010. A total of 59 GEW events took place throughout the East Midlands, with the themes of the environment, innovation and creativity. Local authorities and further education colleges were major contributors, as were small businesses and individual entrepreneurs.

Some key regeneration activity in the region has also come to fruition during 2010-2011. For example two significant *emda* funded projects have opened in Corby this year. Corby Enterprise Centre was completed in November 2010, which provides flexible office and studio space for new enterprises and business start-ups. The environmentally friendly building has created 32,000 sq ft of high quality employment space for Corby, with modern offices and workshops suitable for businesses of between two and 25 people. The Enterprise Centre received more than £1.1m ERDF and *emda* contributed nearly £6.5m, which includes £1m from Northamptonshire Enterprise Limited (NEL) through Northamptonshire County Council. The Corby Cube also opened in November 2010. The Cube is home to Corby's new theatre, The Core, as well as a library, registry office and other local authority facilities including a one stop shop for payments and enquiries. *emda* invested £5m to help build Corby Cube, which will leave a lasting legacy for people living and working in Corby and the surrounding area.

emda has continued to manage and deliver the National Coalfields Programme (NCP) , European Regional Development Fund (ERDF) and Rural Development Programme for England (RDPE) in the East Midlands throughout 2010-2011, as well as managing the transition to future delivery and governance arrangements for each of these programmes. Going forward the NCP will be managed by the Homes and Communities Agency (HCA), ERDF by the Department for Communities and Local Government (DCLG), and RDPE by the Department of Environment Food, and Rural Affairs (Defra). We have been working closely with all three partners to ensure a smooth and ordered transition to these new arrangements.

Work under the NCP at the former Avenue Coking Works in Wingerworth, near Chesterfield is progressing well. An innovative thermal desorption plant has been constructed on site and is now being used to clean up the most heavily contaminated soil at The Avenue as part of the multi million pound clean up operation, which is due to end in 2014. Other activity under the NCP during 2010-2011 has included the completion of a project to transform the disused Pleasley Colliery site near Bolsover in Derbyshire and bring it back into beneficial use for the local community. The work has involved the remediation of the land on the site, and conservation of key features, including the remaining colliery engine houses and the iconic head gears.

Since *emda* launched the East Midlands 2007-13 ERDF Competitiveness Programme in March 2008, more than £111m ERDF has been awarded to 135 projects across the East Midlands to increase productivity through innovation, improve resource efficiency in businesses, and boost sustainable economic and enterprise activity in less advantaged communities. Three years on since the launch of the Programme, a further £48m investment to specifically support sustainable economic and enterprise activity in disadvantaged communities for the remainder of the Programme until 2013 has now been announced.

emda is delivering the business development and socio-economic elements of RDPE in the East Midlands region. Delivered directly to farmers, foresters, growers and the food sector, projects that have received RDPE support during 2010-2011 include Binleys Bridge Farm in Leicestershire, who received a RDPE grant of £91,000 towards the cost of constructing a purpose built cookery school on their beef and sheep farm; Hodsock Farm in Worksop, who received £199,000 to help transform redundant farm buildings into self catering holiday suites; and Rookery Farm in Louth, who received over £200,000 to purchase plant and machinery and modify redundant buildings for a new straw pellet manufacturing facility.

Whilst *emda*'s main task during this current transition period remains to support economic recovery and future growth in the region, as we move towards the closure of the Agency by March 2012, staff have also become increasingly engaged in planning for closure. A detailed Cessation and Transfer of Activity Plan has been agreed by the *emda* Board. Working closely with our sponsor government department, the Department for Business Innovation and Skills (BIS), we are focusing on ensuring that a relevant legacy of *emda*'s activity remains through the retention of relevant knowledge and information that will assist both local businesses and any organisations continuing to deliver economic support in the East Midlands in the future.

We are also working closely with BIS and other government departments to ensure specific areas of activity are carried forward appropriately. For example, *emda* is supporting the BIS Manufacturing Advisory Service (MAS) Reform project, which seeks to redesign the MAS programme for today's manufacturing industry and to set out a smooth transition for the delivery of the national programme post RDAs.

Throughout this difficult time *emda*'s staff have acted with professionalism and dignity, managing the closure and transfer of activities appropriately whilst ensuring we continue to efficiently deliver on our committed activity for 2010-2011. I would like to take this opportunity to offer my personal thanks to all our staff for their dedication and commitment over the past 12 months.

J P Moore
***emda* Chief Executive**
Dated 8th July 2011

Financial and operating review

Outputs performance

During 2010-2011 *emda* has achieved outputs as set out in the 2008-2011 Corporate Plan, by the projects and programmes undertaken during the year.

During the difficult economic climate there has been a focus on some key targets that demonstrate the outcome of the investment made in the region's economy. These are listed below:

Headline performance targets 2010-2011 Output name	Actual for 2010-11
Job creation: The number of jobs created of safeguarded	**12,364**
Business creation: The number of new businesses created and surviving 12 months, and businesses attracted to the region	**2,737**
Business support: The number of businesses assisted to improve their performance	**32,891**
Skills: The number of adults in work undertaking vocational skills development equivalent to Level 3 or above as a result of RDA programmes	**428**
Skills: The number of people undertaking an additional 12 hours of STEM or enterprise capability based learning as a result of RDA programmes	**14,939**

Job creation

Despite the tough economic climate, *emda* has again exceeded its target for job creation this year, creating or safeguarding 12,364 jobs in 2010-2011. The major contributors to this output were the Business Start-Up project and Investor Development – the former supports new businesses and the latter assists some of the major employers in the East Midlands.

Business creation

The Business Start-Up programme assisted companies across the region, with a total of 2,737 surviving at least 12 months, this being the threshold for inclusion in the figure above.

Business support

The Business Link service assisted 19,948 businesses in 2010-2011. The remainder of the 32,891 total has been delivered by programmes including Integrated Skills Brokerage, the Manufacturing Advisory Service and Mentoring For All.

Skills

emda collects a number of skills output measures, ranging from assistance through STEM or enterprise capability learning through to Level 3 NVQ or equivalent qualifications. In total over 15,000 people were assisted to develop skills in support of our current and future economy.

The following table shows *emda's* output performance, as set out in the 2008-2011 Corporate Plan. The nationally agreed suite of output indicators was withdrawn at the end of 2007-2008. However, *emda* closely aligned the Agency's output definitions for 2008-2011 with the former tasking framework definitions. In year two of this Corporate Plan *emda* reported the tasking framework skills outputs for the last time.

These are now replaced by the new higher level skills outputs on the supplementary table below.

All output targets were exceeded for the year, reflecting the continued focus on supporting the region through the economic downturn.

2010-2011 Output name	Actual for 2010-11
1. Job creation: The number of jobs created of safeguarded	**12,364**
2. Employment support: The number of people assisted to get a job	**8,763**
3. Business creation: The number of new businesses created and surviving 12 months, and businesses attracted to the region	**2,737**
4. Business support: The number of businesses assisted to improve their performance	**32,891**
4a. The number of businesses within the region engaged in new collaborations with the UK knowledge base (higher education / business collaboration projects)	**634**
5. Regeneration: Hectares of brownfield land remediated	**89**
6a. Skills: The number of adults in work undertaking vocational skills development equivalent to Level 3 or above as a result of RDA programmes	**428**
6b. Skills: The number of people undertaking an additional 12 hours of STEM or enterprise capability based learning as a result of RDA programmes	**14,939**
7. Financial leverage: Public and private investment levered (£m)	**211**

Funding

emda runs four main programmes for the region, these are:

- Single Programme
- National Coalfields Programme
- Rural Development Programme for England
- European Regional Development Fund.

The largest of these is the Single Programme, funded through several government departments and managed through BIS. The 2008-2011 Corporate Plan sets out *emda*'s three year investment plan against this funding stream. The plan is reviewed by the *emda* Board annually and delivered through the annual Business Plan.

The 2010-2011 Business Plan underwent a number of changes during the year, *emda*'s net budget was reduced by £30.3m during the year by BIS and funding had to be reduced or withdrawn from a number of projects. The table overleaf shows expenditure compared to the 2010-2011 revised Business Plan.

Expenditure	Revised Business Plan 2010-11 £m	Actual 2010 11 £m	Difference 2010-11 £m
Expenditure			
Total regional expenditure	58.6	58.9	0.3
Sub-regional Strategic Partnerships	26.9	26.6	(0.3)
Total programme expenditure	**85.5**	**85.5**	**(0.0)**
Baseline administration	16.4	15.0	(1.4)
European programmes' administration	0.5	0.5	(0.0)
Total single programme expenditure	**102.4**	**101.0**	**(1.4)**
Income			
Receipts	(8.1)	(8.8)	(0.7)
Net single programme expenditure	**94.3**	**92.2**	**(2.1)**
Grant in Aid cash allocation	**94.3**	**94.3**	**0.0**
Underspend	**(0.0)**	**(2.1)**	**(2.1)**
Non cash			
Non cash costs	1.2	0.7	(0.5)
Non cash costs allocation	1.2	1.2	0.0
Underspend	**0.0**	**(0.5)**	**(0.5)**

Single programme funding
All of the cash funds available to spend on programme activity in the region were utilised in full. The underspend against the administration budget relates to a reduction in the running costs of the Agency due to the wind down of activity. The underspend against non cash costs relates to depreciation and cost of capital charges, etc. Any underspend in this area cannot be converted to the cash budget or fund project expenditure.

Structural themes and strategic priorities
The 2008-2011 Corporate Plan was based on the Regional Economic Strategy (RES) developed in 2006-2007, 'A Flourishing Region', with the priorities of the Agency being refreshed to reflect this Strategy.

2010 -2011 was the final year *emda*'s delivery was based on the priorities set out in the Strategy, which were outlined in the 2008-2011 Corporate Plan and the 2010-2011 Business Plan.

All of the regional and sub-regional programmes are developed within the framework of the structural themes developed in the RES. The cross cutting themes of improving productivity, ensuring sustainability and achieving equality are built into every project *emda* undertakes.

Regional and sub-regional funding
The Corporate Plan allocated a significant part of *emda*'s funding to Sub-regional Strategic Partnerships. In 2010-2011 £26.6m (31%) of the Agency's single programme funding was deployed sub-regionally.

Strategic priority	Revised Business Plan 2010-11 £m	Actual 2010 11 £m	Difference 2010-11 £m
Employment, learning and skills	2.7	2.7	0.0
Enterprise and business support	24.1	24.4	(0.3)
International trade and inward investment	2.1	2.1	0.0
Tourism	2.5	2.5	0.0
Innovation	16.0	16.0	0.0
Transport and logistics	0.0	0.0	0.0
Energy and resources	0.5	0.5	0.0
Environmental protection	0.6	0.5	0.1
Land and development	8.1	8.1	0.0
Achieving equality	1.4	1.4	0.0
Strategic programme activity	0.6	0.7	(0.1)
Total regional expenditure	**58.6**	**58.9**	**(0.3)**
Sub-regional expenditure	**26.9**	**26.6**	**0.3**
Total programme expenditure	**85.5**	**85.5**	**0.0**

Corporate objectives

The Agency set Corporate Objectives against each of the strategic priorities identified in the Corporate Plan 2008-2011. Progress has been made against all of the Corporate Objectives for the Agency.

There is more about how our funding has been used to good effect in the Chief Executive's review of the year on page seven.

European Regional Development Fund (ERDF)

The Agency has an objective to effectively manage the implementation of the 2007-2013 ERDF Competitiveness Programme in order to ensure that activity brought forward meets the strategic objectives of the Operational Programme. This objective was met as the N+2 spend target was achieved for 2010. The Agency has also made excellent progress toward the 2011 N+2 target.

Rural Development Programme for England (RDPE)

emda is delivering the business development and socio-economic elements of RDPE in the East Midlands region. The investment targets set by Defra 2010-2011 were achieved.

Corporate governance

emda has well defined corporate governance arrangements in place. The Corporate Governance Manual includes all the information required under the Agency's constitution, as well as setting out best practice principles under which the Agency is governed. The manual contains a Code of Practice for Board Members, requiring them to follow the Seven Principles of Public Life, also known as the Nolan Principles.

The governance of *emda* is managed by the Board, which met 10 times during 2010-2011. The Board delegates responsibility for decision making to three sub committees as follows:

- Audit and Risk Management Committee
- HR and Remuneration Committee
- Board and Resources Group.

Details of decisions reserved for the Board and the Terms of Reference for each group are contained within the Corporate Governance Manual, which is published on the *emda* website at **www.emda.org.uk**

Corporate governance arrangements were reviewed during the year to take account of closure activity. The Audit and Risk Management Committee was strengthened in numbers and now meets more regularly on a six weekly basis. The Board has delegated responsibility for the detailed oversight of closure activity to this committee.

The Board receives a report at each meeting outlining *emda's* financial position. The Board and the Audit and Risk Management Committee review the financial information and key risks to gain assurance that the Agency is controlling its funds effectively. The Audit and Risk Management Committee receives a report at each meeting outlining the progress on closure activities against an overall plan.

emda operates from one location, the address is as follows:

Apex Court
City Link
Nottingham
NG2 4LA

Investing in people

Investing in people is a critical element of *emda*'s business continuity strategy and commitment to excellence. A comprehensive Employee Learning and Development Programme helps employees maintain the competences and skills required to carry out their roles. This is continually evaluated to ensure its effectiveness. Specific focus is placed on ensuring appropriate leadership and management skills are in place to meet the challenging and constantly changing agenda. As such the Agency continues to meet its commitments as an Investor in People, first achieved in 2002 and re-accredited in February 2008. This commitment to excellence continues in the support to staff during the closure period. A comprehensive support package has been put in place to ensure that staff are equipped for the challenges of managing the closure of the Agency and the future challenge of finding alternative employment.

The Agency's proactive approach to equality and diversity continues to be reflected in the employee profile, with a working environment that is accessible to all. *emda* is accredited as a Disability Symbol User. Positive employee relations are maintained through the Staff Consultative Forum and with recognised trades unions.

Employment policies and procedures are reviewed and updated each year to ensure continuing legal compliance and best practice; specifically around family friendly issues.

Note 3 in the accounts details the staff numbers and costs for 2010-2011. The average number of posts during the year decreased from 272 to 228. The reduction follows the closure announcement and includes 27 leavers to date through voluntary redundancy.

Corporate responsibility

emda is committed to being a responsible corporate citizen. Our strategies take account of broader social, environmental and community impacts, in our role as an employer, purchaser of goods and services and strategic investor.

emda wants to be the best Regional Development Agency and was rated as 'performing strongly' in all categories in the recent independent performance review, known as the Independent Supplementary Review (ISR), conducted by the National Audit Office.

A clear commitment to corporate responsibility is also evident in a series of strategic activities and project investments. Examples include:

- Blueprint – a socially and environmentally responsible property investment fund delivering quality commercial property for regional businesses, which deliver social and environmental best practice in relation to the built environment.

- Considerable investment to support businesses to improve their resource efficiency, including a free service via Business Link Advisers trained to diagnose resource inefficiencies, and *emda* grants to support actions leading to resource efficiency gains.

- A commitment to realising the opportunities of a diverse and inclusive regional economy. As a public body *emda* is required to demonstrate how its actions positively promote equality of opportunity for different groups in society.

Directors' report

The Directors present the Annual Report and Accounts for the year ended 31st March 2011.

Non-Executive Directors (the Board)

Membership of the *emda* Board during the financial year 2010-2011 was as follows:

Name	Position	Appointment/ reappointment date	End of appointment	Length of appointment
Dr Bryan Jackson OBE	Chair	December 2010		2 years
Haydn Biddle (1)	Deputy Chair	December 2009		3 years
Steve Brown	Board Member	December 2010		2 years
Cllr Gary Hunt	Board Member	December 2010		2 years
Cllr Jon Collins	Board Member	December 2010		2 years
Cllr Geoff Stevens	Board Member	December 2010		2 years
Prof Philip Tasker	Board Member	December 2010		2 years
Tricia Pedler	Board Member	December 2009		3 years
Ann Cartwright	Board Member	December 2010		2 years
Michael Seals MBE	Board Member	December 2010		2 years
Parvin Ali OBE	Board Member	December 2008		3 years
Stan Crawford OBE	Board Member	December 2008		3 years
Elizabeth Donnelly	Board Member	December 2008		3 years
Cllr Jim Harker	Board Member	December 2008		3 years
Martin Bryant	Board Member	May 2009		2 years, 7 months

(1) Haydn Biddle replaced Steve Brown as Deputy Chair on 14th December 2010.

emda maintains a Register of Board Members' interests which is available on *emda's* website at **www.emda.org.uk**, or on request from the Executive Director of Corporate Services at Apex Court, City Link, Nottingham NG2 4LA.

Full details of the disclosure for Board Members are contained in the Remuneration Report.

Executive Directors

The Board appointed the following individuals during 2010-2011 to manage the activities of the Agency:

Chief Executive	Jeffrey P Moore
Executive Director of Regeneration	Diana Gilhespy
Executive Director of Business Services	Michael Carr
Executive Director of Corporate Services	Glenn Harris
Executive Director of Strategy (1st July 2010 to 14th January 2011)	Abby Johnson-Brennan
Executive Director of Strategy (1st April 2010 to 30th June 2010)	Emma Corbett

emda's Deputy Chief Executive, Abby Johnson-Brennan, was seconded to Government Office East Midlands from 1st April 2010 to 30th June 2010. The duties of the Deputy Chief Executive during this time were undertaken by Michael Carr and Glenn Harris.

Statement of the Agency's and Chief Executive's responsibilities

Under section 14 of the Regional Development Agencies Act 1998 the Secretary of State for Business, Innovation and Skills has directed *emda* to prepare for each financial year a Statement of Account in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of *emda* and of its income and expenditure, changes in taxpayers' equities and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the Government's Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis

- Make judgements and estimates on a reasonable basis

- State whether applicable accounting standards set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements

- Prepare the accounts on the going concern basis, unless it is inappropriate to do so.

The Accounting Officer of the Department for Business, Innovation and Skills has designated the Chief Executive as the Accounting Officer of *emda*. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping of proper records and for safeguarding *emda*'s assets are set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum and in Managing Public Money published by HM Treasury.

The Agency and the Accounting Officer 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 certificate on the Agency's website and in other electronic form.

As far as the Accounting Officer is aware, there is no relevant audit information of which the Agency's auditors are unaware and the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant information and to establish that the Agency's auditors are aware of that information.

Accountability and financial framework

The Secretary of State issued the Agency with an Accountability and Financial Framework on 1st October 2008. The Agency has complied in all material respects with the terms of this framework during the course of 2010-2011. Additional restrictions have been imposed on the Agency regarding spend since the announcement of the future abolition of *emda.* All these restrictions have been adhered to during the year.

Principal activities

East Midlands Development Agency (*emda*) was established under the provisions of the Regional Development Agencies Act 1998 and came into existence on 14th December 1998. The Agency is a Non Departmental Public Body (NDPB) sponsored by the Department for Business, Innovation and Skills.

The principal activity of the Agency is to support improvement of the economy in the East Midlands by delivering a competitive region and at the same time ensuring that the region has sustainable communities.

Our deliverables are measured against output targets over a range of activities identified in *emda*'s Output Framework outlined in the 2008-2011 Corporate Plan.

Going concern

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

Ministers have confirmed that there will be an orderly transition to closure and that some Regional Development Agency activities will transfer to other parts of government. These have already begun; inward investment activity transferred to UKTI on 1st April 2011; and the ERDF programme transferred to the Department for Communities and Local Government and the RDPE programme transferred to the Department for the Environment, Food and Rural Affairs both with effect from 1st July 2011. A series of further transfers to other parts of government are planned throughout 2011-2012. As abolition arrangements have yet to be confirmed there is a material uncertainty that casts significant doubt upon the Agency's ability to continue to operate in its current form and fulfil its current powers under the Regional Development Agencies Act 1998.

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

Financial results and review

Financial summary

During the 2010-2011 financial year *emda* was primarily funded by Grant in Aid from the Department for Business, Innovation and Skills. An allocation of £94.3 million was given in respect of the 2010-2011 financial year and £100 million was received in cash during the year. Other funding sources amounted to £27.1 million. The Agency has continued to maximise the efficient use of programme budgets.

Results

The results for the year ended 31st March 2011 are set out in the financial statements on pages 41 to 88.

Review of activities – financial performance 2010-2011

The Agency's principal source of funding was the Single Programme received from Government. The Single Programme allows the Agency to effectively influence regional economic priorities and gives greater flexibility to manage the available resources. The Single Programme replaced the many different funding streams previously received from government departments, which were allocated for specific legacy and inherited programmes.

This Single Programme funding was supplemented by European funding, funding from the Homes and Communities Agency under the Coalfield Programme, and capital receipts from the disposal of assets. *emda* also manages the Rural Development Programme for England on behalf of the Department for Environment, Food and Rural Affairs in the East Midlands, with the financial transactions for this programme processed centrally by the Rural Payments Agency.

The Agency recognises the support of the European Community via the European Regional Development Fund (ERDF).

Freedom of Information enquiries

During the period April 2010 to 31st March 2011 the Agency received 71 requests for information under the Freedom of Information Act. All enquires were answered within the prescribed period required by the Act.

Employment of disabled persons

The Agency gives full and fair consideration to all applications for employment from disabled persons having regard to their particular aptitudes and abilities. Should any employees become disabled while employed by the Agency, arrangements will be made wherever possible for appropriate retraining with a view to continued employment. In recognition of this, the Agency continues to use the Disability Symbol.

Employee relations

The Agency seeks to promote and maintain good relations with its staff and considerable emphasis is placed on an open management style with a Staff Consultative Forum and jointly recognised PCS, GMB and Prospect unions to represent staff interests.

Employee absence

Staff absenteeism for the year was 2.24%, the total days of absence were 1,395 from a possible 62,207 days.

Loss of personal data

There were no incidents of data loss during 2010-2011. Whilst a mobile smart phone (Blackberry) was lost during the year, this contained no sensitive data.

Better Payment Practice Code

The Agency is committed to the Better Payment Practice Code (previously the CBI Prompt Payment Code) and aims to pay all undisputed invoices and claims within 30 days. In 2010-2011 the Agency paid 95% of invoices and claims against this target.

During 2010-2011 the Agency also committed to support SME businesses by aiming to achieve payment of undisputed supplier invoices within five days. Against this measure the Agency paid 91% of invoices on time.

The Agency's environmental policy for operation

The Agency is committed to using, where possible, 'environmentally friendly' office and hospitality consumables from sustainable or recycled sources, many of which in turn are recycled. Furthermore, we are committed to controlling the amount of water and energy consumed in administration buildings, and where possible to make use of fuel efficient transportation methods to reduce unnecessary production of greenhouse gases and pollution.

Audit and Risk Management Committee

The Audit and Risk Management Committee meets every six weeks. The following Board Members serve on *emda's* Committee:

Board Member	Position	Membership term
Ann Cartwright	Member/Chair	Chair, October 2010 - March 2011 Member, full year
Stan Crawford OBE	Member/Chair	Chair, April - October 2010 Member, full year
Prof Philip Tasker	Member	Full year
Steve Brown	Member	October 2010 – March 2011
Cllr Jon Collins	Member	Full year
Elizabeth Donnelly	Member	Full year

Stan Crawford OBE retired as Chair in October 2010 and Ann Cartwright was elected Chair. Steve Brown joined the committee in October 2010. The frequency of Audit and Risk Management Committee meetings has increased to ensure sufficient oversight is given to the closure of the Agency.

Audit services

The Comptroller and Auditor General is appointed by statute to audit *emda*, and reports to Parliament on the truth and fairness of the annual accounts and the regularity of income and expenditure. The following costs have been incurred in relation to the services provided by the Comptroller and Auditor General:

Audit services	£59,000

The Comptroller and Auditor General also has statutory powers to report on the economy, efficiency and effectiveness with which *emda* has used its resources.

In November 2003 the Comptroller and Auditor General published the Success in the Regions report on how the agencies and the departments work together. In February 2007 the National Audit Office (NAO) published an Independent Performance Assessment (IPA) on East Midlands Development Agency. In June 2010 the NAO published a follow up report to the IPA entitled Independent Supplementary Review (ISR).

These and other reports issued by the Comptroller and Auditor General can be found on the National Audit Office website at **www.nao.org.uk**

Political and charitable donations

No political or charitable donations were made during the year.

Annual Public Meeting

The Annual Public Meeting will be held on 7th October 2011 at Apex Court.

Remuneration report

This report for the year ended 31st March 2011 is produced by the Board on the recommendation of the Remuneration and Human Resources Committee and deals with the remuneration of the Chair, Chief Executive, Board Members and Executive Directors who have influence over the decisions of the Agency as a whole.

Remuneration Committee

Membership

The Membership of the Remuneration and Human Resources Committee consisted of the following Board Members during the financial year.

Board Member	Position	Membership term
Parvin Ali OBE	Chair	Full year
Dr Bryan Jackson OBE	Member	Full year
Michael Seals MBE	Member	Full year
Ann Cartwright	Member	Full year

The Remuneration and Human Resources Committee met six times during the course of the year. The committee was chaired by Parvin Ali. A minimum of two Board members are required for the committee to have a quorum.

Role of the committee

The role of the Remuneration and Human Resources Committee is:

- To assist management in the formulation of principles relating to the remuneration package, including benefits, for all employees ensuring that the package is sufficient to enable recruitment, motivation and retention of staff of the required calibre, with due regard to parameters set by the sponsoring government department.
- To agree amendments to the remuneration package and terms and conditions for the Chief Executive and Executive Directors, referencing guidance from the sponsoring body as appropriate.
- To consider and endorse the appropriate redundancy terms for employees arising out of the likely closure of the Agency.
- To ensure that management introduce and review new procedures and practices taking into account the effectiveness and efficiency of staff in the delivery of the Corporate Plan.
- To consider and endorse the implications arising out of restructuring exercises with due regard to the impact on remuneration levels for the Chief Executive and Executive Directors.
- To provide a forum in which employment legislation changes and best practice initiatives can be explored with the purpose of assisting the Executive Director of Corporate

Services and the HR Director to assess priorities, define objectives and measure progress.

Remuneration policy

The remuneration of the Chief Executive is decided by the Remuneration and HR Committee on recommendation from the Chairman of the Board. Following the emergency budget in June 2010, where the Government announced a two year pay freeze for public sector workers, no pay award was made to the Chief Executive in the year to 31st March 2011. In addition, the RDA Chief Executive non consolidated performance related bonus was capped at 8% of salary in the year 2010-2011. The bonus is based on performance against objectives that have been agreed by the Remuneration and Human Resources Committee and reviewed by the Executive Director of Government Office for the East Midlands (GOEM). Both elements are ratified by the Secretary of State for Business, Innovation and Skills.

The remuneration of the Executive Directors (including the Deputy Chief Executive) is decided by the Remuneration and Human Resources Committee on recommendation from the Chief Executive. Progression is through *emda* Executive Director salary scales that are linked to the Chief Executive's salary scale. There is also a non consolidated performance related bonus of up to 10% of salary, based on performance identified by the Chief Executive in their annual performance appraisal, linked to their level of performance.

Service contracts

The remuneration of the Board is set by the Department for Business, Innovation and Skills.

The remuneration figure for the Board is reviewed every year in line with the recommendations of the Senior Salaries Review Board.

Board Members appointments are made in accordance with the Commission of Public Appointments Code. For Board Members there is no provision in place for early termination of appointment. A table of Board appointments is shown on page 17, within the directors' report.

Audited section of remuneration report

The following tables provide details of the remuneration and pension interests of Board Members, the Chief Executive and Executive Directors of the Agency.

Board Members' taxable benefits consists of mileage paid to and from *emda*, and is subject to statutory deductions.

All Board Members have been appointed on fixed term contracts and, with the exception of the Chairman and the Deputy Chairmen, are contracted to carry out two days work per month on behalf of the Agency.

The Chairman is contracted to work for the Agency, three days per week, and the new Deputy Chairman four days per month, from 1st June 2010. The previous Deputy Chairman was contracted to work four days a month until 14th December 2010, when this changed to two days a month.

Table one – Board Members' emoluments

	Salary 2010-2011 £	Taxable benefits 2010-2011 £	Total salary 2010-2011 £	Total salary 2009-2010 £
Dr Bryan Jackson OBE	81,718	1,324	83,042	83,086
Steve Brown	14,724	475	15,199	17,684
Cllr Gary Hunt	8,666	163	8,829	8,768
Cllr Jon Collins	8,666	-	8,666	8,666
Cllr Geoff Stevens	8,666	242	8,908	8,930
Prof Philip Tasker	8,666	-	8,666	8,666
Parvin Ali OBE	8,666	146	8,812	8,959
Stan Crawford OBE	8,666	80	8,746	8,826
Haydn Biddle	15,888	392	16,280	9,120
Tricia Pedler	8,666	159	8,825	8,893
Ann Cartwright	8,666	112	8,778	8,806
Michael Seals MBE	8,666	248	8,914	8,939
Elizabeth Donnelly	8,666	106	8,772	8,785
Cllr Jim Harker	8,666	264	8,930	9,018
Martin Bryant	8,666	144	8,810	8,104

Chief Executive and Executive Directors

The Chief Executive and all other Executive Directors are employed under permanent, full time employment contracts. The contractual notice period for the Chief Executive is six months, for the Executive Directors the notice period is three months.

For the Chief Executive and Executive Directors early termination, other than for misconduct, will be under the terms of the Principal Civil Service Pension Scheme (PCSPS). The terms of this scheme come under the terms of the Civil Service Compensation Scheme.

Table two – Chief Executive and Executive Directors' salaries

	2010-2011 Salary band excluding performance pay £'000	2010-2011 Performance pay £'000	2010-2011 Benefits in kind Nearest £100	2010-2011 Full year equivalent salary £'000	2009-2010 Total salary £'000
Jeffrey P Moore Chief Executive	140-145	10-15	5,900	155-160	170-175
Abby Johnson Brennan Deputy Chief Executive (seconded to GOEM from 1st April 2010 to 30th June 2010 and left the Agency on 14th January 2011)	85-90	5-10	2,700	120-125	115-120
Michael Carr Executive Director of Business Services	95-100	10-15		105-110	105-110
Glenn Harris Executive Director of Corporate Services	95-100	5-10		105-110	105-110
Diana Gilhespy Executive Director of Regeneration	95-100	5-10		100-105	100-105
Emma Corbett Executive Director of Strategy and Communications (appointed until 30th June 2010)	20-25	5-10		85-90	75-80

Salary
'Salary' includes gross salary, and any other allowance to the extent that it is subject to UK taxation.

Benefits in kind
Jeffrey P Moore and Abby Johnson Brennan were entitled to a lease car under their contract of employment. The equivalent monetary value of the benefit is detailed in the table above. The associated tax and NIC in respect of the benefits was met by the individuals.

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

Pension benefits

Pension benefits of Board Members
With the approval of BIS, a pension scheme has been put in place for the Chairman with contribution rates and benefits which are identical to the Principal Civil Service Pension Scheme but which is funded directly by the Agency. The Agency is not permitted to pay these contributions to a personal pension plan provider. On retirement, payment of the Chairman's pension will be the responsibility of the Agency, underwritten by BIS. No other Board Members are eligible for pension contributions, performance related pay, or any other taxable benefit as a result of their appointment with the Agency. Full disclosure of the assets and liabilities of the scheme are provided in note 4 to the accounts.

Pension benefits of Chief Executive and Executive Directors

The Chief Executive and all of the Executive Directors are members of PCSPS and no Directors have opted for the Partnership Pension Account.

Cash Equivalent Transfer Values (CETV)

A 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 the 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 2003-2004 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 CS 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 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 the end of the period.

Table three – Chairman's pension (1)

	Real increase in pension and related lump sum at age 60 £'000	Total accrued pension at retirement age at 31/03/11 and related lump sum £'000	CETV at 31/03/10 £'000	CETV at 31/03/11 £'000	Real increase in CETV after adjustment for inflation and changes in market investment factors £'000	Length of relevant service Years
Dr Bryan Jackson OBE Chairman	0 - 2.5	5 - 10	122	143	16	6

Table four – Chief Executive and Executive Directors' pensions (1)

	Real increase in pension and related lump sum at retirement age £'000	Total accrued pension at retirement age at 31/03/11 and related lump sum £'000	CETV at 31/03/10 £'000	CETV at 31/03/11 £'000	Employee contributions and transfers in £'000	Real increase in CETV after adjustment for inflation and changes in market investment factors £'000	Length of relevant service Years
Jeffrey P Moore Chief Executive	No increase	60 - 65 plus 190 - 195 lump sum	1,239	1,335	0 - 2.5	No increase	38
Abby Johnson Brennan Deputy Chief Executive (seconded to GOEM from 1st April 2010 to 30th June 2010 and left the Agency on 14th January 2011)	0 - 2.5 plus 0 - 2.5 lump sum	15 - 20 plus 10 - 15 lump sum	174	206	2.5 - 5	13	12
Michael Carr Executive Director of Business Services	0 - 2.5	5 - 10	97	126	2.5 - 5	17	5
Glenn Harris Executive Director of Corporate Services	0 - 2.5	25 - 30	221	254	2.5 - 5	11	17
Diana Gilhespy Executive Director of Regeneration	0 - 2.5	45 - 50	772	861	12.5 - 15	18	28
Emma Corbett Executive Director of Strategy and Communications (appointed until 30th June 2010)	0 - 2.5	5 - 10	69	73	0 - 2.5	3	8

(1) The actuarial factors used to calculate the CETVs were changes during the year to 31st March 2011, due to changes in demographic assumptions and the move from Retail Price Index to consumer Price Index, in order to calculate civil service pensions. The CETVs at 31st March 2010 have been calculated using the new factors, for consistency. The CETV at 31st March 2010 therefore differs from the corresponding figure in last year's Annual Report and Accounts.

Non cash remuneration

No other benefits or non cash remuneration was paid to any member of the Board, the Chief Executive or the Executive Directors.

Compensation paid, significant awards to former directors

There were no payments during the financial year (2009-2010 nil).

Amounts payable to third party for services as a senior manager

No payments were made to third parties.

Payments made for loss of office

Payments made during the financial year amounted to £2,390,000 and these relate to two separate voluntary redundancy schemes run during the year (note 3) (2009-2010 £21,000).

Civil Service pensions

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 30th July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (Classic, Premium or Classic Plus), or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with pensions increase legislation. New entrants from 1st October 2002 may opt for either the appropriate defined benefit arrangement or a "money purchase" stakeholder arrangement with an employer contribution (partnership pension account).

Employee contributions are set at 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos. Benefits in Classic accrue at a rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1st October 2002 calculated broadly as Classic. In Nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31st March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

Classic scheme

Benefits accrue at a rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pensionable pay 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 of 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 in computing 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.

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 give up (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 the 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 of 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 service enhancement on computing the spouse's pension. The enhancement depends on the 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 gainful employment service is enhanced as for widow(er) pensions.

Classic Plus scheme

This is essentially a variation of Premium, but with benefits in respect of service before October 2002 calculated broadly as Classic.

Pensions payable under Classic, Premium, and Classic Plus are increased in line with the Consumer Prices Index.

Nuvos

In Nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31st March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the Consumer Prices Index. The maximum pension that Nuvos will provide is 75% of pensionable earnings. There is no automatic lump sum but members may give up (commute) some of their pension to provide a lump sum. The maximum lump sum that can be taken is calculated as the pension, multiplied by 30, divided by 70 (the commutation rate is £12 of lump sum for every £1 of pension given up). On death, pensions are payable to the surviving spouse or eligible partner at a rate of 37.5% of the members pension. On death in service the scheme pays a lump sum benefit of twice the pay to a nominated person.

Partnership Pension Account scheme

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

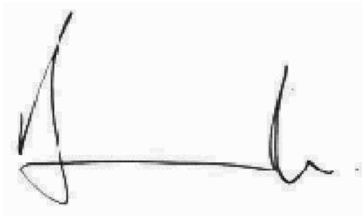
The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for Classic, Premium and Classic Plus and 65 for members of Nuvos.

Further details about the CSP arrangements can be found in note 4 and at the website **www.civilservice-pensions.gov.uk**

During 2001-2002 the organisation harmonised all the terms and conditions of staff including pensions. All staff were given the opportunity to join the PCSPS pension scheme.

No members of staff took early retirement due to ill health during the 2010-2011 financial period (2009-2010 nil).

J P Moore
Chief Executive



Bryan Jackson
Chairman

Date 8th July 2011

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of *emda*'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, the Government's Financial Reporting Manual and Government Accounting. I also share responsibility with the Board for ensuring that *emda* continues to operate within the framework specified by the Secretary of State and the Department for Business, Innovation and Skills (BIS) in *emda*'s Accountability and Financial Framework. The Board and I use a common mechanism for obtaining assurance on the adequacy, effectiveness and efficiency of *emda*'s risk management, control and governance process. The Chairman and I are therefore making a joint statement on the effectiveness of internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- Identify and prioritise the risks to the achievement of *emda*'s policies, aims and objectives
- To evaluate the likelihood of those risks being realised and the impact should they be realised
- To manage them efficiently, effectively and economically.

The system of internal control has been in place in *emda* for the year ended 31st March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

RDA transition and closure

During 2010, the Government announced plans to abolish the Regional Development Agencies (RDAs), with an intended closure date of 31st March 2012. Whilst the Public Bodies Bill to enact abolition has yet to proceed through Parliament, the substantial part of 2010-2011 reflects a move to a vastly changed environment for operations, and the understanding and management of risks as the Agency makes preparations for transition and closure.

Capacity to handle risk

emda recognises that within the public sector, the Agency has been in a relatively unique position in its relationship to private enterprise and public accountability. On the one hand, *emda*'s raison d'être was to lead, innovate and provide a catalyst for the development of the region – to take risks that others will not. Calculated risk taking to enhance investment performance and to achieve the desired outcomes was fundamental to *emda*'s way of working and aligned the Agency's Risk Management Strategy with some types of private enterprise. This is reflected and symbolised by the membership of *emda*'s Board.

At the same time *emda* is a public body, accountable to Parliament and the people of the East Midlands, and operating in a governance framework set and monitored by the Treasury and the sponsoring Department. This, rightly, requires compliance with the highest standards on legal and financial matters, and to be able to account in detail for decisions and actions.

During 2010-2011 the risk appetite of the Agency has shifted to almost a risk averse position with the focus on sustaining performance, whilst planning for closure in a way that balances the need to maximise the value from investments and contracted activity, with the need to reduce or minimise expenditure.

The risk and control framework

Our management of risk is embedded in policymaking, planning and delivery by consideration of risk by the Executive team, across all *emda* activity. This is, in turn, then reviewed by the Audit and Risk Management Committee for detailed review and challenge, and then the main Board of *emda*.

1. **Risk management policy and strategy**
   Our Risk Management Policy sets the over-arching principles behind risk management and is approved by the Board annually. The Risk Management Strategy reflects the Policy and is updated annually, approved by the Audit and Risk Management Committee and adopted by the Board. The Risk Management Strategy sets out our approach to the different stages of the risk management process including risk identification, analysis, evaluation and control.

2. **Risk profiles**

   - **Corporate**
     The most significant risks are incorporated into an overall Corporate Risk Profile; this is reviewed by senior management, the Audit and Risk Management Committee and the Board.

   - **Specific work streams**
     All risks across the Agency have been grouped across five new work streams:

     i. Agency closure planning
     ii. Current programme delivery
     iii. Future delivery
     iv. Staff support
     v. Communications

     Each risk profile sets out identified risks, the risk priority and outlines a control strategy for managing the risk, and the sources of assurance used by the Agency to ascertain the effectiveness of the controls. We have also reflected and aligned the national level risks managed through the BIS sponsored National Transition Board.

   - **Fraud**
     During 2009-2010 the Agency implemented a separate Fraud Risk Register complemented by workshops for staff to raise fraud awareness. The risks looked at all areas of activity. Recognising increased fraud risk resulting from fiscal tightening and reducing staff numbers; this has continued to be developed and reviewed, over and above the normal controls in place.

This has been enhanced further with raising awareness of the new Bribery Act, and ensuring all staff are aware of what this constitutes.

- **Information security**
  In the main, the Agency holds data on businesses in the East Midlands, with a much lesser amount of sensitive personal data. However, *emda*'s responsibility to keep data and the systems secure is seen as a key risk.

  To reflect both this, and also the closure planning work we have carried out on all our information assets, we have developed a new Information Systems Risk Register which identifies a series of controls around mitigating any risk in this area.

Risk priorities

For this year, our risk priorities fall into the areas listed below. In each area, we have developed and continue to review and improve risk management processes to help us manage our risks.

Closure planning

The most significant, and ongoing task of the Agency has been to plan for the abolition of the Agency by March 2012. In assessing the task and how best to manage it, we have considered the six key objectives Ministers have proposed for RDA transition:

1. To secure transfers for staff with rights to transfer, and to ensure all staff are treated fairly.
2. To prepare, agree and implement transitional plans to manage out assets and liabilities.
3. To sustain performance at the RDA while its continuing functions are transferred to other bodies and the Agency's functions cease, so that the impacts of the transition process on businesses, partners and contractors are minimised.
4. To ensure that RDA governance arrangements during transition satisfy Ministers' requirements for appropriate oversight and control.
5. To ensure RDA transition costs are kept to a minimum in order to deliver the best value for money.
6. To put in place cost effective arrangements to manage out residual business in a way that balances the need to maximise the value from the project with the need to minimise additional cost.

Our detailed closure plans were approved by *emda'*s Board in October 2010 and submitted to BIS. As part of this process, the Audit and Risk Management Committee asked for the internal audit contractor to carry out independent assurance of the plans, following which they were assessed as 'good' at the December 2010 Audit Committee.

The plans have subsequently been reviewed and challenged at a national level through the RDA National Transition Board (NTB), comprising representatives from various government departments and the NAO, who attend the meetings as observers. The NTB has assessed the *emda* plan to date against various criteria and declared 'no concerns'.

In year budget reductions

In June 2010, BIS confirmed an in year budget cut of £30.3m, a larger than expected cut due to 'regional rebalancing' by the Secretary of State. This necessitated a full review of every contracted project to identify those that would need to be scaled back, or cancelled. This was done in conjunction with our key delivery partners, and was confirmed by the *emda*

Board in July 2010. As a result of this, contracts were renegotiated and issued to all contractors. The legal risk and challenge to the Agency was successfully mitigated by the thoroughness of the review.

We have continued to review all of our legal and contracted commitments, seeking where possible to further de-commit, as per our instructions from BIS, whilst also seeking to ensure value for money and delivering ongoing economic benefit to the East Midlands' economy is maintained.

Working with partners

It is clear that with a reducing availability of funding, and restrictions imposed on the RDA preventing new legal commitments, that a number of our partners who have provided delivery across all of our portfolios will be severely impacted.

We took steps to ensure that all partners whose funding from *emda* would conclude in 2010-2011 were contacted early on, and in all cases this was concluded by July 2010, ensuring the organisations had a minimum of eight months to plan for the implications of losing *emda* funding. We have worked closely with the boards and directors of co-funded organisations to identify any liabilities arising from closure of a number of delivery vehicles, to reduce the financial burden, and plan accordingly.

Financial planning and control

The risks that the Agency faces in relation to the ability to plan and spend the funds allocated appropriately are managed through a number of mechanisms – financial planning, financial management, project appraisal and project monitoring.

- **Financial planning**
  We had already anticipated a tighter fiscal environment for 2010-2011, so were able to deal with the additional in year budget reductions. We have continued to keep 2011-2012 commitments under review and have steadfastly complied with all guidance issued by BIS.

  A number of spending restrictions to both programme and administration have been introduced.

- **Financial management**
  We operate in accordance with an Accountability and Financial Framework, underpinned by a Corporate Governance Manual. The Corporate Governance Manual is regularly updated and contains terms of reference for all relevant committees and the documentation of all key processes and policies.

  During the year, we have reflected various changes to the delegated authority levels applicable to RDAs. Specifically we have implemented numerous restrictions imposed during the year by our sponsor department, reflecting the period of purdah in the run up to the May 2010 General Election, and also the control imposed following the plans introduced by the Coalition Government. This has included restrictions to new consultancy expenditure and marketing activity amongst other wider controls.

  The Agency has complied with all directions received.

- **Project review checklist**
  In conjunction with our internal audit provider, *emda*'s Shared Resource Centre introduced a comprehensive project review checklist that has seen every single project approved by the Agency since 1999 reviewed, updated and checked for any outstanding monitoring issues or funding agreement clauses. This has also enabled the 'claw back' register of *emda* interests to be fully updated and has enabled a comprehensive submission of *emda* assets and liabilities to BIS as part of closure planning arrangements.

- **Programme management**
  Outputs and spend are measured against budget on a regular basis and performance is managed through weekly performance reporting and six weekly Board reporting. In addition, activities under each of the strategic priorities in the Business Plan are managed by a Director, and performance under each strategic priority is assessed monthly by the Director and Executive Director in conjunction with the Executive Director of Corporate Services through a formal review.

  The above controls are supplemented by weekly key performance indicators which cover a wide range of organisational measures.

Business failure

The Agency has a Business Continuity Plan incorporating all areas of the business and has undertaken a number of business continuity exercises during the year.

Information security

During 2010-2011, *emda* reviewed existing information security policies and procedures. The Chair of the Audit Committee is the Senior Information Risk Officer, with the committee overseeing all developments. This is supported by the Information Security Forum, chaired by the Executive Director of Corporate Services, and is responsible for drafting policy in this area and managing any compliance related issues.

During 2010-2011, all *emda* staff have been reminded about their role in managing information security, and a revised Acceptable Use Policy has been issued that places a duty of care on all staff to protect data and information. All staff have positively confirmed that they have read and understood the policy.

Following an attempted 'hack' to one of the Agency's external websites, a detailed penetration test of all sites was carried out by specialists and further security measures have been introduced.

During the year, *emda* has suffered the loss of a single mobile smart phone (Blackberry) which had no sensitive data.

During September, the Agency exchanged various personal information with our pensions provider, the Department for Work and Pensions (DWP), and on one occasion (at the request of the individual receiving the information) the data was sent unencrypted. The data reached its intended user without any problems, however, we have instigated further controls to ensure all such data transmitted is encrypted, irrespective of the end user request.

The Agency has not suffered any key data losses during the year.

Significant internal control problems

There are no significant internal control issues to report.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the Audit and Risk Management Committee's Annual Report to the Board, the work of the internal auditors and the executive managers within *emda* who have responsibility for the development and maintenance 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 and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

The Board is independently advised by an Audit and Risk Management Committee, which has met regularly throughout the year and received assurance on *emda*'s systems of corporate governance, risk management and internal control.

Clear responsibility for managing risk lies with the Board, Directors and staff of *emda*. Internal audit plays a crucial role in the risk management process by:

- Focusing 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.

emda has appointed KPMG as independent internal auditors, who operate in accordance with Government Internal Audit Standards and to an Internal Audit Plan approved by the Audit and Risk Management Committee.

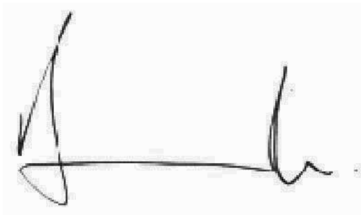
During the year, the assurance work conducted through the Audit and Risk Management Committee and the Agency's Directors' Group has increased to take account of RDA transition and closure planning. Specifically, a check of every project ever funded since the date the Agency commenced in 1999 has been undertaken to ensure those that have ended have 'closed down' properly, and that any 'live' projects will have the necessary arrangements in place before the Agency closes. This has also assisted a thorough review and check of any contingent assets or liabilities.

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. 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 reported to the Audit and Risk Management Committee.

Following completion of the planned work for 2010-2011, the Head of Internal Audit issued an independent and objective Statement of Assurance on the adequacy and effectiveness of the Agency's system of internal control, which stated that:

"*We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Agency's risk management, control and governance processes. In our opinion the Agency has adequate and effective risk management, control and governance processes to manage the achievement of its objectives. The overall risk management and governance arrangements have evolved throughout the year to respond to the significantly changing environment and to allow the Agency to effectively manage the closure process. Notwithstanding our overall opinion, our work has identified a number of opportunities for improving controls and procedures in other areas which management has responded to positively. It is also noted that the Agency is operating in an uncertain environment and the management of some risks will be outside of its control.*"

J P Moore
Chief Executive



Bryan Jackson
Chairman

Date 8th July 2011

The audit report of the Comptroller and Auditor General to the House of Parliament

I have audited the financial statements of East Midlands Development Agency for the year ended 31st March 2011 under the Regional Development Agencies Act 1998. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, the Chief Executive and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the East Midlands Development Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the East Midlands Development Agency; and the overall presentation of the financial statements.

In addition, I have read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of East Midlands Development Agency's affairs as at 31st March 2011 and of its net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Regional Development Agencies Act 1998 and Secretary of State directions issued thereunder.

Emphasis of matter – going concern

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in note 1.3 to the financial statements concerning the application of the going concern principle in light of the announcement to abolish the East Midlands Development Agency, which is subject to legislation. This proposal indicates the existence of a material uncertainty which may cast significant doubt about the ability of the East Midlands Development Agency to continue as a going concern. The financial statements do not include the adjustments that would result if the East Midlands Development Agency was unable to continue as a going concern.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Regional Development Agencies Act 1998; and

- the information given within the Financial and Operating Review and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Amyas C E Morse
Comptroller and Auditor General
National Audit Office, 157-197 Buckingham Palace Road
Victoria, London, SW1W 9SP

Date 14th July 2011

Financial statements year ending 31st March 2011

Statement of comprehensive net expenditure

	Notes	2010-2011 £'000	As restated 2009-2010 £-000
Expenditure			
Programme expenditure	Note 2	90,109	146,640
European funding expenditure	Note 2	23,423	24,972
Staff costs	Note 2 & 3	13,623	12,136
Depreciation and amortisation	Note 5	668	661
Inventory write down	Note 5 & 15	3,161	1,638
Increase/(reduction) in provision for environmental liabilities	Note 5 & 20	264	(1,593)
Other expenditure	Note 5	9,557	8,003
Total expenditure	Note 2	**140,805**	**192,457**
Income			
European funding	Note 6	23,888	25,989
Coalfield and other government grants	Note 6	3,231	3,611
Increase/(reduction) for reimbursement of environmental liabilities	Note 6 & 21	95	(1,343)
Transfer from reserves	Note 6	2,534	1,266
Book value for inventories written back	Note 6 & 15	98	208
Self generated income	Note 6	7,373	4,540
Total income	Note 2	**37,219**	**34,271**
Net expenditure		**103,586**	**158,186**
Interest receivable	Note 6	(466)	(474)
Interest payable	Note 5	456	447
Loss/(surplus) from share in joint ventures	Note 11	16	(280)
(Surplus) from share in associates	Note 11	(7)	(31)
Loss from disposal of joint ventures	Note 11	124	-
Loss from disposal of associates	Note 11	54	-
Net expenditure after interest	Note 2	**103,763**	**157,848**
Income tax	Note 7	326	(88)
Total comprehensive expenditure taken to statement of changes in taxpayers' equity		**104,089**	**157,760**
Total comprehensive expenditure taken to Grant in Aid reserve		103,902	158,071
Total comprehensive expenditure taken to general reserve		187	(311)
		104,089	**157,760**

Of the total comprehensive expenditure for the period of £104,089,000, the Agency contributed expenditure of £103,902,000. Total comprehensive expenditure of the Agency is financed by Grant in Aid.

The notes on pages 47 to 88 form part of these accounts.

Statement of comprehensive net expenditure continued

The comparative information for 2009-2010 has been restated to remove the previous notional cost of capital charge and to remove a release of income from the revaluation reserve. The adjustments are in relation to prior year adjustments for changes in accounting policies, as explained in note 1.

All activities are from continuing operations with the exception of activity in relation to the East Midlands European Office, which ceased operations on 31st March 2011, and for those associate and joint venture organisations exited during the year. Programme expenditure includes £354,972.41 in relation to the costs of running the East Midlands European Office. Self generated income includes £354,972.41 in relation to contributions received to fund the running of the office. All associate and joint venture organisations exited in the year are disclosed in note 11.

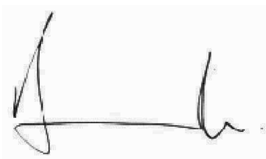
Statement of financial position as at 31st March 2011

	Notes	31st March 2011 £'000		31st March 2010 £'000	
Non current assets					
Property plant and equipment	Note 8	335		644	
Intangible assets	Note 9	343		686	
Share of gross assets in joint ventures	Note 11	1		220	
Share of gross liabilities in joint ventures	Note 11	-		(80)	
Investments in associates	Note 11	-		47	
Financial assets – long term loans	Note 12	12,033		20,057	
Other non-financial assets – receivables	Note 13	-		500	
Tax assets (deferred tax)	Note 14	465		272	
Reimbursement in respect of provisions	Note 21	52,600		74,519	
Total non current assets			65,777		96,865
Current assets					
Inventories	Note 15	15,694		18,463	
Trade and other receivables	Note 17	15,996		5,031	
Cash and cash equivalents	Note 18	35,230		35,095	
Tax assets (income tax)		-		323	
Total current assets			66,920		58,912
Total assets			132,697		155,777
Current liabilities					
Trade and other payables	Note 19	(47,556)		(47,524)	
Tax liabilities (income tax)		(248)		-	
Total current liabilities			(47,804)		(47,524)
Total assets less current liabilities			84,893		108,253
Non current liabilities					
Provisions	Note 20		(78,251)		(95,628)
Assets less liabilities			6,642		12,625
Taxpayers' equity					
Grant in Aid reserve		(1,257)		2,535	
General reserve		7,764		9,845	
Revaluation reserve		135		245	
			6,642		12,625

The notes on pages 47 to 88 form part of these accounts.

The financial statements on pages 41 to 88 were approved by the Board on 22nd June 2011 and were signed on its behalf by:

Chief Executive/ Accounting Officer
Date: 8th July 2011



Chairman

Statement of cashflows for the year ended 31st March 2011

	Notes	2010 2011 £'000	As restated 2009-2010 £'000
Cashflows from operating activities			
Net expenditure after interest		(103,763)	(157,848)
(Increase)/decrease in trade and other receivables		(7,567)	3,298
Decrease in inventories	Note 15	2,769	1,216
Increase in trade and other payables	Note 19	32	23,323
Transfer from general reserve to statement of comprehensive net expenditure	Note 6	(2,534)	(1,266)
Transfer from general reserve to reimbursement of provision	Note 21	(23,651)	(6,603)
Transfer to/(from) general reserve		39	(23)
Transfer to revaluation reserve	Note 15	-	70
Transfer from general reserve for European retrospective funding		(970)	(485)
Depreciation and amortisation	Note 5	668	661
(Profit)/loss from disposal of property, plant and equipment	Note 6	-	14
(Surplus)/loss from share in associates and joint ventures	Note 11	9	(311)
(Surplus)/loss from disposal of associates and joint ventures		178	-
Environmental liability provision increase/(decrease)	Note 20	264	(1,593)
Reimbursement of environmental liabilities provision (increase)/decrease	Note 21	(95)	1,343
Unwinding of provisions/debtors		446	440
Other provisions increase/(decrease)		5,446	1,962
UK corporation tax (paid)/received		52	(773)
Net cash outflow from operating activities		(128,677)	(136,575)
Cashflows from investing activities			
Purchase of property, plant and equipment	Note 8	(16)	(95)
Purchase of intangible assets	Note 9	-	(387)
Loans to other bodies	Note 12	-	(2,000)
Loan repayments from other bodies		3,607	6
Net cash inflow/(outflow) from investing activities		3,591	(2,476)
Cashflows from financing activities			
Grant in Aid from parent department		100,000	133,000
Coal grant received for capital expenditure	Note 6	25,221	7,405
Net cash inflow from financing activities		125,221	140,405
Net (decrease)/increase in cash and cash equivalents in the period		**135**	**1,354**
Cash and cash equivalents at the beginning of the period		**35,095**	**33,741**
Cash and cash equivalents at the end of the period	Note 18	**35,230**	**35,095**

Statement of changes in taxpayers' equity for the year ended 31st March 2011

2009-2010 As restated	Notes	Re-valuation reserve £'000	Grant in Aid reserve £'000	General reserve: European funding £'000	General reserve: Coal grant £'000	General reserve: Pensions £'000	General reserve: JVs and associates £'000
Balance at 1st April 2009		330	27,451	1,527	9,096	6	(123)
Change in taxpayers' equity for 2009-2010							
Grant in Aid received from parent			133,000				
Transfer between reserves for impairment of inventories	Note 6	(155)	155				
Transfer of reserves to comprehensive net expenditure account				(489)	(1,266)		
Transfer of reserves to reimbursement in respect of Avenue funding					(6,603)		
Comprehensive expenditure for the year			(158,071)				311
Net gain/(loss)on revaluation of inventories	Note 15	70					
Additions/(reduction) to the reserve in the period				4	7,405	(23)	
Balance at 31st March 2010		245	2,535	1,042	8,632	(17)	188

Summary of taxpayers' equity	**2009-10 £'000**
Revaluation reserve	245
Grant in Aid reserve	2,535
General reserve	9,845
	12,625

20010-2011	Notes	Re-valuation reserve £'000	Grant in Aid reserve £'000	General reserve: European funding £'000	General reserve: Coal grant £'000	General reserve: Pensions £'000	General reserve: JVs and associates £'000
Balance at 1st April 2010		245	2,535	1,042	8,632	(17)	188
Change in taxpayers' equity for 2010-2011							
Grant in Aid received from parent			100,000				
Transfer between reserves for impairment of inventories		(110)	110				
Transfer of reserves to comprehensive net expenditure account				(970)	(2,534)		
Transfer of reserves to reimbursement in respect of Avenue funding	Note 21				(23,651)		
Comprehensive expenditure for the year			(103,902)				(187)
Additions/(reduction) to the reserve in the period				1	25,221	39	
Balance at 31st March 2011		135	(1,257)	73	7,668	22	1

Statement of changes in taxpayers' equity for the year ended 31st March 2011 continued

	2010-11 £'000
Summary of taxpayers' equity	
Revaluation reserve	135
Grant in Aid reserve	(1,257)
General reserve	7,764
	6,642

The movement in the European funding represents funding released to projects from a retrospective allocation of European funding against earlier qualifying projects. The released funds contained within the reserve can only be applied to projects with specific objectives.

Notes to the financial statements year ending 31st March 2011

1. Accounting policies

1. Statement of accounting policies
The financial statements of East Midlands Development Agency (the Agency) have been prepared in accordance with the Regional Development Agencies Act 1998 and with the 2010-2011 Government Financial Reporting Manual (FReM), issued by HM Treasury, in a form directed by the Secretary of State for the Department for Business, Innovation and Skills. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Agency, for the purposes of giving a true and fair view, have been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

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

Ministers have confirmed that there will be an orderly transition to closure and that some Regional Development Agency activities will transfer to other parts of government. These have already begun; inward investment activity transferred to UKTI on 1st April 2011; and the ERDF programme transferred to the Department for Communities and Local Government and the RDPE programme transferred to the Department for the Environment, Food and Rural Affairs both with effect from 1st July 2011. A series of further transfers to other parts of Government are planned throughout 2011-2012. As abolition arrangements have yet to be confirmed there is a material uncertainty that casts significant doubt upon the Agency’s ability to continue to operate in its current form and fulfil its current powers under the Regional Development Agencies Act 1998.

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

4. Basis of consolidation
As the Agency disposed of its subsidiary company, Silverstone Innovation Centre Limited, on 23rd March 2009, the accounts are not prepared on a group basis.

Associates are operations over which the Agency has the power to exercise significant influence, but not control. Investments in associate undertakings relating to Blueprint Limited Partnership, BioCity Nottingham Limited, Regeneration East Midlands Limited, North Northamptonshire Development Company and Meden Valley Making Places have been calculated on an equity accounting basis, up until the date of disposal or the Agency's ceasation as a member.

Jointly controlled entities are those entities over whose activities the Agency has joint control. Jointly controlled entities are accounted for using the proportionate consolidation basis from the date that the jointly controlled entity commences until the date that joint control of the entity ceases. emEP, Derby Cityscape Limited and East Midlands Early Growth Fund Limited have been accounted for as joint ventures, up until the date of disposal or the Agency's ceasation as a member.

5. Cost of capital charge
Following HM Treasury's Clear Line of Sight project, to closer align budgets, estimates and accounts, the cost of capital charge has been withdrawn.

Previously, when calculating the net expenditure for the year the Agency was required to include as expenditure a notional cost of capital, to the extent that there was no real charge for this. This was calculated as 3.5% of the average of the net assets. After the 'net expenditure after cost of capital charge and interest' on the statement of comprehensive net expenditure, there was an entry reversing this amount.

Due to the change in accounting policy, a prior period adjustment has been made to the statement of comprehensive net expenditure, to remove the previous cost of capital charge of £891,000 in the 2009-2010 comparative information. This has not resulted in a change to the 'net expenditure taken to reserves,' and has no impact on the statement of financial position.

6. Inventories
Land and buildings held are shown in the statement of financial position at open market value, being their current replacement cost.

Disposals and purchases of land and buildings are accounted for on the date of legal completion.

Valuations are carried out in accordance with best practice as contained in The Red Book – RICS Valuation Standards (6th Edition) published by the Royal Institution of Chartered Surveyors.

Any resulting write downs of inventory assets, to current replacement cost, are accounted for annually and separately identified in the statement of comprehensive net expenditure. Any surplus on revaluation of these properties, to open market value, and subsequent adjustments thereto, are credited to the revaluation reserve. This is after eliminating the overall accumulated unrealised deficit, as originally charged, by revaluation adjustment, to the statement of comprehensive net expenditure. Any subsequent impairment of the revalued asset, arising from a clear consumption in economic benefit, is charged directly to the statement of comprehensive net expenditure. Following a change in accounting policy the balance on the revaluation reserve, up to the level of impairment, is released directly to the government grant reserve.

This change in accounting policy is in order to follow the revised FReM. Previously, the balance held in the revaluation reserve, would have resulted in a write off to the statement of comprehensive net expenditure. As such a prior period adjustment has been made to the statement of comprehensive net expenditure. This has the result of removing the previously released transfer from the revaluation reserve of £155,000. Other primary financial statements have also been restated, although there is no overall effect on the statement of financial position.

The assets were valued by Innes England at 31st March 2011.

7. Property, plant and equipment
Property, plant and equipment are carried at fair value. Where individual assets have a life of less than five years and/or where assets have a cost of less than £200,000, depreciated historic cost is used as a proxy for fair value. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items. Costs comprise of the purchase price and directly attributable costs. Any gain on revaluation is credited to a revaluation reserve. Any loss is credited to the revaluation reserve to the extent that a gain has previously been recorded, and otherwise to the statement of comprehensive net expenditure.

Any individual items of property, plant and equipment costing less than £2,500 will not be capitalised and will be written off to the net expenditure account.

Depreciation is provided to write off the cost of property, plant and equipment over their anticipated useful lives on a straight line basis. In previous years the following annual rates have been used:

Fixtures and fittings	10 years
Office furniture and equipment	4 years
Computer equipment	4 years
Motor vehicles	4 years

A review of the useful economic lives of property, plant and equipment, during the year ended 31st March 2011, has resulted in a change of depreciation rates. The net book value of all assets, with the exception of motor vehicles, are now being written off over the expected remaining two years of the Agency’s life, reflecting the fact that no assets are expected to have a material sales value. Motor vehicles will continue to be depreciated over four years on the basis that these assets are expected to transfer to another government agency and will therefore continue to have a useful economic life.

8. Intangible assets
Intangible assets are carried at cost less accumulated amortisation and impairment losses. Where individual assets have a life of less than five years and/or where assets have a cost of less than £200,000, amortised historic cost is used as a proxy for fair value. Amortisation begins when an asset is available for use and is calculated on a straight line basis to allocate the cost of assets over their estimated useful lives. In the previous year the following annual rates have been used:

Software licences	4 years
Computer software	4 years

A review of the useful economic lives of intangible assets, during the year ended 31st March 2011, has resulted in a change of amortisation rates. The net book value of all assets are now being written off over the expected remaining two years of the Agency's life, reflecting the fact that no assets are expected to have a material sales value.

An intangible asset will only be recognised if it is probable that future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably.

9. 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 Department for Business, Innovation and Skills is obtained for any write-off in excess of £250,000.

10. Pension costs

The Agency's employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a non-contributory defined benefit scheme and is unfunded, or by the provisions of the Homes and Communities Agency Scheme, which is also a defined benefit scheme. East Midlands Development Agency recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employee services by payment to the scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

A 'By Analogy' pension scheme is established for the current Chairman, with rules equivalent to those of PCSPS. The arrangement is a UK based benefit promise made by the employer, providing benefits at retirement and on death in service. The arrangement is unfunded and the employer pays benefits as and when they arise. Further details are provided in the remuneration report.

11. Government grants receivable

The Agency's activities are funded primarily by Grant in Aid provided by the Department for Business, Innovation and Skills for specified types of expenditure. Grant in Aid used to finance activities and expenditure which support the statutory and other objectives of *emda* are treated as financing, and are credited to the Grant in Aid reserve.

Grants relating to capital expenditure used to acquire specific capital items are credited to the general reserve. Such grants are released to income over the expected useful life of the asset it has been used to acquire.

12. Revenue recognition

Revenue primarily consists of proceeds from the sale of inventories, rental income and other sundry income. Rental income and other sundry income are recognised when it is probable that future economic benefits will flow to the Agency and these benefits can be measured reliably.

Revenue from the sale of inventories shall be recognised when the significant risks and rewards of ownership have been transferred to the buyer, being the date of legal completion.

Interest income is recognised in the statement of comprehensive net expenditure for all instruments measured at amortised cost, using the effective interest method.

13. Deferred taxation
Deferred taxation has been recognised as a liability or asset if transactions have occurred at the statement of financial position date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future.

An asset will not be recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred taxation assets and liabilities have not been discounted.

14. Foreign currency transactions
Transactions in foreign currency are recorded in sterling at the rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currency are translated into sterling at the rates prevailing at the statement of financial position date. Resulting exchange gains and losses are taken to the statement of comprehensive net expenditure.

15. Operating leases
Payments made under operating leases are recognised as an expense in the statement of comprehensive net expenditure over the period of the lease term. Operating lease income is credited to the statement as it is earned. There are no finance leases.

16. Provisions
A provision is recognised in the statement of financial position when the Agency has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows by the Treasury Real Discount Rate.

17. Financial instruments

- **Recognition**
  Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the entity's normal purchase, sale or usage requirements are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

  All other financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

- **De-recognition**
  All financial assets are de-recognised when the rights to receive cashflows from the assets have expired, or the entity has transferred substantially all of the risks and rewards of ownership.

  Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

- **Classification and measurement**
  The Agency has assessed its assets and liabilities in accordance with IAS 39, where all of its financial assets are categorised as either 'loans and receivables' or 'available for sale'. Financial liabilities are classified as 'other financial liabilities'.

- **Loans and receivables**
  Loans and receivables are non-derivative financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market. They consist of cash and cash equivalents, trade and other receivables and financial assets – long term loans.

  Loans and receivables are recognised initially at fair value, net of transaction costs and are measured subsequently at amortised cost, using the effective interest rate method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset.

- **Available for sale**
  Available for sale financial assets are non derivative financial assets designated on initial recognition as available for sale. They are recorded at fair value in the statement of financial position. Fair value changes are recognised directly in equity, with the exception of impairment losses, which are recognised directly in the statement of comprehensive net expenditure.

- **Financial liabilities**
  Financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest rate method. The effective interest rate is the rate that discounts exactly the estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability. They consist of trade and other payables.

  Interest on financial liabilities carried at amortised cost is calculated using the effective interest rate method and is charged to the statement of comprehensive net expenditure.

- **Impairment of financial assets**
  At the statement of financial position date, the Agency assesses whether any financial assets, other than those held at 'fair value through profit or loss' are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset.

  For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cashflows discounted at the asset's original effective interest rate. The loss is recognised in the statement of comprehensive net expenditure and the carrying amount of the asset is reduced through the use of a bad debt provision.

  Bad debts are written off at the point where all possible recovery action has failed.

18. Future IFRS amendments and early adoption
The Agency applies new or amended International Financial Reporting Standards (IFRSs) in line with their adoption to the FReM.

As at 31st March 2011 the following IFRSs or future amendments to the FReM, identified as having an impact on the Agency, had been issued but were not yet effective:

- IFRS 9 replaces IAS 39 in respect of the classification of Financial Assets. Under IFRS 9, financial assets should be classified on the basis of the entity's business model for their management, and their contractual cash flow characteristics. This is not expected to result in a change for the Agency but the categorisation of financial assets will be reviewed against the new standard, once effective.

19. VAT
The Agency is registered for VAT and operates within a non-business apportionment methodology agreed with HM Revenue and Customs. Any irrecoverable VAT resulting directly or indirectly from this methodology is charged to the statement of comprehensive net expenditure.

20. Critical accounting judgements and sources of estimation uncertainty
In the process of applying the Agency's accounting policies, management have made the following judgements that have a significant effect on the amounts recognised in the financial statements.

- **Redundancy provision**
  As explained in note 3, redundancy costs for staff with a leaving date of between 1st July and 30th September 2011 have been provided for in full. Whilst an estimate of the obligation can be made, based on staff's agreed leaving dates, some staff are in scope for transfer to other government bodies. Such staff can decide whether to take redundancy, instead of transferring, right up to the agreed date of transfer. In calculating the required redundancy provision management have, therefore, used their judgement as to whether staff will transfer or not. If there are significant differences in the number of staff that do transfer it could result in a material misstatement.

- **Homes and Communities Agency pension liability**
  A provision has been made for the Agency's share of a pension deficit on the Homes and Communities Agency's pension scheme, note 20. Management have used their judgement that the current valuation of the Agency's liability, as calculated based on an actuarial valuation, will be the amount that will have to be paid in the future. The Agency's last active member of the scheme is due to leave *emda* on 31st March 2012, at which time the liability will crystallise. An up to date valuation will be required to determine the amount of the final liability. If there are any significant changes to the valuation, it could result in a material misstatement.

2. Segmental reporting

The Agency's primary reporting format is by programme type, of which there are three distinct programmes; Single Programme, the ERDF Programme and the National Coalfields Programme. In addition *emda* also receives contributions to fund other small projects which collectively are known as the Non Single Programme. Such contributions represent less than 10% of all combined income and assets and as such are not reported separately. Whilst *emda* does run, and report internally on, a fourth programme, the Rural Development Programme for England, *emda* acts as managing agent only and does not issue grant payments. As such no income or expenditure for the programme is reported through the Agency's accounts.

The Single Programme is further allocated between strategic priorities, which were identified following the 2006 Regional Economic Strategy, as the key priorities for the region. In addition, the Single Programme budget is allocated between programme expenditure, administration costs, receipts and non cash costs. Expenditure under each of the priorities, together with expenditure under each programme and budget category, is reported to *emda*'s Board at each meeting.

All material operations are carried out in the UK. Segmental results are highlighted below:

	Single Programme £'000	ERDF £'000	National Coalfield Programme £'000	Non Single Programme £'000	Total £'000
Expenditure					
Strategic priority					
Enterprise and business support	24,400				
International trade/inward investment	2,100				
Tourism	2,500				
Energy and resources	500				
Innovation	16,000				
Employment, learning and skills	2,700				
Land and development	8,100				
Environment	500				
Achieving equality	1,400				
Transport and logistics	-				
Strategic programme activity	700				
Sub-regional expenditure	26,600				
Total programme expenditure	85,500	-	25,561	3,353	**114,414**
Less programme expenditure on capitalised items	-	-	(25,221)	-	**(25,221)**
Add income received towards programme expenditure	916	-	-	-	**916**
Total programme expenditure per statement of comprehensive net expenditure	86,416	-	340	3,353	**90,109**
Total European funding expenditure per statement of comprehensive net expenditure	-	23,423	-	-	**23,423**
Administration costs:					
• Staff costs	12,913	384	-	-	**13,297**
• Staff costs (programme secondees)*	326	-	-	-	**326**
• Other administration costs	3,284	81	-	-	**3,365**
• Other administration costs (AME)**	42	-	-	-	**42**
Non cash costs:***					
• DEL budget	668	-	-	-	**668**
• AME budget (impairment loss)	8,475	-	1,100	-	**9,575**
Total per net expenditure account	112,124	23,888	1,440	3,353	**140,805**

2. Segmental reporting continued

* For statutory accounts purposes, salary costs for staff seconded from other organisations are disclosed as an administration cost. For Grant in Aid, such costs are recorded as programme expenditure.

** For statutory accounts purposes, exchange rate losses are disclosed as an Administration cost. For Grant in Aid, such costs are recorded as an AME non cash cost.

*** Non cash costs refer to those items of expenditure for which no cash payment is required, such as depreciation and movements in provisions. The budget is allocated between the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME).

	Single Programme £'000	ERDF £'000	National Coalfield Programme £'000	Non Single Programme £'000	Total £'000
Income					
Grant income	-	(23,888)	1,010	(4,241)	**(27,119)**
Receipts – programme	(8,325)	-	(1,351)	4,103	**(5,573)**
Receipts – administration	(709)	-	-	-	**(709)**
Less income received towards programme expenditure	(916)	-	-	-	**(916)**
Non cash cost credits:					
• DEL budget					
• AME budget	(368)	-	(2,534)	-	**(2,902)**
Total income per statement of comprehensive net expenditure	(10,318)	(23,888)	(2,875)	(138)	**(37,219)**
Other statement of comprehensive net expenditure items					
Receipts	(466)	-	-	-	**(466)**
Non cash costs:					
• AME budget	456	-	-	187	**643**
Total other items	(10)	-	-	187	**177**
Net expenditure after interest	**101,796**	**-**	**(1,435)**	**3,402**	**103,763**

Of total expenditure per the statement of comprehensive net expenditure, £45,808,000 has been provided to other government bodies with the balance of £94,997,000 being provided to the private sector.

3. Staff numbers and related costs

		2010 2011 £'000	2009-2010 £'000
(a)	**Staff costs comprise:**		
	Board Members		
	Board Members' fees	216	211
	Pension costs	18	18
	Social Security costs	16	15
		250	244
	Staff		
	Salaries and wages of permanent staff including overtime	8,510	9,108
	Other staff	322	467
	Pension costs	1,635	1,763
	Social Security costs	716	740
	Staff holiday pay accrual movement	(50)	15
	Redundancy costs	2,390	21
	Total costs before recoveries from outward secondments	13,523	12,114
	Less recoveries in respect of outward secondments	(150)	(222)
	Total UK *emda* staff salaries and wages	13,623	12,136
	Add Brussels office salaries and wages *	200	207
	Total staff salaries and wages	**13,823**	**12,343**

* Brussels office salaries and wages are included as programme expenditure within the statement of comprehensive net expenditure.

3. Staff numbers and related costs continued

(b) Staff numbers

The average number of full time equivalent staff employed by the Agency during the period (including all agency and seconded staff) was 228. The full time equivalent of staff classed as civil service staff during the period was 222. Staff, including temporary and seconded staff, were distributed within the following departments and directorates:

	2010-2011 staff nos.	2009-2010 staff nos.
Chief Executive Department	5	6
Corporate Services	52	59
Regeneration Development Directorate	55	66
Strategy and Communications Directorate	44	55
Business Services Directorate	72	86
	228	272

	2010-2011 staff nos.	2009-2010 staff nos.
Senior management roles	12	12
Other	216	260
	228	272

(c) Seconded staff

Staff were seconded from the following organisations during the accounting period:

	2010 2011 staff nos.	2010 2011 £'000	2009 2010 staff nos.	2009 2010 £'000
GOEM	1	68	1	107
EMB Limited	3	192	2	156
Turner & Townsend	1	3	1	7
Department for Business, Innovation and Skills	-	-	1	41
Derbyshire and Nottinghamshire Chamber of Commerce	-	-	1	27
Swedish Board of Agriculture	-	-	1	6
	5	263	7	344

3. Staff numbers and related costs continued

(d) Temporary and agency staff

Temporary and agency staff were employed to cover the following number of full time equivalent roles during the accounting period:

	2010-2011 staff nos.	2009-2010 staff nos.
Chief Executive Department	0.04	0.88
Corporate Services	0.72	0.78
Regeneration Development Directorate	0.58	2.61
Business Services Directorate	0.17	5.09
	1.51	9.36

(e) Compensation scheme exit packages

Following Government's announcement of the planned abolition of Regional Development Agencies, the Agency has undertaken two voluntary redundancy schemes during the year. The first scheme was under the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The second was also made under the Civil Service Compensation Scheme, but as amended at 22nd December 2010. By 31st March 2011, 27 staff had ceased employment with the Agency under one of the two schemes. Associated redundancy costs have been accounted for, in full, during the year to 31st March 2011.

In addition to staff who had actually ceased employment, a further 162 staff had agreed a future departure date under a voluntary redundancy scheme by 31st March 2011.

Where it is regarded as certain that employees will leave the Agency under voluntary redundancy, being those staff with an agreed departure date of between 1st April 2011 and 30th June 2011, redundancy costs have been accrued for in full.

Where it is probable that employees will leave the Agency under the voluntary scheme, being those staff with an agreed leaving date of between 1st July 2011 and 30th September 2011, a provision has been made for redundancy costs (note 20).

Due to the uncertainty of redundancy thereafter, due to the Public Bodies Bill not yet receiving Royal Assent to legally close Regional Development Agencies, the redundancy costs of staff with an agreed leaving date beyond 30th September 2011 have not been accrued or provided for. These costs are noted as a contingent liability (note 23).

The table below provides information about the number of staff, and their redundancy costs, for employees who had agreed to leave under a voluntary redundancy scheme as at 31st March 2011. The costs include both redundancy pay and compensation in lieu of notice, under the agreed scheme, but excludes any associated employers national insurance contribution.

3. Staff numbers and related costs continued

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies		Total number of redundancies by cost band	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
< £10,000	-	-	8	-	8	-
£10,000 - £25,000	-	-	73	2	73	2
£25,000 - £50,000	-	-	76	-	76	-
£50,000 - £100,000	-	-	29	-	29	-
£100,000 - £150,000	-	-	1	-	1	-
£150,000 - £200,000	-	-	2	-	2	-
Total number	-	-	189	2	189	2
Total resource cost (£'000s)	-	-	6,458	21	6,458	21

4. Retirement benefits

PCSPS
The PCSPS is an unfunded multi-employer defined benefit, scheme but East Midlands Development Agency is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Associates) valued the scheme as at 31st March 2007. Details can be found in the resource accounts of the Cabinet Office, Civil Superannuation **www.civilservice-pensions.gov.uk**

For 2010-2011 employers' contributions of £1,647,221 were payable to the PCSPS (2009-2010 £1,752,538) at one of four rates in the range 16.7% to 25.8% of pensionable pay, based on salary bands (the rates in 2009-2010 were between 16.7% and 24.3%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. At the balance sheet date there were no prepaid/outstanding contributions to the scheme.

Homes and Communities Agency pension scheme
The Homes and Communities Agency scheme is a multi-employer defined benefit scheme and East Midlands Development Agency is unable to identify its share of the underlying assets and liabilities. An actuarial valuation was carried out at 31st March 2010 and more details can be found in the separate scheme statement of the Homes and Communities Agency. For 2010-2011 employer contributions of £18,916 were payable to the scheme (2009-2010 £18,579) at the rate of 23.8% of pensionable pay from 1st January 2003. It has been agreed that contributions will be reviewed on an annual basis although the Actuary conducts a full revaluation of the fund every three years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme. At the statement of financial position date there were no prepaid/outstanding contributions to the scheme.

The Pensions Act 1995 introduced specific rules which apply when an employer ceases to participate in a pension scheme. Under the legislation a participating employer is required to pay to the scheme its share of the deficit as an immediate lump sum. Whilst the Agency can not identify its share of the underlying scheme assets and liabilities, regulations now mean that the deficit used to calculate the debt on the employer, must be based on the employer's share of the estimated costs of securing the relevant benefits with an insurance company. Since the Agency only has one active member of the scheme, due to leave the Agency on 31st March 2012, full provision of the estimated liability has been made (note 20).

Partnership Pension Account
Employees joining after 1st October 2002 could opt to open a partnership pension account, a stakeholder pension arrangement with an employer contribution. Employers' contributions of £9,357 (2009-2010 £12,833) were paid to one or more of a panel of four appointed stakeholder pension providers during the financial year. The employer makes a basic contribution of between 3% to 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions the employer will match employee contributions up to 3% of pensionable salary (in addition to the employers' basic contribution). Employers also contribute a further 0.8% of pensionable salary being £69 (2009-2010 £57), payable to the PCSPS to cover the cost of centrally provided risk benefit

4. Retirement benefits continued

cover (death in service and ill health retirement) of these employees. At the statement of financial position date there were no prepaid/outstanding contributions to the scheme.

By-analogy pension scheme
emda operates a defined benefit scheme on behalf of its Chairman with contribution and benefit rates identical to those provided by the PCSPS scheme. The contribution rate for the period beginning 1st April 2011 will be 25.5% (2010-2011 25.5%). A full actuarial valuation was carried out as at 31st March 2011 by a qualified independent actuary. Full provision has been made for the future pension liabilities, as disclosed in note 20.

The major assumptions of the actuary were:

	31/03/11	31/03/10	31/03/09	31/03/08	31/03/07
The rate of increase in salaries	4.90%	4.29%	4.29%	4.30%	4.30%
The rate of increase for pensions in payment and deferred pension	2.65%	2.75%	2.75%	2.75%	2.75%
The rate used to discount the scheme liabilities	5.60%	4.60%	6.04%	5.30%	4.60%
The inflation assumptions	2.65%	2.00%	2.75%	2.75%	2.75%

The market value of the assets, the present value of the liabilities and the resulting deficit were as follows:

	Value as at 31 March 2011 £'000	Value as at 31 March 2010 £'000	Value as at 31 March 2009 £'000	Value as at 31 March 2008 £'000	Value as at 31 March 2007 £'000
Total market value of the assets	-	-	-	-	-
Present value of the scheme liabilities	(139)	(164)	(110)	(86)	(65)
(Deficit)/ surplus of the scheme	(139)	(164)	(110)	(86)	(65)
Net pension (liability)/ asset	**(139)**	**(164)**	**(110)**	**(86)**	**(65)**
	2010/11	**2009/10**	**2008/09**	**2007/08**	**2006/07**
Amounts charged to operating profit	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Current service cost (net of employee contributions)	21	21	25	25	21
Past service cost	(17)	-	-	-	-
Total operating charge	**4**	**21**	**25**	**25**	**21**

4. Retirement benefits continued

	Value as at 31 March 2011 £'000	Value as at 31 March 2010 £'000	Value as at 31 March 2009 £'000	Value as at 31 March 2008 £'000	Value as at 31 March 2007 £'000
Amounts included as other finance costs					
Expected return on pension scheme assets	-	-	-	-	-
Interest on pension scheme liabilities	(7)	(7)	(5)	(4)	(2)
Net return	**(7)**	**(7)**	**(5)**	**(4)**	**(2)**
Amounts recognised in the Statement of Changes in Taxpayers' Equity					
Actual return less expected return on scheme assets	-	-	-	-	-
Experience gains/(losses) arising on the scheme liabilities	(26)	(8)	3	7	-
Change in the assumptions underlying the present value of the scheme liabilities	(13)	31	(12)	3	(10)
Actuarial gain/ (loss)	**(39)**	**23**	**(9)**	**10**	**(10)**

Movement in deficit during the year

	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	2006/07 £'000
Opening (deficit)	(164)	(110)	(86)	(65)	(30)
Movement in year:					
Current service cost	(21)	(21)	(25)	(25)	(21)
Contributions	(3)	(3)	(3)	(2)	(2)
Settlements/curtailments	-	-	-	-	-
Past service costs	17	-	-	-	-
Other finance income	(7)	(7)	(5)	(4)	(2)
Actuarial (loss)/ gain	39	(23)	9	10	(10)
Closing (deficit)	(139)	(164)	(110)	(86)	(65)

The total accumulated actuarial gain since the inception of the scheme has been £22,000.

History of experience gains and losses

	2010-11	2009-10	2008-09	2007-08	2006-07
Difference between expected and actual return on scheme assets:					
Amount (£000)	**-**	**-**	**-**	**-**	**-**
Percentage of scheme assets	**0%**	**0%**	**0%**	**0%**	**0%**
Experience gains and losses on scheme liabilities:					
Amount (£000)	**(26)**	**(8)**	**3**	**(7)**	**-**
Percentage of scheme liabilities	**(18.6%)**	**(4.9%)**	**2.9%**	**(8.1%)**	**0.0%**

Estimated contributions expected to be paid into the scheme over the yr 1 April 2011 to 31 March 2012 are:

Employer contributions £18,895

Employee contributions £2,722

5. Other expenditure

			2010-2011 £'000		2009-2010 £'000
Depreciation and amortisation			668		661
Inventory write down	Note 15		3,161		1,638
Increase/(reduction) in provision for environmental liabilities	Note 20		264		(1,593)
Other expenditure					
Administration costs					
Travel & subsistence		213		424	
Staff recruitment and training costs		166		252	
Office costs		303		359	
Estate management		678		703	
Marketing and PR		193		611	
Professional costs		725		1,570	
IT and communication		315		406	
Auditors' remuneration for statutory audit		59		60	
Auditors' remuneration for restated 2008/09 IFRS accounts		-		7	
Auditors' remuneration for ISR		-		77	
Operating lease rentals		607		614	
Irrecoverable VAT		106		376	
Exchange losses / (gains)		42		24	
Interest payable		-		1	
			3.407		5,484
Other non cash items					
Bad debts written off and movements in provisions for bad and doubtful debts		923		1,627	
Movement in provision for HCA pension scheme	Note 20	1,540		-	
Movement in redundancy provision	Note 20	2,412		-	
Book value of inventories sold	Note 15	1,275		892	
			6,150		2,519
Interest payable					
Unwinding of provision	Note 20	2,083		2,210	
Unwinding of debtor	Note 21	(1,637)		(1,770)	
Other		10		7	
			456		447
Total other expenditure			**14,106**		**9,156**

6. Income

		2010-2011 £'000		2009 2010 £'000	
European funding					
Retrospective ERDF		970		489	
Technical assistance to fund operating costs		465		458	
ERDF 2007-2013 – acting as agent for EU		19,185		22,949	
ERDF 2007-2013 – funding to support *emda* projects		3,268		1,535	
ERDF 2000-2006		-		558	
			23,888		25,989
Coalfield and other government grants					
Coal grant received from Homes and Communities Agency		29,151		9,624	
Opening coal grant creditor/(debtor)		1,776		239	
Closing coal grant (creditor)/debtor	Note 17	5		(1,776)	
Coalfield receipts to fund future expenditure		(6,721)		(1,890)	
Coal grant applied to capital expenditure		(25,221)		(7,405)	
Coal grant credited/(debited) to the net expenditure account		(1,010)		(1,208)	
Other grants		4,241		4,819	
			3,231		3,611
Reimbursement of provision for environmental liabilities	Note 21		95		(1,343)
Transfers from reserves					
Transfer from general reserve – Coal Grant			2,534		1,266
Book value of inventories written back	Note 15		98		208
Self generated income					
Proceeds from sale of inventories	Note 15	1,218		1,890	
Write back of disposal proceeds on investment assets		(23)		-	
Profit/(loss) from disposal of property, plant and equipment		-		(14)	
Clawback income		4,671		1,257	
Partner contributions		837		604	
Recharges		(12)		45	
Miscellaneous income		9		85	
Rents and maintenance income		673		673	
			7,373		4,540
Interest receivable					
Bank deposit		81		40	
Other		385		434	
			466		474
			37,685		**34,745**

6. Income continued

In 2010-2011, the Agency was primarily funded by Grant in Aid from its sponsor department, the Department for Business, Innovation and Skills. Grant in Aid funding is taken directly to the Grant in Aid Reserve and amounted to £100,000,000 in 2010-2011. (2009-2010 £133,000,000.)

In addition the Agency receives Coal Grant funding from the Homes and Communities Agency in order to fund the reclamation and development of specific former coalfield sites. Any proceeds on the subsequent sale of coalfield sites are either transferred to the Homes

and Communities Agency to fund future reclamation projects or are maintained by *emda* to fund specific sites.

Any grant received by *emda*, that is used to fund capital spend, is transferred directly to the general reserve, only being released to the statement of comprehensive net expenditure as the asset falls in value or is sold. Any grant received to fund revenue expenditure is released directly to the statement of comprehensive net expenditure. Any income generated by the coalfield sites, is transferred from the statement of comprehensive net expenditure to the general reserve.

From 2008-2009 the Agency took over the administration of the 2007-2013 ERDF Competitiveness Programme. ERDF grant income is released to the statement of comprehensive net expenditure, to match with grants paid out by the Agency.

In addition to grant funding, the Agency also generates its own income. This is primarily from the sale of inventories, rental income from the letting out of surplus buildings on inventory sites or any surplus office space at its business premises, and from an entitlement to a share in future income generated on site developments that the Agency has funded.

7. Taxation

The taxation charge based on taxable profits for the year at 28% comprises:

	2010-2011 £'000	2009-2010 £'000
Analysis of the tax charge/ (credit) for the year		
Corporation tax		
UK Corporation tax charge on (deficit)/ surplus for the year	261	80
Adjustment in respect of previous periods	258	(267)
Deferred tax		
Origination and reversal of temporary differences	(193)	99
Agency tax charge/ (credit) on the surplus for the period	**326**	**(88)**

Factors affecting the tax charge/(credit) for the year

Proof of current year tax charge

	2010-2011 £'000	2009-2010 £'000
Net expenditure after interest	(103,763)	(157,848)
Less amounts related to grant funding activities	103,763	157,848
Surplus/ (deficit) before tax multiplied by the standard rate of corporation tax	-	-
Effects of:		
Expenses not deductible for tax purposes	73	54
Depreciation on non qualifying assets	20	21
Tax rate change	36	-
Restriction of losses of associate (Blueprint LP)	-	75
Movement in deferred tax of joint ventures and associates	-	7
Adjustment in respect of previous periods	197	(245)
Current year tax charge/ (credit)	**326**	**(88)**

8. Property, plant and equipment

2010-2011	Fit out cost of leasehold properties	Equipment, fixtures & fittings and vehicles	Total 2010-2011
	£'000	**£'000**	**£'000**
Cost or valuation			
At 1st April 2010	1,805	1,062	2,867
Additions in year	-	16	16
Disposals	-	(95)	(95)
At 31st March 2011	**1,805**	**983**	**2,788**
Depreciation			
At 1st April 2010	1,290	933	2,223
Depreciation in the year	257	68	325
On disposals	-	(95)	(95)
At 31st March 2011	**1,547**	**906**	**2,453**
Net book value			
At 31st March 2011	**258**	**77**	**335**

2009-2010	Fit out cost of leasehold properties	Equipment, fixtures & fittings and vehicles	Total 2009-2010
	£'000	**£'000**	**£'000**
Cost or valuation			
At 1st April 2009	1,805	1,190	2,995
Additions in year	-	95	95
Disposals	-	(223)	(223)
At 31st March 2010	**1,805**	**1,062**	**2,867**
Depreciation			
At 1st April 2009	1,158	1,065	2,223
Depreciation in the year	132	77	209
On disposals	-	(209)	(209)
At 31st March 2010	**1,290**	**933**	**2,223**
Net book value			
At 31st March 2010	**515**	**129**	**644**

8. Property, plant and equipment continued

Property, plant and equipment is carried at depreciated historic cost, as a proxy for fair value. In the year to 31st March 2010, the following depreciation rates were used:

	Straight line over
Fit out costs	10 years
Office furniture and equipment	4 years
Computer equipment	4 years
Motor vehicles	4 years

A review of the useful economic lives of property, plant and equipment, during the year ended 31st March 2011, has resulted in a change of depreciation rates. The net book value of all assets, with the exception of motor vehicles, are now being written off over the expected remaining two years of the Agency's life, reflecting the fact that no assets are expected to have a material sales value. Motor vehicles will continue to be depreciated over four years on the basis that these assets are expected to transfer to another government agency and therefore will continue to have a useful economic life.

Depreciation rates are therefore now:

	Straight line over
Fit out costs	2 years
Office furniture and equipment	2 years
Computer equipment	2 years
Motor vehicles	4 years

As at the statement of financial position date, the Agency has no commitments to acquire property, plant and equipment.

9. Intangible assets

2010-2011	**Software licences £'000**	**Computer software £'000**	**Total £'000**
Cost or valuation			
At 1st April 2010	639	2,306	2,945
Additions in year	-	-	-
Disposals	(99)	(450)	(549)
At 31st March 2011	**540**	**1,856**	**2,396**
Amortisation			
At 1st April 2010	549	1,710	2,259
Charged in the year	45	298	343
On disposals	(99)	(450)	(549)
At 31st March 2011	**495**	**1,558**	**2,053**
Net book value			
At 31st March 2011	**45**	**298**	**343**

2009/2010	**Software licences £'000**	**Computer software £'000**	**Total £'000**
Cost or valuation			
At 1st April 2009	633	1,925	2,558
Additions in year	6	381	387
Disposals	-	-	-
At 31st March 2010	**639**	**2,306**	**2,945**
Amortisation			
At 1st April 2009	447	1,360	1,807
Charged in the year	102	350	452
On disposals	-	-	-
At 31st March 2010	**549**	**1,710**	**2,259**
Net book value			
At 31st March 2010	**90**	**596**	**686**

9. Intangible assets continued

Intangible assets are carried at amortised historic cost, as a proxy for fair value.

In the year to 31st March 2010, both software licences and computer software were amortised straight line over four years, which reflected the commercial life of the asset.

A review of the useful economic lives of intangible assets during the year ended 31st March 2011, has resulted in a change of amortisation rates. The net book value of all intangible assets are now being written off over the expected remaining two years of the Agency's life, reflecting the fact that no assets are expected to have a material sales value.

10. Financial instruments

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

All material assets and liabilities are denominated in sterling and the Agency is not exposed to interest rate risk or currency risk.

There is no material difference between the book value and fair value of *emda*'s assets and liabilities as at 31st March 2011.

Categories of financial instrument

Financial assets	2010-2011 Loans and receivables £'000	2009-2010 Loans and receivables £'000
Trade and other receivables	15,996	5,031
Financial assets - long term loans	2,169	5,176
Cash and cash equivalents	35,230	35,095
Other non current - receivables	-	500
Reimbursement in respect of provisions	52,600	74,519
Tax assets	-	323
Total	105,995	120,644
	Available for sale	**Available for sale**
	£'000	**£'000**
Financial assets - long term loans	9,864	14,881
	Other financial liabilities	**Other financial liabilities**
Financial liabilities	**£'000**	**£'000**
Trade and Other payables	47,556	47,524
Tax liabilities	248	-
Total	47,804	47,524

10. Financial instruments continued

Embedded derivatives

In accordance with IAS 39, 'Financial Instruments Recognition and Measurement,' the Agency has reviewed all material contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No instances were found that required embedded derivates to be recognised at their fair value, separately from the non-derivative host contract.

11. Joint ventures and undertakings

Joint ventures				
Name of undertaking	**Interest at year end**	**Year end**	**Nature of business**	**Address and principal place of business**
British Midlands Development Corporation (US not for profit corporation)	50% (principal associate Advantage West Midlands). The Corporation ceased trading on 28th February 2009 and was closed on 28th October 2010.	31st March	To promote investment in and trade with the British Midlands by US corporations	20 North Wacker Drive, Suite 930, Chicago, 60606
emEP Limited (limited company)	50% (principal associate Homes and Communities Agency)	31st March	Holding company of Blueprint General Partner Limited	Apex Court, City Link, Nottingham, NG2 4LA
Derby Cityscape Limited (company limited by guarantee)	25% – reported as a joint venture by virtue of right of veto of all members	31st March – although final accounts were prepared for a 15 month period to 30th June 2010	Regeneration of the city of Derby area. The company ceased to trade on 30th June 2010.	Peat House, 5 Stuart Street, Derby, Derbyshire, DE1 2EQ
East Midlands Early Growth Fund Limited (limited company)	50% (principal associate E-Synergy Limited)	31st December	Holding investments in small emerging companies	15 Clarendon Street, Nottingham, NG1 5HR

Urban Regeneration Companies are classified for disclosure purposes as joint ventures on the basis that control is shared between the member organisations.

11. Joint ventures and undertakings continued

Associates

Name of undertaking	Interest at year end	Year end	Type of organisation	Nature of business
Meden Valley Making Places Limited (*emda* ceased its membership on 31st March 2011)	25%	31st March	Company limited by guarantee	Regeneration of the Meden Valley area
BioCity Nottingham Limited	33.3%	31st December	Company limited by guarantee	Development of healthcare biosciences and related environmental sciences
Regeneration East Midlands Limited (*emda* ceased its membership on 31st March 2010)	20%	31st March	Company limited by guarantee	To improve the effectiveness of regeneration in the East Midlands (ceased trading on 31st March 2010)
Midlands Aerospace Alliance (*emda* ceased its holding on 17th September 2009)	20%	31st March	Company limited by guarantee	To promote and advance commerce in the aerospace sector
Blueprint Limited Partnership	25%	31st March	Limited liability partnership	Regeneration of land and property in the East Midlands
North Northamptonshire Development Company (*emda* ceased its holding on 31st March 2011)	14.28%	31st March	Company limited by guarantee	Regeneration of the Borough of Corby area

The only joint venture or associate organisation in which *emda* holds share capital is emEP. *emda* holds 500 of the 1,000 issued ordinary shares of £1 each.

Key financial results of joint ventures

2010-2011	Profit/ (loss) after tax for the year £	Agency share of net profit/ (loss) £	Gross assets £	Gross liabilities £	Agency share of gross assets £	Agency share of gross liabilities £	Agency share of net assets/ (liabilities) £
British Midland Development Corporation *	-	-	-	-	-	-	-
Derby Cityscape Limited **	(65,106)	(16,277)	645,189	(364,564)	-	-	-
emEP Limited	-	-	1,000	-	500	-	500
East Midlands Early Growth Fund Limited ***	(724,765)	-	3,301,301	(5,036,340)	-	-	-
	(789,871)	(16,277)	3,947,490	(5,400,904)	500	-	500

2009-2010	Profit/ (loss) after tax for the year £	Agency share of net profit/ (loss) £	Gross assets £	Gross liabilities £	Agency share of gross assets £	Agency share of gross liabilities £	Agency share of net assets/ (liabilities) £
British Midland Development Corporation	(81,655)	(40,828)	116,591	(9,916)	58,296	(4,958)	53,338
Derby Cityscape Limited	(238,153)	(59,538)	644,063	(298,332)	161,016	(74,583)	86,433
emEP Limited	-	-	1,000	-	500	-	500
East Midlands Early Growth Fund Limited *	(360,056)	380,354	2,896,507	(4,017,272)	-	-	-
	(679,864)	279,988	3,658,161	(4,325,520)	219,812	(79,541)	140,271

11. Joint ventures and undertakings continued

* British Midlands Development Corporation was closed on 28th October 2010. No further transactions were entered into by the company during the period 1st April 2010 until closure. All monies held in the bank account were transferred back to *emda*. As *emda* held a receivable balance, as at 31st March 2010, for the receipt of advanced monies to the company, the monies have cleared off the receivable balance. As such *emda*'s previous share of the net assets of the company have been written back, creating a loss on disposal of £53,338.

**Derby Cityscape Limited ceased to trade on 30th June 2010, as a result of the company's activities transferring to Derby City Council. With the agreement of members, any surplus retained in the company will be transferred to Derby City Council, in order to continue to meet similar objectives of Derby Cityscape Limited. As such, the Agency has recognised a loss on disposal of £70,156, being its share of the remaining net assets of the company.

***As at 31st March 2011, *emda* was due a balance of £5,000,000 on an outstanding loan to the East Midlands Early Growth Fund (note 12). As such a bad debt provision has been made to reflect the net liabilities of £1,735,039, as disclosed above. Any liability on the winding up of the fund will be met by a reduction in the loan repayment. As such *emda*'s share of the net liabilities of £1,735,039, together with the share of the total loss of £724,765 have been excluded from the statement of financial position and the statement of comprehensive net expenditure, respectively.

Key financial results of associate undertakings

2010-2011	Profit/ (loss) after tax for the year £	Agency share of net profit/ (loss) £	Gross assets £	Gross liabilities £	Agency share of gross assets £	Agency share of gross liabilities £	Agency share of net assets/ (liabilities) £
Meden Valley Making Places Limited *	3,557	889	1,757,566	(1,138,814)	-	-	-
BioCity Nottingham Limited **	1,646,267	(34,546)	11,947,089	(10,197,185)	-	-	-
Midlands Aerospace Alliance ***	-	-	-	-	-	-	-
North Northamptonshire Development Company Limited ****	283,266	40,467	839,606	(1,693,917)	-	-	-
Blueprint Limited Partnership *****	(4,201,000)	-	39,420,000	(50,488,000)	-	-	-
	(2,267,910)	6,810	53,964,261	(63,517,916)	-	-	-

11. Joint ventures and undertakings continued

2009-2010	Profit/ (loss) after tax for the year £	Agency share of net profit/ (loss) £	Gross assets £	Gross liabilities £	Agency share of gross assets £	Agency share of gross liabilities £	Agency share of net assets/ (liabilities) £
Meden Valley Making Places Limited *	3,943	986	2,972,734	(2,357,539)	743,184	(589,385)	153,799
BioCity Nottingham Limited	64,147	21,382	10,746,426	(10,642,789)	3,582,142	(3,547,596)	34,546
Regeneration East Midlands Limited *	36,854	(15,673)	271,136	(155,917)	-	-	-
Midlands Aerospace Alliance	106,182	21,236	243,331	(137,148)	48,666	(27,430)	21,236
North Northamptonshire Development Company Limited **	(481,591)	3,000	685,015	(1,822,590)	97,859	(260,370)	(162,511)
Blueprint Limited Partnership ***	(3,144,000)	-	46,768,000	(53,635,000)	-	-	-
	(3,414,465)	30,931	61,686,642	(68,750,983)	4,471,851	(4,424,781)	47,070

* The Agency ceased its membership of Meden Valley Making Places Limited on 31st March 2011. At that time the Agency's share of the net assets of the company was £154,688. Whilst the company will be wound up at 31st December 2011, and any surplus funds will be returned to members, *emda* will not receive any funds under the terms of the funding agreement. As such, a loss on disposal of £154,688 has been recognised in the statement of comprehensive net expenditure.

** The Agency's membership of BioCity Limited was valued independently during the year, as *emda* is likely to exit its membership during 2011-2012. Based on the valuation, *emda* is not likely to receive any proceeds on exit, but instead will insist on the company continuing to meet its existing objectives. As such, no share of the company's net assets have been reflected in *emda*'s accounts. In addition, the previous year's asset of £34,546 has been written back and included as the Agency's share of the net profit or loss.

*** The Agency exited Midlands Aerospace Alliance on 17th September 2009. A balance of £21,236 was still held in the general reserve of the Agency's statement of financial position, as at 31st March 2010. As such the balance has been released in the year, showing a loss on disposal of £21,236.

**** The Agency ceased its membership of North Northamptonshire Development Company Limited on 31st March 2011. Under the terms of the funding agreement, *emda* are not liable to meet the liabilities of the company. As such, a profit on disposal of £122,044 has been recognised in the statement of comprehensive net expenditure, being *emda*'s share of the net liabilities of the company.

***** As at 31st March 2011, *emda* were due a balance of £13,384,260 on outstanding loan notes to Blueprint Limited Partnership (note 12). Following a recent valuation of the loan note A, a bad debt provision has been made to reflect the Agency's likely sale proceeds on the disposal of the loan notes. The bad debt provision amounts to £3,620,065. As the Agency has already provided for the estimated shortfall in the recovery of the loan, *emda*'s share of the net liabilities, amounting to £2,767,000, together with the share of the loss of

11. Joint ventures and undertakings continued

£1,050,000 have been excluded from the statement of financial position and statement of comprehensive net expenditure, respectively.

	Receivable/ (payable) at year end 2010-2011 £	Receivable/ (payable) at year end 2009-2010 £
Regeneration East Midlands Limited	-	3,000
British Midlands Development Corporation	-	144,200
Blueprint Limited Partnership	13,398,817	14,912,600
East Midlands Early Growth Fund Limited	5,000,000	5,000,000

There were no balances outstanding between the Agency and other joint venture or associate companies other than disclosed above.

In addition to the above the Agency's share of Blueprint Limited Partnership's financial results are as follows:

	2010-2011 £	2009-2010 £
Turnover	1,303,750	1,524,000
Fixed assets	-	-
Current assets	9,855,000	11,692,000
Liabilities due within one year	(1,079,750)	(12,650,000)
Liabilities due within one year or more	(11,542,250)	(12,650,000)

12. Financial assets – long term loans

		2010 2011 £'000	2009-2010 £'000
Loan capital			
Balance at 1st April		24,395	23,904
Advances in year – East Midlands Early Growth Fund		-	2,000
Repayments in the year – Transitional Loan Fund		(2,100)	-
		22,295	25,904
Balance due to be repaid within one year			
Loan notes B	Note 17	(3,000)	(1,500)
RDC loans	Note 17	(8)	(9)
Transitional Loan Fund		(1,400)	-
		17,887	24,395
Less bad debt provisions			
Provision for bad debts – Blueprint loan notes		(3,619)	(1,717)
Provision for bad debts – Transitional Loan Fund		(500)	(1,500)
Provision for bad debts – East Midlands Early Growth Fund		(1,735)	(1,121)
Total financial assets		**12,033**	**20,057**

From 1st October 2008, through to 30th September 2010, *emda* granted Blueprint Limited Partnership a two year capital repayment holiday from the issued loan notes B. As at 31st March 2011 there remained an outstanding balance of £5,164,195, of which £3,000,000 is shown within trade and other receivables, on which interest of 6% p.a. is charged. In addition, *emda* also holds loan notes A, with an outstanding balance of £8,220,065. A bad debt provision has been made in *emda*'s accounts, based on a recent valuation of the loan notes A. The provision amounts to £3,620,065.

During the year ended 31st March 2009 *emda* established a Transitional Loan Fund to support businesses through the economic downturn, offering loans ranging from £50,000 to £500,000 for a maximum loan period of up to three years, on commercial terms. To 31st March 2011 £6,000,000 has been committed into the fund for which a bad debt provision of £500,000 has been established. Repayments of £2,100,000 were received in the year to 31st March 2011.

emda established the East Midlands Early Growth Fund during the year ended 31st March 2007, with the purpose of the fund being to provide financial support to start up companies. As at 31st March 2011 an outstanding loan of £5,000,000 had been made into the fund. A bad debt provision of £1,735,039 has been made to reflect the net liabilities of the fund (note 11).

The loans to Blueprint Limited Partnership are secured on property holdings held as assets by the Partnership. The loan to the East Midlands Early Growth Fund Limited is secured by way of a debenture held over all of the assets of the company.

The loans are included at historic cost less any impairment.

The loans are repayable as follows:

	2010-2011 £'000	2009-2010 £'000
Within one year or less	4,406	1,507
In more than one year but not more than two years	4,669	3,008
In more than two years but not more than five years	8,220	8,169
In more than five years	5,000	13,220
	22,295	**25,904**

13. Other non current financial assets – receivables

	2010-2011 £'000	2009-2010 £'000
Disposal proceeds on inventories	-	500
	-	**500**

Disposal proceeds on the sale of inventories relate to the final instalment due for the sale of a development site. Proceeds are expected to be received during the year to 31st March 2012. As such the balance is now held within trade and other receivables.

14. Deferred tax

A deferred tax asset has been fully recognised, with the exception of trading losses in respect of Blueprint Limited Partnership of £1,191,000, at a corporation tax rate of 26%. This is on the basis that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. In the financial year to 31st March 2010 a deferred tax asset had been fully recognised, with the exception of trading losses in Blueprint Limited Partnership.

The major components of the deferred tax asset are as follows:

	Balance b/fwd £'000	Adjustment in respect of previous periods £'000	Credited/ charged to net expenditure account £'000	Balance c/fwd £'000
Accelerated capital allowances	302	37	9	348
Temporary differences	23	24	70	117
Deferred tax in respect of joint ventures and associates	(53)	-	53	-
	272	**61**	**132**	**465**

15. Inventories

	2010 2011		2009-2010	
	£'000	£'000	£'000	£'000
Balance at 1st April		18,463		19,679
Additions in year		24,801		6,753
		43,264		26,432
Profit/(loss) on disposal of assets	(57)		998	
Proceeds on disposal of assets	(1,218)		(1,890)	
Book value on disposal of assets		(1,275)		(892)
Amounts written off		(3,161)		(1,638)
Amounts written back		98		208
Amounts written up to revaluation reserve		-		70
Expenditure covered by environmental provision		(23,232)		(5,717)
Valuation at 31st March		**15,694**		**18,463**

All inventories relate to development asset sites, consisting of land and buildings held for the purpose of regeneration and subsequent resale.

Valuations have been undertaken by Innes England and carried out in accordance with best practice, as contained in the Red Book – RICS valuation standards. The valuer is an external valuer in accordance with Practice Statement 1 of the Royal Institution of Chartered Surveyors Valuation Standards (6th Edition).

Amounts written off represent costs incurred in undertaking significant remedial work to development sites. The nature of these sites means significant regeneration investment is required and end use sales value is not expected to exceed cost. The costs are charged as expenditure to the statement of comprehensive net expenditure.

Amounts written back on development assets represent an increase in the market value of the assets up to an amount not greater than costs previously written off.

Amounts written up on development assets represent an increase in the market value over and above that previously written off.

Expenditure covered by an environmental provision represents capital spend on the Avenue site, for which an environmental provision was created in prior years (note 20).

Inventories with a book value of £1,275,000 (2009-2010 £891,822) have been disposed in the year which are charged to the statement of comprehensive net expenditure.

No inventories have been pledged as security for liabilities of the Agency.

16. Impairments

The total impairment charge for the year, allocated between that charged directly to the statement of comprehensive net expenditure and that released from the revaluation reserve are as follows:

	2010-2011 £'000	2009 2010 £'000
Impairment of inventories charged directly to the statement of comprehensive net expenditure	3,161	1,638
Impairment of inventories covered by release from revaluation reserve	(110)	(11)
Net impairment	3,051	1,627

17. Trade and other receivables

Amounts receivable within one year	2010-2011 £'000	2009 2010 £'000
Trade receivables	462	1,006
RDC loan receivables	8	8
Prepayments and accrued income	809	1,225
Loan note B repayments	3,000	1,500
Transitional Loan Fund repayments	1,400	-
Other receivables	9,113	-
Sub-regional Strategic Partnership receivables – cash floats	45	934
Amounts due from British Midlands Development Corporation	-	144
Grant for coalfield expenditure	5	-
Value added tax	1,154	214
	15,996	**5,031**

Analysis of debtors – intra-government balances	2010-2011 £'000	2009 2010 £'000
Balances with other central government bodies	1,431	819
Balances with local authorities	261	197
Balances with bodies external to Government	14,304	4,015
	15,996	**5,031**

18. Cash and cash equivalents

	2010-2011 £'000	2009 2010 £'000
Balance at 1st April	35,095	33,741
Net change in cash and cash equivalent balance	135	1,354
Balance at 31st March	**35,230**	**35,095**

19. Trade and other payables

Amounts payable within one year	2010-2011 £'000	2009 2010 £'000
Trade payables	7,559	5,475
Sub-regional local authorities	4,693	10,831
Accruals	8,365	6,672
Sub-regional local authority accruals	1,476	3,053
Deferred income	24,348	19,707
Grant for coalfield expenditure	-	1,776
Other payables	1,115	10
	47,556	**47,524**

Analysis of creditors – intra government balances	2010-2011 £'000	2009 2010 £'000
Balances with other central government bodies	26,817	22,810
Balances with local authorities	7,990	16,940
Balances with bodies external to Government	12,749	7,746
Balances with NHS bodies	-	28
	47,556	**47,524**

20. Provisions for liabilities and charges

	Environmental provision £'000	Homes and Communities Agency pension provision £'000	By Analogy pension provision £'000	Redundancy provision £'000	Total £'000
Balance at 1st April 2010	94,704	760	164	-	95,628
Provided in year	264	1,540	-	2,412	4,216
Provision not required written back	-	-	(25)	-	(25)
Provision utilised in the year	(23,651)	-	-	-	(23,651)
Unwinding of discount	2,083	-	-	-	2,083
Balance at 31 March 2011	73,400	2,300	139	2,412	78,251
The timing of cashflows is expected to be as follows:					
Within one year	26,926	2,300	-	2,412	31,638
Between two to five years	46,474	-	139	-	46,613
Between six to ten years	-	-	-	-	-
Thereafter	-	-	-	-	-
	73,400	2,300	139	2,412	78,251

20. Provisions for liabilities and charges continued

The provision for environmental liabilities represents the value of remediation work required, as a minimum, to return the Avenue Coking Works site to a saleable and safe condition. The provision represents the amount, which in the opinion of the valuers, *emda* would have to pay a third party to take on the site and associated environmental liabilities. The provision is expected to be utilised over the next five years and as such is discounted using HM Treasury's real discount rate of 2.2%. The provision is to be funded by Homes and Communities Agency and the Department of Energy and Climate Change and a debtor has been set up to reflect this (note 21).

The Homes and Communities pension provision consists of an amount to cover *emda*'s estimated contribution towards a pension deficit that exists on the pension scheme. Such an amount would be payable upon *emda* ceasing to employ any active member in the scheme.

The By Analogy pension provision represents the actuarial valuation of the scheme as at 31st March 2011.

The redundancy provision represents the amount of redundancy pay due to employees with an agreed termination date of between 1st July 2011 and 30th September 2011. Whilst staff had accepted to leave the Agency under a voluntary redundancy scheme, before 31st March 2011, and therefore the Agency is demonstrably committed to making the redundancy payment, it is only considered probable that an economic outflow will occur. As such a provision and not an accrual has been made for the costs.

21. Reimbursement in respect of provisions

Site name	Avenue £'000
Reimbursement of environmental liabilities	
Balance at 1st April 2010	74,519
Unwinding of debtor	1,637
Amount received in year	(23,651)
Increase in debtor	95
Balance at 31st March 2011	52,600

The balance relates to amounts recoverable from the Department of Energy and Climate Change and the Homes and Communities Agency in respect of environmental liabilities.

22. Contingent assets

Lachesis Venture Capital Fund
In 2004 *emda* granted £3,000,000 to a Venture Capital Fund called 'The Lachesis Fund' in order to support university spin out companies. If the fund undertakes any distribution from their investment portfolio *emda* is entitled to receive a share of the distribution in proportion to the investment *emda* has made into the fund (currently 30%), capped at the value of the original funding. It is unlikely that there will be a distribution from the fund before 2014. The net assets of the partnership, as at 31st July 2010 are £9,282,587 (31st July 2009 £8,659,376).

Equity share agreements and clawback provisions
Many of *emda*'s projects have involved investments which could produce future return to the receiving body or which have been made to fund an asset which is to be used for a specific purpose. In order to protect this investment of public money and prevent developers from making large profits from the sale or change of use of these assets, clawback clauses exist in the funding agreement which entitles *emda* to receive funds if these circumstances occur. Other interests exist via a share in the net income received in rent or a share in the receipts on disposal of the asset. The timing and cashflows from equity share or clawback agreements are uncertain.

23. Contingent liabilities

As at 31st March 2011, the Agency had entered into voluntary redundancy agreements with employees, with a range of leaving dates. Where leaving dates exist beyond 30th September 2011 the chances of an economic outflow occuring is considered too remote to provide for redundancy costs. Should all staff, with a leaving date post 30th September 2011, leave on their agreed dates, under the agreed terms, the estimated costs of redundancy are £1,656,089.

In order to ensure the effective closure of the Agency a team of key staff have been identified. This includes 18 staff that have been offered a retention payment to stay in employment with the Agency until a specified date. Since the future retention payment is dependent on whether staff stay in employment and undertake the closure of the Agency effectively, the cost is considered too remote to provide for. Should all staff receive their retention payment, it will result in an overall cost of £768,450.

24. Capital commitments

	Agency 2011-2012 £'000	Agency 2010 2011 £'000
Capital expenditure authorised by the Board and contracted as 31st March 2011	14,633	35,273

25. Commitments under leases

Operating leases – lessees
Commitments under operating leases to pay rentals during future periods are given in the table below:

	2010-2011 £'000	2009 2010 £'000
Buildings		
Not later than one year	571	564
Later than one year and not later than five years	2,285	2,255
Later than five years	1,809	2,349
	4,665	**5,168**
Other		
Not later than one year	7	23
Later than one year and not later than five years	-	10
Later than five years	-	-
	7	**33**

The Agency currently rents its headquarters building at Apex Court, under an operating lease, ending on 28th May 2019.

Other operating leases relate to cars that the Agency leases on behalf of staff.

The Agency has no commitments under finance leases.

Operating leases – lessor
The Agency has also entered into operating lease arrangements where the Agency acts as the lessor, renting out surplus inventory asset sites to tenants, whilst development work is undertaken.

As at 31st March 2011, the Agency has commitments to receive future income, during the periods highlighted in the table below:

	2010-2011 £'000	2009 2010 £'000
Land		
Not later than one year	13	14
Later than one year and not later than five years	13	26
Later than five years	-	-
	26	**40**
Buildings		
Not later than one year	130	119
Later than one year and not later than five years	242	242
Later than five years	-	34
	372	**395**

26. Events after the reporting period

Following the planned abolition of Regional Development Agencies a number of services previously run by the Agency were transferred to other bodies after the statement of financial position date.

On 1st May inward investment activity transferred to PA Consulting Services Ltd. This resulted in the transfer of five staff, although no assets or liabilities transferred with the service. The Agency spent £2.1m on inward investment activity during the year to 31st March 2011.

On 1st July the European Regional Development Fund programme (ERDF) transferred to the Department for Communities and Local Government (DCLG). This resulted in the transfer of seventeen staff. In order to run the programme, advanced funding was provided to the Agency. As at 31st March 2011 this amounted to £15.4m and was accounted for as deferred income, within trade and other payables. The balance was matched by a cash and cash equivalent holding of the same amount. Both the asset and the liability transferred to DCLG on 1st July, and a reconciliation is being undertaken to agree the final balance. European funding expenditure amounted to £23.4m in the year to 31st March 2011, of which ERDF expenditure amounted to £22.4m.

On 1st July the Rural Development Programme for England transferred to the Department for the Environment, Food and Rural Affairs (Defra). As the Agency acted as the management agent only and made no payments on behalf of the programme, no assets or liabilities were transferred. Ten staff transferred with the service.

On 6th July 2011, the Government announced its intention to transfer certain development land and property assets from Regional Development Agencies to the Homes and Communities Agency (HCA) for management under a stewardship arrangement. Under this arrangement, the HCA will continue to develop the related assets to deliver economic benefits, taking account of the purposes for which they were originally acquired.

The transfer is expected to take effect on 19th September 2011. The transfer order includes a number of the Agency's assets that are currently included in these accounts under the heading of inventories (note 15). Details of the assets intended for transfer will be announced when the transfer order is agreed. The transfers will be at the current carrying value of the relevant assets and no gain or loss on transfer will arise.

On 28th April 2011 the Agency disposed of an inventory asset, the former Steetley Colliery site. Whilst the site was valued at nil, and therefore no disposal proceeds were received on sale, the Agency did provide a grant of £8.6m to the purchaser, to enable the future development of the site. As at 31st March 2011, the Agency had advanced the grant funding to a solicitor. Since the asset disposal did not occur until after 31st March 2011, the accounts recognise a receivable for the grant advanced. A corresponding balance was held within deferred income to recognise the coal grant the Agency received to fund the grant. Upon sale the deferred income balance has been released as coal income and the receivable as grant expenditure.

27. Related party transactions

East Midlands Development Agency is an Executive Non-Departmental Public Body sponsored by the Department for Business, Innovation and Skills (BIS). During the year ended 31st March 2011 the Agency received Grant in Aid and grant funding through BIS. No other significant transactions have taken place between the two bodies.

In addition, East Midlands Development Agency has had a number of transactions with other government departments and other central government bodies, including the Homes and Communities Agency and the Department for Communities and Local Government (DCLG).

During the year East Midlands Development Agency has had a number of transactions with other Regional Development Agencies for which BIS is regarded as the parent department.

These agencies are:

- Advantage West Midlands (AWM)
- East of England Development Agency (EEDA)
- London Development Agency (LDA)
- Northwest Development Agency (NWDA)
- One NorthEast (ONE)
- South East England Development Agency (SEEDA)
- South West of England Regional Development Agency (SWERDA)
- Yorkshire Forward (YF)

As at 31st March 2011 there were no outstanding receivables or payables with any other Regional Development Agency.

East Midlands Development Agency has a number of associate and joint venture companies to which payments were made, or amounts received, in the current financial year. The details are:

	Amounts paid by *emda* in 2010-2011	**Amounts received by *emda* in 2010 2011**
	£'000	**£'000**
North Northamptonshire Development Company	80	-
Blueprint Limited Partnership	104	1,924
BioCity Nottingham Limited	2	8

The Agency was involved in the following related party transactions during the period which are considered to be material. Transactions between *emda* and organisations in which Board Members have an interest are shown in the table over the page.

27. Related party transactions continued

Name	Role	Related party	Position in related party	Total value of receipts 2010-11 £	Total value of payments 2010-11 £	Nature of payments
Bryan Jackson	Chairman	Department for Business Innovation and skills	Non Executive Board Member of Audit and Risk Committee	100,696,053	-	
Geoff Stevens	Board Member	Derbyshire Dales District Council	Elected Member	-	743,144	Grants
Jon Collins	Board Member	Nottingham City Council	Leader	167,104	3,293,409	Grants / services
Philip Tasker	Board Member	De Montfort University	Chief Executive/Vice Chancellor	19,769	607,992	Grants
		De Montfort Enterprise	Director	-	5,875	Grants
Gary Hunt	Board Member	Leicester City Council	Councillor	7,934	5,165,888	Grants / services
Martin Bryant	Board Member	Government Office for the East Midlands	Non Executive Director	55,775	80,331	Services
Haydn Biddle	Board Member	Lincoln University	Board Member	1,271	1,676,372	Grants
		Jessica East Midlands Limited	Board Member	-	1,500,000	Grants
Jim Harker	Board Member	Northamptonshire County Council	Councillor	-	2,289,604	Grants
		Northamptonshire Enterprise Limited	Board Member and Vice Chairman	-	289,896	Grants
		North Northamptonshire Development Company Limited	Board Member	-	80,000	Grants
		Silverstone Holdings Limited	Board Member	63	-	Grants
Steve Brown	Board Member	The National Trust	Chair of Regional Committee	-	43,382	Grants

27. Related party transactions continued

Transactions between *emda* and organisations in which Directors have an interest are shown below.

Name	Role	Related party	Position in related party	Total value of receipts 2010 11 £	Total value of payments 2010-11 £	Nature of payments
Jeffrey P Moore	Chief Executive	Capital for Enterprise Advisory Committee (CfEL)	Chairman	47,192	-	
		Land Trust	Trustee	-	144,092	Services
		East Midlands Council of Prince's Trust	Member	-	572,825	Grants
		Blueprint Limited Partnership	Chairman	1,924,493	103,850	Services
		Nottingham Trent University	Relative with interest	3,525	415,205	Grants
		National Space Science Centre	Trustee	-	349,141	Grants
		Rolls-Royce	Relative with interest	-	250,000	Grants
		PERA	Relative with interest	71,969	3,935,872	Grants/ services
Abby Johnson Brennan	Deputy Chief Executive *	Arts Council England	Board Member	3,525	121,669	Grants
Michael Carr	Director	BioCity Nottingham Limited	Director	8,087	1,704	Services
		Loughborough University	Enterprise Board Member	5,145	3,939,196	Grants/ services
Glenn Harris	Director	North Northamptonshire Development Company Limited	Director	-	80,000	Grants
Diana Gilhespy	Director	West Nottinghamshire College	Director	-	31,303	Grants/ services

* Abby Johnson Brennan was on secondment at the Government Office for the East Midlands between 1st April 2010 and 30th June 2010 and left the Agency on 14th January 2011.

27. Related party transactions continued

All transactions described above were in the normal course of the Agency's business and include payables and receivables.

All declarations of interest are a standing agenda item at each Board meeting. Where such interests are held no Board Member or Director took part in the discussions or in the subsequent decisions by the Board on the proposals. There were no other transactions in which Board Members, key management staff or other related parties registered a material financial interest with East Midlands Development Agency.

As at 31st March 2011, balances owed to or from related parties amounted to:

	Amount owed to *emda* £	Balance of payable provided for £	Amount owed by *emda* £
Government Office for the East Midlands	1,116	-	-
Northamptonshire County Council	-	-	674,323
Leicester City Council	-	-	1,756,880
Blueprint Limited Partnership	13,398,817	*3,620,065*	-
PERA	-	-	347,729
Nottingham City Council	37,788	*6,081*	1,057,741
Prince's Trust	-	-	108,606
Loughborough University	-	-	959,540
North Northamptonshire Development Company Limited	-	-	80,000
De Montfort University	-	-	42,921
Capital for Enterprise	7,242	-	-
Department for Business, Innovation and Skills	24,623	*6,156*	-

All balances have arisen in the normal course of the Agency's business, under commercial trading terms, with the exception of £13,384,260 of the balance due from Blueprint Limited Partnership. This balance relates to a loan to the organisation (see note 12). The loan is secured on property holdings held by the partnership.

A bad debt expense, for balances owed by related parties in the year to 31st March 2011, amounts to £1,904,720.83.

Accounts direction

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR BUSINESS, INNOVATION AND SKILLS, WITH THE APPROVAL OF THE TREASURY, IN ACCORDANCE WITH SECTION 14(2) OF THE REGIONAL DEVELOPMENT AGENCIES ACT 1998

1. This direction applies to **East Midlands Development Agency** (hereinafter referred to as "the Agency").

2. The Agency shall prepare accounts for the financial year ended 31 March 2011 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury ("the FReM")[1], which is in force for the financial year for which the accounts are being prepared, together with any additional disclosure or other requirements as agreed with the Department.

3. The accounts shall be prepared so as to:

   (a) give a true and fair view of the state of affairs at 31 March 2011 and subsequent financial year-ends, and of the income and expenditure, changes in taxpayers' equity and cash flows for the financial year then ended; and

   (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed with BIS and HM Treasury.

5. This direction supersedes the direction dated 17 March 2010.

Paul Hadley
Deputy Director, Economic Development Directorate

24 February 2011

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[1] http://www.financial-reporting.gov.uk

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