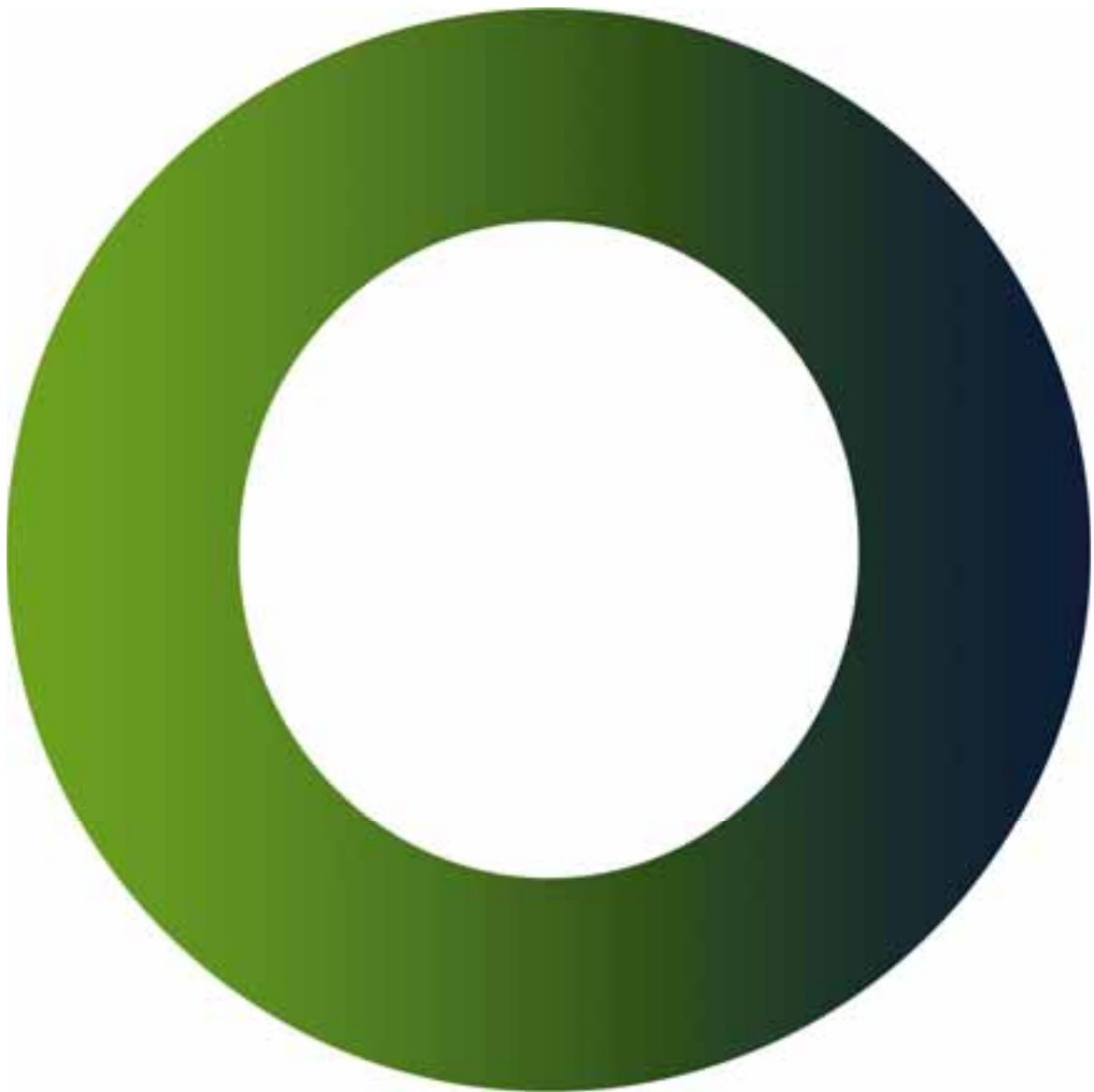


**Annual Report and Accounts 2009-2010**  
HC 125

July 2010



**One North East Annual Report and Accounts 2009-2010**

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## **Management Commentary**

### **Chairman's Foreword, Margaret Fay CBE**

The past 18 months have been the toughest our economy has endured for decades and has tested the resolve of businesses right across the North East.

But under the weight of media headlines it is easy to lose sight of the fantastic success stories that have underpinned our economy through the toughest of times and the opportunities that have been seized to lay the foundations for a new, exciting and sustainable future.

Major new investment by global giants such as Nissan and Clipper Windpower in electric vehicles and wind turbine manufacture respectively are a real vote of confidence in the new North East economy.

Cleaner, greener business processes offer huge potential for business growth and job creation in the North East which has positioned itself at the forefront of technological development in these areas.

Looking back over the past year, the ultimate examination of any business or organisation is how it responds in times of adversity - rolling up its sleeves and meeting the challenges it faces by turning words into action.

That is very much what One North East committed to do when the recession began to impact business.

As I enter the final weeks of my chairmanship at One North East after six hugely enjoyable years, I look back with great pride on the leadership the Agency has shown during the economic downturn.

One North East channelled £52m from its budget into direct frontline support for hard pressed companies from 2008-10 to help firms meet the challenges of the global recession.

This support included establishing the Transition Loan Fund (which was set up in December 2008 and ran to the beginning of the financial year 2009-10)

to help viable small and medium sized firms with short term cash flow problems, to enable them to get through immediate difficulties and consolidate their business until the recession ended.

In all, 74 North East firms were supported with a total of £8.2m.

One North East also worked with public sector partners and Government to guide people and companies hit by the recession to the wealth of support available to help them back into work, boost their skills or support their business.

The 'Real Help for Businesses and People Now' campaign run with local media resulted in more than 5,300 business health checks being carried out by Business Link during 2009.

The Agency played its role in helping business cashflow by successfully implementing the Government's Prompt Payment Code with all its suppliers, achieving 99.3% of payments within the ten day window.

Tees Valley in particular suffered a major blow at the beginning of this year with the announcement that Teesside Cast Products (TCP) in Redcar was to be partially mothballed.

One North East led the public and private sector response to the job losses with the Agency's chief executive Alan Clarke chairing the Corus Response Group.

The Government and One North East committed to invest £60m into the Tees Valley to support its transition to low carbon and advanced manufacturing.

Already £20m has been committed into the Tees Valley Industrial Programme to take forward business development, including £1.5m into Billingham-based Tees Alliance Group to help the company supply the offshore wind industry, creating 110 new jobs and safeguarding a further 33.

One North East approved an Engineering Apprenticeships Programme consisting of a £2.4m package of support for around 150 engineering apprentices in the Tees Valley who will receive help over the next two years, including 65 from Corus' Teesside Cast Products plant.

Across the wider North East, it is imperative that firms can access the finance they need to be able to plan ahead with confidence to invest in and grow their business.

One North East worked intensively for 18 months with the European Investment Bank (EIB) and European Commission to establish a public/private sector backed venture capital fund to inject fresh confidence into the regional business community.

The £125m Finance for Business North East fund went live in January to a universally positive response.

It is the first fund of its type in England and will target support into more than 850 growing small and medium sized enterprises through loans and equity investments, creating an anticipated 5,000 new jobs.

The returns from the equity and loan investments it makes will be pumped back into the regional economy, extending its benefits well beyond its initial lifespan to help drive a new generation of exciting North East businesses.

The backing of such major European resources into the fund is another vote of confidence in the economy as it emerges into growth.

One North East attaches great importance to retaining the skilled professionals in the area that will lead our economic growth.

To ensure such talented individuals are not lost, the Agency approved a further £3.2m into the Talent Challenge project which followed an initial investment of £1.45m, to help key workers stay in the North East and drive future economic growth.

The extended funding will allow the project to run until March 2012 ensuring a wide range of services can be offered to more professionals, managers, unemployed or under-employed graduates or highly skilled technicians.

Prudent investment of our budget into longer term 'economic gains' for the North East economy can be clearly seen in our investment into new and renewable energy.

Eight years ago One North East invested in the National Renewable Energy Centre in Blyth as a test bed for the green energy sources of the future.

A stream of success has flowed from the centre on the Northumberland coast, first attracting prototype energy research and development, then US wind energy giant Clipper Windpower and now its ultimate investment into a multi-million pound wind turbine blade production factory on the banks of the Tyne and hundreds of anticipated new jobs.

The benefits of investments made nearly a decade ago can also be seen in the success of the Centre for Process Innovation, at Wilton, Tees Valley - strategic planning for the future which is resulting in new jobs and business opportunities today.

I have never needed an excuse to shout loudly and proudly about North East England and all that it has to offer during my chairmanship of the Agency.

And I fully intend to continue to champion its bold investments and the wider North East when I leave the Agency in August.

The strategic direction of the board and directors' team, allied to the delivery skills of its dedicated employees, have built One North East's reputation as a leader of economic development.



I feel privileged to have had the opportunity to play my own small part in helping take it forward and I will watch with great interest as it continues to develop in a period of renewed economic growth.

Margaret Fay CBE

## **Annual Report Review, Chief Executive, Alan Clarke**

The North East has emerged from a period of great economic upheaval ready to seize the challenges that the economic recovery presents.

At One North East, we have continued working towards clear goals, helping companies deal with the effects of the recession and preparing them to take full advantage of the recovery. We have made the longer term, strategic investment decisions needed to underpin future economic growth.

With the new Conservative/Liberal Democrat coalition Government now in place, we look forward to working closely with them, local authorities, businesses and our wider partners for the benefit of a North East economy now growing again after recession.

The diversity and depth of the North East business base means it has emerged from this recession in far better shape than from any previous recession in modern times, to make sure our economy is not left behind the rest of the UK as the pace of recovery grows.

Unemployment, while still too high, is significantly lower now than in those previous recessions of the 1980s and 1990s. Our export markets remain healthy standing at £9.6bn for 2009, the second highest annual value ever recorded for the region with the total value of the regional economy now topping £41bn.

And looking ahead from this solid base there is much to be confident and excited about.

The huge strides forward taken by the region in the development of a low carbon economy have positioned the North East at the cutting edge of technological advancement in two sectors crucial to our economic growth.

We have supported Nissan's investment in its Sunderland factory to become the global centre of operations for its electric vehicle development and manufacturing plans.

The North East is firmly established as the best location in Europe for electric vehicle development.

As well as the £400m investment by Nissan in its Sunderland plant to manufacture the LEAF electric vehicle - the most significant announcement since the plant opened on the outskirts of the city in 1986 - it is the associated infrastructure work which promises even greater return for the future economy.

The North East is officially the country's first Low Carbon Economic Area for Low Carbon Vehicles, greatly enhancing its appeal to potential investors.

To ensure we have the skilled workforce in place to take advantage of the new opportunities the LEAF and its associated new electric vehicle battery plant will present, One North East is pumping £2.4m into a new National Skills Academy for Sustainable Manufacturing and Innovation in Sunderland.

The £8.4m centre will train those already working in the sector, young people, adults and students from 14 years old upwards in the manufacturing and maintenance skills the low carbon jobs of the future will demand.

The partnership between One North East, Gateshead College and Nissan will open the door for hundreds of people to access opportunities in this high growth area.

Of course, to ensure that people can actually use electric vehicles in the same way that they currently use petrol and diesel powered vehicles, there needs to be a charging point infrastructure in place.

We are leading the country in establishing a charging network across the North East, driving forward the trialling of electric vehicles in private and public sector organisations.

Business interest is high with major firms such as Tesco and Eaga committing to leading the advancement of this technology.

While cleaner, greener cars take to our streets, the North East is also ahead of the game in the development of more sustainable and environmentally acceptable forms of electricity generation.

Californian renewable energy giant Clipper Windpower will in the autumn complete work on a factory on the Tyne where it will manufacture blades for huge offshore wind turbines.

One North East investment into the land at Shepherd Offshore Renewable Energy Park in Newcastle will create the country's first offshore wind turbine manufacturing plant.

The North East workforce's ready made industrial skills and the region's land availability will continue to be a real investment incentive in the coming years, adding a new chapter to the area's proud industrial heritage.

Central to the success of the North East economy moving out of recession and into recovery is the performance of small and medium sized businesses.

Accessing the finance needed to grow and thrive has been helped by the innovative Finance for Business North East fund.

More than £100m of finance from the European Investment Bank and the European Regional Development Fund (ERDF) 2007-2013 - allied to more than £18m from One North East - is opening new doors for smaller companies through targeted loans and equity investments.

We expect that about 850 firms will be helped with their growth plans over the next five years - companies that will be at the forefront of the new North East economy.

One North East will continue to support innovation, business growth and enterprise through administration of the ERDF programme.

Investment into the area in 2009 successfully met the European Commission's £20.3m spending target, with approval of 60 projects and many more in the pipeline in the months ahead.

Support for rural businesses to grow and diversify will remain a key pillar of our administration of the Rural Development Programme for England.

In the past financial year we approved investment totalling £9.3m into scores of projects across the region to benefit the rural economy, including bioenergy and land-based skills and we intend to build on this moving forward with our partners at Natural England and the Forestry Commission.

Tourism is another high growth success story for North East England - with the industry now worth nearly £4bn annually to our economy.

While we will look to the future with real confidence, there are many challenges we need to tackle to ensure people and businesses hit hard by the recession are given the support they need to recover and move forward with hope and purpose.

One North East will continue to lead work with public and private sector partners to support employees through the Corus Response Group, investing in support for Teesside Cast Products apprentices and enhanced business start up opportunities through the £60m Tees Valley Industrial Programme.

While no-one can predict with complete certainty what the future will bring, we have worked closely with private and public sector partners to plan the strategic investment needed to stimulate and sustain long term growth for the North East.

The investments secured in recent months are hugely significant for the future and place North East England at the very heart of some of the most exciting economic opportunities in the world.

One North East's contribution to this activity is testament to the dedication of all our employees and the strong leadership and support of our board.

Making the reductions to our budget set out by the Treasury will be a challenge, but it is one we will meet.

We will maximise the value of our investment to build on the exceptional economic opportunities that the North East has generated in areas such as electric vehicle development and low-carbon industries.

The green economy is recognised globally as having the potential to drive economic growth at the same time as providing an alternative, efficient and environmentally sound energy solution.

One North East, like the North East economy, does enter this challenging period ahead from a position of strength. As in all previous years, we have met all corporate financial and non-financial targets set for the past financial year.

I would like to take this opportunity to thank Margaret Fay for her unstinting enthusiasm and dedication as chairman over the past six years. Her contribution to One North East and the region has been immense.

I look forward to working with her successor Paul Callaghan to continue her excellent work.

The North East economy has taken its first steps back into recovery and the challenge for us all now is to sustain and build upon this momentum.

Alan Clarke

## **One North East Board**

### **Margaret Fay CBE, Chairman**

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

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

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

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

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

The REC is jointly chaired by the Chancellor of the Exchequer and the Secretary of State for Business and Regulatory Reform.

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

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

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

In 2010, she was awarded the CBE for services to regional development, in recognition of her leadership of One North East over the previous six years and her role as a key leader in North East England.

### **Paul Callaghan – Chairman Designate**

Paul is Chairman (Designate) of One North East.

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

Born in Sunderland, Paul trained as an economist and has a first degree in Economics from the LSE, a Masters degree in Management and Education



from Newcastle University and a further Masters degree in Finance and Economics from the University of Salford.

He is a founder director of the Entrepreneurs' Forum, Chairman of RTC North and formerly Chairman of Business Link North East. He is Chairman of Live Theatre in Newcastle and sits on the development board of the SAFC Foundation charity.

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

### **Ian Brown**

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

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

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

**Ian Dormer**

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

Since the early 1990s Ian has been active at national level with the Institute of Directors. After he joined the main board, he was appointed as Vice Chairman from 2004 until April 2010.

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

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

**Gill Hale**

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

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

**Professor Christopher Higgins**

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

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

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

Professor Higgins is not politically active and does not hold any other ministerial appointments.

### **Peter Jackson**

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

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

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

### **Lord Shipley OBE**

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

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

John worked for over 30 years with The Open University and was Regional Director for the North and for the European Union for eight years until 2005. He was awarded an OBE in 1995 and was appointed to the House of Lords in May 2010 as a working peer.

### **Bob Symonds**

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

### **Alison Thain OBE**

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

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

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

### **Ruth Thompson OBE**

Ruth Thompson OBE, holds a range of non-executive director posts, including, NHS NE Strategic Health Authority, narec - the National Renewable

Energy Centre and Northumbria University. She is Chair of National Energy Action. Ruth is a former Group Corporate Affairs Director of National Grid plc, which included dealing with UK and EU public policy and communications across the UK and USA.

She is a graduate in law from both Durham and Northumbria universities holding a Master's degree in Commercial law, and post graduate Diploma in Accountancy and Finance. She is a Fellow of the Royal Society of Arts and a Fellow of the Energy Institute.

Having initially qualified and practiced as a solicitor, she has held a number of national and regional senior management roles, both strategic and operational, in the energy industry. She was a Director with Transco plc, pivotal in the transformation of the UK gas industry, and as Director of its northern networks she remains the only woman to have led gas distribution networks in Great Britain.

She chaired and was instrumental in setting up the North East Employer's Coalition, which developed and supported initiatives to offer employment and opportunities long term unemployed people. She was awarded an OBE in 2002 for services to New Deal.

She chairs the Agency's Corporate Resources Committee and is a member of the Audit Committee and Director with Enterprise Development North East Ltd.

### **Graham Thrower**

Graham Thrower has had an extensive international career in Corporate Finance raising equity, bond and bank finance around the world for many of the major global companies in the Media, Telecom and Technology sectors; most latterly at the US Investment Bank Citigroup where he was a Managing Director.

Since 2004 Graham has been based in the North East of England where he has built the record label and music business alt.vinyl, as well as founding a number of other digital and creative enterprises. He has also been widely involved in issues around economic development, access to finance and the development of the region's commercial creative sector.

In addition to being on the Board of the regional development agency One North East he also sits on the boards of North East Access to Finance and Newcastle Science City, as well as being Chairman of the national music development agency Generator.

Graham has a degree in English & European Literature from Warwick University, is a Fellow of the Royal Geographical Society and lives in rural Northumberland with his long term partner and their two children.

### **Kate Welch OBE**

Kate Welch OBE is founder and Chief Executive of the Acumen group of social enterprises which works across the north of England in disadvantaged communities developing an enterprising culture in which jobs and new social businesses are created and individuals are energised, engaged and supported into economic activity.

Kate founded Acumen in 2003 having previously worked for JobCentre Plus, County Durham Training & Enterprise Council and Lambton Park Garden Centre.

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

Kate has an MA from the Department of Social Policy at the University of York. She chairs the Mature and Working Lives Regional Advisory Group for the Public Health Board. She is a Fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce. She supports a number of small social enterprises and social entrepreneurs as a Director or mentor and is active in the Methodist Church and Girlguiding UK.

## **BUSINESS**

The severity and unprecedented scale of the global recession and the speed with which it impacted the UK called for immediate and decisive action from One North East.

The Agency led regional business support, urgently re-prioritising our budget to help businesses navigate the troubled economic waters and ease them through this challenging period.

We swiftly reprioritised an additional £52m from our budgets from 2008-2010 to support regional companies. A £9m Transition Loan Fund was also established as an instant support measure. The TLF helped 74 viable firms suffering short-term cash flow problems, protecting more than 2,000 jobs.

One North East invested an extra £500,000 to extend the Company Pathfinder programme during the recession, to help firms explore a range of financial options and safeguard their future. Nearly 100 businesses were helped and more than 300 jobs protected across a range of business sectors in the North East.

From the start of the recession in the second quarter of 2008, 213 North East companies were awarded a total of £22m in Grant for Business Investment support.

This investment resulted in the safeguarding of more than 2,200 jobs creating almost 3,500 and leveraging in £280m worth of capital expenditure to the North East.

A report by analysts SQW Consulting showed that 56% of regional businesses believed that the support provided by One North East was 'crucial' to their surviving the downturn.



Half of businesses surveyed said the support had helped create or safeguard jobs and 40% said the work of the Agency during the recession was 'crucial' in preparing for the upturn.

One North East worked effectively with partners to ensure the North East was well positioned when the recession ended - supporting companies while ensuring the economic conditions were put in place to help new and growing businesses which will lead economic growth.

### **Tees Valley Industrial Programme**

One North East is leading the development of the £60m Tees Valley Industrial Programme (TVIP) to underpin the transformation of the process industries sector into low carbon and advanced manufacturing

The two-year programme is supported by the Government with 50% of the funding coming from the Department of Business, Innovation and Skills, with One North East committed to matching the Government's investment of £30m.

One North East, which is administering the TVIP fund in consultation with an advisory board, approved £20m worth of project activity within just three months of the fund's creation with a stream of new projects in the pipeline.

This investment will result in the creation of over 1,200 jobs, safeguarding a further 1,100 jobs, leveraging in £180m in business investment and helping create almost 700 new businesses.

TVIP's investments include:

- A £2.4m package of support for engineering apprentices. Around 150 apprentices in the Tees Valley will receive help over the next two years, including 65 from Corus.

- £1.4m to help more new business start-ups and support existing firms that will create and safeguard 400 jobs.
- £5m to help Tees Valley companies improve their resource efficiency. The project will lever in between £25m and £30m in private sector investment and safeguard 500 jobs.
- £2m into MSD Biologics UK Ltd (formerly Avecia), based in Billingham – creating up to 75 jobs over the next 3-5 years. The investment will allow the manufacturer of high-quality, technologically advanced biopharmaceuticals to upgrade its commercial manufacturing facility (ABC5000).
- £2m into PYReco, based in Wilton – creating 52 jobs. The investment will help fund the development of a new processing plant for the reclamation and recycling of tyres and rubber to recover carbon black, steel and oil. The project is also expected to create 240 construction jobs over the next five years.
- £1.5m into Billingham-based Tees Alliance Group, building on the Department for Energy and Climate Change's earlier investment to help the company supply the offshore wind industry, creating 110 new jobs and safeguarding a further 33. Total employment linked to the project is estimated at over 400.

### **Finance for Business North East**

The £125m 'super fund' was launched in January to address the key issue of access to finance for many small and medium-sized businesses.

It represents the culmination of 18 months hard work and consists of a suite six smaller funds that sit within the main 'super fund' - to support new and expanding firms which will form the backbone of the new regional economy.

Already hundreds of expressions of interest have been received from innovative companies keen to access its finance.

The fund is the first of its type in England and is aimed at supporting 850 new and growing firms across the region over the next five years - creating up to 5,000 new jobs.

The fund is a major vote of confidence in the North East economy by the European Investment Bank and European Regional Development Fund 2007 - 2013, with £62.5m and £44.25m investment respectively allied to £18.25m from One North East.

The first investments from the fund are now flowing with Gateshead based games development company Eutechnyx winning £650,000 investment to help it develop groundbreaking new titles and crack the free-to-play games market.

Biotech start-up Reinnervate Limited - spun out of Durham University - has received £500,000 to develop new ways to manage the growth and function of cultured cells.

### **Responding to Economic Shocks**

One North East continued to lead the response to major job losses at key employers.

The most high-profile example was the RDA bringing together public and private sector experts to help redundant workers when Corus' Teesside Cast Products (TCP) plant in Redcar was partially mothballed.

Chief Executive Alan Clarke chaired the Corus Response Group which worked closely with senior management at the plant.

The group's key aims are to help Corus find a buyer for the TCP plant and to offer the maximum package of support to every worker affected by redundancy.

The group staged a two-day employment and training event at Steel House, Redcar, which attracted more than 1,000 employees and over 50 companies and training providers to help workers identify future opportunities.

It has also worked to support TCP's supply chain and is working to drive forward future business investment in the Tees Valley.

Investment from the Tees Valley Industrial Programme totalling £3.8m is helping support Corus TCP apprentices with their skills and career development and offering extra help for business start ups in the local area in response to the job losses.

### **Real Help for Business & People Now**

Thousands of people and companies across the North East tapped into the advice and support of the 'Real Help for Business and People Now' campaign.

Supported by the local media, it helped direct people and firms to available support to help them cope with the effects of the recession and consolidate businesses for better economic times ahead.

The campaign – which was led by One North East with public sector partners Business Link, nextstep, Learning and Skills Council, Jobcentre Plus, Government Office for the North East and the Association of North East Councils - helped point people and businesses impacted by the recession to the wealth of public support available to help them back into work, support companies or help people boost their skills.

Highlights included:

- More than 5,300 business health checks carried out by Business Link during 2009
- 450 visitors to the Real Help summer roadshows staged across the North East given advice and support by employment experts

## **Enterprise and Business Support**

### **Business Support Simplification**

Since 2003, One North East has been working with a wide range of partners to simplify the publicly-funded business support that is available in the region - making it quicker and easier for North East companies to access the help they need.

A review of the business support landscape revealed about 550 services in operation in the North East.

Significant changes emerged from the review including:

- The creation of a single Business Link service for the region
- Aligning funding and grant administration through the North East England Investment Centre
- The development of a new Manufacturing Advisory Service North East

The long term regional commitment to simplification was cemented in the national Business Support Simplification Programme (BSSP), trimming the number of business support schemes nationally to 100 'Solutions for Business' products.

One North East worked with Government and regional partners including the Federation of Small Businesses, North East Chamber of Commerce, local authorities and universities to identify the most appropriate framework for publicly-funded business support to work in the region.

The value of support available in the North East has increased significantly since the simplification process began, now reaching over £160m per year, with the number of products being streamlined to 29.

## **Enterprise Coaching**

Redcar and Cleveland Borough Council secured £1.5m European Regional Development Fund 2007-13 investment to extend enterprise coaching services across 32 deprived wards, 22 in Redcar and Cleveland and 10 in Darlington, until 2013.

The ERDF investment will assist 1,800 more people with start up ideas and generate hundreds of new business referrals to the Business Link service in the two boroughs over the next three years.

The initiative aims to help increase numbers of new start up businesses in local areas by 300 per annum and ensure that more than 80% of these new start up businesses survive more than 12 months.

As a result - and uniquely - the region now has enterprise coaching services available in all 12 local authority districts, and these are being co-ordinated through the introduction of a single tracking and measurement system, overseen by a region-wide partnership.

## **Enterprise Arcade**

Emerging entrepreneurs also received a helping hand to achieve their dreams through ready-made premises to test their idea in the 'real world'.

Retail spaces were made available at Bishop Auckland In-Shops to support the development of individuals through One North East's Enterprise Journey programme with the agency providing £110,000 for the pilot project – all ten were quickly snapped up by those looking to succeed in running their own business.

County Durham Enterprise Agencies is leading the Enterprise Arcade project to help people with a business idea, providing a safe environment to begin to trade with support from on-site business professionals.

It is anticipated that 20 people will be supported by the pilot who have been referred through a range of Enterprise projects funded by One North East, with the ultimate aim of creating ten new businesses.

### **Ideas Bank**

The Ideas Bank - an innovative new website - was launched with the aim of inspiring people to make the most of business opportunities available in the region, turning an idea into a real opportunity to develop a new business.

The website acts as a social networking platform to enable users to develop their contacts, offering insights into potential new products and services as well as readymade businesses for people to immediately take on and develop in a variety of sectors, including energy, low carbon technology, retail and commercial services.

### **Enterprise Awards**

Ten companies from the North East became winners of The Queen's Award for Enterprise 2009 – double the number of successes from 2008 and the highest achieved by the North East in recent years. Supported by One North East, the award is Britain's highest accolade for business success.

Wansbeck in Northumberland was named the North East's most enterprising place as part of the nationwide Enterprising Britain 2009 competition.

### **Celebration Enterprise**

Over 200 pupils from 40 schools across the North East took part in 'Celebration Enterprise' at the Stadium of Light to display the businesses they developed as part of the Key Stage 5 (KS5) programme – a 12 month

initiative which provided 16-19 year olds with the hands on experience of running a business.

Funded by One North East and managed by RTC North, KS5 involved 20,000 young participants from 54 schools and colleges across the region.

### **London 2012 Olympic and Paralympic Games**

The national Olympic committees of Sri Lanka and Colombia have signed memoranda of understanding (MoUs) to use a selection of the North East's Pre-Games Training Camp (PGTC) venues ahead of the London 2012 Games.

'Play Your Part' is the North East's plan for seizing the opportunities of London 2012 from 2009 to 2012. The plan and governance arrangements were refreshed and streamlined to focus on delivery, working alongside regional partners including the Strategic Health Authority, Sport England North East, Association of North East Councils (ANEC), Government Office North East (GONE) and Arts Council North East.

Approximately 40 North East businesses have won contracts to supply the London Organising Committee for the Olympic Games (LOCOG) and the Olympic Delivery Authority (ODA). Examples range from crane and building supplies, bathroom pods for the Olympic Village and roof cladding for the Aquatic Centre.

One North East has pledged £750,000 over three years to finance Compete North East – a team of three staff, based at Business Enterprise North East (BE-NE), who are working to promote London 2012 contract opportunities. Over 2,500 North East businesses have now signed up to the official London 2012 online brokerage service CompeteFor.



The Cultural Olympiad in the North East is also developing its share of Inspire Mark applications, supported by the appointment of an Inspire Mark programmer, based at Gateshead Council. The North East has 16 projects carrying the London 2012 Inspire Mark.

London 2012 VIP visits have so far taken place at 14 of the 20 PGTC venues including London 2012 Chairman Lord Coe at South Durham Gymnastics, Paul Deighton at Middlesbrough Football Club and Olympic champion Jonathan Edwards at St James' Park.

Personal Best, a pre-employment programme funded by the Learning and Skills Council (LSC) North East through the European Social Fund, was launched and will provide training in volunteering for up to 1,000 people.

Most of the programme's first cohort of 89 graduates took part in a graduation ceremony held at St James' Park, with special guest speaker Jonathan Edwards and regional Olympic and Paralympics personalities Tony Jeffries and Stephen Miller in attendance.

### **Business and Enterprise North East**

Business and Enterprise North East (BE-NE) runs the Business Link service on behalf of One North East.

BE-NE has played a key role alongside partners, including One North East, in delivering direct support to businesses and offering skills and re-training advice for workers who have lost their jobs or face redundancy as a result of the recession.

BE-NE's expertise also made a valuable contribution to the Nissan and Corus Response Groups respectively, chaired by One North East.

In 2009-2010, BE-NE worked with more than 33,000 customers, helped create or safeguard almost 7,000 jobs and helped create over 4,200 new

businesses while achieving over 90% customer satisfaction. Over 22,000 customers accessed the in-depth business service, while more than 6,800 firms have received skills and training advice.

A substantial programme of practical workshops and events throughout the North East included over 800 workshops attended by more than 5,000 delegates along with major exhibitions such as The North East Regional Business Fair, with almost 600 buyers and suppliers in attendance.

An independent evaluation in 2008-09, commissioned by One North East, showed that BE-NE contributed £73.2m of additional turnover and generated £31.1m of net additional Gross Value Added for North East businesses.

## **Business Productivity**

### **MAS North East**

The trailblazing MAS North East programme helped firms save almost £30m in its first year of operation by helping manufacturers share knowledge and improve productivity.

Created by Government and One North East in October 2008, the new MAS NE service - which is a combination of the Manufacturing Advisory Service and One North East's pioneering North East Productivity Alliance - registered impressive results, providing practical advice and guidance to boost productivity and generate efficiency savings.

MAS NE's first annual results reveal:

- 543 firms supported across the North East
- £21.1m in productivity savings to businesses, including working capital reductions and energy procurement savings
- Energy usage reduction savings totalling £6.8m - the CO2 equivalent saving of 39,000 tonnes per year.

The programme also expanded into areas of resource efficiency launching the MAS Resource Efficiency project.

The project is designed to help manufacturers to improve their business via part funded targeted resource efficiency support including:

- Waste steam analysis and reduction
- Environmental management systems, including ISO14001
- Water use and targeted reduction
- New and renewable energy feasibility.

## **Low Carbon Vehicles**

### **Nissan**

The announcement in March that Nissan has chosen its Sunderland plant to manufacture its all-electric car, the Nissan LEAF, marked the end of an exciting 12 months for this emerging industry, coming almost a year to the day after Nissan and One North East signed a Memorandum of Understanding to explore the development of a zero-emission mobility programme.

Nissan also announced it would site its European mother plant for battery production at Sunderland, as the North East was officially named as home to the UK's first Low Carbon Economic Area for Ultra Low Carbon Vehicles.

The production of the Nissan LEAF and batteries represents a total Nissan investment of more than £420m in the Sunderland Plant and is expected to maintain about 2,250 jobs at Nissan and across the UK supply chain.

The investment will be supported by a £20.7m Grant for Business Investment (GBI) from the UK Government and a proposed finance package from the European Investment Bank of up to £197m.

Conventional engines will also remain vital to the Sunderland plant's activities for a number of years. One North East funding of £1.94m, supporting a £12.9m investment by Nissan, has secured assembly of the two litre 'MR' petrol engine at the Sunderland plant, protecting 130 jobs, with a further 200 posts expected to be created by 2013 depending on the market.

### **Low Carbon Economic Area**

One North East is delivering the Low Carbon Economic Area (LCEA) with local authority partners, which covers areas of Sunderland, South Tyneside and East Durham. It will include the national Skills Academy for Sustainable Manufacturing and Innovation, the National Low Carbon Vehicle Research and Development Centre, an open access test track to trial the use of new technologies and the Turbine Business Park.

Following on from the MoU signing with Nissan, One North East signed an historic Definitive Agreement with Nissan which sets out a road map for the roll-out of electric vehicles and infrastructure and contains firm commitments on incentives for drivers along with education and demonstration initiatives.

The agreement includes a pledge to install 619 charging points by the end of the first quarter of 2011. In total, 1,300 electric vehicle charging points will be installed over the coming three years across North East England as part of the national Plugged-In Places programme. One North East, the Office for Low Emission Vehicles and more than 40 regional partners are investing £7.8m in the project.

Vehicle trials taking place in the North East have already included all-electric Smart and Mitsubishi cars. A £10m trial of new electric passenger vehicles, part-funded by the Technology Strategy Board, will see vehicles made by Nissan, Smith Electric Vehicles, AVID Vehicles and Liberty Electric Cars hit the roads in the coming year, with their performance monitored by Newcastle University.

As the financial year drew to a close, Gateshead played host to the inaugural national Green Vehicle Congress, a major industry event organised by Cenex, the UK's Centre of Excellence for Low Carbon and Fuel Cell Technologies, UK Trade and Investment and One North East.

International manufacturers and suppliers arrived for the event from Australia, China, Brazil, Canada, Germany, India, Italy, Japan, Korea, Russia and the USA to engage with UK companies in workshops, sessions and seminars.

The Agency is continuing to actively engage with other public bodies across Europe and is forging strong partnerships with colleagues in countries including France, Portugal, the Netherlands and Ireland on charging infrastructure and ways to jointly promote the switch to low-carbon transport.

Work is also ongoing with Barmston Developments to secure inward investment into the Turbine Business Park.

## **Business Investment**

### **Business Finance**

Business finance is playing a crucial role in supporting regional companies and attracting inward investment as the North East emerges from recession.

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

### **Grant for Business Investment**

The Agency administers the Grant for Business Investment (GBI) and over the last 12 months made 150 payments to companies totalling £15.2m, anticipated to create more than 2,000 jobs and safeguard a further 1,200.

This grant support helped lever in over £148m in capital expenditure across North East England.

In response to the recession an additional £2.5m was made available to help small and medium-sized enterprises consolidate and grow

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

Highlights of 2009-10 include:

- The asset sale of chemical company Artenius UK. One North East approved a grant of £1.8m to enable Korean business KP Chemical Corporation to purchase Artenius' assets creating 132 high-quality new jobs and safeguarding a further 41
- A £2m GBI helped secure 1,000 new jobs in North Tyneside as Tesco Bank announced plans to set up a new contact centre
- A total of 82 jobs, including blacksmiths, concrete casters, tilers and electricians are being created at Northumberland based bathroom pod

manufacturer EJ Badekabiner Ltd, which received a GBI of £200,000 from One North East.

- SCA Foam Products - One North East awarded a £147,000 GBI to support the company's £1m investment programme at its Spennymoor plant in County Durham, protecting 53 jobs.

### **Research and Development Grant**

Over £1m more in Research and Development Grant support was offered in 2009-10 in comparison to the previous financial year as North East businesses began preparations for the future and the economic upturn.

In total, 32 offers were made to companies totalling almost £3.4m.

The Large Company R&D Scheme, launched in 2009, proved a huge success with major companies taking the opportunity to use it to bolster increased R&D activity and support new and innovative ideas.

Highlights of 2009/10 include:

- Procter & Gamble – receiving £1.25m to develop the next generation of more environmentally-friendly detergents at its Tyneside base
- Cummins Engines, of Darlington – receiving a grant of £600,000 to develop the next generation of clean diesel engines for ultra-low emission commercial vehicles
- Tyneside-based Senergy Econnect – has been awarded £172,000 to create a state-of-the-art energy demand management system

## **Digital and Creative**

### **Northern Film and Media**

A European Union investment of £1.2m was approved to boost a three year project to create over 200 jobs and 18 new businesses in the creative media sector.

Northern Film and Media (NFM) secured the additional finance through the European Regional Development Fund 2007-13 to extend the range of its business support activities, taking a lead role in the building of successful commercial creative industries in the North East, investing in talent, in people and in their ideas.

The project will offer support for small and medium-sized firms to engage in new markets by opening up more digital distribution across the web, mobile, games and interactive media industries.

### **Northern Design Centre**

The design and specification work for the Northern Design Centre has been completed and Terrace Hill - the developer of Baltic Business Quarter in Gateshead - is out to tender for a construction contractor. A contractor is expected to be appointed this summer with start on site due in September.

The centre is due to open in summer 2011.

### **Design Network North**

A year after launching, Design Network North's (DNN) reputation is growing both locally and nationally as numerous regional businesses engage with and start to see the commercial benefits of adopting good design practice.



The team are also engaging with a number of European organisations including the Bureau of European Design Associations, the national Design Council, design trade associations BDI and DBA and Audi Design Foundation.

DNN secured £857,000 of ERDF money to raise awareness of the commercial value of design to all business sectors. This supplemented £1.4m of the Agency's Single Programme funding already earmarked for the project which will assist 125 companies, create 72 new jobs and safeguard a further 150.

Killingworth-based iEvo became the first firm to pass through the 'Exemplar Project' process delivered by DNN which offers 30 special seed funded opportunities over the project lifetime to drive new innovation and link firms up with both design companies and other appropriate partner organisations.

DNN's aim is to improve regional companies' ability to utilise high-quality design, skills and processes to deliver high return on investment, improved competitiveness, and to increase the contribution of design to the wealth of the region.

The design industry is part of the wider commercial creative sector which is worth about £800m to the North East economy. The region's leading role in the design sector is receiving growing private and public recognition of its investment in driving commercial profitability and competitiveness through the better use of design in everyday business, and has the potential to create thousands of new jobs.

### **Design Review and Enabling Service**

Managed by Ignite, the Design Review and Enabling Service was officially launched by David Burney, Commissioner for Design and Construction in New York.

The purpose of the North East Design Review Service is to achieve high design quality in the built environment by offering expert, constructive, impartial advice to developers, planning authorities and regional agencies on the architectural, landscape and urban design aspects of master plans and development proposals.

## **Digital**

One North East launched its ambitious blueprint aimed at using the digital technology sector to boost the region's economy by more than £2bn.

It aims to build on strengths like Northern Film and Media, Codeworks, DigitalCity in Middlesbrough and Sunderland Software City.

The new Digital Strategy highlights how growing the digital sectors in North East England to match the UK average would add around 1.5%, or £600m, to the region's economy, while more effective use of technology across all businesses could boost the economy by a further 3.8%, or £1.5bn.

Elsewhere in the digital sector, a ground-breaking pilot project at Teesside University will create a web-based environment to bring business opportunities, productivity and growth to the North East digital, design and business sectors.

The University's Centre for Design in the Digital Economy (DLab) is establishing the new 3D online virtual Northern Design Centre and surrounding business park with the potential to grow and support design ventures and small businesses. It will allow firms to populate a thriving virtual city creative district, having secured £515,000 ERDF investment.

Funding for a new £10m Sunderland Software Centre was approved which is planned for Tavistock Place in the city centre's Sunnyside Quarter.

The proposed 53,000 sq ft development will include space for more than 60 businesses and could create up to 140 jobs. It is being financed through a £4.75m ERDF grant, £2.95m One North East Single Programme funding and £2.6m from Sunderland Council.

A £2.9m investment will support Sunderland University's contribution to the Sunderland Software City initiative, which is focusing on stimulating graduate enterprise, knowledge transfer, product development and innovation R&D.

The university's 'SSC Education & Innovation' project is focusing on stimulating graduate enterprise, knowledge transfer, product development and innovation R&D. It will create at least 47 new jobs and will assist 120 businesses in all.

### **Boho One, Middlesbrough**

Creative renaissance in the Tees Valley officially arrived in 2009 with the unveiling of a landmark building – the £10m Boho One. The digital enterprise centre is the first of three buildings that will form the core of the Boho Zone in Middlesbrough.

One North East invested over £7m in the building, which aims to house 27 high value businesses and create 283 jobs whilst supporting the regeneration of a key site between Middlesbrough town centre and Middlehaven.

The Boho Zone is the headquarters of the project's business driver, DigitalCity Business, and complements the wider DigitalCity initiative which boasts the Institute of Digital Innovation and the Centre for Creative Technologies – a £21m development on Teesside University's campus.

Work is now focused on developing the next generation of digital and media students and transferring academic innovation into business creation, which DigitalCity Business then takes forward into the commercial sphere.

## **Inward Investment**

Foreign inward investment remains vital to the North East's economic recovery and despite the impact of the recession the North East has continued to attract high-value companies and projects.

One North East's Investment and Aftercare Team has played a key role in many of these investments, offering guidance, finance and support to companies establishing a base here.

The North East continues to perform strongly in attracting valuable new inward investment – the Agency playing a key role in attracting or retaining 55 overseas businesses in the area and a further five UK-based firms in 2009-10.

In total, these investments are anticipated to create over 2,000 new jobs, safeguard more than 5,000 posts, leveraging in capital expenditure of just over £723m by the investing companies.

With a particular focus on knowledge-driven businesses, the Inward Investment Team played a major role in attracting a leading Indian business software company to Sunderland, taking advantage of the North East's software expertise.

5<sup>th</sup> Generation Technologies produce business intelligence tools for companies in a number of areas including manufacturing and retail.

The Chennai-based firm will employ up to 25 people and decided to set up in Sunderland after being contacted during a campaign by One North East's Inward Investment team to promote Sunderland Software City to Indian software firms.

The company will receive a £200,000 GBI grant from One North East to support the development of new products in the North East.

Another notable success was the creation of Newton HD – an online science channel showcasing North East scientific endeavour and success.

One North East is funding the channel which will provide high-quality, high-end science programming and an online space for scientists and the public to share research, ideas and discoveries. It is a project developed by Ten Alps, along with the Science Museum, the Royal Institution and the Open University.

### **Strategic Account Management**

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

Examples include Hartlepool break pad manufacturer TMD Friction, which is working alongside the SAM team while it expands its production base and Ford Component Manufacturing Ltd, Hebburn, which is purchasing new machinery and plant equipment that will both create and safeguard jobs.

Although led and delivered by One North East, this project involves a range of partners. About 30 Strategic Account Managers are employed through Tyne & Wear Development Company, Northumberland County Council, County Durham Development Company and the former Tees Valley Regeneration, with others directly employed by the Agency.

Without the intelligence gathered by the SAM programme, and the strong relationships with North East-based companies, the North East would not have been as well placed to respond to the economic downturn.

The SAM programme has grown to form a gateway between the public sector and the region's blue chip businesses with the sole aim to add value to the regional business base and increase information flow on both sides of the partnership.

## **Innovation and Business Development**

### **Energy and Environment**

The UK's low carbon industrial strategy has placed energy and environment market opportunities at the centre of the country's focus on future industries.

This increasing national alignment with the long term investment plans of the North East has already produced significant developments and investments in the past 12 months.

The North East is attracting significant investment in novel industrial processes using biological feedstocks to manufacture low carbon fuels and materials.

The Ensus plant was opened in Tees Valley with an ambition to become a leading biorefiner of cereal grains to produce greener food and fuel.

The Agency is supporting a demonstration project with INEOS Bio to convert biodegradable household and commercial wastes into road transport fuel and clean electricity.

The £3.5m feasibility study, which includes detailed engineering design work for a plant at the company's Seal Sands site, is being supported by a £2.2m grant investment from One North East and the Department for Energy and Climate Change. The process will support high recycling and high landfill diversion rates into useful products.

One North East has been working closely with regional partners on the Carbon Capture and Storage (CCS) agenda, including the publication of a regional CCS prospectus.

CCS is necessary for a number of industrial processes to reduce their greenhouse gas emissions, in particular the chemical and process sectors which employ an estimated 26,000 people across the region.

CCS is also central to proposed major power generation projects, and potential projects include a new CCS power plant for Eston Grange in the Tees Valley and a part-conversion of the Rio Tinto Alcan power plant at Lynemouth, Northumberland.

One North East has also funded a number of energy projects through the Rural Development Programme for England (RDPE).

Rowland Webster's Unthank Estate of Haltwhistle, Northumberland, received £17,200 to help create a large scale firewood processing yard with the ultimate aim of increasing supply into firewood markets to 538 tonnes.

One North East's RDPE BioENERgy Assessment Panel also awarded over £60,000 in two phases to G T O'Kane Timber, Rothbury, allowing the company to increase the production of both hardwood and softwood timber for woodfuel supply chains.

Rokwood Fuels also received £5,000 through the RDPE Micro Business Fund to establish a firewood processing yard in Harbottle to meet local demand for hardwood to be processed into firewood.

A £1.85m project demonstrating how farmers can convert farm waste into energy has seen a state-of-the-art anaerobic digester, which converts manure from pigs and cattle into green energy, installed at Cockle Park Farm, near Morpeth, by Newcastle University.

The jointly-funded project will form part of the new Centre for Renewable Energy from Land (CREEL). It is forecast that around 200 land based businesses and 54 food industry companies will take part in related training, with a further 72 other organisations receiving training on how waste from pig,

dairy and beef units can be used to produce heat, electricity and organic fertilizer.

A major renewables scheme is underway in Berwick-upon-Tweed in Northumberland, which has won up to £500,000 in a competition to become a blueprint for sustainable living - one of the first locations to benefit from a £10m fund as part of the Department of Energy and Climate Change's Low Carbon Communities Challenge.

Berwick Community Trust and Community Renewable Energy will receive a grant to pay for 50 homes to have solar panels installed which will provide an income for the 12,000 residents in the whole community through the Government's clean energy cashback scheme.

### **Offshore Wind**

Offshore wind represents a major opportunity for North East England, with an estimated 70,000 new jobs to be created nationally over the next 15 years.

One North East has been working with partners across the region to position the region as the prime investment location for this new industry, citing the expertise at the National Renewable Energy Centre (Narec) and the ready-made sites at Blyth and on the Tyne, Tees and Wear.

The North East is also ideally located for access to Dogger Bank, which will be home to the UK's largest offshore wind farm, outlined in Round Three of the Crown Estate's programme.

A further three manufacturers - Siemens, Mitsubishi Power Systems Europe Ltd and General Electric – have all announced they will build factories in the UK, and the North East is well-placed to benefit.

In the past year North East firms have won over £150m worth of offshore wind farm contracts making the region one of the biggest winners from the UK's move to the green economy.



Major renewable contracts have been awarded to firms like Heerema in Hartlepool, McNulty Offshore in South Tyneside and IHC Engineering Business in Riding Mill. Increasingly companies offering technical and engineering consultancy and professional services such as PB Power and Eversheds are also winning significant offshore wind contracts.

JDR Cable Systems expanded into Hartlepool creating 80 new jobs supported by £850,000 GBI funding from the Agency. The new purpose-built, state-of-the-art 100,000 sq ft facility is the only site in the UK designed specifically to manufacture subsea power cables for the oil and gas sector and the burgeoning offshore renewable energy market.

The UK's first Wind Turbine Training Tower has now been opened at Blyth - the result of a collaborative training partnership, backed by investment from One North East, between Northumberland College, Mainstream Renewable Power and Narec.

It is an open access facility, designed to allow education and training providers to deliver academic and industrial training programmes for technicians working in the wind industry.

### **Clipper Windpower**

One North East's long-term investment in the offshore wind industry began to reap major rewards in 2009-2010, when Clipper Windpower Marine Limited announce the groundbreaking of its offshore wind turbine blade manufacturing facility.

The new factory at the Shepherd Offshore Renewable Energy Park in Newcastle, is expected to be completed in the third quarter of 2010 and will be the UK's first offshore wind turbine manufacturing facility. The factory is expected to employ a local workforce in excess of 500 people.

The factory will be used to develop and build blades for the 'Britannia Project', a 10MW offshore wind turbine prototype under development by Clipper. The prototype is scheduled for deployment in late 2012, and is among the largest wind turbines under development in the wind industry. The blades will be 72 metres long and weigh over 30 tonnes.

### **National Renewable Energy Centre**

Investment in the National Renewable Energy Centre (Narec) in Blyth has been greater than at any other time since it was established by One North East in 2002.

The centre's test facilities for the emerging offshore wind industry have given Blyth and the North East a unique international facility which continues to be improved. Major projects announced in the past year and now under development at the centre include:

- A new £15m wind turbine blade test facility which will be the largest of its kind in the world, testing blades up to 100m long
- The world's largest open access offshore wind turbine drive train test rig, funded by One North East and the Energy Technologies Institute
- An £18.5m offshore wind test site off the Blyth coast, which will act as a technology demonstration and development platform for the next generation of large multi-megawatt offshore wind turbines

Narec's work in other renewable industries has also continued to gather pace, with a £10m investment announced for an extension of its national marine testing facilities from the Government's Low Carbon Investment Fund.

This will be an open-access facility enabling marine developers to test and prove designs on land, before they commit to costly and high-risk testing at sea.

Narec will work closely with national partners at EMEC on Orkney and Wave Hub in South West England to offer comprehensive national test facilities for this new industry.

Narec is also benefiting from additional investment from One North East to fund its Incubation & Inward Investment project, supporting the development of technology based businesses and their products.

Funded by £502,000 from ERDF and £1.49m from One North East, this will create and attract new businesses into the region, providing 40 jobs and assisting over 100 companies with innovation.

Narec has also been awarded nearly £1m to help local businesses exploit micro-renewable technologies and opportunities through its Business Support in Micro-renewables project.

The project will cover a wide range of micro-generation such as solar thermal, photovoltaic, heat pumps, combined heat and power systems, wind turbines and biomass and has been financed by £495,000 ERDF investment which has been matched by One North East.

The Northern Wind Innovation Programme has also announced dozens of companies and researchers who are set to benefit from a share of £3m aimed at stimulating innovation and technological developments for the offshore wind industry, which is being delivered by Narec and Envirolink Northwest.

## **Process Industries**

### **Centre for Process Innovation**

The Centre for Process Innovation (CPI) at Wilton continues to go from strength to strength, having successfully established two national technology development centres – the [Printable Electronics Technology Centre \(PETEC\)](#) and the [Sustainable Processing Centre \(SUSPROC\)](#).

The centres aim to bring new low carbon industrial biotechnologies and printable electronic systems and materials to market using open access facilities to transform research into a viable commercial process.

A £20.5m expansion was announced for PETEC, made up of £12m from the Department for Business, Innovation and Skills and £8.5m from ERDF.

This new investment will significantly extend the scope and scale of PETEC's operation, with highly-specialised facilities and equipment tailored to the development and pre-production of wide area printable electronics for displays, photovoltaics and low-energy lighting.

This investment is expected to create 26 new jobs at the centre, stimulate 250 jobs regionally and 1,500 jobs nationally over the next four years.

Following recommendations from industry, a new £12m open-access industrial biotechnology demonstration facility is being built at Wilton with a ten-tonne demonstration capacity.

This will expand the capability of the existing one-tonne National Industrial Biotechnology Facility (NIBF) at the complex. It will be tailored to supporting companies and researchers to develop new products including sustainable bio-fuels, speciality chemicals and materials using biological feed stocks.

The project will put the North East at the forefront of Industrial Biotechnology in the UK and will create a facility that is unique in Europe, building on One North East's long-term investment in the CPI and helping take the region's vital process industry sector forward.

The Government has invested £2.5m to stimulate innovation in the UK's industrial biotechnology sector through the Technology Strategy Board's 'Developing High Value Chemicals through Industrial Biotechnology' competition, funding 19 feasibility studies, many of which will be using the facilities at Wilton for their projects.

The CPI is also managing a £4.5m initiative to create a tailor made incubator for new business opportunities in the process industries at Wilton through the Wilton Innovation Connector programme. This aims to assist 150 small companies with growth plans, attract 50 new businesses to the region, create 90 new jobs and safeguard 75 others.

With 1,000 m<sup>2</sup> of modular units, office space and laboratory areas equipped with leading edge testing facilities, the hub will enable small and medium-sized firms to nurture embryonic commercial ideas.

It will also provide process industry market sector experts to assist local businesses with market analysis, entrepreneurial skills and access to finance. CPI secured the funding from One North East, with £780,000 from the agency bolstered by £1.73m part finance from ERDF. The remaining funds of up to £2m to underpin the project have been sourced from the private sector.

### **Healthcare and Life Sciences**

The North East became one of 17 new Health Innovation Education Clusters, which combine the expertise of industry, health and education to promote innovation in the NHS.

By working in partnership across sectors, the North East Quality Accelerator will speed up the adoption of research and innovation in the NHS and help deliver new healthcare techniques and treatments to benefit patients.

The North East Quality Accelerator includes all the region's universities and NHS trusts, One North East, the Association of North East Councils, NHS Innovations North, CETL4Health North East and the CBI North East.

Developments in the regional healthcare sector continue, with £2.5m European funding confirmed for a new development in Newcastle that is becoming a focal point for ground breaking research into health and ageing.

Newcastle University is investing £13m in its evolving Campus for Ageing and Vitality with a new four storey Translational Research Building (TRB) to co-locate clinicians, academics and commercial companies jointly engaged in clinical research, healthcare delivery and basic biomedical research.

The new building will provide much needed space to bring together industry projects and academic research to provide products and services which improve quality of life for older people and support healthier old age.

The region's expertise in Life Sciences has helped attract world-leading US research firm Protein Forest to the North East Proteome Analysis Facility (NEPAF) in Newcastle.

The Boston-based firm specialises in Proteomics, the study of protein structures and interactions, a field that builds on the discovery of DNA and the human genome and has practical applications from the health industry through to green energy.

To continue encouraging the sector to grow, the board of One North East has also approved new high tech laboratory and incubator space at the former Angel Biotechnology facility at Cramlington in Northumberland.

This will open up opportunities for business tenants to exploit specialist equipment for molecular biology, bio-process development and cell culture without the associated capital outlay.

It will be used for production and downstream processing of biopharmaceutical and clinical products presenting an opportunity for the region to offer a low cost entry point into clinical manufacturing for companies. The project is being part financed by £1.1m ERDF money, and the Agency is adding a further £1.48m from its Single Programme.

## **European Regional Development Fund (ERDF) 2007-2013**

One North East manages the £340m ERDF programme on behalf of regional partners, successfully delivering against the £20.3m spending target set by the European Commission for the end of 2009.

Since the launch of the European programme, the Agency has approved more than 60 ERDF backed projects to directly support innovation, business growth and enterprise across the region.

The ERDF 2007-2013 programme is bringing over £300m into the North East to support innovation, enterprise and business support. It will help create and safeguard 28,000 new jobs, start 3,000 new businesses and increase the region's productivity by £1.1bn per year.

Across the region there is the ERDF Practitioner Network comprising stakeholders supporting the development and delivery of ERDF projects. Over 250 practitioners from a range of partner organisations have now subscribed to become part of the Network.

One North East held an 'ERDF Week' featuring a number of events and activities for ERDF stakeholders including, workshops for ERDF practitioners on key issues including procurement, claims, appraisal and publicity

Key investment successes for the programme include £44.25m from ERDF into the Finance for Business North East fund.

ERDF investment totalling £2m has supported the start up of new businesses and social enterprises through the North East England Investment Centre, aimed at supporting over 700 new enterprises, creating 100 new jobs and protecting 330 more over the next two years, with £400,000 investment from One North East.

The TWI Technology Centre in Middlesbrough secured £1.67m of funding from One North East to extend the Renewable Energy Manufacturing Technology (REMTEC) initiative, to improve the technical capabilities and

business competitiveness of manufacturing and engineering firms. It will support green growth and the adoption of new low carbon technologies.

## **Evidence Base and Capacity Building**

### **Economic Intelligence**

One North East's Economic Analysis Unit provides economic intelligence, briefing and advice to the Agency and the wider region. The team produce bulletins and updates on the economy, regularly presenting at events around the region on a range of economic issues.

The team has played an increasingly important role in analysing the impact of major job losses and gains in the region, which has helped underpin the work of regional redundancy response groups.

The unit also manages One North East's contract with Durham University to develop the North East Economic Model.

The model has been used to improve understanding of how different economic sectors interact and contribute to the region. Over the next year, it will also be used to develop a series of forecasts and scenarios, to consider how the North East can respond to global challenges over the next 20 years.

### **Northern Way**

New chairman Hugh Morgan Williams was appointed to lead the Northern Way partnership.

Highlights for the year have included major breakthroughs on the delivery of established transport priorities, the development of enhanced collaboration on innovation and new and renewable energy and a series of influential policy and research reports.



The programme was described as a “stand-out example of cross-regional collaboration” by the OECD.

On transport, there were important steps forward in delivering the Northern Transport Compact’s priorities - Network Rail responded to the Northern Way’s economic case for investment in the Northern Hub rail network, by setting out a detailed proposal for investment by 2014.

The Northern Way Private Investment Commission reported last summer, bringing together business leaders from different sectors to identify and encourage pro-investment policies for the economic recovery and beyond.

The report focused on best practice to create the right local conditions to enhance the flow of long-term business finance and to improve the private sector contribution to regeneration in more difficult times.

# **PEOPLE**

## **Skills and Higher Education**

### **Productivity and Participation - Higher Level Skills**

One North East has continued its strategic leadership in regional skills and employment, focusing on responding to the economic downturn, driving up employer demand for and investment in skills.

This is helping to ensure our skills provision is flexible and responsive.

One North East plays a key role in bringing together partners and stakeholders to drive forward the skills agenda at a regional level through strong partnership arrangements, including the regional Higher Level Skills Board, Regional Employability Framework, 14-19 Commission and the Regional STEM (Science Technology Engineering Maths) Board.

Through these strong partnership arrangements we are bringing skills and employment support closer to the needs of regional employers and the regional economy, helping employers and individuals make better informed choices about learning and training.

### **Regional Employability Framework**

The North East is recognised as 'ahead of the game' in terms of integrating employment and skills investment and activity through the Regional Employability Framework (REF).

The REF focuses on getting people back into work and ensuring that people and businesses have access to high quality integrated support.

Through the Regional Employability Framework we have influenced national policy, significantly reduced duplication across the region and better focused public sector investment.

Since the introduction of the REF, businesses are more involved and have found services easier to access and understand, and people using the range of services have found them better joined up.

### **Engineering Apprenticeships Programme**

Around 150 engineering apprentices in the Tees Valley including 65 from Corus' Teesside Cast Products plant will be supported over the next two years through the £2.4m Engineering Apprenticeships Programme.

The programme will work with training providers and employers to support apprentices to undertake work placements with regional local engineering companies to enable them to complete their advanced apprenticeships programme.

As well as supporting apprentices, the programme will work with engineering employers providing placements to enhance their ability to manage apprenticeships.

This support is part of the Tees Valley Industrial Programme's wider £60m support package to help the local economy take advantage of opportunities in the low carbon and advanced manufacturing sectors.

### **Further Education Progression Challenge Fund**

Young people facing challenges in finding work or securing further training received a boost in the shape of a £1.5m fund aimed at helping them to fulfil their potential.

The PCF was developed in response to the economic downturn in a bid to address the employment issues faced by those who have achieved level 3 qualifications as identified by the North East Regional 14-19 Commission.

Individual FE colleges across the region were invited to apply for funding and the successful colleges were Gateshead College, Hartlepool Further Education, New College Durham and Tynemet.

The PCF will provide flexible funding with the aim of helping people undertake further study, training or work experience programmes that support them to progress in education or employment.

### **Home Working Skills Pilot**

A £1.1m Home Working Skills Pilot was launched with two key regional companies approved to take part in the scheme, together creating 120 out of the forecasted 360 positions available. Further funding is still available to train and support a further 240 new home working positions.

The fund is appropriate for contact centre type operations but is not limited to these businesses if there is a genuine case for a home working project. The pilot scheme provides direct financial support of up to £3,000 per individual home worker.

The fund also aims to capitalise on the talent and availability of under-utilised resources in specific locations and target groups for example, rural communities, lone parents and people with disabilities.

### **Talent Challenge**

The Agency approved a further £3.2m into the Talent Challenge project which followed an initial investment of £1.45m to help ensure workers stay in the region and drive future economic growth.

The extended funding will allow the project to run until March 2012 offering a wide range of services to professionals, managers, unemployed or under-employed graduates or highly skilled technicians.

The service is currently being delivered by the Northern Recruitment Group and over the next three years it is forecast the project will safeguard 50 jobs, support at least 370 businesses, help over 3,000 people gain new employment and help over 1,600 people improve their skill levels.

### **Economic Challenge Investment Fund**

In response to the recession, the Higher Education Funding Council invited bids from universities and FE Colleges, against a national fund of £25m.

One North East worked with all of the region's universities and Association of Colleges (AoC) to develop their bids leading to six being successful, including proposals from all five of the region's universities and Newcastle College.

The North East is the only region where all universities submitted successful proposals.

The Economic Challenge Investment Fund will bring an additional £2.5m to the North East which will be matched by the institutions' own investment, employer contributions and the Agency's Single Programme investment.

## **Economic Inclusion**

### **Employability**

#### **Third Sector Capacity Fund**

Nearly £1m of funding was secured between eight not-for-profit organisations during the year to help them contribute to regional economic development and address worklessness.

Part of the £6m Third Sector Capacity Fund created by One North East - the four year project is aiming to help organisations develop innovative ways of assisting people into work, deliver regeneration and boost the third sector's sustainability and contribution to economic growth.

Two rounds of funding were awarded during the year to third sector organisations including:

- West Middlesbrough Neighbourhood Trust, which received £150,000 to develop new models of peer mentoring to support young people not in employment, education or training
- £111,000 for Groundwork North East to support the role of the third sector in providing new 'green jobs' and training
- Street League, which received £105,300 to use sport as a powerful tool to help engage young people and support their entry into employment.

As a direct result of the funding, over 2,660 people will be supported in skills development, a further 880 third sector organisations supported and 200 individuals helped into employment.

## **PLACE**

### **City Regions and Rural**

#### **Supporting Business Growth**

Much of the Agency's regeneration activity is now aligned with its investment in innovation, with sites specifically earmarked for uses linked to industries including offshore wind, biotechnology, low carbon vehicles and science, engineering and technology.

One North East has invested £2.1m towards land reclamation on the former Neptune shipyard in Newcastle to facilitate the building of Clipper Windpower's new wind turbine factory, and the Agency has also committed to helping landowner Shepherd Offshore to redevelop the rest of its Renewable Energy Park.

The site is adjacent to the 60-acre renowned Swan Hunter yard – the former focus for North East shipbuilding on the banks of the River Tyne – which One North East and North Tyneside Council have bought.

This key site can unlock the successful future development of a 600-hectare site along the river corridor, which includes the former Neptune Yard which will become a centre for marine engineering, sub-sea technologies and enterprise businesses.

Landowner PD Ports has earmarked a second major regional site for the offshore wind industry, at Victoria Harbour in Hartlepool, which is already home to companies including JDR Cables Ltd and Heerema.

One North East is supporting Barmston Developments to attract companies to the Turbine Business Park in Washington, where the first phase of highway and infrastructure work has been completed. The scheme could ultimately deliver 4,000 jobs and will feature a 715,000 sq ft business park with office and industrial units, a hotel, car showroom and retail opportunities.

The North East Technology Park (NETPark) in Sedgefield, County Durham, has been awarded £10m for developments which will bring up to 600 jobs to the region in the science and technology sector.

The funding will create three new facilities, each capable of housing the global headquarters of technology businesses. Durham County Council is investing £4m into the project with an additional £5m of ERDF money and a further £1m from the Agency's Single Programme.

A £480,000 project to extend the business park will include the construction of road and drainage works, together with landscaping and provision for the extension of public utility services into the site.

## **Property Extended Enterprise**

### **Onsite North East**

Onsite North East, the £25m regeneration partnership between One North East and property investor and developer Langtree, has reported steady growth in its first year following a number of new development land deals.

A dedicated North East office has been set up to manage the current portfolio, which comprises 23 sites totalling in excess of 1,000 acres and ranging in size from one to 130 acres. Commercial development on around 30 acres of land has since been secured.

## **Quality of Place**

### **Stockton**

Infinity Bridge in Stockton now connects Teesdale with North Shore and Stockton town centre and is fast becoming a picture postcard image for the Tees Valley, creating a vital new access route.



A planning application for the first phase of the multi-million pound Northshore scheme at Stockton has now been approved. The scheme includes 50 homes and will kick-start development which could see the creation of up to 999 homes in total.

The North Shore Masterplan was granted approval by Stockton Borough Council and the overall scheme has the potential to create 4,500 new jobs through future developments that will include new offices, shops, hotels, restaurants, bars, cafes, leisure facilities and a new campus for the University of Durham.

### **Middlehaven, Middlesbrough**

At Middlesbrough's Middlehaven development, work is underway on Hudson Quay 2, the second office building on the site, which has been pre-let to Middlesbrough Primary Care Trust on a 15 year lease. Hudson Quay 2 is the second of five buildings to be developed by Terrace Hill at their Manhattan Gate project which, when complete, will provide 142,500 sq ft of office space.

The new letting follows Hertel's relocation of its UK Headquarters to Hudson Quay 1 in December 2008. Work has also started on the new homes at RiversideOne, a £200m development which once complete will be the UK's largest zero carbon development, comprising 750 homes.

The stunning Temenos sculpture by acclaimed artist Anish Kapoor and leading structural designer Cecil Balmond was recently opened.

### **Darlington**

Teesside University's Board of Governors approved a new £13m five-storey university building in Darlington, to be completed by June 2011 and located beside Darlington College's buildings in Central Park. All funding for the building is now in place, including £2m from the Agency.

Darlington Borough Council has launched a £153,000 Masterplan for the area to the east of Darlington town centre, which includes £117,000 One North East funding.

It is intended the plan will set out details for the creation of a 'cultural quarter' in the town, modern housing sites which aim to provide great places to live near to the town centre, new attractive open spaces for quiet enjoyment and areas for business development and growth to encourage new jobs.

Importantly, the plan will also set out possible improvements to the travel options connecting the east of the town with Darlington town centre, to offer new access to jobs and services for three of the most disadvantaged wards in the area.

### **North Shields Fish Quay**

A £5.75m scheme to rescue the Western Quay at North Shields was launched after decades of constant use by fishing vessels and harsh weather took their toll and left it at risk of imminent closure.

The new engineering solution will make sure Western Quay serves the industry and wider regeneration at North Shields Fish Quay for future decades. The work, to be project managed by the Port of Tyne, is to be funded by a £2m award from the European Fisheries Fund, £1.55m from North Tyneside Council, £1.2 m from One North East and £1m from the Port of Tyne.

### **Maynard's Toffee Factory, Ouseburn Valley, Newcastle**

A £6m scheme will convert a derelict former toffee factory into a new centre for creative businesses on Tyneside.

The former Maynard's factory in Newcastle's Lower Ouseburn Valley is being revitalised to provide approximately 2,600m<sup>2</sup> of workspace in 25 new units of semi-managed office space, and a central meeting space in a covered courtyard.

This will be the first element of Phase 1 of the East Quayside and Ouseburn Estuary Development Framework and is being delivered by NewcastleGateshead development company 1NG.

It is part financed by the European Union's ERDF Competitiveness Programme 2007-13, securing £3m ERDF investment through One North East, which is also investing £2.75m in the scheme, with a further £250,000 support from Newcastle City Council.

### **Science Central, Newcastle**

Construction work is underway on a £200m mixed-use development that will transform the former Scottish and Newcastle Brewery site into six new landmark buildings.

Phase one will feature 100,000 sq ft of new office space which was entirely pre-let by Newcastle University Business School (NUBS).

Once completed, the scheme will act as the gateway to the city's wider Science Central master plan in Gallowgate. Future phases of Downing Plaza will include an additional 100,000 sq ft of offices, two hotels, a 462-bed student village and extensive retail space, across six steel and glass-clad buildings designed by acclaimed architects Ian Simpson.

1NG - the city development company for NewcastleGateshead – has been appointed by the Newcastle Science City Partnership to act as development manager and delivery partner on the former Scottish & Newcastle Brewery site in Newcastle.

### **Newburn Riverside**

The £30m Gateway West office development opened on Newcastle's Newburn Riverside Business Park, offering a total of 230,000 sq ft of high specification office and industrial accommodation.

Developers the Caddick Group have built two contemporary office buildings each offering three floors of work space. Gateway West has been awarded a BREEAM Excellent Rating due to the incorporation of a number of sustainable features such as a solar thermal hot water system, energy saving lighting, rainwater harvesting system and on-site cycling, walking and running route.

### **Gateshead Stadium**

Plans were approved to upgrade Gateshead International Stadium to ensure that it can continue to hold world class sporting events.

The exciting plans will see 4,000 seats brought undercover for the first time and access to spectator areas improved. Funding for the project is coming from Gateshead Council's own capital programme, from One North East and from Gateshead College.

New media facilities would also be created to cater for more high profile events and also to offer media students from the nearby Gateshead College a unique facility.

### **Harton Staithes, South Shields Riverside**

Construction work is due to begin in the summer on the new base for BT Local Government's UK operations in South Shields.

One North East and South Tyneside Council have pledged £4.29m to redevelop the land at Harton Staithes, to pay for highways improvements, new electricity and gas apparatus, upgrades to water pumping stations and public realm improvements around the new BT business centre.

The investment will also create a new waterfront park – the New Shore Park. The four-storey BT office development, which is currently awaiting planning permission, will create up to 500 jobs, ranging from administrative and call centre posts to technical and professional jobs.

Once built, the business centre will accommodate a range of BT contracts including BT Local Government UK operations.

### **Sunniside, Sunderland**

A £2m improvement scheme for streets in the Sunniside quarter of Sunderland city centre is being led by Sunniside Partnership, following the success of the award-winning Sunniside Gardens.

Works include pavement widening and better street lighting, making it safer and more pedestrian friendly and helping to improve connections between Sunniside and the rest of the city centre.

Sunniside Partnership has also been commissioned by Sunderland Council to lead on a £1m public realm improvement programme at Market Square in the city centre.

Following the adoption of the Sunniside Planning and Design Framework, a number of strategic sites have been acquired. A comprehensive demolition programme is now underway to provide new opportunities to introduce family housing into Sunderland's city centre.

The first of these cleared sites at Hudson Road will provide up to 25 new family houses, playing a critical role in linking Sunniside to Hendon.

The Sunniside Commercial Property Grant Scheme ran for four years and came to an end in April 2010. During its period of operation it assisted 26 businesses and landlords in the area through approximately £1.5m of grants. This scheme builds on the tremendous success of the Townscape Heritage Initiative that attracted over £17m of private sector investment.

### **Sunderland Strategic Transport Corridor**

A planning application to build England's tallest bridge over the River Wear has been approved by Sunderland City Council.

Crossing the river from Castletown on the north side to Pallion on the south, the cable-stay bridge would have two soaring and curving masts with the taller western mast rising to 180m.

The Agency has contributed funding to the project enabling works, design and feasibility studies and has also approved in principle funding towards the landmark design.

### **Real Snow Ski Slope, Sunderland**

Sunderland arc is currently seeking a developer to build the region's first indoor real snow ski slope at Stadium Village, which is already home to the Stadium of Light and the £20m Sunderland Aquatic Centre.

The multi-million pound development could also house an ice rink plus other leisure facilities, specialist sports shops, bars and restaurants. The facility would be the only one of its kind in the North East and would cement Stadium Village as a regional sporting hub.

### **Berwick Workspace**

Berwick Workspace is running a £269,000 project to assist 37 small businesses and create 35 new jobs from its incubator units in the seaside town.

The drive to provide more comprehensive incubation services for small and medium-sized businesses (SMEs) using Berwick Workspace facilities has been extended thanks to £134,500 of ERDF investment through One North East.

This is being matched by further funding from both the Agency and the council to enable the provision of on-site staff support offering regular, tailored business mentoring and advice.

A key aim of this phase of the project is to stimulate the growth of knowledge-based companies. The additional funding will also help with the marketing of

the centre, encourage inter-trading and mutual support between companies and increase participation in services and training programmes.

### **Blyth Town Centre**

A scheme to invest £877,000 into preserving and enhancing the historic environment of Blyth Central Conservation Area, helping to sustain and attract economic activity, is underway.

Northumberland County Council has received an award of £547,000 from the Heritage Lottery Fund to deliver the Townscape Heritage Initiative in the Blyth Central Conservation Area over a period from 2010 to 2014. This award has been matched with £330,000 from One North East. In addition the funding will attract private sector contributions of around £200,000.

Funding will be spent on buildings grants to historic commercial properties for repairs and to reinstate lost architectural detail, and complementary initiatives including activities with schools and other groups to help raise the profile of the conservation area and its heritage. The scheme will complement the work at Blyth Market Place and the town's proposed new supermarket.

### **DURHAMGATE**

A funding package of £8.5m by developer DURHAMGATE, One North East, Durham County Council and the Homes and Communities Agency (HCA) will see old buildings on the former Black and Decker site in Spennymoor knocked down, making way for highways works to take place.

This is the first stage of a major regeneration plan for the site, which aims to create more than 300 new homes along with high quality office space, a hotel, retail and leisure facilities, a pub and a day nursery, with the potential to accommodate 2,000 jobs.

### **Durham Ice Rink**

One North East has bought the former ice rink in Durham City Centre, which will be knocked down to make way for a major new commercially-led development which will anchor the transformation of the Riverside and Freeman's Quay area.

The move will create a new block of around 14,000m<sup>2</sup> of office space, capable of accommodating an estimated 1,600 jobs and potentially creating a further 400 jobs.

### **Durham Market Place and Vennels**

Work has begun in Durham Market Place as part of Durham City Vision's £5.25m Heart of the City scheme to create an accessible, safe and more useable space for future public events.

This includes higher quality resurfacing, reduction of traffic and street furniture and making the most of the surrounding vennels – the alleyways, lanes and courts around the historic city centre.

### **Broadband Connectivity**

The Agency's ambition to secure broadband access for the entire North East has been boosted by the inclusion of Ponteland in Northumberland in a pilot scheme of new BT technology for tackling broadband 'not-spots'.

The new Broadband Enabling Technology (BET) is capable of delivering a stable broadband service over lines up to 12km away from the exchange – more than double the current 5km limit for broadband.

Elsewhere, the Agency invested £300,000 in the Digital Dale project in County Durham, which will potentially deliver benefits for 12,000 homes and 1,000 businesses once complete, offering public internet access to over 100,000 visitors per year through WiFi zones in Barnard Castle and Middleton-in-Teesdale.



Key North East business centres are now at the heart of the NorthernNet project, a £9.4m high-speed network that connects creative and digital industries and customers across the North of England.

The high speed telecommunication network of 100Mbps is upgradeable to 1 Gbps which allows enormous files to be sent at incredible speeds. This is available to businesses as a direct connection and, for the first time ever, as pay-as-you-go via NorthernNet Media Access Bureaus, which include the Business and Innovation Centre in Sunderland, at Northern Film and Media in Hoults Yard, Newcastle, at the Tyneside Cinema in Newcastle and at Digital City in Middlesbrough.

A further connection onto the NorthernNET network is intended for Project North East in Newcastle.

## **Rural**

### **Rural Development Programme for England (RDPE)**

One North East's rural team exceeded its 2009-10 annual spending target - investing £9.3m to bring far-reaching benefits to this important sector.

The Rural Development Programme for England 2007-2013 is jointly funded by Defra and the European Union, and is managed in North East England by One North East, Natural England and the Forestry Commission.

With a target of £8.5m for the financial year, the team ensured extra targeted support to farmers and communities. As a result, 981 jobs are anticipated to be created, 811 jobs safeguarded and 521 skills days created.

## **Rural business support**

Businesses which have benefited from investment include three grain co-operatives in the region which secured nearly £2m between them as part of a strategic approach to help new and existing farmers access more efficient and effective processing, bringing added value and access to new markets for individual farm businesses.

When the company Dairy Farmers of Britain closed its Blaydon depot, it had knock-on effects across the region's other dairy farmers as they tried to cope with extra demand.

One North East approved £80,000 through RDPE to enable Durham's Rock Farm Dairy to increase its capacity and recruit 18 people who were made redundant at Blaydon, so that farmers from across the region left without a market could be matched with a new buyer.

Over £120,000 also went to help Lanchester Dairies Limited based at Upper House Farm, in Lanchester, County Durham, increase its production, delivery and storage capacity to help its business cope with the extra work to ensure the supply chain did not collapse.

As a result eight new skilled jobs are being created with further job creation expected within the next four years.

## **Farm diversification**

Farm diversification is an integral part of the RDPE scheme and one such project to benefit is Carrs Farm, in Wolsingham, Durham, which received over £63,000 to go towards an education and training centre aimed at youth groups, schools, colleges and other organisations with a focus on conservation, ecology and environmental issues.

With the farm located in an Area of Outstanding Natural Beauty (AONB) and with years of sympathetic farming, the third generation of Carrs recognised

the potential to expand their business and open a centre aimed at attracting naturalists and eco-tourists from all over the country.

The converted traditional farm building will accommodate 21 people and create nine jobs by 2011.

## **LEADER**

LEADER forms part of the RDPE programme delivering £1.5m of the allocated budget through a bottom-up, community-led approach. Each of the four LEADER areas has a Local Action Group (LAG) made up of public and private sector partners.

One successful project delivered during the year was Heatherslaw Light Railway at Ford and Etal, which received £42,530 from the Northumberland Uplands LAG for a new steam locomotive and two additional carriages.

The improvements will enhance the visitor experience at the railway, securing the existing six jobs there and creating a further full time and part time job. It is also estimated that ten jobs in the local economy will be secured and a further three will be created as a result of the trickle-down effect of an additional 40% boost to visitors to the railway by 2011.

The RDPE team intends to build on this year's success ensuring farmers and rural communities continue to get the support they need.

## **Food and Drink**

The food and drink sector is worth in excess of £1.6bn to the North East's economy, employing more than 15,000 workers, generating millions of pounds for producers and providing income for a wide range of businesses.

Sir Donald Curry, a leading Government adviser on farming and food and member of the Council of Food Policy Advisors, became the chairman of the newly established Strategic Board of the North East Food and Drink Group (NEEFDG).

The food and drink group was established by One North East in 2007 and the appointment of Sir Donald and his acclaimed knowledge and practical understanding of the industry will be used to build on the success of NEEFDG to date, which includes engaging in negotiations that have successfully secured producer contracts with various multiples, including Tesco, Asda, Waitrose and Sainsbury's.

The board is in the process of recruiting additional members to provide high level strategic expertise to identify and develop key priorities and opportunities to maximise the potential of the North East's food and drink sector and its contribution to the regional economy.

Wheelbirks Farm in Stocksfield secured a £159,000 grant in 2008 from the Rural Development Programme for England (RDPE) in order to develop the region's first on-site ice cream parlour.

Sir Donald attended the opening of the parlour to mark the Richardson family's latest venture, which has seen them make their mark in the food and drink sector selling a diverse range of ice cream flavours from blackcurrant, mango and wild cherry to amaretto with honey pieces and gin and tonic.

## **Promoting the North East**

Throughout 2009-10 the Image Campaign has promoted North East England's strengths in key sectors that will provide the engines of growth as the economy recovers.

Highlighting the investment made in areas such as offshore wind and electric vehicles, the campaign plays a key role in communicating the opportunities available to potential investors, skilled staff and ensuring young people understand the opportunities available to them in the North East.

The campaign has reached new international markets and raised awareness of North East England's leading role in low carbon and advanced manufacturing during the past year.

Over £750,000 worth of coverage in national media has been achieved, including the Financial Times, BBC Online and the Mail on Sunday.

Headlines have included *'North East England leading the way in Electric Car Industry'* and *'North East in pole position to become first offshore wind hub'*. International coverage has appeared on the BBC World Service and BBC World Business Report (TV) as well as Financial Express in India and NRK, Norway's national radio station.

Research has been undertaken to help define North East England's competitive position in our key and emerging sectors.

This approach has already been successful in generating investment leads for the inward investment and sector teams within One North East, with a particular focus on:

- New and renewable energy, focusing on offshore wind
- Electric vehicles
- Chemical and process industries
- Plastic electronics technology
- Life sciences
- Digital Technology

The regional website [www.northeastengland.co.uk](http://www.northeastengland.co.uk) was further developed during 2009 and went live in February.

## **Regional Activity**

Regional Image activity in North East England focused around four key themes; providing reasons for business confidence, highlighting innovation, careers opportunities and informing people how they could become a North East England ambassador.

Activity included a student supplement distributed around the region's five universities.

## **Ambassador Programme**

During the past 12 months, over 800 new ambassadors from across the region joined the campaign, helping to spread the word about North East England.

Over 1,700 people and organisations are now involved with the campaign and many of these attended the two ambassador and business events held in March.

The [www.northeastengland.co.uk/ambassadors](http://www.northeastengland.co.uk/ambassadors) website was updated to include detailed and up to date business information on the North East's key sectors, as well as presentation tools and an image library.

## **Culture and Tourism Marketing**

Research on behalf of One North East demonstrated the success of the Agency's Tourism Marketing Campaigns in 2009 at bringing in business to the region.

Over 42% of consumers responding to campaign activity came to the region and the marketing activity encouraged 71% of these people to view [www.visitnortheastengland.com](http://www.visitnortheastengland.com) before booking.

The website introduced exciting new features such as itinerary tool, interactive maps and a sophisticated search engine.

Online booking is continuing to play an important part in tourism booking and research shows that 50% of visitors now book at least one element of their holiday online. The value of online bookings via Desti.ne Frontdesk, the regional booking system, saw a dramatic increase last year, bringing in £3.7m worth of business to the North East.

Last year saw visitor numbers to North East England rise with accommodation providers such as hotels, B&Bs and self catering properties reporting an increase in occupancy.

Self-catering properties in North East England recorded their best results for the last five years in 2009, as the region took advantage of the “staycation” trend. Seventy per cent of visitor attractions recorded higher visitor numbers in 2009 than in 2008.

## **Tourism Performance**

North East England’s tourism industry enjoyed a further year of sustained growth in 2009, overcoming the challenge of a world-wide recession. Valued at approximately £4bn, the industry achieved the highest growth outside London credited partly to a rising trend of the “staycation” and the opening of many new cultural attractions.

A 2010 North East Select Committee report on Tourism in North East England praised One North East and its partners, as well as the private sector, for the key role they have played in continued growth and confidence in the region’s tourism industry.

One North East was given particular praise for its availability of online resources. For example, over 900,000 people visited the official regional tourism website [www.visitnortheastengland.com](http://www.visitnortheastengland.com) during 2009. ‘Frontdesk’, the online accommodation booking system, took 30,495 bookings in 2009, worth more than £3.7m.

A new and unique interactive website [www.mynortheastengland.com](http://www.mynortheastengland.com) was launched by One North East to offer people the chance to share their favourite experiences of North East England. The site also features a rating system for hotels and attractions.

### **Tourism Network North East**

Tourism Network North East is the collective name that is given to the Tourism Team at One North East and the four sub-regional Area Tourism Partnerships that are part-funded through Single Programme resources, namely:

- Northumberland Tourism
- Tourism Tyne & Wear
- Visit County Durham
- visitTeesvalley

Led by One North East, the network has continued to grow in strength and credibility as a truly collaborative partnership that is doing much to drive the region's visitor economy. Its achievements over the last year have included:

- An agreement by all partners of a new Tourism Marketing Framework that sets out the region's key destinations, themes and target markets, to guide all future campaigns and marketing activities, including at national level
- All four ATPs have produced their own Area Tourism Management Plans, setting out local priorities to improve visitor experience and generate greater levels of visitor numbers and spend
- Recognition of the ATPs as "Business Collaboration Networks" through the Business Support Simplification Process, achieving greater clarity on their key role to complement the activities provided by Business and Enterprise North East through the Business Link brand.



- The ATPs being the first organisations outside Business Link to be given the ability to support appropriate funding applications by businesses to the North East England Investment Centre
- Both Northumberland and Durham ATPs are currently in detailed discussions with their respective local authorities about the possible management transfer of the county's tourism information centres from the local authorities to the ATPs.

### **Cultural Attractions**

North East England's cultural attractions also experienced growth in 2009 with 70% recording higher visitor numbers than in 2008. The top ten attractions in the region welcomed more than 4.5m visitors.

Seven new attractions at a combined value of almost £90m opened their doors in 2009, supported by both public and private investment. These included:

- The Great North Museum (£7m from One North East and ERDF 2007 - 2013 Fund)
- Salthome Wildlife Reserve (£2.4m from One North East)
- Rockliffe Hall Hotel
- Weardale Outdoor Centre, Wolsingham
- Hadrian and Derwent Holiday Cottages, Blanchland
- Seaton Lane Inn in Seaham
- Xcel Conference Centre in Newton Aycliffe,

These seven developments bring the total number of known significant investments in tourism in the North East to 76 since 2003, with a combined development value of more than £380m.

## **Tourism Investment**

One North East's direct tourism investment was approximately £19m. This included £1.8m of funding to bring Britain's earliest written archives, the Vindolanda Writing Tablets, back to North East England from the British Museum in London. The investment will allow the Vindolanda Trust to bring back the tablets, on loan, to the region from 2011.

Seaton Delaval Hall in Northumberland also received £1m Single Programme funding from One North East as part of a successful fund-raising campaign led by the National Trust to save it from private sale.

## **Events**

In March 2010, the Culture 10 Programme – which funded a portfolio of world-class festivals and events for North East England – came to a scheduled end.

One North East has procured an international-led consortium to deliver event sector development services. The aim is to build the capacity of the events sector in the region to make it more financially sustainable and capable of fulfilling its potential to support the visitor economy and change perceptions of North East England as a place to live, work and visit.

Key events held in 2009 as part of the Culture 10 Programme included:

### **Illuminating Hadrian's Wall**

More than 25,000 people turned out to witness the lighting of the 84-mile Hadrian's Wall Path National Trail in March. The weekend-long spectacular recreated the lights that once shone from the Roman turrets and milecastles which were stationed along the length of the wall.

### **AVIVA Athletics Grand Prix**

The Aviva British Grand Prix, held at Gateshead International Stadium, was one of only four world-class athletics events to take place in the UK in 2009. Hundreds of people flocked to watch a host of elite Olympic and professional

athletes take part in the top quality meet.

### **Evolution Music Weekend**

The North East's biggest music event included a host of top acts including White Lies, Little Boots, VV Brown, Ladyhawke, and Florence and the Machine playing to a crowd of more than 60,000 people. The show spanned two days on Newcastle Quayside and Baltic Stage on Gateshead Quays.

## Agency Financial Summary 2009-2010

### Financial Performance 2009-2010

During the year the principal source of funding for the Agency continued to be Grant in Aid via Central Government. However, following a change in Accounting policy in 2006-07, as stated in the Accounting policies notes, this is now credited directly to Reserves; it is not included as Income in the Net Expenditure Account. The Grant in Aid was supplemented by European Funding, Capital Receipts from the disposal of assets, rental income from the Investment Portfolio, interest receivable and other income resulting in a total of £331 million for the year, which was applied to the Agency's activities shown in the table below.

2009-10 saw a continuation of the excellent track record the Agency has established in terms of its financial management. It has maximised the use of programme resources to address the need for significant regional investment, and will therefore require only a minimal surplus in terms of resources carried forward into 2010-11 financial year.

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

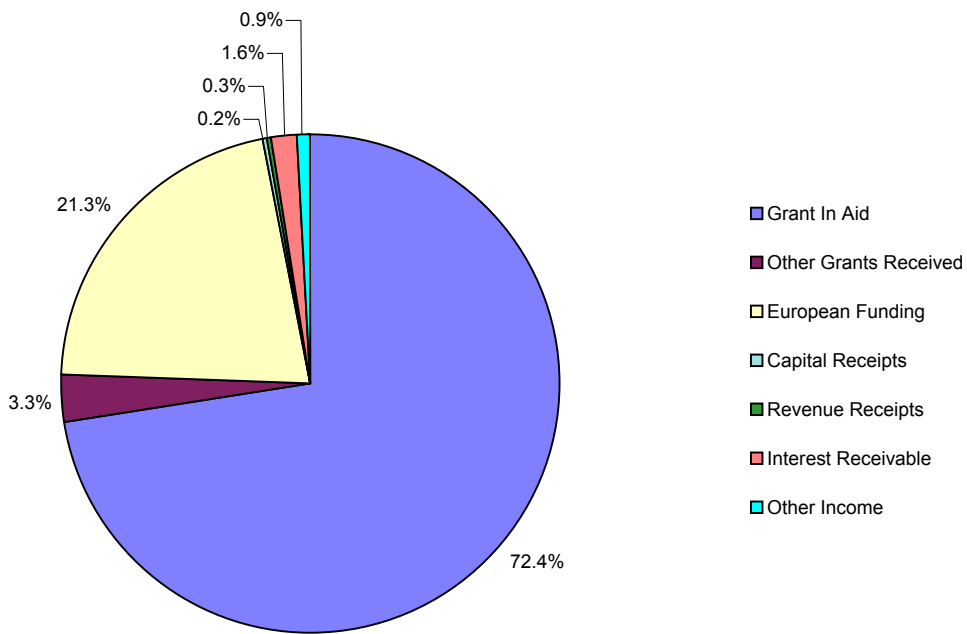
<b>Funding by Source for the Agency:</b> [excluding subsidiaries]	<b>£000</b>	<b>%</b>
Grant In Aid	239,000	72.4%
Other Grants Received	10,754	3.3%
European Funding	70,389	21.3%
Capital Receipts	524	0.2%
Revenue Receipts	1,108	0.3%
Interest Receivable	5,771	1.6%
Other Income	2,972	0.9%
<b>Total Funding</b>	<b>330,518</b>	<b>100.0%</b>

<b>Expenditure by Programme for the Agency:</b> [excluding subsidiaries]	<b>£000</b>	<b>%</b>
Programme 1 - Innovation and Business Development	46,125	13.6%
Programme 2 - Business Investment	53,360	15.7%
Programme 3 - Enterprise and Business Support	48,060	14.1%
Programme 4 - Skills and Higher Education	10,310	3.0%
Programme 5 - Economic Inclusion	5,343	1.6%
Programme 6 - City Regions and Rural	57,701	17.0%
Programme 7 - Promoting The Region	6,386	1.9%
Programme 8 - Culture and Tourism	12,927	3.8%
<b>Programme Expenditure Sub Total</b>	<b>240,212</b>	<b>70.7%</b>

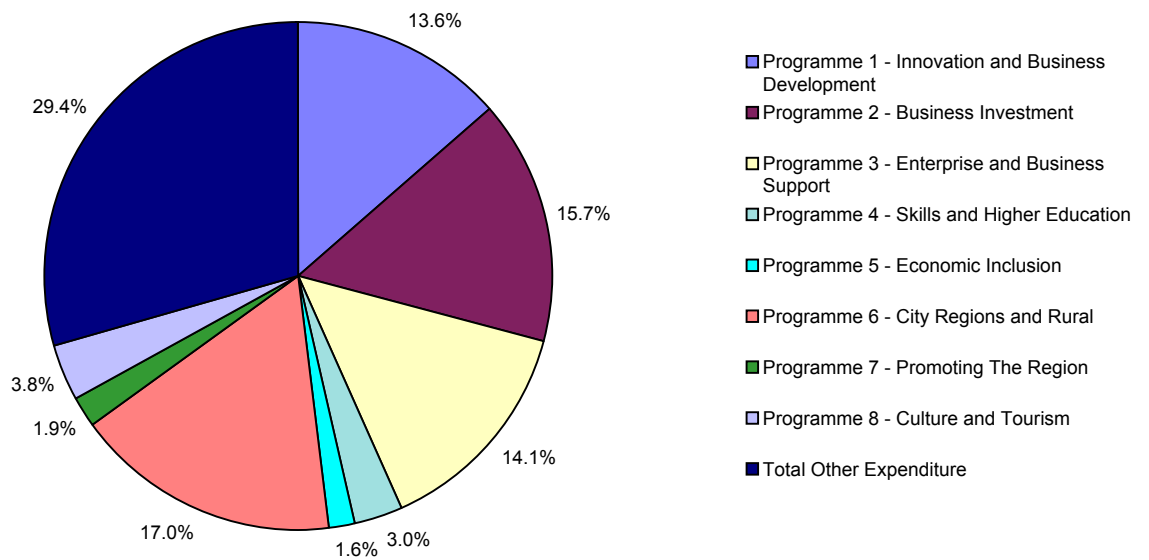
Total Other Expenditure	99,798	29.3%
<b>Expenditure Total</b>	<b>340,010</b>	<b>100.0%</b>

Total Other Expenditure includes £64.2m of European funded expenditure that represents outflows related to the Agency's role as a managing authority for the European Regional Development Fund and was entirely offset by an equal amount of income which is included in the £70.4m of European Funding shown above (for more information, see Note 10 in the Accounts).

### Income by Source



### Expenditure by Programme



## **RDA Performance Management**

### **Overview**

In accordance with the 2007 Corporate Plan Guidance and RDA Sponsorship Framework, agreed between RDAs and BIS, the Agency formally reports to BIS via the production of an Annual Performance Report. This is shared with BIS and other Government departments as part of the Annual Report and Accounts laid before Parliament.

The report provides information on the following key areas:

- \* activities undertaken in support of the overarching growth objective, underpinning outcome-focused indicators and RES objectives
- \* progress against Corporate Objectives
- \* how the cross-cutting principles of Sustainable Development & Economic Opportunity for All have been addressed through our business and what effect their application has had on the way we have developed and delivered our corporate objectives in support of the regional growth objective

Further information of the Agency's aims in these areas is contained within our 2009-11 Corporate Plan Update.

To ensure we continue to monitor and improve performance throughout the year the Agency also produces quarterly performance reports for our Board, which show progress against the Agency's Corporate and Business Plans and our ISR Improvement Plan. At the end of the year an Annual Performance Report is produced showing progress throughout the year and it is from that the summary Performance Report is produced for inclusion in the Annual Report and Accounts. In line with the Government's policy on openness and accountability, the quarterly and annual Board reports are placed on the Agency's website.

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

### **Agency Targets**

Agency targets relate to Single Programme expenditure and are used to measure the performance of Agency-funded activities/projects. As per the 2009-11 Corporate Plan Update, the Agency is now using the following five Corporate Targets to allow us to measure and demonstrate the contribution we are making towards the overarching growth objective, the five regional outcome performance indicators and the RES objectives:

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

In addition BIS has also requested the Agency to report on Cross-Regional Collaboration and Carbon Reduction Activity for 2009-10.

During the year the Agency has implemented its Performance Framework approach to performance management. This uses the concept of logic chains to link outputs to outcomes to impacts and is in line with the requirements of the Sponsorship Framework and findings of the Independent Impact Evaluation. It allows the Agency to collect consistent outcome and impact information, as well as output information, and in doing so provides a mechanism to fully demonstrate that the activities being undertaken are delivering the Agency's Corporate Objectives as set out in the Corporate Plan and the RES.

Please note that reporting of outcome information will come on stream gradually owing to the time lag between the forecasting of outcomes and their achievement and reporting back to the Agency. This time lag exists as outcomes form the long-term rationale for the project and are therefore not likely to be achieved until a certain critical proportion of project activities have been undertaken and the project is starting to successfully achieve its objectives. We therefore aim to start reporting consistent outcome information during 2010-11.

## Agency Corporate Targets 2009-10

The following table shows the Agency's achievements against its Corporate Targets in 2009-10:

<b>Agency Corporate Targets</b>	<b>Target 2009-10</b>	<b>Actual 2009-10</b>	<b>% Achieved</b>	<b>Original Target for 2010-11</b>	<b>Revised Target for 2010-11</b>
Jobs Created/Safeguarded (units)	17,750	18,896	106%	17,750	17,750
Employment Support (units)	6,991	7,689	110%	7,000	7,000
Business Creation (units)	3,270	3,494	107%	3,270	3,270
Business Support (units)	26,590	27,438	103%	26,590	26,590
Skills (units)	69,580	73,071	105%	69,580	44,613

### Overall Assessment of Performance

As shown in the table above the Agency has achieved all of its Corporate Targets in 2009-10, which is an excellent performance given the consistently difficult economic conditions facing the region. Performance is based on the 2009-10 revised Corporate Targets, which were agreed by the Agency's Board as part of the mid year review of the Business Plan in November 2009. These targets have been achieved through the Agency's ongoing commitment to providing funding to both new and existing interventions to support businesses and individuals through the recession whilst also preparing them to take advantage of the upturn.

Cross-Regional Collaborations - the Agency has been involved in a number of formal and informal collaborative arrangements with other RDAs and across the whole network. We define this as something that has entailed agreement between more than one RDA, and encompassed activity in one RDA area that benefits another RDA area. We are involved in 13 formal arrangements with other RDAs; and we are leading on 5 of those.

Carbon Reduction - the Agency has been recording carbon savings on gross basis. We can report that the carbon savings associated with our MAS and Community Energy Solutions activity during 2009-10 were 25,548 tonnes.

Further information on performance can be found in the Agency's 2009-10 Annual Performance Report which is contained at Annex A.

### Targets - 2010-11

The Agency and its partners are committed to delivering the best value for money possible in return for the resources allocated to it and continue to aim to deliver more for less. All Corporate Targets for 2010-11 are set at the levels approved by BIS in the Agency's 2009-11 Corporate Plan Update, with the exception of Skills. This decision to keep targets at the same level reflects the impacts of budget reductions, significant reprioritisation actions the Agency has taken in response to the economic downturn and changes to accommodate the Agency's contribution to the Tees Valley Industrial Programme.

The 2010-11 targets for Skills is showing a reduction, as the Agency has significantly realigned its approach to investment in skills following the publication of the November 2009 White Paper 'Skills for Growth', which sets out new responsibilities for RDAs in relation to the adult skills agenda. Single Programme investment for 2010-11 is expected to be reduced by around 35% from 2009-10 levels and the funding that is available will be less focussed on direct delivery of skills outputs, instead focusing on catalytic investment to support and incentivise behavioural change and underwrite initial risk to support the skills system to increase its responsiveness to economic drivers. For this reason, the Skills target for 2010-11 has been reduced to 44,613. This is realistic and challenging and will continue to demonstrate strong performance when considered in the context of the Agency's revised responsibilities and the impact of reduced programme allocation. This revised target has been formally agreed with BIS following approval of the Business Plan by the Board.

## One North East Directors' Report 2009-2010

The Directors present their Annual Report and Accounts for the year ended 31 March 2010.

### Statutory Background

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

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

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

The results for the year ended 31 March 2010 are set out in the Financial Statements on pages 107 to 148.

The Agency's income receivable from grants, disposals of assets, rents and other sources totalled £331 million. After taking account of disposals, the Agency's income was applied to its activities in paying grants and on property development.

During the year reserves decreased to £148 million, comprising an increase in trade and other payables of £15m, a decrease due to an amount written off in relation to development assets (inventories) of £10m, a decrease in loans to jointly controlled entities of £6m and a decrease in investment in subsidiaries of £1m, partly offset by an addition to stock of land and buildings held for development (inventories) amounting to £11m, an increase in cash and cash equivalents of £12m an increase in investments in Joint Ventures of £3m.

The Agency has maintained its track record of strong financial performance during 2009-10 financial year. It has maximised the use of programme resources and will request only a minimal amount of end of year flexibility, in terms of resources carried forward into 2010-11 financial year. Full commentary on the financial results of the Agency is given within the Agency Financial Summary on pages 84 to 85.

### Events after the Reporting Period

#### Going Concern

Following the general election on 6 May 2010, the new coalition Government outlined a series of proposed changes to how local economic development will be delivered, including the creation of Local Enterprise Partnerships to replace Regional Development Agencies. The June 2010 budget confirmed that the Government intends to abolish Regional Development Agencies through the Public Bodies Bill, and that it will issue a White Paper in summer 2010, which will set out details of these proposals. In light of this event management have reviewed the appropriateness of the preparation of the financial statements on a 'going concern' basis.

The Agency notes that Parliament will need to enact the legislation necessary to abolish Regional Development Agencies, and that the timing and eventual decision of Parliament on this matter is currently uncertain. Consequently, management have concluded that there exists a material uncertainty that casts doubt upon the Agency's ability to continue as a going concern.

Nevertheless, after making enquiries and discussing the situation with the Department, management are satisfied that sufficient funding is in place to enable the Agency to continue in operation and meet its obligations as they fall due. Ministers have confirmed that there will be an orderly transition to any new arrangements, and there is no reason to believe that funding will not be forthcoming to meet the Agency's obligations as they fall due. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

The wholly owned subsidiary DOTT07 became dormant during the 2008-09 fiscal year and was dissolved with effect from 8 June 2010.

The Agency's financial statements are laid before the Houses of Parliament by the Secretary of State of the Department for Business Innovation and Skills (BIS). IAS 10 requires the Agency to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date that the Controller and Auditor General certified the accounts.

Due to the completion of Margaret Fay's term of office on 16 August 2010 Paul Callaghan was appointed Chairman designate on 14 June 2010. He will take up office as Chairman on 16 August 2010.

No other significant events after the reporting period have been identified.

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

Under Section 14 of the Regional Development Agencies Act 1998 the Group is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, total recognised gains and losses and cash flow for the financial year.

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

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

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



**In preparing the accounts the Agency is required to:**

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

The Accounting Officer for BIS has designated the Chief Executive as the Accounting Officer for One North East. His responsibilities as Accounting Officer include responsibility for ensuring propriety, and regularity and value for money of the public finances and for the keeping of proper records and advising and informing the Board of financial considerations, controlling and monitoring expenditure and income and ensuring effective systems are maintained for internal management, financial control, and internal audit. The Agency and the Chief Executive are also responsible for ensuring that there are appropriate controls over any publication of the Financial Statements, including the publication of the National Audit Office audit report on the Agency's website. These requirements are set out in the "Non-Departmental Public Bodies' Accounting Officers' Memorandum" issued by the Treasury and published in Government Accounting.

**Board Membership**

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

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

**Board Members during the year were as follows:**

Ian Brown	Paul Callaghan (Became Deputy Chairman from 1.12.09)	Margaret Fay CBE (Chairman)
Cllr Peter Jackson	Lord John Shipley OBE	Cllr Bob Symonds
Alison Thain OBE	Christopher Thompson (Deputy Chairman) Resigned 31.11.09	Ruth Thompson OBE
Kate Welch OBE	Cllr Alex Cunningham	Ian Dormer
Gill Hale	Graham Thrower	Professor Christopher Higgins

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

**Audit Committee**

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

**Remuneration Committee**

Margaret Fay CBE, Chairman  
Christopher Thompson (Resigned 30.11.09)  
Paul Callaghan  
Ruth Thompson (Replaced Christopher Thompson 01.12.09)

One North East maintains a Register of Board Members' Interests, which is available for inspection on request by contacting the Agency's Head of Legal Services and Procurement. Members declare their interests to the Board in any transactions involving the relevant organisations and do not participate in any discussions or vote on any related matters. Related party transactions of Board Members and senior members of staff are detailed further in Note 25.

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

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

**Audit Committee**

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

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

The Audit Committee met four times during 2009-10 to receive assurance on the Agency's systems of corporate governance, risk management and internal control. The Committee also received regular reports from KPMG as independent Internal Auditors. The range of Audit Committee activity carried out during 2009-10 has provided positive assurance about the Agency's governance and control environment and has supported the Accounting Officer in signing a satisfactory Statement of Internal Control for the year.

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

#### **Remuneration Committee**

The work of the Remuneration Committee is detailed in the remuneration report contained in pages 94 to 100 of this report.

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

There were no changes to the Chair, Chief Executive or Executive Directors during the year.

#### **Prompt Payment Policy**

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

The Agency aims to comply with the HM Treasury target by paying at least 95% of all undisputed invoices within 30 days. In the year ended 31 March 2010 the Agency paid 99.9% of invoices within 30 days of their receipt (2009: 99.7%).

The Agency aims to comply with the Government's announcement in October 2008 to pay our suppliers within 10 days to support the region in the current economic climate. One North East subscribes to the "Prompt Payment Code" to reflect our continuing commitment to this payment code. In the year ended 31 March 2010 the Agency paid 99.3% of invoices within 10 days of their receipt. In the year 2009 we paid 95.51% of invoices within 10 days of their receipt but the reporting was from 1 January 2009 to 31 March 2009 only.

#### **Work Undertaken from the One North East Strategic Research Budget**

The Developing the Evidence Base budget 2009-10 has been utilised to support the development of the evidence base underpinning the new North East Strategy in addition to evaluations of key ONE programme areas.

Evaluations completed within the year include: Evaluation of the Strategic Account Management programme; Evaluation of the North East Regional Employability Framework; Evaluation of the North East Regional Economic Strategy; and Evaluation of Business and Enterprise North East.

Work was commissioned to review the region's approach to industrial policy areas (which will report after the first quarter of 2010) to inform the North East Strategy evidence base and ONE also contributed to a cross RDA study on growth sectors.

St Chad's College (Durham University) has continued to develop the North East Economic Model in collaboration with One North East. During 09/10 this has included updating the data and building an environmental component, to allow for the analysis of air and solid waste emissions from production. One NorthEast has also used the existing model contract to work with St Chad's on the production of the North East Sectors Analytical Tool and an ongoing forecasting and scenario development project, to inform the North East Strategy and Skills Strategy.

#### **Freedom of Information**

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

The Information section of the Legal Services and Procurement Team works with colleagues across the Agency to ensure that we meet the legal obligations we have in relation to the Freedom of Information Act 2000. The Agency has received 340 (2009 - 106) requests for information during the year and has a 100% (2009 - 100%) compliance rate in relation to responding fully to requestors within the statutory 20 working day time limit.

### **Agency Accommodation**

One North East has offices at Newburn and Stockton on Tees. The value of the offices owned at Newburn was £8,730,000 at 31 March 2010. The annual operating cost of the buildings at Newburn and Stockton on Tees in 2009-10 were £1,237,534 and £251,810 respectively.

### **Employment, Health & Safety and Environment policies**

#### **Disability Equality and One North East employees**

During 2009-10 the Agency produced a Single Equality Scheme (SES) in partnership with diversity organisations across the region. The scheme and action plan brings together all of One North East's actions and progress (under its existing Race, Disability and Gender Equality Schemes) to show how we will meet our current legal requirements. This approach aims to embed equality into our everyday work. In addition, we are preparing the Agency for the introduction of the Equality Act, expected to become Law in 2010. Current and planned activities in relation to the SES include:

- Training on the scheme for a selection of staff took place in March 2010
- Diversity Champions have been identified and will receive accredited training commencing over the next couple of months to help progress the SES
- Heads of Team have attended a briefing workshop in relation to SES
- Exploring setting up an external scrutiny group to advise and monitor progress

#### **Health and Safety**

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

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

#### **Sustainable Development Duty**

To ensure that sustainability is considered in the Agency's business process, a project level sustainability development toolkit system is in operations. This allows projects and plans to test and improve their sustainability against eight themes and once completed, produces a report to attach to the business case. The Agency has also ensured that ERDF Sustainable Development requirements are fully embedded.

The process of developing a single integrated Regional Strategy, known as the North East Strategy (NES) is underway. The North East Strategy will set out a long term strategic framework for the region to guide the activities, plans and investment decisions of public sector agencies, local authorities and other regional partners. A key part of the development process involves a Strategic Environmental Assessment (SEA) and Sustainability Appraisal (SA) to ensure that the strategy is environmentally sound and promotes sustainable development and will form a key part in the production of the strategy. The SA will be iterative and has been considered since inception.

The SA process for the NES incorporates, in addition to SEA, Habitats Regulations Assessment; Equality Impact Assessment; Health Impact Assessment; Rural Proofing and Poverty Proofing.

Externally, One North East is a sponsoring body and continues to work closely with the regional Champion Body for sustainable development (SustainNE). In addition, the agency continues to contribute towards national policy on such issues as energy and climate change.

With regards to climate change, One North East is a contributor to The North East Climate Change Partnership which is established with a broad membership covering many key sectors. The partnership won the Robert Stephenson Special Award for Sustainability for 2009 from the Institute of Civil Engineering. Last year the Agency contributed to The North East Climate Change Adaptation Study which will be updated in the forthcoming year with the 2009 figures. Through the funding for the Partnership, surveys have been carried out in partnership with Defra on 'the attitudes to climate change in businesses' and in partnership with the Energy Saving Trust, a survey on 'the public perception of climate change'. The Agency has funded cutting-edge research into the economic implications of climate change. This has been a substantial piece of work done by the partnership, in conjunction with One North East, and will be launched in June 2010.

The Agency is also supporting the Association of North East Councils in the production of a regional Renewable Energy Capacity Study. This will utilise national criteria and methodology to guide future regional targets for renewable and low carbon energy production.

The Agency's vision is to facilitate the North East's transition towards becoming a low-carbon region enabled by renewable energy and intelligent networks. Low-carbon vehicles and related infrastructure are part of an overall commitment to speed up the development of the North East as the world's first truly low-carbon and smart region. This is motivated by three key commitments:

- Reducing emissions
- Energy security through decreased dependence on fossil fuels
- The development new low carbon industries and jobs

As the UK's Low Carbon Economic Area for Ultra Low Carbon Vehicles, the region's focus is on encouraging the uptake of electric vehicles and subsequently other low-carbon vehicle technology such as hydrogen. This also extends to advancing related technology including electrical networks, informatics and charging infrastructure to support the automotive industry in making the transformative shift to a post-carbon future. The Agency continues to work Jointly with ANEC to review the region's transport priorities in a way that both tackles immediate problems and also shapes the transport system to meet longer term challenges, such as climate change, that are critical for prosperity. The DaSTS process has 5 key challenges, and in particular priorities are being reviewed with recognition that any suggested programme of work should "reduce transport's emissions of carbon dioxide and other greenhouse gases, with the desired outcome of tackling climate change".

As part of this process modelling tools are being developed to assist not only in the regional transport policy process, but to inform local authorities about the potential carbon impacts of transport schemes and programmes as they develop their third round of local transport plans.

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

## **Employee Information and Consultation**

The Agency continues to benefit from positive employee relations with its recognised trade union, the Public and Commercial Services Union.

Dialogue has been on-going in relation to localised changes to team structures and minor amendments to the Agency's terms and conditions of employment. Amendments to the Agency's Managing Organisational Change protocols have resulted in increased flexibility and speed of response to change. This has brought benefits to both the Agency and its employees.

Relations continue to be positive and productive despite calls for industrial action at a national level arising out of the Government's proposals to introduce changes to the Civil Service Compensation Scheme, effective 1st April 2010.

The Agency has introduced a number of initiatives in 2009 – 2010 for the benefit of employees, including Total Reward Statements and an Employee Assistance Scheme.

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

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

- OneZone – the One North East corporate intranet provides an accessible, one-stop shop for all Agency information and acts as a communications tool to share corporate messages and policy
- Staff Briefings – Alan Clarke and the Directors Team host sessions to update staff on Directorate and Agency priorities
- TGI Friday – Informal weekly newsletter informing staff of up and coming events both internally and externally
- The Agency – a weekly e-bulletin to update staff on the key decisions, discussion and outputs taken by the Directors' Team
- Other topic specific all-Agency ebulletins, about One North East's work including press releases
- Employee Survey – a regular employee wide survey is conducted, 84% of employees responded to the October 2009 survey, with 81% of respondents stating they were satisfied or very satisfied working at One North East. The next survey is tentatively planned for April 2011.
- The Essential Guide to..... – Informal information sessions for all staff with updates on key Agency and Partners' activities and priorities
- Team Briefings 'Spreading the Word' – cascade packs are distributed to all heads of team to ensure consistency and timeliness of key messages these are delivered to teams by their manager. Also providing a forum for teams to share information and updates about the Agency
- Alan Clarke's lunch sessions – informal sessions where staff can meet and share views with Alan Clarke
- Touch Base – a discussion, question and answer session that allow staff to meet with Directors in a smaller more informal session

## **Financial Memorandum**

The Secretary of State issued to One North East a Financial Memorandum on its formation setting out the financial framework under which the Agency should operate. The Memorandum was updated by the RDA Accountability Framework in October 2008 and the Agency has complied, in all material respects, with the Memorandum during the course of the 2009-2010 financial year.

## **Audit Services**

The external auditor of One North East is the Comptroller and Auditor General (C&AG) who acts as the principal auditor of the group. He is appointed to undertake the audit of the financial statements by statute. The total amount due to the National Audit Office (NAO), the body that undertakes the audit on behalf of the C&AG, for 2009-10 was £154,000 (2008-09: £72,950). Of this sum £70,500 related to external audit work undertaken by NAO, £6,500 related to work carried out in connection to the conversion to International Financial Reporting Standards (IFRS) and £77,000 related to an Independent Supplementary Review.

## **Risk Management**

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

## **Pension costs**

The treatment of pension liabilities and the relevant pension scheme details are set out in the accounting policies note on page 114, in the Salaries and Wages note to the Financial Statements (Note 4) and in the Remuneration Report on pages 94 to 100.

## **Political and charitable donations**

No political or charitable donations were made during the year.

**International Financial Reporting Standards**

In accordance with current Treasury Guidance to public sector bodies, the Agency has converted to International Financial Reporting Standards for the preparation of these accounts. Although this has made noticeable changes to the formatting of the accounts, the figures have had no significant changes. For details of the effects of the adoption of IFRS, see Note 3 on page 119.

**Annual Review Meeting**

The Annual Review Meeting before which this Annual Report and Accounts will be presented is planned for the autumn of 2010.

**Approved by the Board on 2 July 2010**

**Margaret Fay CBE**  
**Chairman**

**Alan Clarke**  
**Chief Executive / Accounting Officer**

## One North East Remuneration Report 2009-2010

### Introduction

This report for the year ended 31 March 2010 is produced by the Board on the recommendation of the Remuneration Committee and deals with the remuneration of the Chairman, Board Members, Chief Executive and Executive Management Team and the pension arrangements in place for all Agency employees.

### Remuneration of the Chairman and of Board Members

The remuneration of the Chairman and of Board Members is reviewed every year by Department of Business, Innovation and Skills (BIS) who set the remuneration levels in line with the recommendations of the Senior Salaries Review Board.

### Remuneration Committee

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

The Remuneration Committee met three times during the course of the year and was chaired by Margaret Fay. The other members of the Committee were Christopher Thompson (retired 30 Nov 2009), Ruth Thompson (replaced Christopher Thompson on 1 Dec 2009), and Paul Callaghan.

### Remuneration of the Chief Executive

Performance pay for the Chief Executive is determined by BIS on the recommendation of the Remuneration Committee. Recommendations are submitted to the Minister for approval alongside the Agency's annual pay remit. Performance is measured against weighted targets determined by the Remuneration Committee following consultation with the Regional Director of the Government Office. The amount of the performance award can be up to a maximum of 20% of salary. In 2009-2010 the weighted targets set related to managing and influencing the implementation of the Sub National Review, managing the Agency's national role, ensuring significant progress was made on the delivery of key transformational programmes and projects, the effective leadership and management of the Agency as a business, including Shape, and the delivery of financial and governance arrangements, ERDF and strengthening relationships with and support for business, particularly in light of the increasingly challenging economic context.

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

### Remuneration of the Executive Management Team

Performance pay of the senior management team is determined by the Chief Executive on advice from the Remuneration Committee. Performance is measured against targets set individually for each Director by the Chief Executive and the amount of the performance award depends upon the annual pay remit agreement with BIS. In 2009-10, the maximum rate was 6.4% of annual salary (7% in 2008-09).

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

- The need to recruit, maintain and motivate suitably able and qualified people to exercise their different responsibilities;
- Regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- The Government's inflation target.

### Service contracts

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

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

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

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

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

## Audited part of the Remuneration Report

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

Emoluments of Board members	Salary £	Pension Contribution £	Taxable Benefit £	2010 Total £	2009 Total £
Margaret Fay OBE (Chair) (Appointed 14/12/2006 to 13/12/2010) (four year appointment extended by request of the Agency's sponsoring department to manage through the recession)	81,718	19,858	-	101,576	101,040
Alison Thain OBE (reappointed 14/12/07 to 13/12/10) (three year appointment)	8,666	-	-	8,666	8,538
Christopher Thompson (reappointed 14/12/07 - retired 30/11/09) (three year appointment) (Deputy Chair from 11/09/06 to 30/11/09)	11,555	-	-	11,555	17,076
Cllr Bob Symonds (reappointed 14/12/07 to 13/12/10) (three year appointment)	8,666	-	-	8,666	8,538
Ian Brown (reappointed 13/12/08 to 13/12/10) (three year appointment)	8,666	-	-	8,666	8,538
Lord John Shipley OBE (reappointed 14/12/08 to 13/12/11) (three year appointment)	8,666	-	-	8,666	8,538
Kate Welch OBE (reappointed 13/03/09 to 13/12/11) (two year 9 month appointment)	8,666	-	-	8,666	8,538
Paul Callaghan (reappointed 13/12/2009 to 13/12/12) (three year appointment) (Deputy Chair from 1/12/09)	19,466	-	-	19,466	8,538
Ruth Thompson OBE (reappointed 13/12/2009 to 13/12/12) (three year appointment)	8,666	-	-	8,666	8,538
Cllr Peter Jackson (reappointed 13/12/09 to 13/12/12) (three year appointment)	8,666	-	-	8,666	8,538
Cllr Alex Cunningham (appointed 14/12/07 to 6/4/2010) (three year appointment with early resignation due to submission of MP candidacy papers)	8,666	-	-	8,666	8,538
Ian Dormer (appointed 14/12/07 to 13/12/2010) (three year appointment)	8,666	-	-	8,666	8,538
Gill Hale (appointed 14/12/07 to 13/12/2010) (three year appointment)	8,666	-	-	8,666	8,538
Prof Christopher Higgins (appointed 14/12/07 to 13/12/2010) (three year appointment)	8,666	-	-	8,666	8,538
Graham Thrower (appointed 14/12/07 to 13/12/2010) (three year appointment)	8,666	-	-	8,666	8,538

## Emoluments of Chief Executive and Executive Management Team

	Salary £	Performance Related Salary £	Other Benefits £	Pension Contributions £	2009-2010 Total £	2008-2009 Total £
Alan Clarke (Chief Executive)	140,772	24,571	4,449	30,035	199,827	197,404
Malcolm Page (Deputy Chief Executive)	120,855	7,568	4,000	29,368	161,791	157,703
Stacy Hall (Director of Communications and Tourism)	97,139	3,061	4,000	23,605	127,805	123,434
David Cramond (appointed 5/1/09) (Director of Capital Development)	100,412	-	4,000	24,400	128,812	30,896
Pat Ritchie (resigned 30/11/08) (Assistant Chief Executive (Strategy), Director of Strategy & Development)	-	-	-	-	-	109,879
Alan Welby (appointed 1/2/09) (Director of Strategy)	93,367	-	4,000	22,688	120,055	18,050
Ian Williams (Director of Business and Industry)	97,349	6,122	4,000	23,656	131,127	126,240
Ed Rowley (retired 9/1/09) (Director of Regeneration)	-	-	-	-	-	168,559

### Benefits in kind

An estimated taxable benefit for 2009-10 of £1,459 (2008-09 £672) has been calculated in relation to Board members which relates to mileage claims for meetings held at Stella House (which is classified as their permanent place of work).

The Chief Executive and the Director of Strategy are provided with lease cars by the Agency, and the other members of the Executive Management Team receive a monthly car allowance.

### Non Cash remuneration

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

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

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

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

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

### Payments made for loss of office

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

## One North East Directors' Team





## Pension benefits

### Pension benefits of Board Members

A pension scheme has been established for the Chairman with the approval of BIS. The contribution rates and benefits of this scheme, which is funded directly by the Agency, are identical to the Principal Civil Service Pension Scheme (PCSPS). The Agency is not permitted to pay these contributions to a personal pension scheme or other pension plan provider. On retirement, payment of the Chairman's pension will be the responsibility of the Agency, underwritten by BIS. No other Board members are eligible for pension contributions, performance related pay or any other taxable benefit as a result of their employment with the Agency.

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

The Chief Executive and members of the Executive Management Team are members of the PCSPS except for one member of the management team who is a member of the Home & Communities Agency Pension Scheme. Further details of the pension schemes are shown on page 98.

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

Name of Officer	Pension Scheme	Accrued pension at age 60 as at 31/03/10 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/10	CETV at 31/03/09	Real increase in CETV as funded by employer
		£000	£000	£000	£000	£000
A Clarke	Premium	70-75	2.5-5	1,317	1,173	68
M Page	Classic	35-40 plus lump sum of 110-115	2.5-5 plus lump sum of 7.5-10	557	486	38
S Hall	Premium	30-35	0-2.5	396	362	8
I Williams	Classic	30-35 plus lump sum of 90-95	0-2.5	443	389	27
D Cramond	Nuvos	1-5	0-2.5	36	2	26
A Welby	Nuvos	1-5	0-.25	21	3	15

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

### Cash Equivalent Transfer Values

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

The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

### Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### Pension Arrangements

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

### **Homes & Communities Agency Pension Scheme**

The Homes & Communities Agency Pension Scheme (formerly English Partnerships Scheme) is a multi-employer defined benefit scheme but One North East is unable to identify its share of underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007 and more details can be found in the separate scheme statement of the Homes & Communities Agency Pension Scheme. For 2009-10, normal employer contributions of £36,529 were payable to the Homes & Communities Agency Pension Scheme (2008-09: £619,305) at the rate of 29.1% of pensionable pay.

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

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

For 2009-10, employers' contributions of £2,787,222 were payable to the PCSPS (2008-09: £2,855,153) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands and will remain the same for the next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

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

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

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

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

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

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

#### **(d) Nuvos**

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

#### **(e) Partnership Pension Account**

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum. For 2009-10, normal employer contributions of £12,483 were payable to the Partnership Pension Account (2008-09: £10,782).

**North East Development Agency Retirement Benefits Scheme (NEDARBS)**

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

**The amounts recognised in the Statement of Financial Position are as follows**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Present value of funded obligations and net liability	39	198
Amounts in the Statement of Financial Position		
Assets	39	198
Net Assets	<u>39</u>	<u>198</u>

**The amounts recognised in the Net Expenditure Account are as follows**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Interest on obligation	7	(3)
Total included in employee benefits expense	<u>7</u>	<u>(3)</u>
Actual return on plan assets	590	(322)

**Changes in the present value of the defined benefit obligation are as follows**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	2,135	2,608
Interest cost	154	167
Actuarial losses (gains)	835	(572)
Benefits paid	(67)	(68)
Closing defined benefit obligation	<u>3,057</u>	<u>2,135</u>

**Changes in the value of plan assets are as follows**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of plan assets	2,333	2,558
Expected return	147	170
Actuarial gains and (losses)	443	(492)
Contributions by employer	240	165
Benefits paid	(67)	(68)
Closing fair value of plan assets	<u>3,096</u>	<u>2,333</u>

**Principal actuarial assumptions at 31 March (expressed as weighted averages)**

	<b>2010</b>	<b>2009</b>
Discount rate at 31 December	5.60%	7.20%
Future salary increases	3.85%	2.90%
Future pension increases	3.85%	2.90%

**Amounts for the current and previous four periods are as follows**

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Defined benefit obligation	39	198	(50)	(312)	(609)

**One North East By Analogy Scheme for Chairs with Rules Equivalent to those of PCSPS**

The arrangement is a UK based defined benefit promise made by the employer, providing benefits at retirement and on death in service. The arrangement is unfunded and the employer pays benefits as and when they arise. The arrangement shadows the benefits provided under the Premium scale of the Principal Civil Service Pension Scheme. The arrangement provides benefits to the present Chair and one former Chair of One North East. Contributions paid to date by the Agency and the respective Chairs not yet paid out in retirement benefits have been deducted from these calculations.

**The amounts recognised in the Statement of Financial Position are as follows**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Present value of funded obligations and net liability	(260)	(165)
Amounts in the Statement of Financial Position		
Liabilities	(260)	(165)
Net liability	<u>(260)</u>	<u>(165)</u>

**The amounts recognised in the Net Expenditure Account are as follows**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Current service cost	25	29
Interest on obligation	12	11
Total included in employee benefits expense	<u>37</u>	<u>40</u>
Actual return on plan assets	-	-

**Changes in the present value of the defined benefit obligation are as follows**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Opening defined benefit obligation	165	167
Service cost	25	29
Interest cost	12	11
Actuarial losses (gains)	61	(39)
Benefits paid	(3)	(3)
Closing defined benefit obligation	<u>260</u>	<u>165</u>

**Changes in the value of plan assets are as follows**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of plan assets	-	-
Contributions by employer	3	3
Benefits paid	(3)	(3)
Closing fair value of plan assets	<u>-</u>	<u>-</u>

**Principal actuarial assumptions at 31 March (expressed as weighted averages)**

	<b>2010</b>	<b>2009</b>
Discount rate at 31 December	5.60%	7.20%
Future salary increases	3.85%	2.90%
Future pension increases	3.85%	2.90%

**Amounts for the current and previous four periods are as follows**

	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Defined benefit obligation	260	165	167	151	116

Margaret Fay CBE  
Chairman  
2 July 2010

Alan Clarke  
Chief Executive/Accounting Officer  
2 July 2010

## **STATEMENT ON INTERNAL CONTROL 2009/2010**

### **Scope of Responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of Internal Control that supports the achievement of One North East's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

One North East ('the Agency') is a Regional Development Agency (RDA), classified as a non-departmental public body (NDPB) of the sponsoring Department for Business, Innovation and Skills (BIS). The Secretary of State is accountable to Parliament for the activities and performance of the Agency, although the Government Office for the North East undertakes the sponsorship and monitoring role from a regional perspective. One North East provides comprehensive quarterly reports on performance against targets to its Board and to BIS every six months. The Agency has corporate responsibility for ensuring that it fulfils the aims and objectives set by the Secretary of State, and for promoting the efficient and effective use of resources by the organisation. The Agency is committed to the pursuit of economy, efficiency and effectiveness and has sought to adopt good practice and incorporate value for money principles in all of its activities. I, as designated Accounting Officer of the Agency, establish, in agreement with the sponsoring Department, the Agency's Corporate and Business Plans in the light of the Department's wider strategic aims and the Regional Economic Strategy (RES). I advise the Board on the Agency's performance compared with its aims and objectives and ensure that its governance responsibilities can be discharged in accordance with established criteria.

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

### **The Purpose of the System of Internal Control**

The Agency's system of Internal Control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based upon an ongoing and embedded process designed to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system has been in place in One North East for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

### **Capacity to Handle Risk**

The Audit Committee, on behalf of the Board, provides leadership of the risk management process. In an executive capacity, I have charged the Deputy Chief Executive with operational responsibility to maintain an effective risk management system.

The Directors' Team and Board lead on the identification and consideration of Strategic Risks and this provides assurance that the high-level, overarching risks faced by the Agency are identified, reported and effectively managed.

The Risk Management Strategy is subject to annual review and a revised strategy for 2010/11 was approved by the Board in March 2010. The Strategy reflects the fact that the management of risk forms an integral part of the Agency's performance management and business planning processes. It is designed to ensure that it is clear where ownership and accountability for risk lies. The Strategy closely follows the guidelines as set out in Dear Accounting Officer letters, and is in accordance with the HM Treasury Orange Book guidance. In addition, the Agency has incorporated the key elements of the latest British Standard on Risk Management to ensure its arrangements continue to adhere to best practice. The Agency continues to refine and improve its processes still further, to ensure that the risk and internal control systems continue to be appropriate and are working effectively.

The Strategic Support & Assurance team takes the operational lead for maintaining effective risk management arrangements. Its work includes administering the quarterly risk assessment and reporting cycle, reporting to Directors, Audit Committee and Board, and supporting the High Risk Programme & Project Board through identifying programme & project risk areas and providing dedicated support to agreed areas. During the year, the team worked with other Directorates and teams to raise awareness of the Agency's risk management arrangements and respective roles and responsibilities. The team also worked extensively with Heads of Team to support in identifying and assessing programme and project risks.

### **The Risk and Control Framework**

One North East has a continuous process for identifying, assessing, evaluating and managing significant risks, which has been in place and operating for the period to which this statement relates.

At an operational level, risk registers and risk reduction measures for all teams across the Agency continue to be monitored and reported on a quarterly basis. Significant risks, those above the Agency's risk appetite, must be addressed as a matter of priority and are brought to senior management's attention until mitigating actions reduce the risk to an acceptable level.

Our approach is to have a hierarchy of risk management and associated risk registers, which mirrors the hierarchy of objectives and management structure within the Agency. In this way, lower level risks inform the consideration of risks at the next level in a 'bottom up' approach. Those significant risks identified by the Directorate are then reported to and managed by the appropriate Director. The Directors' Team, Audit Committee and the Board are provided with regular updates as to the status of risks and the actions taken to manage them.

The Directors' have also identified a concise register of key Strategic Risks faced by the Agency, providing a high-level, overarching approach which identifies more-general risks to the achievement of the Agency's objectives.

In its project appraisal and compliance processes, the Agency undertakes significant risk analysis and assessments, which facilitates the identification of the key risks associated with the project that might prevent the achievement of objectives.

The role of the Strategic Support & Assurance team includes the identification, assessment and support of high risk areas in programmes and projects, in addition to undertaking its more general governance and assurance related activities. Its project support function is overseen by the High Risk Programme and Project Board, which meets quarterly and is chaired by the Deputy Chief Executive and includes all Delivery Directors.

In general, the Agency adopted the Good Governance Standards for Public Services (2004) in March 2005, and continued adherence is reviewed and reported annually to the Audit Committee. The Agency has an independent Internal Auditor, KPMG, which operates in accordance with Government Internal Audit Standards and delivers a programme in accordance with a Joint Assurance Plan. This plan is prepared and delivered in conjunction with the Strategic Support & Assurance team and was approved by the Audit Committee before the financial year commenced.

The Agency has comprehensive policies and procedures in place covering financial, legal, human resource and information security management, together with appropriate appraisal and approval procedures governing Agency programmes and projects. Adherence to the Agency's policies and procedures is subject to ongoing review under the Joint Assurance Plan.

Information security and the importance of safeguarding information is an important part of the internal control agenda, which is led by the Finance & Information Management & Technology team. The arrangements in place are regularly assessed by Internal Audit, which undertook a broad and comprehensive review during the year and concluded that the arrangements were 'Good'. The Deputy Chief Executive acts as the Senior Information Risk Officer in accordance with Cabinet Office guidelines, and the senior management "Information Group" meets regularly to monitor the Information and Records Action Plan, which encompasses all aspects of electronic information, physical access security and records. The Information Group regularly reports the current status on information risks and supports the Deputy Chief Executive in preparing regular reports to BIS, which support the Security Policy Framework Annual Report. As in previous years, all employees must adhere to the Agency's ICT Security Policy, which ensures the continued delivery of appropriate standards of collection, use, control and access to the organisation's information. The Agency also continues to work towards compliance with an internationally recognised standard in information security (ISO27001), a standard which is not specifically required of RDAs, but which the Agency considers represents good practice. The Agency does comply with the Government's Security Policy Framework, a requirement of BIS.

The Agency learns from best practice in relation to governance arrangements through close working with its external and internal auditors, and links to the RDA Internal Audit Network. The Agency has also established close links with other public sector bodies and relevant forums in order to share experiences and knowledge.

In relation to Single Programme Funding, BIS's Guidance for RDAs in Appraisal, Delivery and Evaluation (GRADE) has been in place throughout the year. The Agency has ensured continuing GRADE compliance of its own Project Handling Framework which has been reviewed through Internal Audit reviews.

The Agency also has responsibility for several external funding streams. The CLG Audit Authority for the current European Regional Development Fund (ERDF) programme conducted a review of the appraisal, approval and management of Final Beneficiary projects, which concluded positively. During the year the Agency has successfully commenced its programme of mandatory Article 13 project verifications for projects in receipt of ERDF funding, which has been delivered by Mazars and complements their existing Project Verification Service for Single Programme funding. The annual Internal Audit review of the management and scheme arrangements Rural Development Programme for England (RDPE) was also undertaken, which also concluded positively.

### **Review of Effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the Strategic Support & Assurance team, Internal Audit, Directors, and Heads of Teams within the organisation, who have responsibility for the development, maintenance and operation of the Internal Control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of my effectiveness review of internal controls by the Board and the Audit Committee, and plans are in place to ensure continuous improvement of the system.

The Agency's Board has corporate responsibility for ensuring that the Agency fulfils the aims and objectives set by the Secretary of State, and for promoting the efficient and effective use of staff and other resources by the Agency. To this end, and in pursuit of its wider corporate responsibilities, the Board plays a major role in the risk management and internal control processes. The Board meets regularly to consider the Agency's plans and strategic direction, in which it is supported by a number of specific Standing Committees.

The Board delegates the detailed review of assurance on the Agency's systems of Corporate Governance, Risk Management and Internal Control to the Audit Committee, which has met regularly during the year. The Terms of Reference of the Audit Committee, including its role and the authority delegated to it by the Board, have been made available on the Agency's website. A more detailed explanation of the role of the Audit Committee can be found on page 89 of the Agency's Annual Report and Accounts, within the Directors' Report Section.

The Agency is clear that responsibility for managing risk lies with the Board, Directors and staff of One North East. However, Internal Audit also plays an important role in the risk management process by;

- Focusing audit activity on areas linked with key business risks;
- Facilitating Directors in identifying and defining Strategic Risks;
- Routinely reviewing the Agency's risk management process and its application.

Internal Audit submits regular reports on the adequacy and effectiveness of the Agency's systems of internal control and the management of key business risks together with recommendations for improvement. Throughout the year recommendations have been accepted by management and have been implemented or progressed in accordance with agreed timetables.

The status of Internal Audit recommendations, and the collection of evidence to verify their implementation, is regularly reviewed by the Strategic Support & Assurance team in line with follow-up protocol, the outcomes of which are regularly reported to the Audit Committee.

In 2008-09, an Internal Audit review of project evaluation resulted in a "weak" audit rating and a number of recommendations were made. Since then, the Audit Committee has received regular updates on the actions taken to implement these recommendations and has taken a direct status report from the Chief Economist as lead officer. A follow up review was completed in November 2009, which concluded that most recommendations had been implemented fully and concluded with a "Good" audit rating. To ensure that continued progress is made, a further Internal Audit review is scheduled for 2010-11.

For its 2009-10 operational plan, Internal Audit categorised its audits in terms of key Agency business risk areas and core operational systems. Following completion of the planned work for 2009-10, the Head of Internal Audit issued an independent and objective Statement of Assurance on the adequacy and effectiveness of the Agency's system of internal control, which stated that:

Based on the reviews undertaken during 2009-10, in our opinion One North East has adequate and effective risk management, control and governance processes to manage the achievement of its objectives.

On the basis of the information provided above, I, as Accounting Officer, conclude that the Agency has had a satisfactory system of Internal Control in operation for the financial year 2009-10.

Approved by the Board on 2 July 2010.

Margaret Fay CBE  
Chairman

Alan Clarke  
Chief Executive / Accounting Officer



**ONE NORTH EAST  
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR  
GENERAL TO THE HOUSES OF PARLIAMENT AND ONE NORTH EAST**

I certify that I have audited the financial statements of One North East for the year ended 31 March 2010 under the Regional Development Agencies Act 1998. These comprise the group Net Expenditure Account, the agency and group Statement of Financial Position, the agency and group Statement of Cash Flows, the agency and group 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 Chief Executive / Accounting Officer and auditor**

As explained more fully in the Statement of Chief Executive / Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and 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 to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to One North East's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by One North East; and the overall presentation of the financial statements.

In addition, I 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 One North East's affairs as at 31 March 2010 and of its group net expenditure, agency and group changes in taxpayers' equity and agency and group cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Regional Development Agencies Act 1998 and directions issued thereunder by the Secretary of State.

**Emphasis of Matter - Going Concern**

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in note 26 to the financial statements concerning the application of

the going concern principle. This is in light of the Government's announcement in the June 2010 budget that it intends to abolish the Regional Development Agencies through the Public Bodies Bill, and that it will issue a White Paper in summer 2010 setting out details of these proposals. These circumstances indicate the existence of a material uncertainty which may cast doubt upon the ability of One North East to continue as a going concern. The financial statements do not include the adjustments that would result if the One North East was unable to continue as a going concern.

#### **Opinion on other matters**

In my opinion:

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

#### **Report**

I have no observations to make on these financial statements.

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

**Date**

## FINANCIAL STATEMENTS 2009-2010

### GROUP NET EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010

		Year Ended 31 March 2010 £000	Year Ended 31 March 2009 £000
<b>Expenditure</b>	<b>Note</b>		
Programme Expenditure	2	227,048	212,025
European funded programme expenditure	2	5,650	7,351
Staff Costs	4	22,641	21,585
Depreciation	9	533	565
Other Expenditure	6	12,267	2,624
Write downs & impairments	7/8	10,269	27,482
Book value of Inventories sold	7	337	425
European funded expenditure, managing authority role	10	64,168	-
<b>Total Expenditure</b>		<b>342,913</b>	<b>272,057</b>
<b>Income</b>			
European funded income	10	6,221	7,611
Other Income	10	18,538	10,012
Proceeds from sale of inventories	10	524	510
European funding, managing authority role	10	64,168	-
<b>Total Income</b>		<b>89,451</b>	<b>18,133</b>
<b>Net Expenditure</b>		<b>253,462</b>	<b>253,924</b>
Cost of Capital		5,406	6,054
Interest Payable/(Receivable)	10	(5,688)	(7,070)
(Surplus) / Loss from share in JV's / Associates	13	286	1,193
<b>Net Expenditure after Cost of Capital Charge and Interest</b>		<b>253,466</b>	<b>254,101</b>
Corporation Tax Recovered	11	(178)	(2,224)
<b>Net Expenditure After Tax</b>		<b>253,288</b>	<b>251,877</b>
Reverse Notional Cost of Capital		(5,406)	(6,054)
<b>Net Expenditure Taken to Reserves</b>		<b>247,882</b>	<b>245,823</b>

Net expenditure is financed by Grant in Aid as explained in accounting policy note 1.11 on page 115.

## FINANCIAL STATEMENTS 2009-2010

### GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010

		Year Ended 31 March 2010	Year Ended 31 March 2009	Year Ended 31 March 2008
	Note	£000	£000	£000
<b>NON CURRENT ASSETS</b>				
Intangible Assets	12	49	149	259
Property Plant & Equipment	9	9,818	9,143	10,080
Financial Assets	8	64	183	394
Investments in Joint Ventures (Assets)	13	80,196	70,011	86,760
Investments in Joint Ventures (Liabilities)	13	(76,248)	(68,975)	(69,793)
Loans and Receivables at fair value	14	7,748	8,410	7,738
Loans to Jointly Controlled Entities	15	123,928	130,375	109,032
<b>Total Non Current Assets</b>		<b>145,555</b>	<b>149,296</b>	<b>144,470</b>
<b>CURRENT ASSETS</b>				
Inventories	7	45,166	44,181	87,059
Financial Assets	8	162	134	175
Trade Receivables	16	3,313	5,730	4,607
Other Current Assets	16	28,846	25,822	20,502
Cash and Cash Equivalents	17	46,607	29,017	42,423
<b>Total Current Assets</b>		<b>124,094</b>	<b>104,884</b>	<b>154,766</b>
<b>Total Assets</b>		<b>269,649</b>	<b>254,180</b>	<b>299,236</b>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	18	(92,908)	(69,236)	(85,777)
<b>Total Current Liabilities</b>		<b>(92,908)</b>	<b>(69,236)</b>	<b>(85,777)</b>
<b>Assets less Current Liabilities</b>		<b>176,741</b>	<b>184,944</b>	<b>213,459</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions	5	(4,276)	(2,465)	(6,367)
Deferred Tax provision	5	(5,768)	(6,097)	(10,136)
Pension Liability		(221)	(165)	(217)
Trade and Other Payables	18	(15,056)	(18,737)	(17,082)
<b>Total Non Current Liabilities</b>		<b>(25,321)</b>	<b>(27,464)</b>	<b>(33,802)</b>
<b>ASSETS LESS LIABILITIES</b>		<b>151,420</b>	<b>157,480</b>	<b>179,657</b>
<b>TAXPAYER'S EQUITY</b>				
Capital Reserve		10,191	7,792	19,508
Revaluation Reserve		9,083	8,670	16,986
General Reserve		132,146	141,018	143,163
<b>Total Taxpayer's Equity</b>		<b>151,420</b>	<b>157,480</b>	<b>179,657</b>

Approved by the Board on 2 July 2010

Margaret Fay CBE  
Chairman

Alan Clarke  
Chief Executive/Accounting Officer

## FINANCIAL STATEMENTS 2009-2010

### AGENCY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010

		Year Ended 31 March 2010	Year Ended 31 March 2009	Year Ended 31 March 2008
	Note	£000	£000	£000
<b>NON CURRENT ASSETS</b>				
Intangible Assets	12	49	149	259
Property Plant & Equipment	9	9,802	9,130	10,055
Financial Assets	8	64	183	394
Investments in Subsidiaries	13	(995)	137	(516)
Investments in Joint Ventures (Assets)	13	80,196	70,011	86,736
Investments in Joint Ventures (Liabilities)	13	(76,248)	(68,975)	(69,769)
Loans to Jointly Controlled Entities	15	123,928	130,375	109,032
<b>Total Non Current Assets</b>		<b>136,796</b>	<b>141,010</b>	<b>136,191</b>
<b>CURRENT ASSETS</b>				
Inventories	7	45,104	44,181	87,059
Financial Assets	8	162	134	175
Trade Receivables	16	2,092	5,696	2,013
Other Current Assets	16	24,386	21,342	20,501
Cash and Cash Equivalents	17	31,111	18,524	30,798
<b>Total Current Assets</b>		<b>102,855</b>	<b>89,877</b>	<b>140,546</b>
<b>Total assets</b>		<b>239,651</b>	<b>230,887</b>	<b>276,737</b>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	18	(83,193)	(67,694)	(83,357)
<b>Total Current Liabilities</b>		<b>(83,193)</b>	<b>(67,694)</b>	<b>(83,357)</b>
<b>Assets less Current Liabilities</b>		<b>156,458</b>	<b>163,193</b>	<b>193,380</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions	5	(2,183)	(2,465)	(6,367)
Deferred Tax provision	5	(5,768)	(6,097)	(10,136)
Pension Liability		(221)	(165)	(217)
		<b>(8,172)</b>	<b>(8,727)</b>	<b>(16,720)</b>
<b>ASSETS LESS LIABILITIES</b>		<b>148,286</b>	<b>154,466</b>	<b>176,660</b>
<b>TAXPAYER'S EQUITY</b>				
Capital Reserve		7,057	4,778	16,511
Revaluation Reserve		9,083	8,670	16,986
General Reserve		132,146	141,018	143,163
<b>Total Taxpayer's Equity</b>		<b>148,286</b>	<b>154,466</b>	<b>176,660</b>

Approved by the Board on 2 July 2010

**Margaret Fay CBE**  
Chairman

**Alan Clarke**  
Chief Executive/Accounting Officer

**Group Cash Flow Statement**  
for the Year Ended 31 March 2010

	2009-10	2008-09
Note	£000	£000
<b>Net Cash Outflow from Operating Activities</b>		
Net (Deficit)/Surplus after Cost of Capital and Interest	(253,466)	(254,101)
Adjustment for Cost of Capital Charge	5,406	6,054
(Increase)/Decrease in Trade and Other Receivables	16 (607)	(6,443)
(Increase)/Decrease in Inventories	7 (980)	15,149
Increase/(Decrease) in Trade Payables	18 23,215	(18,410)
Depreciation and Amortisation	6/9 669	740
Corporation Tax Charges and Changes to Deferred Tax Provision	3,152	1,322
Use of Provisions	5,155	(5,044)
Other Operating Recharges	(4,012)	(2,453)
(Surplus) / Loss from share in JV's / Associates	286	1,193
<b>Net Cash Outflow from Operating Activities</b>	<b>(221,182)</b>	<b>(261,993)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant and Equipment	9 (803)	(236)
Disposal / Revaluation of Property, Plant and Equipment	9 (310)	2
(Increase) / Decrease to Other Assets	138	315
Investments in Subsidiaries	(1,413)	(959)
Loan (Repayments) from Other Bodies	15 6,477	2,503
<b>Net Cash Flow from Investing Activities</b>	<b>4,089</b>	<b>1,625</b>
<b>Cash Flows from Financing Activities</b>		
Grants from Parent Department	239,000	241,000
Subsidiary Activities	(1,128)	2,415
Bank Loans (Subsidiaries)	(3,189)	3,547
<b>Net Financing</b>	<b>234,683</b>	<b>246,962</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents in the Period</b>	<b>17,590</b>	<b>(13,406)</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	29,017	42,423
<b>Cash and Cash Equivalents at the End of the Period</b>	46,607	29,017
	<b>17,590</b>	<b>(13,406)</b>

**Agency Cash Flow Statement**  
for the Year Ended 31 March 2010

	2010	2009
Note	£000	£000
<b>Net Cash Outflow from Operating Activities</b>		
Net (Deficit)/Surplus after Cost of Capital and Interest	(253,510)	(255,098)
Adjustment for Cost of Capital Charge	5,406	6,054
(Increase)/Decrease in Trade and Other Receivables	16     560	(4,524)
(Increase)/Decrease in Inventories	7     (918)	15,149
Increase/(Decrease) in Trade Payables	18     15,535	(15,663)
Depreciation and Amortisation	6/9     647	739
Changes to Provisions	(288)	(3,982)
(Surplus) / Loss from share in JV's / Associates	286	1,193
<b>Net Cash Outflow from Operating Activities</b>	<b>(232,282)</b>	<b>(256,132)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant and Equipment	9     (777)	(159)
Revaluation of Property, Plant and Equipment	9     (460)	530
(Increase) / Decrease in Investment and Operating Assets	629	311
Accrued Income from Loan Investments	-	(327)
Loan Repayments from Other Bodies	15     6,477	2,503
<b>Net Cash Flow from Investing Activities</b>	<b>5,869</b>	<b>2,858</b>
<b>Cash Flows from Financing Activities</b>		
Grants from Parent Department	239,000	241,000
<b>Net Financing</b>	<b>239,000</b>	<b>241,000</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents in the Period</b>	<b>12,587</b>	<b>(12,274)</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>18,524</b>	<b>30,798</b>
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>31,111</b>	<b>18,524</b>
	<b>12,587</b>	<b>(12,274)</b>

**Statement of Changes in Agency Reserves  
for the year ended 31 March 2010**

	Note	Capital Reserve £000	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
<b>Balance at 1 April 2007</b>		16,656	16,316	154,526	187,498
<b>Changes in reserves 2007-08</b>					
Net gain/(loss) on revaluation of property, plant and equipment	9	-	50	-	50
Net gain/(loss) on revaluation of financial assets	8	-	(39)	-	(39)
Net gain/(loss) on revaluation of inventories	7	-	(73)	-	(73)
Change in share of net assets of subsids & joint ventures	13	(1,307)	-	-	(1,307)
Transfers between reserves		247	702	(949)	-
Corporation Tax	11	915	30	-	945
Retained Surplus/Deficit		(145)	670	(949)	(424)
<b>Total recognised income and expense for 2007-08</b>		-	-	(277,414)	(277,414)
Grant in Aid received from BIS applied to purchase of assets		-	-	14,624	14,624
Grant in Aid received from BIS applied to resource expenditure		-	-	252,376	252,376
<b>Balance at 31 March 2008</b>		<b>16,511</b>	<b>16,986</b>	<b>143,163</b>	<b>176,660</b>
<b>Balance at 1 April 2008</b>		16,511	16,986	143,163	176,660
<b>Changes in reserves 2008-09</b>					
Net gain/(loss) on revaluation of property, plant and equipment	9	-	(530)	-	(530)
Net gain/(loss) on revaluation of financial assets	8	-	(33)	-	(33)
Net gain/(loss) on revaluation of inventories	7	-	(6,019)	-	(6,019)
Change in share of net assets of subsids & joint ventures	13	(14,102)	-	-	(14,102)
Release of reserves to the Net Expenditure Account		2,046	-	-	2,046
Transfers between reserves		63	(3,408)	3,345	-
Corporation Tax	11	260	1,674	-	1,934
Retained Surplus/Deficit		(11,733)	(8,316)	3,345	(16,704)
<b>Total recognised income and expense for 2008-09</b>		-	-	(246,490)	(246,490)
Grant in Aid received from BIS applied to purchase of assets		-	-	12,775	12,775
Grant in Aid received from BIS applied to resource expenditure		-	-	228,225	228,225
<b>Balance at 31 March 2009</b>		<b>4,778</b>	<b>8,670</b>	<b>141,018</b>	<b>154,466</b>
<b>Balance at 1 April 2009</b>		4,778	8,670	141,018	154,466
<b>Changes in reserves 2009-10</b>					
Net gain/(loss) on revaluation of property, plant and equipment	9	-	460	-	460
Net gain/(loss) on revaluation of financial assets	8	-	(51)	-	(51)
Net gain/(loss) on revaluation of inventories	7	-	5	-	5
Change in share of net assets of subsids & joint ventures	13	2,069	-	-	2,069
Transfers between reserves		(56)	-	56	-
Corporation Tax	11	266	(1)	-	265
Retained Surplus/Deficit		2,279	413	56	2,748
<b>Total recognised income and expense for 2009-10</b>		-	-	(247,928)	(247,928)
Grant in Aid received from BIS applied to purchase of assets		-	-	12,323	12,323
Grant in Aid received from BIS applied to resource expenditure		-	-	226,677	226,677
<b>Balance at 31 March 2010</b>		<b>7,057</b>	<b>9,083</b>	<b>132,146</b>	<b>148,286</b>



**Statement of Changes in Group Reserves  
for the year ended 31 March 2010**

	Note	Capital Reserve £000	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
<b>Balance at 1 April 2007</b>		20,180	16,316	154,525	191,021
<b>Changes in reserves 2007-08</b>					
Net gain/(loss) on revaluation of property, plant and equipment	9	-	50	-	50
Net gain/(loss) on revaluation of financial assets	8	-	(39)	-	(39)
Net gain/(loss) on revaluation of inventories	7	-	(73)	-	(73)
Change in share of net assets of joint ventures	13	(2,652)	-	-	(2,652)
Transfers between reserves		1,065	702	(1,767)	-
Corporation Tax	11	915	30	-	945
Retained Surplus/Deficit		(672)	670	(1,767)	(1,769)
<b>Total recognised income and expense for 2007-08</b>		-	-	(276,595)	(276,595)
Grant in Aid received from BIS applied to purchase of assets		-	-	14,624	14,624
Grant in Aid received from BIS applied to resource expenditure		-	-	252,376	252,376
<b>Balance at 31 March 2008</b>		<b>19,508</b>	<b>16,986</b>	<b>143,163</b>	<b>179,657</b>
<b>Balance at 1 April 2008</b>		19,508	16,986	143,163	179,657
<b>Changes in reserves 2008-09</b>					
Net gain/(loss) on revaluation of property, plant and equipment	9	-	(530)	-	(530)
Net gain/(loss) on revaluation of investments	8	-	(33)	-	(33)
Net gain/(loss) on revaluation of inventories	7	-	(6,019)	-	(6,019)
Change in share of net assets of joint ventures	13	(14,752)	-	-	(14,752)
Release of reserves to the I&E		2,046	-	-	2,046
Transfers between reserves		730	(3,408)	2,678	-
Corporation Tax	11	260	1,674	-	1,934
Retained Surplus/Deficit		(11,716)	(8,316)	2,678	(17,354)
<b>Total recognised income and expense for 2008-09</b>		-	-	(245,823)	(245,823)
Grant in Aid received from BIS applied to purchase of assets		-	-	12,775	12,775
Grant in Aid received from BIS applied to resource expenditure		-	-	228,225	228,225
<b>Balance at 31 March 2009</b>		<b>7,792</b>	<b>8,670</b>	<b>141,018</b>	<b>157,480</b>
<b>Balance at 1 April 2009</b>		7,792	8,670	141,018	157,480
<b>Changes in taxpayers equity for 2009-10</b>					
Net gain/(loss) on revaluation of property, plant and equipment	9	-	460	-	460
Net gain/(loss) on revaluation of financial assets	8	-	(51)	-	(51)
Net gain/(loss) on revaluation of inventories	7	-	5	-	5
Change in share of net assets of joint ventures	13	3,320	-	-	3,320
Transfers between JV and Subsidiaries		(1,177)	-	-	(1,177)
Transfers between reserves		(10)	-	10	-
Corporation Tax	11	266	(1)	-	265
Retained Surplus/Deficit		2,399	413	10	2,822
<b>Total recognised income and expense for 2009-10</b>		-	-	(247,882)	(247,882)
Grant in Aid received from BIS applied to purchase of assets		-	-	12,323	12,323
Grant in Aid received from BIS applied to resource expenditure		-	-	226,677	226,677
<b>Balance at 31 March 2010</b>		<b>10,191</b>	<b>9,083</b>	<b>132,146</b>	<b>151,420</b>

A corporation tax credit of £1,000 in respect of development asset revaluations has been deducted from the revaluation reserve (2009: debit of £1,674,000) in respect of investment asset revaluations.

The Capital Reserve comprises gains and losses of the group entities.

The Revaluation Reserve holds any gains made on property and inventories owned by the Agency. These gains are made on revaluation and when realised by the sale of the asset are released to the Net Expenditure Account.

The Government Grant Reserve comprises receipt and use of grant in aid and the Net Expenditure Account.

## Notes to The Financial Statements for The Year Ended 31 March 2010

### 1. Accounting Policies

#### 1.1 Basis of Accounting

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (iFReM) issued by HM Treasury. The accounting policies contained in the iFReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the iFReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.2 Basis of Consolidation

No separate Net Expenditure Account is presented for the Agency as provided by Section 408 of the Companies Act 2006.

The consolidated accounts incorporate the accounts of the Agency and its subsidiary undertakings: North East Regional Investment Fund Three Limited, The North East Regional Investment Fund Partner Limited, Enterprise Development North East Limited, North East Regional Aggregation Body LLP (starting with the 2009-10 financial year), DOTT07/Designs of the Time Limited and North East England Trading Limited.

Joint ventures relating to Sunderland ARC Limited, Tees Valley Regeneration Limited, NEL Fund Management Group Limited, the North East Regional Aggregation Body LLP (until the end of the 2008-09 financial year), the North East Property Partnership, Hadrian's Wall Heritage Limited, 1NG Limited, Onsite North East General Partner Limited, and Newcastle Science Company Limited have been accounted for using the equity method under IAS 31, Interests in Joint Ventures and IAS 28, Investments in Associates. The adoption of IFRS has resulted in the transfer of the company's share in the accumulated net profit or loss of its joint ventures from the capital reserve to the general reserve as well as the presentation on the Net Expenditure Account of the Agency's share of the current year's net profit or loss for the joint ventures.

#### 1.3 Pensions

Employees and ex-employees of One North East are predominantly members of the following defined benefit schemes: Home and Communities Agency Scheme, Principal Civil Service Pension Scheme (PCSPS) and the North East Development Agency Retirement Scheme (NEDARBS).

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

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

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

These schemes are subject to regular valuations by independent, professionally qualified actuaries. These determine the level of contributions required to fund future benefits.

#### "By Analogy" scheme and NEDARBS

A credit, representing the expected return on assets in the fund during the year is included in other finance income. This is based on the market value of the assets at the start of the financial year.

A charge, within other finance charges, representing the expected increase in the liabilities of the scheme during the year is included within net interest. This arises because the liabilities of the scheme are one year closer to payment.

The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset in the balance sheet.

Differences between actual and expected returns on assets during the year are recognised in the Group Net Expenditure Account, together with differences arising from changes in actuarial assumptions.

#### 1.4 Land and Buildings

Land and buildings held as industrial or commercial investment properties or properties shown in the course of development are shown in the balance sheet at open market value. Undeveloped land is also valued at open market value. Valuations are carried out in accordance with best practice as contained in the Statement of Asset Valuation Practice and Guidance Notes (3rd Edition) published by the Royal Institute of Chartered Surveyors.

An independent external valuation of the whole portfolio was carried out as at 31 March 2010, which was undertaken by GVA Grimley Ltd, Chartered Surveyors.

Disposals and purchases of land and buildings are accounted for on the earlier of the date of legal completion and the date of transfer of the significant risks and rewards of ownership.

All expenditure is capitalised relating to acquisition fees, legal fees to purchase the property, development work and reclamation work to land.

## Notes to The Financial Statements for the Year Ended 31 March 2010

### 1.5 Loans and Receivables at Fair Value

Loans and receivables at fair value are held by the non-Agency group companies in the form of unsecured loans and redeemable preference shares are made in small and medium sized enterprises which are high risk.

Provisions against investments are charged to the net expenditure account in line with the expected risk of loss to the projected net book value of the investments at each year end.

### 1.6 Website Development Costs

Website development costs are written off to the net expenditure account in the period which the cost is incurred.

### 1.7 Tangible operating assets and intangible assets

Non current assets other than properties used by the Agency are capitalised at their cost of acquisition and installation.

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

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

### 1.8 Depreciation/amortisation

Depreciation/amortisation is provided to write off the historic cost of furniture and fittings and information technology over their anticipated useful lives on a straight line basis at the following annual rates:

#### Tangible Assets:

Leasehold buildings with less than 25 years to run	Period of lease
Computer equipment	3 years
Office equipment and plant	5 years
Office fixtures and fittings	10 years

#### Intangible Assets:

Software licences	3 years
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Depreciated historical cost is used as a proxy for the current value of named classes of non-property assets because it would cost more to value these items than they are worth.

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

### 1.9 Long Term Loans

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

### 1.10 Inventories

Inventories consisting of development land and buildings, are shown at the lower of replacement cost (taking into account the full costs and restrictions associated with regeneration) and net realisable value. The Agency treats valuations of inventories individually with upward revaluations being credited to the Revaluation Reserve and downward revaluations being charged to the net expenditure account to the extent that there is no credit on the Revaluation Reserve against which such a loss can be charged.

### 1.11 Government Grants Receivable and Payable

One North East's activities are funded primarily by grant in aid provided by BIS for specified types of expenditure. Grant in aid used to finance activities and expenditure which support the statutory and other objectives of One North East is treated as financing, and credited to the General Reserve, because it is regarded as contributions from a controlling party. Other grants relating to capital expenditure used to acquire specific capital items are credited to a Capital Reserve and grants to fund revenue expenditure are credited to the Net Expenditure Account.

## **Notes to The Financial Statements for the Year Ended 31 March 2010**

### **1.12 Income**

Income related to the Agency's role as the managing authority for ERDF is recognised when the validity and correctness of the claim is assured, as required by Government guidance. Other Grant income and European funding is recognised when the funding comes due in accordance with the Agency's contractual rights.

Rental income and income from loan investments is recognised in accordance with the timing as set out in the relevant contracts, and other income is recognised when it is due under contractual rights or when it has been earned according to agreement, is reliably measurable and receipt is reasonably assured.

### **1.13 Deferred Taxation**

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

### **1.14 Foreign Currency Transactions**

Transactions in foreign currencies are recorded in sterling at the rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates prevailing at the Statement of Financial Position date. Resulting exchange gains and losses are taken to the Net Expenditure Account. All material assets and liabilities are denominated in sterling, therefore the group is not exposed to currency risk.

### **1.15 Leases**

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

### **1.16 Financial Instruments**

The Agency has no borrowings and relies primarily on departmental grants for its cash requirements and is therefore not exposed to liquidity risks. All material assets and liabilities are denominated in sterling, so it is not exposed to currency risk.

The subsidiary companies North East Regional Investment Fund Limited, North East Regional Investment Fund Two Limited, North East Regional Investment Fund Three Limited and North East Regional Investment Fund Partner Limited were formed to provide access into an investment and loan fund for Small and Medium Enterprises (SMEs) in key industrial/commercial sectors in the region. These companies aim to facilitate the creation, diversification and expansion of SMEs in the region by providing access to finance where risks are in excess of normal market considerations and on terms which will encourage take up. On 10 January 2009 One North East sold their investment in North East Regional Investment Fund Limited and North East Regional Investment Fund Two Limited.

Given the subsidiary companies role as a 'gap funder' to support SME businesses seen to be viable, but with an inability to obtain all their funding requirements from traditional sources these investments are evaluated as high risk. In the subsidiary companies provisions are charged to the profit and loss account in line with the expected risk of loss to the fund.

The provisions against investments will only be increased if the provision basis shown above does not reflect an adequate provision in the financial statements. The increase in the provision will only be made if specific investments are seen as not being fully recoverable.

These subsidiaries have been funded by the Agency, bank loans and ERDF funding. The borrowings of the subsidiaries are detailed in Note 24.

Partnership workspace schemes, the Agency's investment with partners who are mainly local authorities, to provide rural workspace are included in the Statement of Financial Position at a valuation based on present value of estimated future rental income. Expenditure on these projects is written off in the year of spend.

### **1.17 Other Operating Recharges**

Funding is received by North East Regional Investment Fund Three Limited and North East Regional Investment Fund Partner Limited for the purpose of investing in SMEs. Until the funding is applied to investments the funding is repayable.

Subsequently as investments are realised, the recycled money must be rolled into a legacy fund together with all interest and dividends received plus capital gains and impairment losses. Such movements flow through the group financial statements and are allocated to the resulting legacy funds as other operating charges.

## **Notes to The Financial Statements for the Year Ended 31 March 2010**

### **1.18 Capital Charge**

A charge, reflecting the cost of capital utilised by the Agency, is included in the Net Expenditure Account. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for the following items relevant to these accounts:

**A** Property, plant and equipment and intangible assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:

- . Additions at cost
- . Disposals as valued in the opening Statement of Financial Position (plus any subsequent capital expenditure prior to disposal)
- . Impairments at the amount of the reduction of the opening Statement of Financial Position value (plus any subsequent capital expenditure)
- . Depreciation of property, plant and equipment and amortisation of intangible assets

**B** Cash balances with the Office of the Paymaster General, where the charge is nil

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

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

#### **Changes to the Financial Reporting Manual (iFReM) effective for the financial year beginning 1 April 2010 identified as having an impact on the Agency's accounts**

- The removal of Cost of Capital charge from accounts (see Note 1.18). The 2010-2011 iFReM removes the requirement to show cost of capital charge. Therefore, the 2010-2011 Net Expenditure Account will not contain a cost of capital charge.

#### **Early adoption of IFRS changes**

- The 2009-2010 iFReM was amended to implement changes to IFRS 8. The main change to the standard is that segmental information for total assets is only required if such amounts are regularly reported to the operating decision maker. The effective date of adoption of the IFRS is the 1st January 2010 and this therefore constitutes early adoption.

#### **Changes to IFRS / iFReM effective for the financial year beginning 1 April 2010 that may be relevant but are not expected to have an impact on the Agency's accounts**

- Amendments to IAS 27, 'Consolidated and Separate Financial Statements'
- Amendments to IAS 32, 'Financial Instruments: Presentation'
- An adaptation of IAS 36 requiring all impairments caused by consumption of economic benefit to be charged to the Net Expenditure Account.
- Amendments to IAS 39, 'Financial Instruments: Recognition and Measurement'

#### **Changes to IFRS effective for future financial years (unless adopted earlier by the Financial Reporting Manual) that may be relevant but are not expected to have an impact on the Agency's accounts**

- IFRS 9 'Financial Instruments: Classification and Measurement' replaces IAS 39, 'Financial Instruments: Recognition and Measurement' in the 2013-14 financial year
- Amendments to IAS 24, 'Related Party Disclosures' become effective for the 2011-12 financial year

## Notes to The Financial Statements for the Year Ended 31 March 2010

### 2. Segmental Analysis

	2010	2009
Direct Expenditure for the Group:	£000	£000
<b>Core Agency Programmes</b>		
Programme 1 - Innovation and Business Development	46,125	36,203
Programme 2 - Business Investment	53,360	62,177
Programme 3 - Enterprise and Business Support	48,060	39,140
Programme 4 - Skills and Higher Education	10,310	6,596
Programme 5 - Economic Inclusion	5,343	7,557
Programme 6 - City Regions and Rural	57,701	58,146
Programme 7 - Promoting The Region	6,386	6,723
Programme 8 - Culture and Tourism	12,927	15,453
Subtotal - Agency Programmes	240,212	231,995
Less: Capitalised items included in programme expenditure above	12,099	15,749
Other group programme net expenditure	4,585	3,130
<b>Group Programme Expenditure</b>	<b>232,698</b>	<b>219,376</b>
Staff costs	22,642	21,586
Impairments	10,270	27,482
European funded expenditure, managing authority role	64,168	-
Other non-programme expenditure, Agency	7,438	4,753
Other non-programme expenditure, group companies	5,697	(1,140)
<b>Total Group Expenditure</b>	<b>342,913</b>	<b>272,057</b>

£5,650,000 (2009: £7,351,000) of the above Agency Programme expenditure was funded by European funding. The additional £64,168,000 of European funded expenditure included in Total Group Expenditure above is outflows related to the Agency's role as a managing authority for the European Regional Development Fund and was entirely offset by an equal amount of income (for more information, see Note 10).

Programme expenditure included £196,291,000 in grant funding (2009: £181,963,000). Grants to private sector recipients were £143,577,000 (2009: £119,559,000) and grants to public sector recipients were £52,714,000 (2009: £62,404,000).

Business Support expenditure (Programmes 1 - 3) has increased year over year by £10m, to align with Governmental and Agency emphasis on business support during the economic downturn. The increase included the addition of a Low Carbon Vehicle activity and the introduction of the Strategic Investment Fund, investing in industrial innovation, job creation, and growth, with an emphasis on emerging industries such as renewable resources.

The NE Regional Aggregation Body was added to the group companies in 2009-10 as well as a new division within Enterprise Development North East Limited.

In its operations, the Agency does not assign assets and liabilities to any segments, and no one segment uses any designated portion of the assets or creates any designated portion of the liabilities. Therefore, splitting the assets and liabilities by segment could only be done as the result of an arbitrary allocation, which would only be potentially misleading as to the segmental operations of the Agency.

## Notes to The Financial Statements for the Year Ended 31 March 2010

### 3. First-time adoption of IFRS

#### Statement of Financial Position

	Capital Reserve £000	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
Taxpayers equity at 31 March 2009 under UK GAAP	7,239	8,670	144,544	160,453
Adjustments for:				
Deferred Tax Position	-	-	(2,973)	(2,973)
(Surplus) / Loss from share in JV's / Associates	553	-	(553)	-
Taxpayers equity at 1 April 2009 under IFRS	<u>7,792</u>	<u>8,670</u>	<u>141,018</u>	<u>157,480</u>

#### Net Expenditure Account

	£000
Net Expenditure for 2008-09 under UK GAAP	247,467
Adjustments for:	
Deferred Tax	(2,837)
(Surplus) / Loss from share in JV's / Associates	1,193
Net Expenditure for 2008-09 under IFRS	<u>245,823</u>

To assist users of these financial statements we have listed below Glossary of Terms showing phrases used in UK GAAP accounts and their equivalent under IFRS.

#### UK GAAP / FReM

Balance Sheet  
Income and Expenditure Account  
Fixed Assets  
Tangible Operating Assets  
Stock  
Debtors  
Creditors  
Grant-in-Aid Reserve  
General Reserve

#### IFRS / I-FReM

Statement of Financial Position  
Net Expenditure Account  
Non Current Assets  
Property Plant and Equipment  
Inventories  
Trade Receivables  
Trade Payables  
General Reserve  
Capital Reserve

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**4. Staff Numbers and Related Costs**

<b>Staff costs comprise:</b>	<b>2010 Total £000</b>	<b>2009 Total £000</b>
<b>Board Members</b>		
Fees and salaries	216	209
Chairman's Pension Contributions	20	20
Social Security Costs	17	15
	<u>253</u>	<u>244</u>
<b>Staff</b>		
Salaries and Wages inc. Overtime	14,745	14,676
Pension Costs	3,354	3,442
Social Security Costs	1,164	1,133
	<u>19,263</u>	<u>19,251</u>
Redundancy Costs	1,006	677
Temporary Staff	257	507
Seconded Staff Costs	290	271
	<u>1,553</u>	<u>1,455</u>
	<u><b>21,069</b></u>	<u><b>20,950</b></u>
Northern Way	329	286
Subsidiary Staff Costs	1,243	349

An increase of £814,000 to the subsidiary staff costs resulted from the addition to the subsidiaries of the North East Regional Aggregation Body LLP and a new division within Enterprise Development North East Limited, which had a temporary increase in staff until the end of December 2009 due to the transition period.

Total costs for Northern Way staff housed at the Agency, including secondees, were £496,000 (2009: £474,000).

Cash paid in relation to redundancy costs amounted to £1,151,424 (2009: £1,010,882). No staff retired early on ill-health grounds during the year.

The total number of days lost to sickness absence during 2010 was 2,991 (2009: 2,155), of which 1,310 days (2009: 1,194) related to long-term illness.

Details of the pension scheme are disclosed in the remuneration report.

**4.1. Average number of persons employed**

The average number of whole-time equivalent persons employed during the most recent two years follow. Note that the 2009 and 2010 Agency figures include new full time equivalent posts relating to the additional responsibility for the European Regional Development Fund Programme, which was previously undertaken by Government Office North East. In addition, the subsidiaries expanded to include the NE Regional Aggregation Body LLP and a new division within Enterprise Development North East Limited, which added 6 new staff members.

<b>2009-10</b>	<b>Total</b>	<b>Permanent Staff</b>	<b>Temporary Staff</b>
Staff Numbers including ERDF	399	392	7
Staff Numbers excluding ERDF	373	366	7
Northern Way	7	7	0
Subsidiaries	27		
<b>2008-09</b>			
	<b>Total</b>	<b>Permanent Staff</b>	<b>Temporary Staff</b>
Staff Numbers including ERDF	410	398	12
Staff Numbers excluding ERDF	391	379	12
Northern Way	8	8	0
Subsidiaries	22		

A vacancy freeze has been in place since February of 2010, which has caused a significant reduction in staff numbers. In May 2010, the most recent internal reporting period, average staff numbers were 384, not including the Northern Way (7 staff members) and staff seconded in (3 staff members).



**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**4.2. Seconded Staff**

Staff were seconded from the following organisations during the year and were funded from operating costs expenditure:

**Staff seconded to the Agency**

<b>Name of Organisation</b>	<b>2010 No. of Staff</b>	<b>2010 Cost £000</b>	<b>2009 No. of Staff</b>	<b>2009 Cost £000</b>
Department for Work and Pensions	1	84	1	109
Government Office North East	2	148	2	111
CLG	1	23	-	-
Ward Hadaway	-	-	-	40
Muckle LLP	-	-	-	11
Sunderland Council	1	35	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	5	290	3	271

**Staff seconded to The Northern Way**

<b>Name of Organisation</b>	<b>2010 No. of Staff</b>	<b>2010 Cost £000</b>	<b>2009 No. of Staff</b>	<b>2009 Cost £000</b>
CLG	1	167	1	188

In addition, staff were seconded from the following organisations for which no charge was made, but in respect of which there was an estimated benefit to the Agency:

<b>Name of Organisation</b>	<b>2010 No. of Staff</b>	<b>2010 Benefit £000</b>	<b>2009 No. of Staff</b>	<b>2009 Benefit £000</b>
BAE	-	-	1	26
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	1	26

Where amounts appear with no corresponding FTE numbers, this indicates that the secondment provided an average over the period of less than 1/2 of a FTE staff member.

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**5. Provisions for Liabilities and Charges**

	Group			Agency		
	2010 £000	2009 £000	2008 £000	2010 £000	2009 £000	2008 £000
Balance at 1 April	8,562	16,503	11,485	8,562	16,503	11,485
Provided in the year	2,436	2,934	8,172	343	2,934	8,172
Provisions not required written back	(329)	(9,777)	(641)	(329)	(9,777)	(641)
Provisions utilised in the year	(625)	(1,098)	(2,513)	(625)	(1,098)	(2,513)
Balance 31 March	<u>10,044</u>	<u>8,562</u>	<u>16,503</u>	<u>7,951</u>	<u>8,562</u>	<u>16,503</u>
Analysis as at 31 March						
Deferred Tax	5,768	6,097	10,136	5,768	6,097	10,136
ERDF Provision	1,000	1,301	6,276	1,000	1,301	6,276
Other Provisions	3,276	1,164	91	1,183	1,164	91
Balance at 31 March	<u>10,044</u>	<u>8,562</u>	<u>16,503</u>	<u>7,951</u>	<u>8,562</u>	<u>16,503</u>

The major components of the provision for deferred taxation which has been fully provided at a corporation tax rate of 28% (2009: 28%) are as follows:

Capital Gains on Buildings for Business Partnership Assets	5,465	5,906	10,144	5,465	5,906	10,144
Accelerated Capital Allowances	1	1	(8)	1	1	(8)
Investment Properties and Revaluations	302	190	-	302	190	-
Balance 31 March	<u>5,768</u>	<u>6,097</u>	<u>10,136</u>	<u>5,768</u>	<u>6,097</u>	<u>10,136</u>

Provisions are made when the Agency has a present obligation as a result of a past event and it is more than 50% probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Therefore, the amounts provided for are, by their nature, uncertain in terms of exact value and timing of related cash outflows.

The Deferred Tax provision is used to provide for corporation tax amounts to be paid in relation to future taxable income. As shown in the schedule above, most of the anticipated future taxable income relates to revaluations on land and buildings. Therefore, the amounts will come due only when capital gains are realised through the sale of the land and buildings.

The ERDF provision is used to provide for any clawback of grants made that may not have been utilised for their correct purpose or in the time scale agreed. Clawback claims are usually settled within less than a year, but they can be made until the date of the end of the programme, which is 31 December 2025.

Other Provisions is used to provide for various potential liabilities that may occur in the future. Cashflows related to these provisions would normally be expected to arise within a one year period.

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**6. Other Expenditure**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Agency:</b>		
Administration Costs	940	1,378
Office Costs	1,765	1,794
Marketing and PR	1,108	1,513
Professional Fees and Project Costs	710	543
Travel and Subsistence	841	949
IT and Communication	987	931
Amortisation of Intangible Assets	136	187
Auditors' Remuneration - Statutory Work	70	67
Auditors' Remuneration - Statutory IFRS Work	7	6
Auditors Remuneration - Independent Supplementary Review	77	-
Operating Lease Rentals	30	39
Book value of Property, Plant and Equipment sold	55	2
Bad Debts Written Off and Movements in Provisions for Bad and Doubtful Debts	133	(18)
Other provisions	(289)	(3,627)
Total Agency	<u>6,570</u>	<u>3,764</u>
<b>Subsidiaries:</b>		
Administration Costs	764	451
Office Costs	237	98
Professional Fees and Project Costs	382	421
Travel and Subsistence	36	6
IT and Communication	34	10
Auditors' Remuneration - Statutory Work	24	27
Amounts Provided against Fixed Asset Investments	1,123	2,260
Release of Provision against Fixed Asset Investments	-	(6)
Other Operating Costs / (Recharges)	1,005	(1,216)
Other provisions	2,092	(3,191)
Total Subsidiaries	<u>5,697</u>	<u>(1,140)</u>
<b>Total</b>	<u>12,267</u>	<u>2,624</u>

Other Operating Recharges were £4,012,000 (2009: £2,453,000). For further information, see Note 1.17.

Reductions in Agency costs for Administration are due primarily to a year over year change in recruitment costs, which were higher in 2008-09 due to a staff reshaping exercise and lower in 2009-10 due to a vacancy freeze. Reductions to Agency costs for Marketing and PR relate primarily to reduced event costs and a decrease in promotional literature.

Auditors' remuneration for IFRS work involved auditing the accounts for financial year 2008-09 restated under IFRS.

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**7. Inventories**

	Group			Agency		
	2010 £000	2009 £000	2008 £000	2010 £000	2009 £000	2008 £000
Valuation at 1 April	44,181	87,059	77,830	44,181	87,059	77,830
Additions	11,546	12,539	14,133	11,484	12,539	14,133
	55,727	99,598	91,963	55,665	99,598	91,963
Disposals	(337)	(425)	(4,154)	(337)	(425)	(4,154)
Transfer to Onsite North East General Partner Ltd	-	(21,710)	-	-	(21,710)	-
Write off to Net Expenditure Account	(10,229)	(27,263)	(677)	(10,229)	(27,263)	(677)
Revaluation Reserve	5	(6,019)	(73)	5	(6,019)	(73)
Value at 31st March	45,166	44,181	87,059	45,104	44,181	87,059

**8. Financial Assets**

	Group			Agency		
	2010 £000	2009 £000	2008 £000	2010 £000	2009 £000	2008 £000
At 1 April	317	569	736	317	569	736
Write Off to Net Expenditure Account	(40)	(219)	(128)	(40)	(219)	(128)
Revaluation	(51)	(33)	(39)	(51)	(33)	(39)
At 31 March	226	317	569	226	317	569
Financial Assets receivable within one year	162	134	175	162	134	175
Financial Assets receivable more than one year	64	183	394	64	183	394
At 31 March	226	317	569	226	317	569

Financial assets consist of partnership workspace that was inherited by the Agency on its inception from the Rural Development Commission. The Commission awarded grants to Local Authorities to purchase commercial property for rent, and as successor to the Commission, the Agency holds contractual rights to receive 50% of annual rental income within a set period of time and 50% of any disposals.

These contractual rights are valued by discounting the forecasted related income stream at the cost of capital rate of 3.5%.

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**9. Property, Plant and Equipment**  
Financial Year 2009-10

	<b>GROUP</b>			
	<b>Land &amp; Buildings £000</b>	<b>Information Technology £000</b>	<b>Furniture &amp; Fittings £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>				
At 1 April 2009	8,270	2,614	2,121	13,005
Additions	-	726	77	803
Disposals	-	(34)	(116)	(150)
Revaluations	460	-	-	460
<b>At 31 March 2010</b>	<b>8,730</b>	<b>3,306</b>	<b>2,082</b>	<b>14,118</b>
<b>Depreciation</b>				
At 1 April 2009	-	2,468	1,394	3,862
Charged in year	-	342	191	533
Disposals	-	(34)	(61)	(95)
<b>At 31 March 2010</b>	<b>-</b>	<b>2,776</b>	<b>1,524</b>	<b>4,300</b>
<b>Net book value at 31 March 2010</b>	<b>8,730</b>	<b>530</b>	<b>558</b>	<b>9,818</b>
<b>Net book value at 31 March 2009</b>	<b>8,270</b>	<b>146</b>	<b>727</b>	<b>9,143</b>
<b>Asset financing:</b>				
Owned	8,730	530	558	9,818
<b>Net book value at 31 March 2010</b>	<b>8,730</b>	<b>530</b>	<b>558</b>	<b>9,818</b>

	<b>AGENCY</b>			
	<b>Land &amp; Buildings £000</b>	<b>Information Technology £000</b>	<b>Furniture &amp; Fittings £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>				
At 1 April 2009	8,270	2,572	2,092	12,934
Additions	-	726	51	777
Disposals	-	(34)	(114)	(148)
Revaluations	460	-	-	460
<b>At 31 March 2010</b>	<b>8,730</b>	<b>3,264</b>	<b>2,029</b>	<b>14,023</b>
<b>Depreciation</b>				
At 1 April 2009	-	2,435	1,369	3,804
Charged in year	-	336	175	511
Disposals	-	(34)	(60)	(94)
<b>At 31 March 2010</b>	<b>-</b>	<b>2,737</b>	<b>1,484</b>	<b>4,221</b>
<b>Net book value at 31 March 2010</b>	<b>8,730</b>	<b>527</b>	<b>545</b>	<b>9,802</b>
<b>Net book value at 31 March 2009</b>	<b>8,270</b>	<b>137</b>	<b>723</b>	<b>9,130</b>
<b>Asset financing:</b>				
Owned	8,730	527	545	9,802
<b>Net book value at 31 March 2010</b>	<b>8,730</b>	<b>527</b>	<b>545</b>	<b>9,802</b>

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**9. Property, Plant and Equipment (continued)**  
Financial Year 2008-09

	<b>GROUP</b>			
	<b>Land &amp; Buildings</b>	<b>Information Technology</b>	<b>Furniture &amp; Fittings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>				
At 1 April 2008	8,800	2,465	2,117	13,382
Additions	-	152	8	160
Disposals	-	(3)	(4)	(7)
Revaluations	(530)	-	-	(530)
<b>At 31 March 2009</b>	<b>8,270</b>	<b>2,614</b>	<b>2,121</b>	<b>13,005</b>
<b>Depreciation</b>				
At 1 April 2008	-	2,107	1,195	3,302
Charged in year	-	364	201	565
Disposals	-	(3)	(2)	(5)
<b>At 31 March 2009</b>	<b>-</b>	<b>2,468</b>	<b>1,394</b>	<b>3,862</b>
<b>Net book value at 31 March 2009</b>	<b>8,270</b>	<b>146</b>	<b>727</b>	<b>9,143</b>
<b>Net book value at 31 March 2008</b>	<b>8,800</b>	<b>358</b>	<b>922</b>	<b>10,080</b>
<b>Asset financing:</b>				
Owned	8,270	146	727	9,143
<b>Net book value at 31 March 2009</b>	<b>8,270</b>	<b>146</b>	<b>727</b>	<b>9,143</b>

	<b>AGENCY</b>			
	<b>Land &amp; Buildings</b>	<b>Information Technology</b>	<b>Furniture &amp; Fittings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation</b>				
At 1 April 2008	8,800	2,424	2,088	13,312
Additions	-	151	8	159
Disposals	-	(3)	(4)	(7)
Revaluations	(530)	-	-	(530)
<b>At 31 March 2009</b>	<b>8,270</b>	<b>2,572</b>	<b>2,092</b>	<b>12,934</b>
<b>Depreciation</b>				
At 1 April 2008	-	2,081	1,176	3,257
Charged in year	-	357	195	552
Disposals	-	(3)	(2)	(5)
<b>At 31 March 2009</b>	<b>-</b>	<b>2,435</b>	<b>1,369</b>	<b>3,804</b>
<b>Net book value at 31 March 2009</b>	<b>8,270</b>	<b>137</b>	<b>723</b>	<b>9,130</b>
<b>Net book value at 31 March 2008</b>	<b>8,800</b>	<b>343</b>	<b>912</b>	<b>10,055</b>
<b>Asset financing:</b>				
Owned	8,270	137	723	9,130
<b>Net book value at 31 March 2009</b>	<b>8,270</b>	<b>137</b>	<b>723</b>	<b>9,130</b>

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**9. Property, Plant and Equipment (continued)**  
Financial Year 2007-08

**GROUP**

	Land & Buildings £000	Information Technology £000	Furniture & Fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2007	8,750	3,695	2,045	14,490
Additions	-	131	79	210
Disposals	-	(1,361)	(6)	(1,367)
Revaluations	50	-	-	50
<b>At 31 March 2008</b>	<b>8,800</b>	<b>2,465</b>	<b>2,118</b>	<b>13,383</b>
<b>Depreciation</b>				
At 1 April 2007	-	3,069	988	4,057
Charged in year	-	400	212	612
Disposals	-	(1,361)	(5)	(1,366)
<b>At 31 March 2008</b>	<b>-</b>	<b>2,108</b>	<b>1,195</b>	<b>3,303</b>
<b>Net book value at 31 March 2008</b>	<b>8,800</b>	<b>357</b>	<b>923</b>	<b>10,080</b>
<b>Net book value at 31 March 2007</b>	<b>8,750</b>	<b>626</b>	<b>1,057</b>	<b>10,433</b>
<b>Asset financing:</b>				
Owned	8,800	357	923	10,080
<b>Net book value at 31 March 2008</b>	<b>8,800</b>	<b>357</b>	<b>923</b>	<b>10,080</b>

**AGENCY**

	Land & Buildings £000	Information Technology £000	Furniture & Fittings £000	Total £000
<b>Cost or valuation</b>				
At 1 April 2007	8,750	3,444	2,024	14,218
Additions	-	131	66	197
Disposals	-	(1,151)	(2)	(1,153)
Revaluations	50	-	-	50
<b>At 31 March 2008</b>	<b>8,800</b>	<b>2,424</b>	<b>2,088</b>	<b>13,312</b>
<b>Depreciation</b>				
At 1 April 2007	-	2,844	971	3,815
Charged in year	-	388	206	594
Disposals	-	(1,151)	(1)	(1,152)
<b>At 31 March 2008</b>	<b>-</b>	<b>2,081</b>	<b>1,176</b>	<b>3,257</b>
<b>Net book value at 31 March 2008</b>	<b>8,800</b>	<b>343</b>	<b>912</b>	<b>10,055</b>
<b>Net book value at 31 March 2007</b>	<b>8,750</b>	<b>600</b>	<b>1,053</b>	<b>10,403</b>
<b>Asset financing:</b>				
Owned	8,800	343	912	10,055
<b>Net book value at 31 March 2008</b>	<b>8,800</b>	<b>343</b>	<b>912</b>	<b>10,055</b>

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**10. Income**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>European Funding</b>			
European Regional Development Fund - Agency	6,221	7,611	8,351
	<u>6,221</u>	<u>7,611</u>	<u>8,351</u>
<b>Other Government Grants</b>			
Other Government Grants - Agency	10,754	1,838	326
	<u>10,754</u>	<u>1,838</u>	<u>326</u>
<b>Other Income</b>			
Rents and maintenance charges	1,108	1,323	1,494
Other Income	5,946	5,475	7,261
Portfolio Income	-	325	481
Investment Income from Loan Investments	730	1,051	1,124
	<u>7,784</u>	<u>8,174</u>	<u>10,360</u>
<b>Proceeds from Disposal of Inventories</b>			
Proceeds from disposal of inventories	524	490	7,838
Proceeds from disposal of investment assets	-	20	-
	<u>524</u>	<u>510</u>	<u>7,838</u>
<b>Total Income</b>	<u>25,283</u>	<u>18,133</u>	<u>26,875</u>
<b>Interest</b>			
Interest Receivable and Other Finance Income	5,688	7,412	7,951
Interest Payable and Other Finance Income	-	(342)	(393)
	<u>5,688</u>	<u>7,070</u>	<u>7,558</u>

**European Funded Income and Expenditure, Managing Authority Role**

During 2009-10, One North East was delegated certain managing authority tasks by the Department for Communities and Local Government for the European Regional Development Fund (ERDF) in the North East of England. In this role, the Agency acted as intermediary between the Department of Communities and Local Government and final beneficiaries, which were applicant businesses throughout the region, for the payment of ERDF grants. The amount of £64,168,000 does not include ERDF funding where the Agency was also the beneficiary for the funds, which amounts are shown in the income figures above.

In accordance with Governmental guidance, expenditure and income are recognised simultaneously in offsetting amounts upon confirmation that the validity and correctness of the expenditure is assured.



**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**11. Taxation**

The Group taxation charge based on Group taxable profits for the year at 28% (2009: 28%) comprises:

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation Tax</b>		
Current Year	6	11
Prior Year	145	(1,032)
	<u>151</u>	<u>(1,021)</u>
<b>Deferred Taxation</b>		
Current year	(321)	(1,213)
Rate Change	-	-
Prior Year	(8)	10
	<u>(329)</u>	<u>(1,203)</u>
	<u>(178)</u>	<u>(2,224)</u>

The corporation tax charge for the current year is lower than the standard rate of corporation tax for the UK of 28% (2009: 28%). The differences are explained below.

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Net Expenditure on Ordinary Activities Before Taxation for the Group	(253,466)	(254,101)
Tax Arising on Net expenditure at 28% (2009: 28%)	(70,970)	(71,148)
Effects of:		
Income Not (Taxable)/Allowable for Tax Purposes	-	1,093
Non-allowable Deficit on Non Taxable Activities	70,173	66,995
Other Permanent Differences (primarily capital gains)	-	2,527
Capital Allowances in Excess of Depreciation	-	11
Utilisation of Tax Losses	(1,572)	(168)
Trading Losses Carried Forward to Relieve Future Trading Profits	-	-
Prior Year Corporation Tax Charge	137	(2,707)
Marginal Relief and Other Tax Credits	(2)	(3)
Unrelieved Tax Losses Arising in Period	-	3,525
Adjustment re provision for deferred tax made for change to IFRS	-	(793)
Non-deductible expenditure	2,056	(354)
Corporation Tax Rate Change	-	-
Corporation Tax Current Year Charge for the Period	<u>(178)</u>	<u>(1,021)</u>

No deferred tax provision has been made in respect of trading losses, as calculated for tax purposes, carried forward at 31 March 2010 estimated at £15,236,000 gross (2009: £11,869,000) are potentially available to relieve future trading profits. The potential deferred tax asset on these losses has not been recognised as the Agency does not consider it likely that the losses will be utilised in the foreseeable future.

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**12. Intangible Assets**

Intangible assets comprise

	<b>Group</b>	<b>Agency</b>
	<b>2010</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Software Licenses</b>		
<b>Cost or valuation</b>		
At 1 April 2009	1,306	1,306
Additions	<u>36</u>	<u>36</u>
<b>At 31 March 2010</b>	<u>1,342</u>	<u>1,342</u>
<b>Amortisation</b>		
At 1 April 2009	1,157	1,157
Charged in year	<u>136</u>	<u>136</u>
<b>At 31 March 2010</b>	<u>1,293</u>	<u>1,293</u>
<b>Net book value at 31 March 2010</b>	<u>49</u>	<u>49</u>
	<b>Group</b>	<b>Agency</b>
	<b>2009</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Software Licenses</b>		
<b>Cost or valuation</b>		
At 1 April 2008	1,229	1,229
Additions	<u>77</u>	<u>77</u>
<b>At 31 March 2009</b>	<u>1,306</u>	<u>1,306</u>
<b>Amortisation</b>		
At 1 April 2008	970	970
Charged in year	<u>187</u>	<u>187</u>
<b>At 31 March 2009</b>	<u>1,157</u>	<u>1,157</u>
<b>Net book value at 31 March 2009</b>	<u>149</u>	<u>149</u>
	<b>Group</b>	<b>Agency</b>
	<b>2008</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
<b>Software Licenses</b>		
<b>Cost or valuation</b>		
At 1 April 2007	935	935
Additions	<u>294</u>	<u>294</u>
<b>At 31 March 2008</b>	<u>1,229</u>	<u>1,229</u>
<b>Amortisation</b>		
At 1 April 2007	787	787
Charged in year	<u>183</u>	<u>183</u>
<b>At 31 March 2008</b>	<u>970</u>	<u>970</u>
<b>Net book value at 31 March 2008</b>	<u>259</u>	<u>259</u>

**Notes to The Financial Statements  
for the Year Ended 31 March 2010**

**13. Investments in Jointly Controlled Entities**

<b>Name of Undertaking</b>	<b>Interest</b>	<b>Year End</b>	<b>Nature of Business</b>
North East Regional Investment Fund Three Limited [Company Limited by Guarantee] (Incorporated 5th March 2002) (Principal Place of business: Stella House, Goldcrest Way, Newburn Riverside, Newcastle upon Tyne NE15 8NY)	100%	31 March	Provision of unsecured loans and redeemable preference shares for SMEs based in the North East.
Enterprise Development North East Limited (formerly North East Regional Portal 2001 Limited) (Incorporated 29th October 2001) [Company Limited by Guarantee] [Principal place of business: Kielder House, Lakeside Court, 5th Avenue Business Park, Team Valley Trading Estate, Tyne and Wear, NE11 0NL]	100%	31 March	General purpose incubator company.
The North East Regional Investment Fund Partner Limited [Company Limited by Guarantee] (Incorporated 20th June 2006) (Principal Place of business: Stella House, Goldcrest Way, Newburn Riverside, Newcastle upon Tyne NE15 8NY)	100%	31 March	Participation in equity investment funds.
North East Regional Aggregation Body LLP (Incorporated 13th January 2004) [Principal place of business: Kielder House, Lakeside Court, 5th Avenue Business Park, Team Valley Trading Estate, Tyne and Wear, NE11 0NL]	100%	31 March	To facilitate the redeployment of universally available and affordable broadband infrastructure.
DOTT07/Designs of the Time Ltd (Incorporated 21st March 2006) [Principal place of business: Stella House	100%	31 March	Dormant company
North East England Trading Limited (Incorporate 3rd March 2008) (Principal Place of business: Stella House, Goldcrest Way, Newburn Riverside, Newcastle upon Tyne NE15 8NY)	100%	31 March	Dormant company
North East Property Partnership LP [Principal place of business: (Incorporated 20th April 2004) 2nd Floor, Bldg 7, Queens Park Team Valley Trading Estate, Gateshead, NE11 0QD	50%	31 March	Property investment and management.
Onsite North East General Partner Limited (Incorporated 25th April 2008) [Principal place of business: Cavendish House, Teesdale Business Park, Tees Valley, Stockton on Tees, TS17 6QY]	50%	31 March	To develop and market development sites ready for disposal to developers.
Sunderland ARC Limited [Company Limited by Guarantee] (Incorporated 1st May 2002) [Principal place of business: North Sands Business Centre, Liberty Way, Sunderland SR6 0QA	33.33%	31 March	Urban Regeneration Company
Tees Valley Regeneration Limited [Company Limited by Guarantee] (Incorporated 2nd April 2002) [Principal place of business: Cavendish House, Teesdale Business Park, Stockton on Tees, TS17 6QY	33.33%	31 March	Urban Regeneration Company
1NG Limited (Incorporated 3rd March 2009) [Principal place of business: 9th Floor, Baltic Place East South Shore Road Gateshead, NE8 3AE	33.33%	31 March	An economic development and regeneration company focussed on delivery.
Newcastle Science Company Limited [Company Limited by Guarantee] (Incorporated 24th Feb 2009) [Principal place of business: Time Central 32 Gallowgate Newcastle upon Tyne, NE 1 4SN	33.33%	31 March	To capitalise on cutting edge scientific research for the economic and social benefit of Newcastle and the surrounding area.
Hadrian's Wall Heritage Limited [Company limited by Guarantee] (Incorporated 17th May 2006) [Principal place of business: East Peterel Field, Dipton Mill Rd, Hexham NE46 2JT	25%	31 March	To co-ordinate protection, development and promotion of the Hadrian's Wall World Heritage Site.
NEL Fund Management Group Ltd (formerly NEL Fund Managers Limited) [Principal place of business: Ground Floor, Victoria House, Hampshire Court, Newcastle Business Park, Newcastle NE4 7YJ	40%	31 March	Involved in the management of venture capital funds to provide loans and equity finance to SMEs. (Sold on 6 August 2009)

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**13. Investments in Jointly Controlled Entities (continued)**

	2010 Total £000	2010 Agency Share £000	2009 Total £000	2009 Agency Share £000	2008 Total £000	2008 Agency Share £000
Key Financial Results of Subsidiaries:						
North East Regional Investment Fund Limited Profit/(Loss) for the Year After Taxation	-	-	622	622	525	525
North East Regional Investment Fund Two Limited Profit/(Loss) for the Year After Taxation	-	-	-	-	267	267
North East Regional Investment Fund Three Limited Profit/(Loss) for the Year After Taxation	-	-	-	-	-	-
The North East Regional Investment Fund Partner Limited Profit/(Loss) for the Year After Taxation	-	-	-	-	22	22
Enterprise Development North East Limited Profit/(Loss) for the Year After Taxation	10	10	33	33	3	3
North East Regional Aggregation Body LLP Profit/(Loss) for the Year After Taxation	32	32	-	-	-	-
DOTT07/Designs of the Time Ltd (Dormant) Profit/(Loss) for the Year After Taxation	-	-	-	-	-	-
<b>Total Profit/(Loss) of Subsidiaries for the Year After Taxation</b>	<b>42</b>	<b>42</b>	<b>655</b>	<b>655</b>	<b>817</b>	<b>817</b>
Balances between Enterprise Development North East Limited and the Agency:						
Amounts due to Enterprise Development North East Limited	-	-	-	-	1,008	1,008
Key financial results of Joint Ventures:						
Sunderland ARC Ltd. Profit/(Loss) for the Year After Taxation	8	3	10	3	20	7
Tees Valley Regeneration Ltd. Profit/(Loss) for the Year After Taxation	(110)	(37)	-	-	-	-
NEL Fund Management Group Limited Profit/(Loss) for the Year After Taxation	-	-	(51)	(20)	-	-
North East Regional Aggregation Body LLP Profit/(Loss) for the Year After Taxation	-	-	119	59	132	66
North East Property Partnership LP Profit/(Loss) for the Year After Taxation	(117)	(59)	(2,472)	(1,235)	526	263
Hadrian's Wall Heritage Limited Profit/(Loss) for the Year After Taxation	2	1	2	-	3	1
1NG Limited Profit/(Loss) for the Year After Taxation	-	-	-	-	-	-
Newcastle Science Company Limited Profit/(Loss) for the Year After Taxation	-	-	-	-	-	-
Onsite North East General Partner Limited Profit/(Loss) for the Year After Taxation	(388)	(194)	-	-	-	-
<b>Total Profit/(Loss) of Joint Ventures After Taxation</b>	<b>(605)</b>	<b>(286)</b>	<b>(2,392)</b>	<b>(1,193)</b>	<b>681</b>	<b>337</b>

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**13. Investments in Jointly Controlled Entities (continued)**

In Relation to Joint Ventures the Assets and Liabilities Comprised:

	2010 Total £000	2010 Agency Share £000	2009 Total £000	2009 Agency Share £000	2008 Total £000	2008 Agency Share £000
<b>Non Current Assets:</b>						
Sunderland ARC Ltd.	35	12	56	19	87	29
Tees Valley Regeneration Ltd.	-	-	21	7	33	11
NEL Fund Management Group Limited	-	-	8	3	8	2
North East Regional Aggregation Body LLP	-	-	12	6	6	3
North East Property Partnership LP	125,225	62,613	119,760	59,880	151,960	75,980
DOTT07/Designs of the Time Ltd	-	-	-	-	-	-
Hadrian's Wall Heritage Limited	1,006	251	900	225	-	-
1NG Limited	257	86	-	-	-	-
Newcastle Science Company Limited	7	2	-	-	-	-
Onsite North East General Partner Limited	-	-	-	-	-	-
	126,530	62,964	120,757	60,140	152,094	76,025
<b>Current Assets:</b>						
Sunderland ARC Ltd.	1,254	418	1,241	414	1,140	380
Tees Valley Regeneration Ltd.	879	293	1,061	354	1,104	368
NEL Fund Management Group Limited	-	-	19	8	56	14
North East Regional Aggregation Body LLP	-	-	7,691	3,846	8,178	4,089
North East Property Partnership LP	5,198	2,599	10,263	5,132	11,532	5,766
DOTT07/Designs of the Time Ltd	-	-	-	-	48	24
Hadrian's Wall Heritage Limited	535	134	468	117	376	94
1NG Limited	723	241	-	-	-	-
Newcastle Science Company Limited	213	71	-	-	-	-
Onsite North East General Partner Limited	26,952	13,476	-	-	-	-
	35,754	17,232	20,743	9,871	22,434	10,735
<b>Current Liabilities:</b>						
Sunderland ARC Ltd.	1,192	397	1,193	398	1,071	357
Tees Valley Regeneration Ltd.	413	138	819	273	756	252
NEL Fund Management Group Limited	-	-	26	10	1	1
North East Regional Aggregation Body LLP	-	-	7,751	3,876	8,044	4,022
North East Property Partnership LP	7,650	3,825	8,101	4,051	11,284	5,642
DOTT07/Designs of the Time Ltd	-	-	-	-	48	24
Hadrian's Wall Heritage Limited	492	123	428	107	340	85
1NG Limited	804	268	-	-	-	-
Newcastle Science Company Limited	220	73	-	-	-	-
Onsite North East General Partner Limited	239	119	-	-	-	-
	11,010	4,943	18,318	8,715	21,544	10,383
<b>Non Current Liabilities:</b>						
Sunderland ARC Ltd.	(29)	(10)	-	-	-	-
Tees Valley Regeneration Ltd.	568	189	101	34	-	-
NEL Fund Management Group Limited	-	-	-	-	-	-
North East Regional Aggregation Body LLP	-	-	1,126	563	1,432	716
North East Property Partnership LP	118,618	59,309	118,876	59,438	117,388	58,694
DOTT07/Designs of the Time Ltd	-	-	-	-	-	-
Hadrian's Wall Heritage Limited	1,006	252	900	225	-	-
1NG Limited	176	59	-	-	-	-
Newcastle Science Company Limited	-	-	-	-	-	-
Onsite North East General Partner Limited	23,010	11,505	-	-	-	-
	143,349	71,304	121,003	60,260	118,820	59,410
<b>Gross Assets:</b>						
Sunderland ARC Ltd.	1,290	430	1,297	433	1,227	409
Tees Valley Regeneration Ltd.	879	293	1,082	361	1,137	379
NEL Fund Management Group Limited	-	-	27	11	64	16
North East Regional Aggregation Body LLP	-	-	7,703	3,852	8,184	4,092
North East Property Partnership LP	130,424	65,212	130,023	65,012	163,492	81,746
DOTT07/Designs of the Time Ltd	-	-	-	-	48	24
Hadrian's Wall Heritage Limited	1,541	385	1,368	342	376	94
1NG Limited	980	327	-	-	-	-
Newcastle Science Company Limited	220	73	-	-	-	-
Onsite North East General Partner Limited	26,952	13,476	-	-	-	-
	162,286	80,196	141,500	70,011	174,528	86,760

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for the Year Ended 31 March 2010

**13. Investments in Jointly Controlled Entities (continued)**

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>	<b>2008</b>	<b>2008</b>
	<b>Total</b>	<b>Agency</b>	<b>Total</b>	<b>Agency</b>	<b>Total</b>	<b>Agency</b>
	<b>£000</b>	<b>Share</b>	<b>£000</b>	<b>Share</b>	<b>£000</b>	<b>Share</b>
		<b>£000</b>		<b>£000</b>		<b>£000</b>
Gross Liabilities:						
Sunderland ARC Ltd.	1,164	388	1,193	398	1,071	357
Tees Valley Regeneration Ltd.	981	327	920	307	756	252
NEL Fund Management Group Limited	-	-	26	10	1	1
North East Regional Aggregation Body LLP	-	-	8,877	4,439	9,476	4,738
North East Property Partnership LP	126,268	63,134	126,977	63,489	128,672	64,336
DOTT07/Designs of the Time Ltd	-	-	-	-	48	24
Hadrian's Wall Heritage Limited	1,499	375	1,328	332	340	85
1NG Limited	980	327	-	-	-	-
Newcastle Science Company Limited	220	73	-	-	-	-
Onsite North East General Partner Limited	23,249	11,624	-	-	-	-
	<b>154,361</b>	<b>76,248</b>	<b>139,321</b>	<b>68,975</b>	<b>140,364</b>	<b>69,793</b>

Investments in Subsidiaries and Joint Ventures are Calculated on the Basis of the Agency's share in Net Assets as Detailed Below:

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Investments in Subsidiaries:			
North East Regional Investment Fund Three Ltd	-	-	(618)
The North East Regional Investment Fund Partner Ltd	-	-	(2)
Enterprise Development North East Ltd	147	137	104
North East Regional Aggregation Body LLP	(1,142)	-	-
DOTT07/Designs of the Time Ltd	-	-	-
	<b>(995)</b>	<b>137</b>	<b>(516)</b>
Investments in Joint Ventures:			
Sunderland ARC Ltd.	42	35	52
Tees Valley Regeneration Ltd.	(34)	54	127
NEL Fund Management Group Limited	-	-	15
North East Regional Aggregation Body LLP	-	(587)	(646)
North East Property Partnership LP	2,078	1,523	17,410
Hadrian's Wall Heritage Limited	10	10	9
1NG Limited	-	-	-
Newcastle Science Company Limited	-	-	-
Onsite North East General Partner Limited	1,852	-	-
	<b>3,948</b>	<b>1,035</b>	<b>16,967</b>

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**14. Loans and Receivables at Fair Value**

	Group:			
	Redeemable Preference	Equity £000	Loan £000	Total £000
	Shares £000			
<b>Cost</b>				
At 1 April 2009	-	200	11,658	11,858
Additions	-	455	7,245	7,700
Repayments	-	-	(4,437)	(4,437)
Investments Written Off	-	-	(1,850)	(1,850)
Conversion	-	10	(10)	-
At 31 March 2010	-	665	12,606	13,271
<b>Provisions</b>				
At 1 April 2009	-	168	3,280	3,448
Charge in Year	-	186	3,739	3,925
Release in Year	-	-	(281)	(281)
Investments Written Off	-	-	(1,569)	(1,569)
At 31 March 2010	-	354	5,169	5,523
<b>Net Book Value</b>				
At 31 March 2010	-	311	7,437	7,748
Net Book Value at 1 April 2009	-	32	8,378	8,410
<b>Cost</b>				
At 1 April 2008	92	200	10,923	11,215
Additions	-	-	7,640	7,640
Repayments	-	-	(4,688)	(4,688)
Arising on Disposal of Subsidiary	(92)	-	(159)	(251)
Investments Written Off	-	-	(2,058)	(2,058)
At 31 March 2009	-	200	11,658	11,858
<b>Provisions</b>				
At 1 April 2008	71	185	3,221	3,477
Charge in Year	-	-	2,276	2,276
Release in Year	-	(17)	(2,058)	(2,075)
Arising on Disposal of Subsidiary	(71)	-	(159)	(230)
At 31 March 2009	-	168	3,280	3,448
<b>Net Book Value</b>				
At 31 March 2009	-	32	8,378	8,410
Net Book Value at 1 April 2008	21	15	7,702	7,738
<b>Cost</b>				
At 1 April 2007	163	350	11,829	12,342
Additions	-	-	4,040	4,040
Repayments	(21)	-	(3,640)	(3,661)
Investments Written Off	(50)	(150)	(1,306)	(1,506)
At 31 March 2008	92	200	10,923	11,215
<b>Provisions</b>				
At 1 April 2007	131	238	3,354	3,723
Charge in Year	-	97	1,191	1,288
Release in Year	(60)	(150)	(1,324)	(1,534)
At 31 March 2008	71	185	3,221	3,477
<b>Net Book Value</b>				
At 31 March 2008	21	15	7,702	7,738
Net Book Value at 1 April 2007	32	112	8,475	8,619

All of the amounts relating to the group refer to non Agency loans and receivables at fair value.

On 27 January 2009 One North East sold their investment in North East Regional Investment Fund Limited and North East Regional Investment Fund Two Limited.

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**15. Loans to Jointly Controlled Entities**

	Group			Agency		
	2010 £000	2009 £000	2008 £000	2010 £000	2009 £000	2008 £000
Balance as at 1 April	130,375	109,032	119,998	130,375	109,032	119,998
Amounts released in year	30	90	-	30	90	-
Arising in year	-	23,756	-	-	23,756	-
Amounts repaid in the year	(6,477)	(2,503)	(10,966)	(6,477)	(2,503)	(10,966)
Balance as at 31 March	<u>123,928</u>	<u>130,375</u>	<u>109,032</u>	<u>123,928</u>	<u>130,375</u>	<u>109,032</u>

For more details on these loans, please see Note 25 on page 142.

**16. Trade Receivables and Other Current Assets**

	Group			Agency		
	2010 £000	2009 £000	2008 £000	2010 £000	2009 £000	2008 £000
<b>Amounts falling due within one year:</b>						
<b>Trade Receivables</b>						
Trade Receivables	3,313	5,730	4,607	2,092	5,696	2,013
<b>Total Trade Receivables</b>	<u>3,313</u>	<u>5,730</u>	<u>4,607</u>	<u>2,092</u>	<u>5,696</u>	<u>2,013</u>
<b>Other Current Assets</b>						
Other Receivables	13,460	8,058	6,781	9,147	4,388	6,781
Prepayments & Accrued Income	14,429	11,493	13,692	14,282	10,683	13,691
Value Added Tax	219	1,055	29	219	1,055	29
Taxation	738	5,216	-	738	5,216	-
<b>Total Other Current Assets</b>	<u>28,846</u>	<u>25,822</u>	<u>20,502</u>	<u>24,386</u>	<u>21,342</u>	<u>20,501</u>
<b>Total Trade Receivables and Other Current Assets</b>	<u>32,159</u>	<u>31,552</u>	<u>25,109</u>	<u>26,478</u>	<u>27,038</u>	<u>22,514</u>
<b>Receivables - Intra-government Balances</b>						
Balances with Other Central Government Bodies	9,290	16,645	3,253	9,290	16,645	3,253
Balances with Local Authorities	243	580	(44)	243	580	(44)
Balances with NHS Trusts	-	-	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-	-	-
Balances with Bodies External to Government	22,627	14,327	21,900	16,945	9,813	19,305
<b>Total</b>	<u>32,159</u>	<u>31,552</u>	<u>25,109</u>	<u>26,478</u>	<u>27,038</u>	<u>22,514</u>

Accrued income related to ERDF funding was £1,348,737 (2009: £4,594,396)



**Notes to The Financial Statements**  
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**17. Cash and Cash Equivalents**

	2010	2009	2008
	£000	£000	£000
<b>Group Position:</b>			
Balance at 1 April	29,017	42,423	38,134
Net change in cash and cash equivalent balances	17,590	(13,406)	4,289
<b>Group Balance at 31 March</b>	<u>46,607</u>	<u>29,017</u>	<u>42,423</u>
Less: Subsidiary Net change in cash and cash equivalent balances	(15,496)	(10,493)	(11,625)
<b>Agency Balance at 31 March</b>	<u>31,111</u>	<u>18,524</u>	<u>30,798</u>

The following balances at 31 March were held at:

Office of HM paymaster General	-	(46)	5
Commercial banks and cash in hand	34,607	21,063	42,418
Short term deposits	12,000	8,000	-
<b>Balance at 31 March</b>	<u>46,607</u>	<u>29,017</u>	<u>42,423</u>

**18. Trade Payables and other Current Liabilities**

	Group			Agency		
	2010	2009	2008	2010	2009	2008
	£000	£000	£000	£000	£000	£000
<b>Amounts falling due within one year</b>						
Corporation Tax	7	11	743	-	-	729
Other taxation and social security	26	9	417	2	4	417
Bank Loans	1,335	842	1,423	-	-	-
Trade Payables	1,939	2,639	2,980	989	2,313	1,997
Other payables	7,118	5,460	17,471	6,192	5,221	17,471
Accruals and deferred income	82,483	60,275	62,743	76,010	60,156	62,743
	<u>92,908</u>	<u>69,236</u>	<u>85,777</u>	<u>83,193</u>	<u>67,694</u>	<u>83,357</u>
<b>Amounts falling due after more than one year:</b>						
Other payables, accruals and deferred income	15,056	18,737	17,082	-	-	-
	<u>15,056</u>	<u>18,737</u>	<u>17,082</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Payables - Intra-government balances</b>						
Balances with other central government bodies	32,801	22,945	19,974	32,801	22,929	19,974
Balances with local authorities	13,151	11,716	17,066	13,151	11,716	17,066
Balances with NHS Trusts	18	391	152	18	391	152
Balances with public corporations and trading funds	732	370	3,226	732	370	3,226
Balances with bodies external to government	61,262	52,551	62,441	36,491	32,288	42,939
	<u>107,964</u>	<u>87,973</u>	<u>102,859</u>	<u>83,193</u>	<u>67,694</u>	<u>83,357</u>

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**19. Impairments**

The total impairment charge for the year charged to the Net Expenditure Account and the Revaluation Reserve split by category is as follows:

<b>31 March 2010</b>	<b>Note</b>	<b>Net Expenditure Account £000</b>	<b>Revaluation Reserve £000</b>
Property Plant & Equipment	9	-	460
Financial Assets	8	(40)	(51)
Inventories	7	(10,229)	5
		<u>(10,269)</u>	<u>414</u>

<b>31 March 2009</b>		<b>Net Expenditure Account £000</b>	<b>Revaluation Reserve £000</b>
Property Plant & Equipment	9	-	(530)
Financial Assets	8	(219)	(33)
Inventories	7	(27,263)	(6,019)
		<u>(27,482)</u>	<u>(6,582)</u>

<b>31 March 2008</b>		<b>Net Expenditure Account £000</b>	<b>Revaluation Reserve £000</b>
Property Plant & Equipment	9	-	50
Financial Assets	8	(128)	(39)
Inventories	7	(677)	(73)
		<u>(805)</u>	<u>(62)</u>

For details of how the valuation was arrived at for these impairments refer to accounting policies notes 1.4, 1.5 and 1.10.

**20. Capital commitments**

Contracted capital commitments at 31 March	<b>2010 £000</b>	<b>2009 £000</b>	<b>2008 £000</b>
Inventories	16,721	24,527	27,533
	<u>16,721</u>	<u>24,527</u>	<u>27,533</u>

**Analysis of Capital Commitments**

The Agency has entered into non-cancellable contracts for capital expenditure. The payments to which the Agency is committed analysed by the period during which the commitment expires are as follows.

	<b>2010 £000</b>	<b>2009 £000</b>	<b>2008 £000</b>
Expiry within one year	6,611	13,907	18,875
Expiry after 1 year but not more than 5 years	10,110	10,620	8,658
	<u>16,721</u>	<u>24,527</u>	<u>27,533</u>

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**21. Commitments under leases**

Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Obligations under operating leases comprise:</b>			
Buildings:			
Expiry within 1 year	640	640	640
Expiry after 1 year but not more than 5 years	832	1,026	1,458
Expiry thereafter	676	884	1,092
	<u>2,148</u>	<u>2,550</u>	<u>3,190</u>
Other:			
Expiry within one year	23	5	43
Expiry after 1 year but not more than 5 years	13	5	42
Expiry thereafter	-	-	-
	<u>36</u>	<u>10</u>	<u>85</u>

**Receivables under leases**

Most agreements under which the Agency is the lessor allow for cancellation (known as "break clauses") with notice. However, a small number of leases have been deemed to be non-cancellable and will provide the following minimum lease payments:

Number of leases	6	6	6
	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Due not later than one year	226	260	89
Due later than one year and not later than five years	323	526	182
Due later than five years	10	13	27
	<u>558</u>	<u>799</u>	<u>298</u>

## 22. Contingent liabilities disclosed under IAS 37

A total of £nil (2009 - £336,539) of ERDF grants are classified as non structured grants which have the potential to be repaid.

The Agency has no significant current legal negotiations which involve potential contingent liabilities. However, the wholly-owned subsidiary, The North East Regional Investment Fund Partner Limited, has made the following disclosure:

The NEL Growth Fund ("NELGF") was audited by DG Regio (Directorate General for Regional Policy) and DG Regio's draft audit report findings indicate that NELGF may not have been fully state aid compliant, or complied fully with procurement processes and raises the potential for "appropriate financial correction".

During this accounting period, various matters have been satisfactorily resolved. However, a number of points remain outstanding and continue to be robustly challenged by the Board, working with Government Office for the North East and One North East. The maximum exposure if all the ERDF monies were to become repayable would be £2.25m.

If the funds were to become repayable, The North East Regional Investment Fund Partner Limited is most likely to be the responsible party.

## 23. Financial Instruments

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

However, several of the group companies fulfil a role within the North East region of providing funding for businesses with restricted finance from traditional high street lenders. The risk of default has been assessed by the management of these companies and full provisions have been made for the estimated monetary impact of any potentially risky investments.

See also Note 1.16 for further discussion of Financial Instruments.

**Notes to The Financial Statements**  
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**24. Borrowings**

	Group			Agency		
	2010 £000	2009 £000	2008 £000	2010 £000	2009 £000	2008 £000
(Interest Payable @ 1.5% above LIBOR Rates)	-	-	687	-	-	-
2013 (Interest Payable @ 1.5% above LIBOR rates plus 0.625% Bank Margin)	-	-	1,034	-	-	-
2017 (Interest payable @ 2.95% above LIBOR rates)	1,335	4,417	-	-	-	-
2010 Other Loan	-	5,470	-	-	-	-
2013 Other Loan	-	3,840	2,568	-	-	-
2014 Other Loan	-	5,852	8,783	-	-	-
	<u>1,335</u>	<u>19,579</u>	<u>13,072</u>	<u>-</u>	<u>-</u>	<u>-</u>
Less: Amounts Falling Due Within One Year	(1,335)	(842)	(1,423)	-	-	-
Amounts Falling Due After More Than One Year	<u>-</u>	<u>18,737</u>	<u>11,649</u>	<u>-</u>	<u>-</u>	<u>-</u>
Analysis of Bank Loan Repayments:						
In One Year or Less or on Demand	1,335	842	1,423	-	-	-
In More Than One Year But Not More Than Two Years	-	842	736	-	-	-
In More Than Two Years But Not More Than Five Years	-	2,528	2,030	-	-	-
In More Than Five Years	-	205	-	-	-	-
	<u>1,335</u>	<u>4,417</u>	<u>4,189</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Notes to The Financial Statements**  
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**25. Related Party Transactions**

One North East is an Executive Non-Departmental Public Body of the Department of Business Innovation and Skills. During the year, One North East had significant transactions with this Department and with other entities for which BIS is regarded as the parent, and in particular with other RDAs. In addition, during 2009-10 the Agency along with Yorkshire Forward and the North West Development Agency operated a North American Office. Costs in the year were £1.4 million which were borne in equal shares by the three agencies.

The Agency had the following loans receivable from its subsidiaries and joint ventures.

**Outstanding balances at the end of the period:**

Name of Related Party	Nature of relationship	Loan amount receivable £000	Related Provision for doubtful debts £000	Related bad debts expense £000	Capital and Interest received in 2009-10 £000
North East Regional Aggregation Body LLP	Wholly owned subsidiary	1,129	1,129	-	
Onsite North East General Partner Limited	50% Joint Venture	23,756	-	-	
North East Property Partnership LP	50% Joint Venture	100,172	-	-	12,000

**Loan amounts receivable: Terms and Conditions**

Name of Related Party	Loan Term	Interest Rate	Security	Nature of consideration to be given
North East Property Partnership	Indicative initial term = 10 years; maximum = when partnership is terminated	5%	Properties transferred by ONE to the partnership	Cash

Other Terms and Conditions:

- Guarantees given: A guarantee of funding has been established through a revolving credit facility granted by Halifax Bank of Scotland in consideration for a shares mortgage granted by UKLEP (the other partner in NEPP) secured by its shares and any additional interests in NEPP.
- Principal payment requirements: Based on agreement as set out in the medium-term financial plans, ONE may draw down principal as needed, and the draw reduces ONE's interest in the joint venture.

Name of Related Party	Loan Term	Interest Rate	Security	Nature of consideration to be given
Onsite North East General Partner Limited	Set by the longstop date = 15 years.	5%	Properties transferred by ONE to the partnership	Cash

Other Terms and Conditions:

- The loan term began in March 2009. Interest rolls up into the loan principal for the first three years of the loan.
- Guarantees given: None
- Principal payment requirements:
  - Repayment of the related principal is to be made on the sale of any one or more of the transferred properties and any draw by ONE may only be taken upon sale of property(ies) and after three years of partnership operation;
  - Repayment of the full outstanding balance will be required if any of the following occurs:
    - Disposal of all of the transferring properties
    - The partnership becomes insolvent or is otherwise terminated
    - The partner organisation (Langtree) sell its interest to a third party
    - A bank seeks to enforce security in assets of the partnership or the partner (Langtree)
    - The longstop date, unless extended with all parties' consent

Name of Related Party	Loan Term	Interest Rate	Security	Nature of consideration to be given
North East Regional Aggregation Body LLP	31 December 2017	0%	None	Cash

Other Terms and Conditions:

- Guarantees given: None
- Principal payment requirements:
  - Payment due in annual installments with full payment to be completed by 31 December 2017.
  - The full amount of the Loan becomes due upon default by the borrower
- Default interest will accrue daily at a rate of 4% per annum on any amounts unpaid by 31 December 2017.

## **Notes to The Financial Statements for the Year Ended 31 March 2009**

### **25. Related Party Transactions (continued)**

A list of companies related to the group companies through individuals who could have influence over both the and the related company and with which the group companies had transactions during the period follows.

#### **Chairman of One North East Margaret Fay CBE is:**

- a Director of the Homes & Communities Agency (from December 2008).

#### **Board Member Ian Brown is:**

- advisory committee chair for the Environment Agency.
- a Director of Fresh Element Limited.

#### **Board Member Paul Callaghan is:**

- Chairman of The Leighton Group, which is a corporate member of Codeworks.
- Chairman and Director of RTC North Limited.
- a Director of the The Entrepreneurs' Forum Limited.
- Chair of the University of Sunderland.

#### **Alexander Cunningham, Board Member up to 6 April 2010, is:**

- a Member of Stockton on Tees Borough Council.

#### **Board Member Ian Dormer is:**

- a Director of 1NG Limited.
- Chair of Enterprise Development North East Limited.
- a Director of Institute of Directors.

#### **Board Member Christopher Higgins is:**

- Vice Chancellor of the University of Durham.
- a Director of The Centre of Excellence for Life Sciences Limited.

#### **Board Member Peter Jackson is:**

- a Member of the Association of North East Councils.
- a Councillor for Northumberland County Council.
- a Director at Enterprise Development North East Limited.

#### **Board Member Lord John Shipley OBE is:**

- Leader of Newcastle City Council.
- a Director of 1NG Limited.
- a Director of Newcastle Science Company Limited.
- a Director of Newcastle Theatre Royal Trust Limited.

#### **Board Member Councillor Robert Symonds is :**

- a Member of Sunderland City Council.

#### **Board Member Alison Thain OBE is:**

- a Governor at the University of Teesside.

#### **Christopher Thompson, Board Member up to 30 November 2009, was:**

- a Director of NorthStar Equity Investors Limited (until May 2009).
- a Director of Express Engineering (Thompson) Ltd.

## **Notes to The Financial Statements for the Year Ended 31 March 2009**

### **25. Related Party Transactions (continued)**

#### **Board Member Ruth Thompson OBE is:**

- a Governor of University of Northumbria.
- a Director of New & Renewable Energy Centre Limited.
- a Director of Enterprise Development North East Limited.
- Chair of National Energy Action.
- a Director of the North East Strategic Health Authority.

#### **Board Member Kate Welch OBE is:**

- a Member of Learning & Skills Regional Council.
- a Director of North East Social Enterprise Partnership.

#### **Board Member Graham Thrower is:**

- Chair and Director of Generator North East Limited.
- a Director of Newcastle Science Company Limited (since June 2009).
- a Director of North East Access to Finance Limited (since November 2009), which wholly owns North East Finance (Holdco) Limited.
- SIDE Project Steering Group Member at the University of Newcastle.
- Panel Member for Northern Film and Media

#### **Alan Clarke, Chief Executive:**

- a Director of Newcastle Science Company Limited.

#### **David Cramond, Director of Capital Development is:**

- a Member of the Society of Local Authorities & Senior Managers (SOLACE).
- a Director of Tees Valley Regeneration Limited.
- a Director of Sunderland Arc Limited.
- a Director of North East Property Partnership LLP.
- a Director of the Land Restoration Trust.
- a Director of OnSite North East General Partner Limited.
- a Director of 1NG Limited.

#### **Ian Williams, Director of Business & Industry is:**

- a Director of Enterprise Development North East Limited
- a Director of Newcastle Science Company Limited (until July 2009).

#### **Stacy Hall, Director of Communications & Tourism is:**

- a Director of Hadrian's Wall Heritage Limited.

#### **Malcolm Page, Deputy Chief Executive is:**

- a Board Member of Young Enterprise North East.
- a Director of North East Property Partnership LLP.
- a Director of OnSite North East General Partner Limited.
- a Board Member of Northern Stage

#### **Eric Robson, Board Member of Hadrian's Wall Heritage Limited, is:**

- a Director of Osprey Communications.

#### **Humphrey Welfare, Board Member of Hadrian's Wall Heritage Limited, is:**

- Planning and Development Director for English Heritage.



## **Notes to The Financial Statements for the Year Ended 31 March 2009**

### **25. Related Party Transactions (continued)**

**Nick Brooks-Sykes, Board Member of Hadrian's Wall Heritage Limited, is:**

- Director of Tourism of the North West Development Agency.

**Sir Terry Farrell, Board Member of 1NG Limited, is:**

- a Director of Terry Farrell & Partners Limited.
- a Director of Newcastle City Council
- a Director of Gateshead Council

**Malcolm William Jackson, a Director of OnSite North East General Partner Limited, is:**

- a Director of Langtree (Property Development & Management Services) Limited.

**John Alfred Downes, a Director of OnSite North East General Partner Limited, is:**

- a Director of Langtree (Property Development & Management Services) Limited.

**Hugh Morgan Williams, Chairman of the RLN Division of Enterprise Development North East Limited, is:**

- Chair of the North East Economic Forum
- Chair of North East Access to Finance Limited, which wholly owns North East Finance (Holdco) Limited
- a Council Member for the University of Durham

**Christopher Fleetwood, a Director of the Centre for eBusiness Division of Enterprise Development North East Limited, is:**

- a Director of Onyx Group Limited (Onyx Internet)
- a Governor of the University of Teesside
- a Board Member of Digital City Business

**The following Companies are associated with the Agency through its Subsidiaries or Joint Ventures:**

- Homes and Communities Agency is a Joint Venturer in Sunderland ARC Limited.
- Sunderland City Council is a Joint Venturer in Sunderland ARC Limited.
- UKLEP (2003) Limited is a partner in North East Property Partnership LP
- UK Land Estates (Partnership) Limited wholly owns UKLEP (2003) Limited

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**25. Related Party Transactions (continued)**

**Agency transactions with Subsidiaries and Joint Ventures (other than Loans):**

Company Name	Payments £	ERDF payments made as ERDF managing authority £	Receipts £	Outstanding Payable (Receivable) £
1NG Limited (33.33% owned joint venture)	698,413	-	39,776	187,185
Enterprise Development North East Limited (100% owned subsidiary)	1,697,208	-	63,741	73,851
Hadrian's Wall Heritage Limited (25% owned joint venture)	688,976	-	4,846	-
North East Property Partnership LLP (50% owned joint venture)	7,188	-	-	-
North East Regional Aggregation Body LLP (100% owned subsidiary)	2,365,831	-	2,535	-
Newcastle Science Company Limited (33.33% owned joint venture)	986,774	158,450	46,769	-
OnSite North East General Partner Limited (50% owned joint venture)	164,161	-	-	-
Sunderland ARC Limited (33.33% owned joint venture)	1,606,020	-	6,895	109,965
Tees Valley Regeneration Limited (33.33% owned joint venture)	625,137	-	107,030	10,174

**Transactions between external related parties and all Group Companies (listed on page 131):**

Company Name	Payments £	ERDF payments made as ERDF managing authority £	Receipts £	Outstanding Payable (Receivable) £
Association of North East Councils	133,162	-	-	-
Codeworks	841,509	1,159,458	-	200,395
Digital City Business	6,238	-	-	-
Durham Tees Valley Airport	123,915	-	-	-
English Heritage	48,417	-	-	-
Environment Agency	17,023	-	-	-
Express Engineering (Thompson) Limited	220,000	-	-	-
Fresh Element Limited	6,623	-	-	-
Gateshead Council	120,771	84,643	-	883,444
Generator North East Limited	8,000	20,500	-	-
Homes & Communities Agency	402,714	-	-	176
Institute of Directors	3,638	-	-	-
Land Restoration Trust	97,231	-	-	-
Langtree (Property Development & Management Services Limited)	292,969	-	-	22,031
Learning & Skills Regional Council	196,010	-	-	62,688
Litewhite Limited	978	-	-	-
National Energy Action	18,013	-	-	18,013
National Renewable Energy Centre Limited	19,167,616	30,925	-	407,609
Newcastle City Council	2,893,206	218,470	-	891,937
Newcastle Theatre Royal Trust Limited	299	-	-	-
NewcastleGateshead Initiative	274,396	-	-	13,851
North East Access to Finance Limited	199,392	-	-	-
North East Chamber of Commerce	186,987	-	-	2,886
North East Economic Forum	92,575	-	-	-
North East Finance (Holdco) Limited	9,890,810	44,250,000	-	-
North East Social Enterprise Partnership	27,051	-	-	-
North East Strategic Health Authority	76,851	-	-	-
North Music Trust (The Sage Gateshead)	282	-	-	-
North West Development Agency (see commentary on page 147)	5,125,086	-	-	3,403,586
Northern Film and Media	-	2,400,000	-	-
Northern Pinetree Trust/ Spirit of Enterprise	160,000	-	-	48,805
Northern Stage	529	-	-	-

**Notes to The Financial Statements**  
for the Year Ended 31 March 2010

**25. Related Party Transactions (continued)**

Company Name	Total Payments £	ERDF payments made as ERDF managing authority £	Total Receipts	Outstanding Payable (Receivable) £
Northstar Equity Investors Limited	436,000	-	-	-
Northumberland County Council	9,993,132	23,358	-	1,674,508
Northumberland Tourism Limited	1,513	-	-	-
Onyx Group (Onyx Internet)	1,605	-	-	-
Osprey Communications	46,918	-	-	10,000
Princes Trust	40,000	248,715	-	40,000
RTC North Limited	577,785	760,889	-	47,515
Society of Local Authorities & Senior Managers (SOLACE)	295	-	-	-
Stockton on Tees Borough Council	8,002,628	-	-	53,744
Sunderland City Council	5,891,755	-	-	2,167,814
Terry Farrell & Partners Limited	1,117	-	-	1,117
The Centre of Excellence for Life Sciences Limited	946,978	-	-	-
The Entrepreneurs Forum Limited	1,164,103	-	-	-
UKLES (2003) Limited	1,505,171	-	276,342	(78,000)
UK Land Estates (Partnership) Limited	-	-	249,258	(79,310)
University of Durham	2,126,558	-	-	372,293
University of Newcastle	2,796,227	84,233	-	1,285,785
University of Northumbria	755,883	140,642	-	285,494
University of Sunderland	3,051,932	176,197	-	1,784,768
University of Teesside	1,886,108	925,145	-	1,008,444
Young Enterprise North East	151,180	-	-	16,575

The transactions with North West Development Agency are between that body and the Agency and relate to mutual support for The Northern Way. The amounts receivable relate to accruals made in periods prior to the current year.

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

### **Going Concern**

Following the general election on 6 May 2010, the new coalition Government outlined a series of proposed changes to how local economic development will be delivered, including the creation of Local Enterprise Partnerships to replace Regional Development Agencies. The June 2010 budget confirmed that the Government intends to abolish Regional Development Agencies through the Public Bodies Bill, and that it will issue a White Paper in summer 2010, which will set out details of these proposals. In light of this event management have reviewed the appropriateness of the preparation of the financial statements on a 'going concern' basis.

The Agency notes that Parliament will need to enact the legislation necessary to abolish Regional Development Agencies, and that the timing and eventual decision of Parliament on this matter is currently uncertain. Consequently, management have concluded that there exists a material uncertainty that casts doubt upon the Agency's ability to continue as a going concern.

Nevertheless, after making enquiries and discussing the situation with the Department, management are satisfied that sufficient funding is in place to enable the Agency to continue in operation and meet its obligations as they fall due. Ministers have confirmed that there will be an orderly transition to any new arrangements, and there is no reason to believe that funding will not be forthcoming to meet the Agency's obligations as they fall due. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

The wholly owned subsidiary DOTT07 became dormant during the 2008-09 fiscal year and was dissolved with effect from 8 June 2010.

The Agency's financial statements are laid before the Houses of Parliament by the Secretary of State of the Department for Business Innovation and Skills (BIS). IAS 10 requires the Agency to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date that the Controller and Auditor General certified the accounts.

Due to the completion of Margaret Fay's term of office on 16 August 2010 Paul Callaghan was appointed Chairman designate on 14 June 2010. He will take up office as Chairman on 16 August 2010.

No other significant events after the reporting period have been identified.

**Annex A**

**One North East**

**2009-10**

**Annual Performance Report**

**Covering the period**  
**1 April 2009 to 31 March 2010**

Approved by ONE North East Board – 17 June 2010

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## 1. **Headline Summary**

This Annual Performance Report provides an update of the Agency's performance against the corporate and financial targets, key projects and strategic initiatives detailed in the refreshed Mid Year 2009-10 Business Plan. Updates are also provided on other key areas of note, including vital interventions developed to support businesses and individuals through the recession and prepare for the upturn. It covers the period 1 April 2009 to 31 March 2010 and incorporates information previously reported to the Agency's Board in the quarter 1, mid year and quarter 3 performance reports.

2009-10 has been a positive year both for the region and the Agency, with increasingly promising signs of economic recovery being witnessed. 26 January 2010 saw the announcement that the UK economy had officially emerged from recession and this national picture was reflected regionally with a stabilisation in the speed of the downturn in the region during the first six months of the year followed by a modest recovery in regional output during the second half of the year. Overall, the region has taken steps towards recovery and recent forecast data - both regionally and nationally - predicts modest growth during 2010.

As we move towards recovery the Agency will not however become complacent as there are still significant economic challenges to be faced and opportunities to be seized. As stated by the Agency's Chief Executive Alan Clarke "the region is better placed than ever before to take advantage of the opportunities the economic recovery will present" and One North East will play a critical role in ensuring this happens.

### **Key highlights during 2009-10 include**

- An **excellent performance against key financial and non-financial targets** with net expenditure (excluding non cash) showing an underspend of £0.1m against target and all Corporate Output Targets achieved. This successful output achievement includes a 6% overachievement in relation to Jobs Created/Safeguarded and 7% overachievement in relation to Business Creation which is very positive given the consistently difficult economic conditions facing the region
- The ongoing provision of vital support to businesses in the region to enable them to survive the downturn and prepare for the upturn. During the period 2008-10 **over £52 million has been reallocated by the Agency to help firms through the recession** and to develop and drive forward new interventions to stimulate recovery and growth
- The **Agency significantly exceeded the £20.3m N+2 spending target** for ERDF funding set by the European Commission for the end of 2009. Total spend achieved was £67.0m, a combination of mainstream pipeline spend of £22.7m and JEREMIE spend of £44.3m. This has effectively allowed the Agency to achieve the Dec 2010 N+2 target one year early
- The Agency and its partners finalised development of the **£125m Finance for Business North East Fund (formerly known as JEREMIE), which was formally launched** on 22 January. This 'super fund' will support the growth of hundreds of businesses in the North East over the next five years
- Continued **strong performance from the Agency's Strategic Account Management Programme** which has continued to support companies throughout this period of economic uncertainty, through a rolling programme of engagement. During the year the Programme has facilitated or led 78 new responses to company downsizing, including the mothballing of Teesside Cast Products
- Excellent progress from the **Agency's Business Finance Grant for Business Investment (GBI) activity, which has created/safeguarded 3,300 jobs** through grants totalling £15.2m paid out to projects
- The **Government and One North East announced a joint £60m investment in Tees Valley**, in recognition of the need to accelerate industrial transition and seize new opportunities in low carbon and advanced manufacturing. The Tees Valley Industrial Programme (TVIP) will create an estimated 3,000 new jobs in the short to medium term and sustain over 10,000 jobs in the long

term. Progress to date has been significant with, at the close of the year, £20m of announcements made on planned investments

- The **establishment of the Low Carbon Economic Area (LCEA) for Ultra Low Carbon Vehicles** in the region to lead the transformation of the automotive industry to a zero emission future. The Agency has driven forward several key projects linked to this agenda including working with Nissan on the development of the new 100% electric, zero emission LEAF car and the installation of electric vehicle charging infrastructure in Newcastle. This pilot project was so successful it has resulted in the North East being set to become the first region in the UK, and one of the first in the world, to install a comprehensive network of charging points
- The **Chairman of One North East, Margaret Fay received a CBE** in the Queen's New Year's honours list for services to the Agency. This award complements the OBE Margaret was awarded in June 2004 for her services to broadcasting
- The **Agency's Annual Review Meeting was held on 20 October 2009** in Durham – over 300 people from companies and organisations throughout the North East attended the event which featured a keynote speech from Trevor Mann (Nissan Senior Vice-President, Manufacturing, Europe) strongly endorsing the role of the Agency
- The **Agency achieved the prestigious Investors in People Gold Award** and has been named an Investor in People Champion, one of only four such organisations in the region. We were also re-accredited with the Investors in Excellence Standard; the first RDA to achieve the original award and one of only 16 organisations in the North East to have ever received it



## 2. Maximising One North East's Impact and Responding to the Economic Downturn

During 2008-09 the Agency aimed to strike the right balance between dealing with the economic downturn, preparing for the upturn and maintaining a focus on our longer term economic ambitions. This was achieved by refocusing our Programmes and Activities and their associated interventions to ensure they supported the region's economy to recover and grow and to deliver maximum impact. This activity has proven very successful and has continued throughout 2009-10, with all interventions delivering positive results. As well as providing direct support to our people and businesses the Agency has also maintained a highly effective strategic leadership role to help the region respond successfully to economic shocks.

### 2.1 Refocusing our Budget

2009-10 saw continued pressure on all RDAs budgets with the ongoing expectation and commitment from the Agency to provide more for less combined with a series of budget reductions during the year to enable the Government to support its wider efforts to respond to the recession. Further pressure on the Agency's budget came during the year through the need to free up a £30m contribution to the Tess Valley Industrial Programme, which will continue to impact on future years, and the need to meet the Government's Homebuy Initiative. These combined factors resulted in the Agency re-assessing its 2009-11 Programme budget allocations during the year to ensure we still deliver maximum impact. Addressing the needs of businesses in the short to medium term remains the priority for the Agency and we therefore reprioritised resources from the People and Place Priorities to the Business Priority.

At the same time we responded to the Government's Fiscal Stimulus programme by bringing forward an additional £10m from future years to support activity in the North East economy during 2009-10. It targeted development, infrastructure and physical works schemes, thereby providing significant employment benefits for the regional construction industry whilst simultaneously supporting long term objectives.

Delivering the Agency's commitment to new initiatives including developing a low carbon economy has had a further impact on budgets, with the Agency remaining firmly committed to their delivery as they will help to move the region forward and expand into new industries in the medium and long term.

### 2.2 Refocusing our Interventions

Progress during 2009-10 of the interventions the Agency began in 2008-09 to help businesses and individuals survive the recession and prepare for recovery is set out below. All interventions are performing well and a number have been expanded in response to demand. The Agency has also continued with its highly effective strategic leadership role to help the region respond successfully to economic shocks.

#### Progress of Re-focused Interventions

The Agency acted quickly to respond to the recession. During 2008-10, we have reallocated over £52m funding to help firms access the finance they need to tackle cashflow difficulties, back business investment and growth, upskill workers and assist companies to prepare for the future. This package includes:

- **Business Link** – following the successful delivery of 7,405 Health Checks to the end of April 2010 Business Link will continue this service as the economy recovers but focus more on business growth and diversification, enabling businesses to exploit opportunities in sectors with high-growth potential. The Business Link Financial Intermediary Service was enhanced with the creation of the Small Business Credit Adjudicator service to which Business Link will refer businesses which may have been unfairly treated by their banks, helping to ensure businesses can obtain the finance they need to enable them to grow.
- **Finance for Business North East** - the £125m 'super fund' to help hundreds of North East small businesses access vital finance received Government endorsement with the Treasury giving its approval for the Finance for Business North East fund (formerly know as JEREMIE). The fund was unveiled by Rosie Winterton MP, Minister for Regional Economic Development and Co-ordination on 22 January 2010.

- **North East Investment and Co-Investment Funds** - an additional £6.25m was made available to give vital access to finance for growing firms which is expected to encourage around £9.5m of additional investment funds in the region. NEIF has completed 18 deals worth £2.37m since it went live in February 2009 and the Co-Investment Fund has made 23 investments effectively closing the fund extension (£7m).
- **Grant for Business Investment (GBI)** - an additional £2.5m was made available to help SMEs, with potential for high growth and long term investment viability but whose plans are constrained by current economic conditions, sustain and grow. In the 2009-10 financial year, through grant payments, we have created or safeguarded 3,300 jobs with over £148m of investment leverage.
- **Regional Enterprise Loan Fund** - this fund was doubled to £2m to bolster the provision of gap loan finance to North East SMEs lacking either security or established track record to secure traditional commercial finance. From September 2008 to December 2009 the fund made 119 offers totalling £1.3m and demand remains very strong.
- **Transitional Loan Fund** - due to demand, this fund to put in place short term loan finance for SMEs was enhanced to £9.9m in January 2009 and 74 loans were approved to 66 companies. The fund is now closed to new applications and national products are available.
- **Large Company Research and Development** - this £2.4m pilot programme has been widely welcomed by businesses, with 40 enquiries, 11 first stage expressions of interest, and five full stage applications. A full scale scheme is also under development by the Business Finance team.
- **Company Pathfinder** - an additional £500,000 extended the programme to March 2010. It supports companies by exploring a range of financial options and investment through specialist diagnostic support. Results include nearly 300 enquiries received, 98 businesses assisted, 301 jobs safeguarded and considerable successes safeguarding companies in the region.
- **Energy Resource Efficiency** - as a result of the additional £2.5m provided by the Agency, MAS NE has delivered support to 69 businesses and training to 39 individuals to February 2010. This has enabled companies to reduce their energy consumption and raw material usage and make money from their waste, reducing their carbon footprint and waste to landfill.
- **BUILD – Coaching for High Growth** - this structured coaching programme is assisting firms to build inherent capabilities and achieve accelerated growth. An additional £1m ERDF was approved in November, which has increased the public support to achieve high growth available to companies to £2m.
- **Export – Horizons** - this is a £1m joint UKTI, One North East and ERDF project to help regional companies develop their export activities into new markets. Discussions are currently ongoing regarding the possible extension of the scheme with further funding from the Tees Valley Industrial Programme. The project is expected to create 114 jobs with a further 236 jobs safeguarded and increased turnover for the companies of £10.2m.
- **Sub Regional Employability Packages** - £9.2m investment has been accelerated into services in the City Regions and Sub Regions to match jobseekers to vacancies, providing specific training and support to employers to recruit and retain jobseekers.
  - **Tyne & Wear City Region** have developed a 'Recruitment Hub' database and launched a post employment support service, focusing on assisting young people to use their new work experience to remain in employment. To date over 900 people have been assisted.
  - **Tees Valley** have focused on helping individuals at risk to secure sustainable employment in the Construction and Built Environment sectors, providing them with work experience and qualifications. The Retail sector has also recently been targeted. Over 800 individuals have been assisted. An Employer Gateway also has been developed to facilitate a co-ordinated offer and aftercare service and employment support will be given to SME employers.
  - **County Durham** have provided outreach services to unemployed who fall outwith mainstream employment search and placement activity. To date 114 individuals have been assisted. It also offers an 'employment exchange' programme, providing employers with support to enable them to secure sustainable employment for employees and economic downturn support to enable swift responses to redundancies.

- **Northumberland** are providing information on employment opportunities throughout the deep rural parts of the county through outreach activities, targeting 'hard to reach' clients in geographically remote areas with job search, and training/retraining based around known local demand. To date over 200 people have been assisted.
- **Developing SME Capacity** - this £1m project is to aid the resilience of regional businesses by providing at least 60 SMEs with a resource of highly skilled workers who can work with them on a joint funded secondment/placement basis. This project will also contribute to the upturn by ensuring the retention of skilled people in the region. The first five projects began in January-February 2010 with a further fifteen 'matches' under discussion.
- **Corus Training & Talent Retention** - the Agency has contributed £1m towards a new £5m training and talent retention project. Training has been delivered to all Corus employees currently undertaking apprenticeships or graduate trainee programmes which will ensure that they finish their training, gaining valuable qualifications and transferable skills
- **Capacity Fund** - £6m has been approved to develop the region's skills supply in response to employer demand in priority sectors. The 12 projects currently in delivery involve a range of partner organisations from across the region and to date circa 611 businesses have been supported and 1,036 individuals have received skills training.
- **Talent Challenge** - £4.65m was approved to provide support for the region's 'talent pool' (managers, professional, executives) who are newly redundant, about to be made redundant or on short time working to keep their skills in the North East. Over 300 people have already benefited from the service including Corus workers. In addition more than 65 people have accessed the Talent Solutions Fund which provides up to 100% subsidy for bespoke higher level skills provision.

#### **Evaluation of the Agency's Response to the Recession**

A recent independent evaluation of the Agency's package of measures to address the problems created by the recession on businesses and individuals returned very positive results, with 76% of respondents believing it had been either 'crucial' or 'important' to their survival, 50% believing it had resulted in jobs being safeguarded or created and 80% believing the support had an effect in preparing for the upturn.

In consultation with external partners it was acknowledged that the Agency had very effectively taken the lead in framing and organising the response of other agencies in the region to the recession and there is a great deal of recognition that only the Agency would have been capable of taking on this role. Overall, the activities led by the Agency in supporting businesses were found to have created and safeguarded between 4,400 and 5,300 net jobs and the net GVA impact is between 12 and 15 times the resources devoted to the programme, representing excellent value for money and return on investment.

#### **Strategic Leadership**

The strategic leadership the Agency has demonstrated in addressing issues caused by the downturn in 2009-10 includes:

- **Corus Response Group**

Corus partially mothballed its blast furnace at Teesside Cast Products, Redcar, on 19 February 2010 and through the Corus Response Group, chaired by Alan Clarke, the Agency and partners developed a package of immediate support for workers, which has now been operationalised. Jobcentre Plus staff and partners ran a series of initial briefings over a week long period with 1,600 people attending, both Teesside Cast Products staff and contract workers. From these initial sessions, 1,000 workers have attended appointments to access more services. Jobcentre Plus and Corus also hosted employment and training events on 8-9 March in Steel House attended by 1,030 Corus workers and supply chain staff. 56 organisations attended this two day event – 35 potential employers (including Rolls Royce, Siemens, Aker Solutions, EPA Ports) and 21 training providers.

In addition Business Link has engaged with 250 employees through initial self employment sessions, resulting in 153 employees receiving follow up support, 69 of which have already discussed their ideas with a business advisor. As part of the supply chain workstream, Business Link has also contacted 97 Corus suppliers, 32 of which are now in contact with an advisor and where possible joint visits are

taking place with local authorities. Sector analysis has identified 457 companies in Tees Valley who work in similar sectors and who are now being proactively targeted.

It is now estimated that of the 1,600 jobs at risk at the plant, 850 have left Corus employment, of whom 708 will take early retirement, over 450 will be redeployed within Corus (and other related activity) and a cohort of only 300 will be at risk if redeployment or training is not in place. It is possible that this figure may be further reduced as additional cross matching to Hartlepool TATA job opportunities is expected to happen.

As well as working to provide this immediate support the Agency is continuing to support Corus, TATA and the Government in efforts to maintain steelmaking in the North East.

- **Tees Valley Industrial Programme (TVIP)**

The two-year TVIP was created to accelerate the Tees Valley's transition towards a low carbon and advanced manufacturing economy. This £60m package of support comprises of £30m from One North East and £30m from BIS via Strategic Investment Fund contribution. The make up of the Agency's £30m contribution was agreed at the Board meeting on 21 January.

Detailed planning and development work has since been undertaken on a range of initiatives, through a series of workstream and partnership groups. Progress has been significant with, at the close of the year, £20m of announcements made on investments. This will result in the creation of over 1,200 jobs, safeguarding of a further 1,100 jobs, catalyse £180m business investment and help create almost 700 new businesses. With a number of significant investments close to approval the programme is well on track to create 3,000 jobs and sustain 10,000 in the longer term.

**Key investments to date include:**

- £2.4m package of support for engineering apprentices. Around 150 apprentices in the Tees Valley will receive help over the next years, including 91 from Corus
- £1.4m to help business start-ups and supporting existing firms that will create and safeguard 400 jobs
- £1.5m in ERDF funding to extend enterprise coaching services as part of the Local Enterprise Growth Initiative (LEGI). The initiative aims to help increase numbers of new start-up businesses by 300 a year
- £5m to help Tees Valley companies improve their resource efficiency. The project will lever in £25-30m private sector investment and safeguard 500 jobs.

**Companies benefiting from the additional investments include:**

- £2m into MSD Biologics UK Ltd (formerly Avecia).
- £2m into PYReco to help fund the development of a new processing plant for the reclamation and recycling of tyres and rubber to recover carbon black, steel and oil.
- £1.34m into GrowHow to allow the fertiliser manufacturer to press ahead with a £9m project to slash Nitrous Oxide emissions at its plant
- £1.5m into Billingham-based Tees Alliance Group, building on the Department for Energy and Climate Change's earlier investment to help the company supply the offshore wind industry.

TVIP is closely aligned to existing strategies and plans, in particular the North East of England Process Industry Cluster 10 Point Plan (through the NEPIC Leadership Board) and the North/South Tees Study (through Tees Valley Unlimited) and it is recognised that the programme could not achieve results without the buy in and active support of partner organisations. Linkages and activities were discussed with Rosie Winterton, Minister for Regional Economic Development and Coordination, on 18 February who welcomed the opportunity to review the Tees Valley Industrial Programme with key industrialists and members of the Agency's Board.

- **10 Day Payments**

To address specific issues in relation to cashflow problems facing SMEs during the downturn the Government requested for RDAs to help improve SME's cashflow by paying all SMEs supplying services within 10 working days. The Agency implemented this scheme very effectively and extended it to include all suppliers. Performance was a net position of 99.3% across the entire year, which both exceeded the target of 95% and showed continued commitment to the scheme and helping SMEs.

- **Real Help for Business and People Now**

One North East in conjunction with partners – Learning Skills Council, Jobcentre Plus, Business Link and GONE – has led efforts to signpost people and businesses to support available during the downturn. In early January 2009 the “Real Help for Business and People Now” campaign was launched across the region. Phase two of the region-wide campaign began in July and runs through until the end of October. Economic intelligence indicates that the worst affected areas are in the south of the region and therefore the campaign has focused on Tees Valley and Durham. NEETs (Not in Employment or Education) are another target group that the campaign has aimed to reach in phase two. A ‘Real Help for Young People Now’ roadshow, supported by Local Authority Partners, was launched during the period, travelling to towns across the region, with the aim of spreading the ‘real help’ message to the 16-19 year old group. The ‘Real Help’ website is also still live and attracting hits.

#### Real Help – Results to Date

Real Help Activity	Outcome
Campaign press coverage	Total value - £856,852
Journal press campaign	Total value - £198,000
Hits to the Real Help website	6,114 + (to December 2009)
No of partner links to Real Help website	51+ active referral sites
No of Real Help leaflets distributed	70,000 +
Business Link health checks	4,504 delivered from Jan-Aug 2009
Business Link web hits	20% increase year on year
Business Link Real Help events	4 per month until March 2010
Real Help roadshow (for NEETs)	450+ visitors to mobile unit

- **Business Environment and Growth**

**Offshore Wind** – £18.5m of new funding was announced on the 25 February 2010 for an offshore wind test site in the region. The site, near the National Renewable Energy Centre (Narec) in Blyth, will act as a technology demonstration and development platform for the next generation of large multi-megawatt offshore wind turbines. This investment is in addition to £15m of BIS Strategic Investment Fund (SIF) support announced for Narec in the Pre-Budget Report to establish a new blade testing facility able to accommodate development work on a new generation of flexible 100m blades. Narec is working closely with the Agency to implement an investment programme of up to £80 million to develop the national innovation assets needed to support UK industrial growth in the offshore wind market. This includes a new £30m facility being developed with the Energy Technologies Institute to test the world’s biggest turbines. This collection of world-leading testing facilities will mean that turbine manufacturers from around the world will have all of the testing and demonstration facilities they need to develop offshore turbines in one location - the North East of England. This offering makes the UK a prime location for companies to locate to manufacture offshore wind turbines, and further strengthens the North East’s position as the leading region in the offshore wind sector.

**Industrial Biotechnology** - Construction of new Industrial Biotechnology (IB) demonstration facilities will soon be underway at the Centre for Process Innovation (CPI) in Tees Valley after £12m SIF investment from BIS. This will provide a new open-access facility with a ten-tonne demonstration capacity – ten times larger than the existing facility at CPI. It will be tailored to supporting companies and researchers to develop new products including sustainable bio-fuels, speciality chemicals and materials using biological feed stocks. The project will put North East England at the forefront of Industrial Biotechnology in the UK and will be a facility that is unique in Europe, building on One North East’s long-term investment in CPI and helping take the region’s vital process industries forward.

**Marine Renewables** - £10m of SIF has been invested in a significant extension of the national marine testing facilities at the Narec in Blyth. Like the existing world-leading wind turbine facilities this will be an open-access facility enabling marine developers to work with Narec to test and prove designs on land, before they commit to costly and high-risk testing at sea. The new test stand, measurement system and simulation modelling will put North East England at the forefront of innovation in marine renewables. Up to 105 jobs will be created by the new facilities in the short-term and Government figures indicate the UK wave industry could in the long-term be worth £2bn and generate 16,000 jobs.

**Printable Electronics** – A £20.5m expansion of the Printable Electronics Technology Centre (PETEC) at NETPark in Sedgfield, made up of £12m from SIF and £8.5m from ERDF. The Agency has already invested heavily in the Centre, which is the UK’s leading development and prototyping facility in plastic/printable electronics. This new investment will significantly extend the scope and

scale of PETEC's operation, with highly-specialised facilities and equipment tailored to the development and pre-production of wide area printable electronics for displays, photovoltaics and low-energy lighting. This investment is expected to create 26 new jobs at the Centre, stimulate 250 jobs regionally and 1,500 jobs nationally over the next four years.

**Low Carbon Transport** – the Low Carbon Economic Area (LCEA) for Ultra Low Carbon Vehicles was established in the region in 2009 to lead the transformation of the automotive industry to a zero emission future. It builds on the region's strengths in automotive engineering, energy engineering and new fuels and involves leading vehicle manufacturers Nissan and Smith Electric Vehicles, specialist technology companies, research organisations and universities. During the year the Agency has driven forward several key projects linked to developing Low Carbon Transport including:

- **Plugged in Places** – North East England was selected by the Office for Low Emissions Vehicles (OLEV) as one of three successful bids to lead in the installation of Electric Vehicle charging infrastructure and development of business models and standards. This £7.8 million programme was coordinated by the Agency, which assembled a consortium of over 50 public and private sector partners, including all 12 local authorities. As a result, the North East is set to become the first region in the UK, and one of the first in the world, to install a comprehensive network of charging points.
- **Electric Vehicle Charging Infrastructure Pilot** – the successful Plugged in Places bid was largely based on this electric vehicle infrastructure pilot that began in Newcastle in 2009 and was completed in March 2010. With 40 charging points installed in Newcastle this was one of the first such pilots in the world. The project was funded by the Agency and provided practical experience of the requirements and challenges in installing infrastructure technologies.
- **National Training Centre for Low Carbon Vehicles** – investment in the LCEA will be based on the provision of major new assets and facilities. This includes a £9 million National Centre for Sustainable Manufacturing, which will provide specialist training in Ultra-Low Carbon Vehicles to support the development of new skills in design, manufacture and maintenance and support.
- **National R&D Centre for Automotive Energy Supply** – a further asset proposed for the LCEA is a new research and test facility focused on automotive energy supply for zero emission transport. This unique centre will provide a national focus to advance electric vehicle battery technologies and will also progress energy storage, electrical networks and charging infrastructure to develop optimised integrated systems for electrification of transport and an understanding of social change.
- **Investments by Nissan in Electric Vehicles** – this year Nissan announced investments in excess of £420 million in its Sunderland Plant to manufacture the new 100% electric, zero emissions LEAF car and to establish a new Advanced Battery facility. This received international coverage, with Nissan making direct reference to the importance of the North East's and UK Government's investments in electric vehicle infrastructure and technologies.
- **Electric Vehicle Demonstration Programme** - funding from the Agency and the Technology Strategy Board will see electric vehicles developed and trialled in the North East. The project will see an initial 35 passenger vehicles developed and trialled in the region. The project consortium brings together Nissan, Smith Electric Vehicles, AVID Vehicles, Liberty Electric Cars and Newcastle University, who have developed systems to monitor the performance and use of the vehicles.
- **Electric Vehicle Demonstration Fleet** - a pilot-scale fleet trial was announced by Cenex and the Agency which with four electric Smart cars deployed in the region for six months from October 2009. The success of the trial led to Cenex extending it in 2010 to include further vehicles from a range of manufacturers.
- **International Collaboration** – the Agency is a partner in an approved Interreg project to establish a European Knowledge Network on Electric Vehicles. The region is also one of 19 high profile European demonstration sites in the 'Electric Vehicles for Advanced Cities' proposal to the EC Seventh Framework Programme.
- **Hydrogen and Fuel Cell Technologies for Low Carbon Vehicles** – the Agency has been working with partners including Nissan, CPI, Sunderland University and International Business

Wales to identify opportunities to accelerate the development of hydrogen and fuel cell vehicles and related infrastructure.

In addition to its work in the low carbon and energy industries, the Agency has been working extensively in the **Health Sector**. The North East has become one of a handful of areas across England to receive government funding to develop a new kind of healthcare partnership that will ensure that patients receive better care. The North East Quality Accelerator is one of only 17 successful applications to become a new HIEC (Health Innovation Education Cluster); these are new bodies that combine the expertise of industry, health and education to promote innovation in the NHS. By working in partnership across sectors, the North East Quality Accelerator will speed up the adoption of research and innovation in the NHS and help deliver new healthcare techniques and treatments for the benefit of patients. The North East Quality Accelerator includes all north east universities and NHS trusts, the Agency, the Association of North East Councils, NHS Innovations North and the CBI.

### **3. Strategic and Influencing Role**

During 2009-10 the Agency has continued to work towards its long-term ambition of achieving sustainable economic growth in the North East and to reinforce our commitment to working together with Government and partners to achieve our shared ambitions.

The following section sets out how we have worked towards these goals during 2009-10 in conjunction with regional partners by providing strategic leadership in developing and implementing initiatives that support our region's businesses and communities in the short term, whilst maintaining our focus on the long term direction we have set out. In delivering our **strategic leadership role** we have worked with partners on a number of areas including:

#### **3.1 Engagement with the Private Sector**

Throughout the year the Agency has maintained regular and effective partnerships with leaders from the private sector, ensuring the strong working relationships we have in place are maintained and further developed to help the Agency provide the region with strong strategic leadership.

The Agency has had regular dialogue with a wide range of business representatives during the year including; CBI, Institute of Directors, Federation of Small Businesses, EEF – The Manufacturers' Organisation, Northern Business Forum and the North East Chamber of Commerce, to discuss the Agency's support for regional businesses through the recession and into the recovery. The Agency has also had regular meetings throughout the year with the Regional Directors of the major banks to discuss and improve lending options for businesses. This activity will continue into 2010-11.

During the year, the Northern Way has also continued to work to develop and share knowledge with the private sector. This has included the work of The Northern Way Private Investment Commission which brought together business leaders to identify and encourage pro-investment policies for the recovery phase and beyond; and the subsequent "Regeneration Momentum" programme which considered the practical steps required to continue to finance and deliver regeneration projects in a more difficult climate. For more information on the work of The Northern Way during 2009-10 see section 3.8.

The Agency also continues to work with its Extended Enterprise, including Onsite North East, Buildings for Business, 1NG and Tees Valley Unlimited in managing the delivery of regeneration, development and investment projects throughout the region.

#### **3.2 Communities and Local Government (CLG) Lead Role**

The Agency has continued to perform effectively in delivering its CLG Lead Role on behalf of all RDAs. Key relationships were maintained and developed at all levels with Government, key partners and across the network. In December, the Agency and CLG agreed their annual Joint Working Agreement for the year ahead, setting out the range of policy issues on which the Department and RDAs will commit to working collaboratively.

Key achievements in the past year include significantly influencing the final version of the Government's Regeneration Framework that was published in May 2009 and leading on behalf of the network on the Total Place agenda throughout the year.

During the early part of 2010 the Agency worked closely with the Department on its cross cutting review of economic growth and inclusion being undertaken ahead of the Budget, representing the network and influencing the emerging policy direction across the different workstreams, in particular around skills and the emerging Total Capital approach. The Agency has also represented the network on the Local Area Agreement (LAA) Project Board, contributing to the work between Government and Local Authorities to develop LAAs further as an effective policy tool.

#### **3.3 Multi-Area Agreements (MAAs)**

We have continued to work with sub-regional partners in shaping how economic development and regeneration policy is delivered in these areas, including through Investment Planning. We are developing strong links with Tyne & Wear City Region, and continue to support their work on the implementation of their MAA, including the City Region Economic Review, engagement in the city regions skills partnership and joint working between DfT, the Agency and LA partners on transport planning through the DASTs process.



Following their move to unitary status, we have been working closely with the new Northumberland and Durham County Councils. In Tees Valley we continue to work on the implementation of the MAA and their plans to take forward economic growth in the area through a new Statement of Ambition and an integrated Investment Plan, alongside the creation of new, effective governance arrangements for Tees Valley Unlimited.

### **3.4 North East Regional Select Committee**

During 2009-10 the North East Regional Select Committee conducted three inquiries – Industry and Innovation in the North East England, Teesside Cast Products and Tourism in the North East.

The first inquiry into Industry and Innovation in North East England was announced on 15 April. The Agency submitted evidence outlining the key role it has played in supporting industry and innovation in the region, its response to the recession and its strategic leadership and influencing role in the skills agenda. The Agency also worked with organisations including the TUC, GONE, EEF and LSC to provide relevant information and to ensure its consistency and accuracy. Oral evidence sessions were held during June and July with evidence heard from the Agency, business representative organisations, trade unions and the banking sector. The Committee published its report on 18 December which fully supported the Agency's vision and ambition and praised its performance and effectiveness, specifically highlighting our response to the economic downturn and long-term strategy to invest in innovation-led, low-carbon industries.

On 21 July the Committee announced the focus of its second inquiry – Tourism in the North East of England. The Agency again submitted written evidence detailing its strategic leadership role (which has resulted in strong partnership working with the public and private sector) and the importance of tourism and its ability to create and support economic growth. The inquiry was postponed in December while the Committee conducted an emergency inquiry into Teesside Cast Products. Due to the imminence of the general election the Committee was unable to complete the inquiry and instead produced a brief interim report on the basis of the written submissions received. In the report, the committee praised One North East and its partners, as well as the private sector for the key role they played in the continued growth and confidence in the region's tourism industry. One North East and the region received particular recognition for raising the profile of North East England as a visitor destination and for introducing the new Desti.ne e-business platform.

On 11 December 2009 the Committee launched an emergency inquiry into the position of Corus following the announcement of potential substantial job losses in the North East through the partial mothballing of its Redcar plant. Written evidence was submitted by the Agency, on behalf of the Corus Response Group, and the Agency's Chief Executive appeared in front of the Committee on 15 January 2010 alongside the Director of Business and Industry. Evidence was also heard from Corus, Tata Group, Trade Unions, Local Government and the Regional Minister during January. The report on the inquiry was published in March and concluded that the top priority should be to find a way to reopen the plant as quickly as possible in order to maintain the skilled workforce. It also contained recognition of the role of the Agency in securing the £60m Tees Valley Industrial Programme.

### **3.5 Economic Intelligence**

The Agency provides economic intelligence, briefing and advice to the Agency and the wider region including preparing bulletins and updates on the economy which are regularly presented at events around the region. During 2009-10 we have played an increasingly important role in analysing the impact of major job losses and gains in the region, which has helped underpin the work of regional redundancy response groups. We also have a key contract with Durham University to develop the North East Economic Model which has been used to improve understanding of how different economic sectors interact and contribute to the region. Over the next year, it will also be used to develop a series of forecasts and scenarios, to consider how the North East can respond to global challenges over the next 20 years.

### **3.6 Evidence Based Strategy**

On behalf of the region, the Agency has developed a comprehensive understanding of the challenges and opportunities facing the region in delivering sustainable economic growth over the next 10-20 years. Building on modelling of the economy and detailed understanding of key economic drivers such as low carbon technologies, and working closely with partners at City-region and local levels, during 2009-10 we have developed a significant evidence base to inform future strategies and action plans for the North East and its component parts. We developed and delivered scenario development activity with the local authorities and published the North East Analytical Report, a summary of the

evidence base, and received submissions of evidence from partners to contribute further understanding. The strong partnership working undertaken as part of this work has led to excellent working relationships with businesses, local authorities and other partners. The shared evidence base and clear sense of direction across partners is one of the key strengths of the North East, and is one that will enable us to respond positively, efficiently and effectively to changing contexts going forward.

### **3.7 European Programmes**

#### **European Regional Development Fund (2007-13)**

One North East delivered a strong, compliant ERDF performance during 2009-10, making significant progress in the delivery of the £340m ERDF programme working closely with regional national and European Partners, particularly the region's Local Authorities and Private Sector.

The Programme successfully achieved its 2010 ERDF spend target of £66.9m, significantly exceeding the target expenditure. At end of March 2010, £181m (55%) of programme resource is legally committed with a further £27m of projects in development.

During the year the robustness of Agency systems and processes and compliance with ERDF regulation has been tested with a very positive outcome. The Agency as ERDF Intermediate Body has been subject to external inspection from Audit and Certifying Authorities, the outcomes of both inspections extremely positive, the Audit Authority awarding an unqualified opinion and identifying best practice in approach to Article 13 verification and transparency in reporting.

The Programme has maintained its focus on key regional economic priorities and supported a range of investments in innovation, technology transfer, supporting the commercialisation of R&D, boosting enterprise (including social enterprises) and supporting businesses growth and productivity. ERDF investment is supporting the development of the seven Innovation Connectors, exploiting regional strengths in healthcare sciences, biotechnology, printable electronics and new and renewable energy technologies, with emphasis on the range of low carbon opportunities identified in the Business Enterprise and Growth section of this report.

One North East's approach to maximising the leverage and impact of ERDF is demonstrated through its development and implementation of the Finance for Business Programme (JEREMIE) with £44.25 ERDF leveraging £66.5m from the European Investment Bank (EIB) and £18.25m Single Programme

Through the Agency's strong strategic and operational management it has ensured alignment of ERDF in response to emerging opportunities from the Strategic Investment Fund and Technology Strategy Board

Commissioning Documents for ERDF have been revised regularly with the support of partners to ensure the programme is flexible and responsive to regional need and opportunity including the renewable energy and low carbon agendas and has a swift and effective spatial focus in response to emerging economic shocks and strategic investment opportunities such as the Tees Valley Industrial Programme.

One North East has continued to work closely with regional, national and European level partners during 2009-10 to ensure the compliant and effective delivery of the North East ERDF Programme. The Agency and partners have established robust governance arrangements and communication mechanisms recognised publicly by the EU Commission and the CLG. Close and constructive working relations with CLG and the European Commission have resulted in the successful negotiation of a series of flexibilities and agreements that have been of direct benefit to SMEs and individuals in the region and helped promote entrepreneurship in some of the most disadvantaged parts of the region. One North East was the first RDA to agree to host a member of the CLG national Managing Authority as part of a national work shadowing exercise to improve working relations between regions and the centre which is to be rolled out in 2010-11.

The Agency, in its Managing Authority role has also continued throughout the year to prudently manage programme and project risks through:

- appropriate levels of over programming
- risk-adjusting financial forecasts to reflect project confidence levels

- provision of intensive training and support for partners in the preparation and submission of compliant claims
- actively applying the lessons learned from the previous programme
- a coordinated approach to handling all related assurance work including verification ('A13') and Audit Authority scrutiny ('A16')

### **Rural Development Programme for England (2007-13)**

The Rural Development Programme for England (RDPE) is fully operational and is being delivered to the regions rural businesses and communities. The Agency has had an excellent year and is the only RDA to have successfully spent the entirety of its £9.3m budget for 2009-10, creating 981 jobs and safeguarding 811 jobs in the rural parts of the region.

One North East was recently awarded an additional £627,000 to increase broadband coverage in remote rural areas and support dairy restructuring, following the collapse of Dairy Farmers of Britain in 2009. In response to this, the Agency has managed a call for broadband projects in remote rural areas and is currently developing a package of support for dairy farmers with key stakeholders.

The Agency has also recently commissioned GENECON to undertake an evaluation of RDPE; this will assess the socio-economic impact RDPE is having in rural areas as well as inform future delivery of the programme.

Progress against the six key RDPE funds during 2009-10 is detailed on the next page:

- **Farming and Remote Rural Micro-Business Fund** – BENE is delivering small grants to rural businesses on behalf of the One North East. This fund has proved very popular, with over 1,200 farms or remote rural businesses accessing RDPE funds.
- **Landskills NorthEast** - £600,000 of RDPE funds have been allocated by LANTRA towards developing land based skills under the 'Landskills' project, this includes initiatives to attract new entrants into farming as well as vocational training for farmers and forestry businesses.
- **Bioenergy** - a total of £725,000 of RDPE funds has been awarded by Rural Development Initiatives to develop the regions wood-fuel supply chain, supporting the demand for renewable energy.
- **Collaborative Processing and Marketing Fund** - the Agency has committed £3.2m towards grant aiding businesses that add significant value to agricultural and forestry products. This includes funding business such as Lanchester Dairy and the three regional grain co-operatives.
- **The Business and Community Asset Development Fund** – just over £1.5m of RDPE funding has been delivered by Northumberland County Council, Durham County Council and Redcar & Cleveland Council for larger scale farm diversification and micro-enterprise projects, as well as some tourism activity in Market Towns.
- **The new LEADER Approach** - LEADER is a community led approach to delivering RDPE. The four LEADER groups, cover most of the rural areas in the region and have spent almost £1.5m of RDPE funds in this financial year. Funding has been approved to set up Charcoal business in Belford, develop the light railways at Heatherlaw and support a local beef marketing initiative in East Durham.

### **3.8 Northern Way**

2009-10 has been an active year for the Northern Way partnership, with the three RDAs collaborating more closely than ever with each other and with other Northern Way partners from business, local government and the universities. A new chairman, Hugh Morgan Williams, was appointed in July 2009. Highlights have included major breakthroughs on the delivery of our established transport priorities, the development of enhanced collaboration on innovation, and on new and renewable energy, and a series of influential policy and research reports. The programme has been described as national best-practice by government, and as a "stand-out example of cross-regional collaboration" by the OECD.

On transport, this year saw some important steps forward in delivering the Northern Transport Compact's priorities. In February Network Rail responded to the Northern Way's economic case for investment in the Northern Hub rail network, by setting out a detailed proposal for investment for 2014. The Northern Way also played an important role in the debate on High Speed Rail, securing agreement from across the North to a series of principles, based on analysis provided through the Northern Way's sponsorship of the Greenguage21 Public Interest Group. The Northern Way also

reached agreement with Network Rail over the next stage of work on Gauge Enhancement for Rail Freight, including supporting access from Tees and the Humber ports to the main rail network.

The Northern Way Private Investment Commission reported in July 2009, bringing together business leaders from different sectors to identify and encourage pro-investment policies for the recovery phase and beyond. Their report focused on best practice to create the right local conditions, to enhance the flow of long-term business finance and to improve the private sector contribution to regeneration in more difficult times. The subsequent “Regeneration Momentum” programme considered the practical steps required to continue to finance and deliver regeneration projects in a more difficult economic and fiscal climate.

The Northern Way Innovation Programme continues to proceed well, engaging a wide range of businesses in finding technological and manufacturing solutions in printable electronics, offshore wind and carbon abatement. This included an important collaboration with the Technology Strategy Board, which ensured alignment between regional and national innovation support, while also delivering more national funding to business and university collaborations in the North. We also delivered the NorthernNet, which means for the first time, the North West, Yorkshire and the North East will have a single ultra-high speed, secure, digital network that connects the regions’ creative and digital industries and customers, linked to the new BBC facilities at MediaCity:UK in Salford.

The Northern Way is also developing a Strategic Direction for Energy, to address the key challenges in supporting renewable and nuclear energy, and their supply chains across the North. We will build on the successful Northern Wind Innovation Programme, by establishing a stronger cross-regional capacity to support the supply chain for the offshore wind sector. A similar initiative will help secure the supply chain for the new nuclear sector. The Northern Way is also playing a role in promoting the North as a low carbon powerhouse, addressing barriers in planning, and in grid infrastructure.

As well as supporting all our themes, the Northern Way Policy and Research Programme included two major pieces of research considering links between places within the North. The “City Relationships” study, led by the Work Foundation encourages local authorities to work across boundaries when making choices about investment and infrastructure. The second study, by the Spatial Economics Research Centre, focused on the economic links between Manchester and Leeds. It found considerable economic benefits from closer links, provided local people can respond through investment in skills.

## 4. Organisational Capacity and Improvement

Over the course of 2009-10 the Agency has continued to be fully engaged in a programme of activity to further enhance its performance and capacity, ensuring we continue to successfully lead the economic development of the region and fulfil our increased strategic role set out in the Sub National Review.

### 4.1 Financial Performance

	Cumulative Actual £'000	Cumulative Budget £'000	Cumulative Variance £'000	Cumulative Variance %
<b>Direct Expenditure</b>				
Total Programme Expenditure	244,933	243,908	(1,025)	(0%)
Operating Costs	28,020	28,202	182	1%
Non Cash Costs	5,974	6,042	68	1%
Northern Way	4,335	4,379	44	1%
<b>Total Direct Expenditure</b>	<b>283,262</b>	<b>282,531</b>	<b>(731)</b>	<b>0%</b>
<b>Receipts</b>				
Current Receipts - Operating Costs	719	848	(129)	(15%)
Current Receipts - Programme	21,661	20,809	852	4%
Capital Receipts	12,241	12,064	177	1%
<b>Total Receipts</b>	<b>34,621</b>	<b>33,721</b>	<b>900</b>	<b>3%</b>
<b>Net Grant in Aid</b>	<b>248,641</b>	<b>248,810</b>	<b>169</b>	<b>0%</b>

The outturn position indicates an extremely positive and very strong financial performance by the Agency which maintains the long and excellent track record of the Agency in delivering its financial targets

The year end position shows a total direct expenditure overspend of £0.7k against budget. There are variances against individual Programmes; however these have been co-ordinated to ensure that any available resource has been prioritised.

The net outturn position on Operating Costs is in line with forecast and achieves a small saving of £0.1m against budget.

The Non Cash Costs position is in line with the outturn previously forecast and shows an underspend of £0.1m. This is following a virement of £1.3m between the Agency and Yorkshire Forward. As any non cash saving is ring fenced, this virement was agreed in order to minimize our underspend and assist another RDA in the process.

Total receipts to March are £34.6m, £0.9m above the budget of £33.7m. Current receipts exceed budget by £0.7m due to greater than anticipated receipts in relation to the sale of NEL Fund Managers together with additional income received against the Enterprise programme.

Overall 2009-10 has seen an excellent performance against key financial and non-financial targets with net expenditure (excluding non cash) showing an underspend of £0.1m (0.0%) against target.

### 4.2 Non-Financial Performance

As shown in the table on the following page the Agency has achieved all of its Corporate Targets and Measures in 2009-10, which is an excellent performance given the consistently difficult economic conditions facing the region. Performance is based on the 2009-10 revised Corporate Targets, which were agreed by the Agency's Board as part of the mid year review of the Business Plan in November 2009. These targets have been achieved through the Agency's ongoing commitment to providing funding to both new and existing interventions to support businesses and individuals through the recession whilst also preparing them to take advantage of the upturn.

Full details of Corporate Target performance by Programme is available in Section 5.2

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	17,750	18,896	106%
Employment Support (units)	6,991	7,689	110%
Businesses Creation(units)	3,270	3,494	107%
Business Support (units)	26,590	27,438	103%
Skills (units)	69,580	73,071	105%
<b>Corporate Measures</b>			
Brownfield Land (ha)	18.00	18.90	105%
Knowledge Base/ Business Collaboration (units)	1,361	2,000	147%
Total Leverage (£M) of which is:	456.10	497.87	109%
- Regeneration (£M)	198.04	280.93	142%
- Private Investment (£M)	366.05	365.13	100%
- Private Regeneration only (£M)	154.50	235.22	152%
Non Housing Floor Space (sqm)	20,551	25,401	124%

To support the Government's rural agenda and evidence that the Agency's Programmes and projects impact disadvantaged groups in the region, the Agency is required to report its Corporate Targets and Measures on both a rural/urban and on a disadvantaged/non-disadvantaged area basis. In 2009-10 for the majority of its Corporate Targets the Agency has achieved an appropriate balance in relation to delivering outputs in rural/urban areas and disadvantaged/non-disadvantaged areas of the region.

The table detailing this performance for 2009-10 is included in Annex B.

In addition to the above Corporate Targets and Measures BIS has also requested the Agency to report on Cross-Regional Collaboration and Carbon Reduction activity for 2009-10:

**Cross-Regional Collaboration** - the Agency has been involved in a number of formal and informal collaborative arrangements with other RDAs and across the whole network. We define this as something that has entailed agreement between more than one RDA, and encompassed activity in one RDA area that benefits another RDA area. We are involved in 13 formal arrangements with other RDAs; and we are leading on 5 of those.

The table detailing this performance for 2009-10 is included in Annex C

**Carbon Reduction** – the Agency has been recording carbon savings on gross basis. We can report that the carbon savings associated with our MAS and Community Energy Solutions activity during 2009-10 were 25,548 tonnes. (For more information on the Agency's approach to reporting carbon savings see pg. 30).

The Agency is currently working on a number of cutting edge projects to develop the region as the UK's Low Carbon Economic Area for Ultra Low Carbon Vehicles and transition the region to a low carbon economy through the increased use of new and renewable energies, including offshore wind and sustainable bio-fuels. Once live these projects will enable considerable carbon savings to be made through their transfer and application to business and home environments, resulting in the Agency reporting increasing carbon savings in future years as the impacts of these projects transpire.

These projects include the development of a new offshore wind test site near the National Renewable Energy Centre, development of a low carbon vehicle test track, construction of a new Industrial Biotechnology demonstration facility. Further details on these and other projects which will see the North East lead the way on low carbon development is available in Section 2.

### 4.3 CSR 2007 Value for Money Efficiency Savings

As part of the Comprehensive Spending Review 2007 (CSR07), challenging budget constraints and recyclable efficiency savings targets were defined for all government bodies. The Agency received a recyclable efficiency savings target of £38.8m over the three year spending review period. This overall target is split into annual targets of £6.4m (2008-09), £13.0m (2009-10) and £19.4m (2010-11). To

meet these targets a CSR07 delivery plan was established and approved by the Corporate Resources Committee in August 2008. This plan has recently been updated, following the significant changes in the economic environment, to ensure that the recyclable efficiency targets continue to be met.

To date all recyclable efficiency targets have been achieved and we are currently forecasting to meet targets in 2010-11.

In addition to achieving the CSR07 efficiency targets, the Agency is taking the value for money agenda forward through targeted initiatives to raise Agency-wide awareness of value maximisation, implement process efficiencies and identify potential cost savings. This activity was aligned with a Value for Money Strategy and accompanying Action Plan established for 2009-10. Guiding this activity going forward is an updated Value for Money Strategy, which received approval at the March 2010 meeting of the Corporate Resources Committee, together with a VFM Action Plan 2010-11.

**4.4 Continuous Improvement Strategy (incorporating the IPA Improvement Plan)**

The Agency’s Continuous Improvement Strategy incorporating our IPA Improvement Plan has been reviewed and updated throughout the year. The updated Strategy and Action Plan was developed to co-ordinate Agency improvement activities and to anticipate and reflect the changes required in response to SNR requirements.

Progress against the Continuous Improvement Action Plan (2009-10) was updated at the end of March 2010 with the key points summarised below:

- **Corporate Communications Strategy** – as part of this Strategy, the Agency’s Annual Review Meeting was held on 20 October 2009 with key messages on Agency and Regional performance communicated. A stakeholder information pack has also been developed and distributed supporting the Agency’s six core messages.
- **Project Handling Framework** – the scope of the review of the Framework and phasing have been agreed. Phase one actions were developed and implemented on 1 November 2009, including responses to audit recommendations. Phase 2 priorities have been identified and are due to be implemented during quarter 2 2010-11.

The vast majority of 2009-10 Continuous Improvement activities have been completed during the performance year; however a small number are still ongoing as follows:

Activity	Status
A suite of Human Resources management information is developed via the Topaz dashboard and user friendly reports are produced to support the business needs	Action was slightly delayed due to a change of reporting mechanism from Topaz to the more flexible Click View system. Phase 1 reporting has now been completed at the end of April 2010.
Carry out a Stakeholder Survey	Action has been deferred until 2010-11 as it was felt that it would be imprudent to carry out self-examination activities of this nature while the region was suffering from the effects of the downturn. However a number of key stakeholders were consulted as part of the ISR process and gave extremely positive endorsement of the Agency’s leadership and delivery achievements. In addition, evaluation of the Agency’s response to the recession gathered a range of positive views – as set out in Section 2.
A Leaders Conference is planned and delivered to ensure consistency and continuous improvement of the Extended Enterprise leaders	The frequency of Leaders Conferences has been reviewed and will now be every 18 months which is felt to be proportionate in terms of cost and benefit. The next Leaders Conference is planned for September 2010 which is in line with this change.

The 2010-11 Continuous Improvement Action Plan will be developed to coincide with agreement of the Independent Supplementary Review Action Plan. This is currently scheduled for July 2010 and future actions will reflect the findings of the review.

#### **4.5 Evidence Base**

To ensure the Agency has the evidence to support its goal of meeting the RES priorities and at the same time deliver best value interventions we have continued to implement the Evidence Base Programme during the period.

Work to commission evaluations which form part of the Agency's overall evaluation plan agreed by BIS and which will help ensure the requirements of the next IEF report for 2011 are met is well underway. To support this process a full review of major projects and their evaluation plans has been carried out with Frontline Consultants and we are now moving into a support phase to ensure projects deliver effective evaluation.

A full training package has been developed and delivered to colleagues across the Agency to promote evaluation best practice and an understanding of how evaluations are used to inform decision making. Changes have also been made to the Agency's business process to ensure evaluation is considered as part of the evidence for investment and to demonstrate impact of this investment. The evidence library is operational and has been populated with research and evaluation reports, and awareness events and training have ensured it is being used across the Agency for the benefit of sharing learning.

During the year there has been continued delivery of the research elements of the evidence base programme, which has included finalising the RES Evaluation and developing a framework to measure the impact going forward. Agency research has also been mapped out in a research pipeline which is updated and reviewed quarterly by HoTs, Managers and Practitioners to identify synergies and reduce duplication.

#### **4.6 Business Support Simplification Programme**

Since 2008, the Agency has worked to simplify business support by providing regional leadership for the Business Support Simplification Programme, working closely with partners to implement simplified arrangements and transition to the 'Solutions for Business' (SfB) portfolio. Our intensive efforts with partners have resulted in the development of enhanced referral arrangements between BENE and deliverers of business support, reduced duplication and introduction of a common brand for all publicly funded support – Solutions for Business. The national target - reducing the number of business support products from more than 3,000 to less than 100 by March 2010 - has been achieved. One North East has maintained its funding support for businesses, while reducing the number of delivery partners, and reducing the number of individual projects by around 50%.

Referral arrangements with BENE continue to be developed or enhanced, and a full review of all arrangements has been undertaken in quarter 4 to ensure that businesses can be quickly and easily referred to the right support for their needs. Through the year, the Agency has worked with a range of partners to implement the SfB brand and product names, and continues to provide guidance to help new delivery partners to use the SfB brand. SfB branding can now be visibly seen regionwide and this will help increase customer understanding of the support available, and reduce customer confusion.

During 2010-11 we will continue to support BENE to develop referral arrangements, work with BIS and other RDAs to implement the SfB performance framework, and regularly review the effectiveness of the SfB portfolio. In addition, the Agency is testing customer experience of a range of business support products, following the introduction of the portfolio.



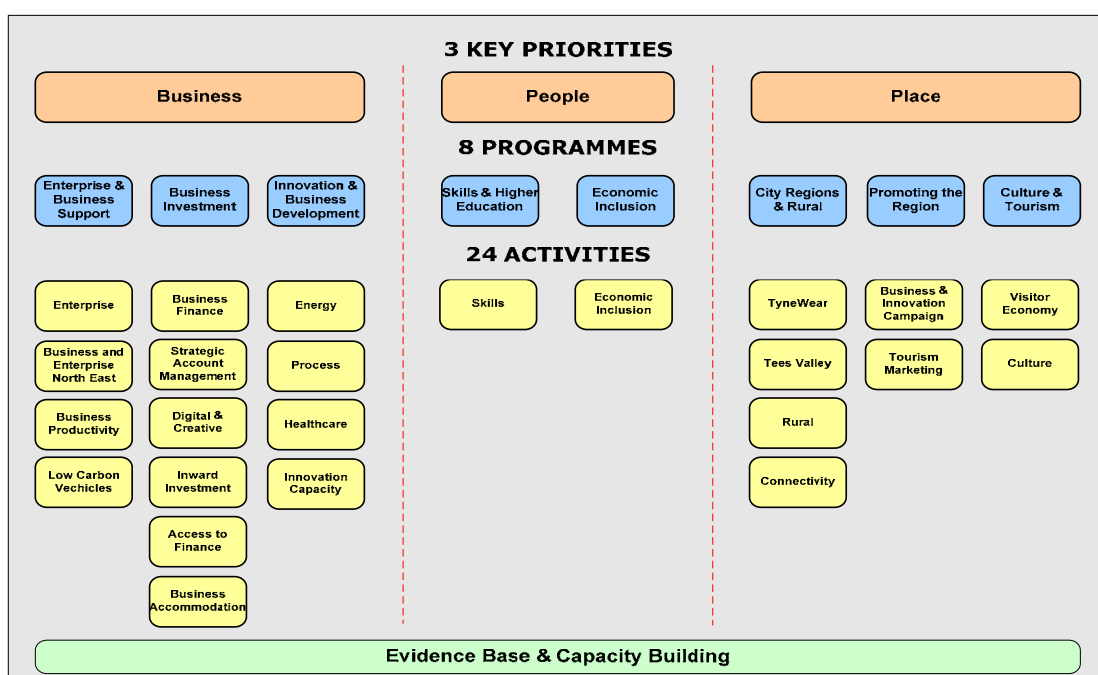
## 5 MANAGING THROUGH PROGRAMMES

The following section provides details of achievements by each of the Agency's Programmes during 2009-10, including Programme level financial and non-financial performance. Aggregate Agency financial and non-financial performance figures are contained at Section 4.1 and 4.2 of this report and within the main body of the Annual Report and Accounts.

### 5.1 Agency Programme Structure and Corporate Objectives

The Agency has maintained its focus on 8 Programmes and 24 supporting Activities, grouped under the priorities of *Business*, *People* and *Place* to reflect the themes of the Regional Economic Strategy (RES).

This structure was reviewed at the end of quarter 1 with amendments made at Activity level, including the introduction of a new activity, Low Carbon Vehicles, in the Enterprise and Business Support Programme. The Business Finance activity in the Business Investment Programme has also been split into two separate activities, Business Finance and Access to Finance to aid management and reporting. Finally, the two activities in the Skills programme have been merged into one and likewise the two activities in the Economic Inclusion programme. The new structure is detailed below.



In April 2009 the Agency completed the implementation of its Performance Framework approach to Performance Management. This approach uses the concept of logic chains to link inputs, outputs, outcomes and impacts and is in line with the requirements of BIS's Sponsorship Framework for RDAs and findings of the Independent Impact Evaluation. It allows the Agency to collect consistent outcome and impact information, as well as output information, and in doing so provides a mechanism to fully demonstrate that the activities being undertaken are delivering the Agency's Corporate Objectives as set out in the Corporate Plan and the RES.

Please note that reporting of outcome information will come on stream gradually owing to the time lag between the forecasting of outcomes and their achievement and reporting back to the Agency. This time lag exists as outcomes form the long-term rationale for the project and are therefore not likely to be achieved until a certain critical proportion of project activities have been undertaken and the project is starting to successfully achieve its objectives. We will therefore start reporting consistent outcome information during 2010-11. The development and implementation of the Performance Frameworks is an iterative process and we are regularly reviewing and updating the indicators included within the Frameworks as we learn from experience about what is most appropriate to measure and as Programme objectives alter through our process of continuous reprioritisation. The latest review was carried out as part of the production of the 2010-11 Business Plan and the updated Frameworks are contained at Annex A.

## 5.2 Programme Performance

### BUSINESS PRIORITY

#### Enterprise and Business Support Programme

##### Corporate Objective

A long-term commitment to generating a more enterprising and entrepreneurial culture, increasing business starts and encouraging business survival and growth, so that the North East's people and business base can compete with other regions across the UK and globally.

##### Financial Performance

Expenditure/Income	Budget £000	Actual £000	% Variance
Total Spend	47,386	47,842	(1%)
Total Income	2,502	2,740	10%
<b>Net Expenditure</b>	<b>44,884</b>	<b>45,102</b>	<b>1%</b>

The Enterprise and Business Support programme is £0.5m ahead of budget. This overspend is primarily due to a combination of slippage on the Enterprise Company project together with accelerated spend relating to Business Link activity of £1.0m alleviating budget pressures during 2010-11.

##### Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	7,600	5,342	70%
Employment Support (units)	1,554	1,211	78%
Businesses Creation(units)	3,086	3,362	109%
Business Support (units)	20,538	20,930	102%
Skills (units)	11,780	10,750	91%

Overall performance for the Enterprise and Business Support Programme has been very good for 2009-10, with positive achievements in relation to Business Creation, Business Support and Skills. Whilst performance against target for Jobs Created/Safeguarded and Employment Support currently appears slightly down, this is purely due to the underachievement against target by BENE. The Agency targets were set prior to BENE Business Plan approval, which demonstrated more realistic reduced target levels in the current economic climate. There are also additional outputs currently subject to validation which could not be undertaken within this report deadline. These will be reflected in the quarter 1 2010-11 performance report. However, this underachievement has not impacted on the Agency achieving these two targets due mainly to the overachievement of the Business Investment Programme.

##### Progress Against Key Projects

**MAS NE** – good progress continues to be made on this single integrated service for the delivery of all manufacturing and productivity support to regional manufacturers. During the period, SIF funding was approved for additional Advisory Manufacturing and Low Carbon support for manufacturers, and contract variations were designed to enable the additional service delivery. This delivery has since commenced and the BIS offer letter has been signed by the Director of Business and Industry. The 2010-11 MAS NE Business Plan was approved by the Agency's Board in March 2010.

**Regional Centre for Skills in Manufacturing, Productivity and Innovation (RCSMPI)** – this project was delayed due to the late approval by the LSC. However, approval has now been received and building work has commenced.

**Low Carbon Vehicles** – this area of work has developed throughout the year resulting in initial development plans being refined and projects that were detailed in the 2009-10 Business Plan no longer being appropriate. These have been replaced by other more relevant projects including:

- Electric Infrastructure Support – this project designed to support the low carbon electric zone has been approved and contracts have been signed.
- Newcastle Pilot – this project has been developed in partnership with Newcastle Council to pilot electric and plug-in vehicles in Newcastle. The project has been completed and results have been fed into the development of the Plugged in Places project which is a regional electric vehicle infrastructure project.
- Evadine – this is the Agency’s contribution to the Evadine consortium for the Technology Strategy Board (TSB) project to look at the ultra Low Carbon Vehicle demonstrator. The Memorandum of Understanding has been signed with the TSB and all partners have signed the contract and funding has been defrayed.

**Low Carbon Test Track** - this project was originally intended to manage the development of a facility to test low carbon vehicles with the Agency working in partnership with Sunderland University, who were the proposers for the project and the managing authority for the facility. During the year the project concept was revised to make one larger project, which will include external funding, resulting in the project slipping into 2010-11.

**Business and Enterprise North East (BENE) – Key Outputs 2009-10**

Key Outputs	Target	Actual	% Achieved
Penetration	32,555	33,275	102.2%
Customer Satisfaction	90%	90.4%	100.4%
In-depth diagnostic support	17,200	22,721	132.1%

**Penetration** – A count of all pre start up customers including businesses that BENE has assisted which have been trading less than twelve months and including businesses that BENE has assisted and have been trading over 12 months.

**Customer Satisfaction** – BENE customers who, when independently surveyed, stated that they were either ‘fairly’ or ‘very’ satisfied with the service(s) received.

**Account managed in depth diagnostic support** – An in depth diagnostic should cover all aspects of the business and lead to either an action plan to enable the business to achieve growth/improvement objectives and or the collection of GVA.

2009-10 has been another excellent year for BENE who have over-achieved their targets for Business Penetration by 720 businesses and for In-Depth Diagnostic Support by 5,521 diagnostics. They also met their customer satisfaction rating target of 90% with an annual averaged score of 90.4%. In addition to these results BENE have also overachieved on jobs delivery, businesses created, businesses supported and skills provision and were only slightly behind target for business survival.

**Business Investment Programme**

**Corporate Objective**  
 To provide effective support and interventions which will allow businesses to invest diversify and grow in the future within a globally competitive economy

**Financial Performance**

Expenditure/Income	Budget £000	Actual £000	% Variance
Total Spend	52,796	53,213	(1%)
Total Income	663	730	10%
<b>Net Expenditure</b>	<b>52,133</b>	<b>52,483</b>	<b>(1%)</b>

The Business Investment programme was £0.4m overspent. This is due to the Regional ICT infrastructure project being brought forward from 2010-11.

### Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	7,825	9,865	126%
Employment Support (units)	670	1,547	231%
Businesses Creation(units)	72	44	61%
Business Support (units)	1,482	1,637	110%
Skills (units)	2,800	4,988	178%

2009-10 has seen a very strong performance for Business Investment with significant overachievement of the Programme's Jobs Created/Safeguarded, Employment Support, Business Support and Skills targets. This excellent achievement is linked to the positive impact enhancements to existing initiatives and new interventions to address the economic downturn have had during the period. Business Creation is down against target which is due to slight underperformance within the Access to Finance and Digital & Creative activities. This was an ambitious target which due to the current economic climate, and the referral mechanisms now in place between Access to Finance and Business Link, has not been achieved within this particular programme.

### Progress Against Key Projects

**Grants for Business Investment** – these grants are designed to encourage investment in projects that lead to long term improvements in productivity, skills and employment. Excellent progress has been made throughout the year with grants totalling £15.2m paid out to projects that have helped to create/safeguarded 3,300 jobs.

**JEREMIE** – excellent progress has been made on this initiative during the year. ERDF funding amounts to £44.25m and Single Programme £18m with a further £62.5m from the European Investment Bank (EIB). CLG Stage 2 ERDF and EIB final approval were received during the period and the procurement exercise for the Fund Managers was completed, along with the claim and drawdown of all funding streams. JEREMIE has now been renamed the Business North East Fund and was officially launched in the region on 22 January 2010. Funding has now been made fully available for investment in quarter 1 2010-11.

**Strategic Account Management (SAM)** - the SAM programme aligned with the Companies at Risk (CAR) programme is led by the Agency and is particularly focussed on large and high growth businesses which significantly impact on employment, supply chains and economic development in the region. The programme has continued to support companies throughout this period of economic uncertainty, through a rolling programme of engagement, whilst at the same time helping companies prepare for the upturn.

By the financial year end, there has been 530 meetings with SAM companies, including 239 strategic review meetings and 13 HQ meetings. This activity generated 497 interventions of brokered support via the wider business support network, and identified 27 capital investment and job creation or safeguarding projects. In the course of the year the Agency facilitated or led 78 new responses to company downsizing, including the mothballing of Teesside Cast Products as well as continuing to support 14 existing response groups which carried over from the previous financial year. The pace of announcements by companies looking to make redundancies slowed significantly in the last quarter of the year; demonstrating the tentative recovery of the region.

The team has also led a number of pilots such as the In-house Skills Project, the Pharmaceutical Industry Project, and the SAM Company Best Practice Workshop Programme. These are being undertaken in response to key issues raised by the region's strategic company base and outcomes are being used not only to support individual companies, but to inform wider business support in the region. Initial feedback from these pilot projects has been excellent and a number of tangible outcomes for individual companies have materialised.

**Investment and Aftercare (IA)** - the IAT team has performed very strongly this year, securing a total of 60 inward investment projects during 2009-10. 27 of these have been new investments with the remaining 33 aftercare projects. 18 global partnership agreements have also been claimed over the year. In total, these projects have created and safeguarded 6,695 jobs and drawn in capital investment totalling more than £750m. Key projects secured during quarter 4 include:

- Nissan (Japan) announcing its intention to manufacture the LEAF electric vehicle at the Sunderland facility. This move will safeguard the future of 360 employees at the site and represents a capital investment of £420m into the region.
- ITB Services (Gibraltar) establishing a new £2m motor insurance company based on smart systems technology fitted into vehicles with the creation of up to 70 new jobs
- Unipres (Japan) carrying out a £3.61m expansion through a hot press stamping project with the creation of 40 new jobs
- Clipper Windpower (USA) investing £11.25m to manufacture a prototype wind turbine blade in Northumberland with the creation of 123 new jobs

The team has exceeded both its projects and jobs targets by substantial margins. The jobs total means the 2,400 target has been exceeded by over 4,200 jobs and the target of 52 inward investments has been exceeded by 8 projects. Performance in 2009-10 also represents a significant improvement on that in 2008-09, with 7 more inward investment projects being secured and 2,435 more jobs being created or safeguarded.

The team are also continuing extensive and strategic work on a number of key projects, including Hitachi Rail and Mitsubishi Heavy Industries (MHI).

## Innovation and Business Development Programme

### Corporate Objective

Invest in science, innovation and creativity to achieve a step change in the structure and performance of the North East economy

### Financial Performance

Expenditure/Income	Budget £000	Actual £000	% Variance
Total Spend	45,567	46,062	(1%)
Total Income	13,575	13,719	1%
<b>Net Expenditure</b>	<b>31,992</b>	<b>32,343</b>	<b>(1%)</b>

The overspend on Innovation and Business Development programme is £0.4m which is due to agreed expenditure on Energy Activity for the National Blade Test project.

### Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	1,615	1,497	93%
Employment Support (units)	33	82	248%
Businesses Creation(units)	81	51	63%
Business Support (units)	2,091	2,906	139%
Skills (units)	2,500	3,871	155%

The table above shows that corporate targets for Employment Support, Business Support and Skills have all been met, with Job Creation only falling slightly short of target. The Employment Support target has been significantly overachieved thanks to a very strong performance by the Energy activity during the period. The Business Attraction element of the Business Creation target has however not been achieved. This makes up the majority of this target and is a direct consequence of the economic

situation and company relocations being put on hold. It should be noted though that in spite of this, overall Agency targets have been achieved.

### **Progress Against Key Projects**

**North East of England Process Industry Cluster (NEPIC)** – good progress continues to be made on this project which will enable the region to provide business intelligence and support for the process industries. The NEPIC Leadership Team met with MPs at Westminster for the Annual Parliamentary Review on 9 December 2009. The Innovation Needs Analysis and Strategy Review has been superseded during the year by the NEPIC 10 Point Plan and the Tees Valley Industrial Programme, with an innovation workstream in both of these work/strategy programmes. NEPIC also intend to refresh the Innovation Strategy of 2005 and to date commissioning has been completed and NEPIC have procured consultants to undertake an Innovation Strategy Review.

**Biopharma Bio Processing Centre** – this project will establish a world class research centre for resource efficient bio-processing technologies for the pharmaceutical industry. Excellent progress has been made during the year with the first training course held in November 2009 and a second in February 2010. An industry seminar was also held on 8 June 2009 with 18 companies and 30 industrial delegates. The interim evaluation report due for completion in quarter 4 was also completed ahead of schedule.

**National Renewable Energy Centre (Narec) Smart Networks Industry Development** – progress continues to be made on this project to build up smart networks for innovation support activities. Two industry workshops were due to take place during quarter 3 however following discussions with industry the workshops have been organised to coincide with Offshore Round 3 announcements. A workshop on electrical systems is expected to take place in June 2010 pending confirmation from the Crown Estate and a submarines cables workshop is also expected to be confirmed for June. For the latter half of 2010 a workshop is being planned covering lighting protection requirements for wind turbine generators. Several meetings have also taken place to investigate and ensure link ups with those delivering the low carbon vehicle and offshore agenda and integration into the wider Narec Strategy Review.

**NHS Innovations North** – the tender for the single programme evaluation of the Technology Transfer Network for the NHS has been completed and the evaluation is planned following the end of single programme funding on 31 March 2010. The project also aims to help local businesses develop their products/services as suppliers to the NHS. During the period six protected innovations to business were completed and commercial terms were agreed for seven products.

**Innovation Vouchers** – this project intends to create a mechanism via BENE for the distribution of innovation vouchers amongst regional SMEs. Key networking meetings have been held between the Agency, Knowledge House and BENE on an operational level to support a consistent approach to the delivery of the vouchers across the region. After a fairly slow start, BENE reported in early January 2010 that 75 Innovation Vouchers are now committed. New criteria, focusing on product innovation was established and implemented in April 2010. Voucher uptake has been increasing and at the end of March 2010 a total of 114 were committed. Impact data is to be established following further discussion with BENE. Additional workshops, in collaboration with the Universities, have been held focusing on business innovation.

**National Wind Development Centre – Nacelle Test Rig** – progress has been made on establishing this £30m facility which will add greatly to the regions ambition to be the focus for offshore wind industrial development and take advantage of this potential £60bn UK market. During the period provisional funding approval was received from the Energy Technologies Institute (ETI) for the test stand and phase 1 design and cost verification is now underway. Agency Board approval was received in November 2009 and a planning application was submitted to Northumberland County Council in February 2010. This is currently subject to the 13 week consideration period and it is expected that formal approval will be sought at the Council's Planning Committee at the end of June 2010.

## PEOPLE PRIORITY

### Skills and Higher Education Programme

#### Corporate Objective

The Programme will ensure the Region develops and retains the skills and talent required to increase the competitiveness and productivity of the regions businesses, the Programme will support measures to inform and stimulate demand for, and participation in higher level skills. It will help ensure that in a demand led skills system, individuals and employers are able to make informed choices linked to the needs and opportunities of the regional economy. Through the Regional Employability Framework and Regional Skills Partnership we will align regional investment to support more people into and staying in work, effectively integrate employment and skills across the region and develop and embed equality and diversity best practice

#### Financial Performance

Expenditure/Income	Budget £000	Actual £000	% Variance
Total Spend	9,652	10,107	(5%)
Total Income	0	0	N/A
<b>Net Expenditure</b>	<b>9,652</b>	<b>10,107</b>	<b>(5%)</b>

The Skills programme is overspent by £0.5m. This overspend relates to the Talent Challenge project which was brought forward to alleviate 2010-11 budget pressures.

#### Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	150	153	102%
Employment Support (units)	810	972	120%
Business Creation(units)	28	23	82%
Business Support (units)	538	526	98%
Skills (units)	45,000	45,950	102%

Overall performance for the Skills Programme has been very good for 2009-10, with positive achievements in relation to Jobs Created/Safeguarded, Employment Support, Business Support and Skills. Business Creation is slightly down against target for the year, however this only relates to 5 businesses. The achievement of 10 businesses created is an accomplishment and it should be noted that this has not impacted on the Agency's overall achievement of its Business Creation target.

#### Progress Against Key Projects

**Capacity Fund Aligned to Priority Sectors** – this project is designed to change cultures and behaviours of the skills supply side with good progress made during the year. The first enrolments have started on the Subsea Msc course at Newcastle University, Foundation Degree students have been recruited at Darlington College Training Hotel and the first students have enrolled on the Foundation Degree in the Creative Industries at Newcastle College. In addition, the first interim evaluation report was received from WM Enterprise. A newsletter has been complete and circulated to all projects, this is available on the New Skills website - <http://www.newskillsconsulting.co.uk/>

**FE Progression Challenge Fund** – good progress has been made during the year with PEV visits carried out and quarterly progress reports completed. Further to this, work has been ongoing to ensure the systems are in place to support the delivery of the project in all centres. Recruitment plans and IAG plans are in place. The evaluation has been procured and is currently underway, results of which will be reviewed in quarter 1 2010-11.

**Leadership and Talent Attraction/Retention** – this activity will ensure the development of an integrated regional approach to leadership and talent attraction/retention, with the second intake of the leadership programme – Regional Leadership Development: Developing Leaders - successfully completed during the period. The common purpose project has been completed and all participants passed the course.

## Economic Inclusion Programme

### Corporate Objective

To, through the Regional Employability Framework and Regional Skills Partnership, align regional investment to support more people into and staying in work, to effectively integrate employment and skills across the region and to develop and embed equality and diversity best practice.

### Financial Performance

Expenditure/Income	Budget £000	Actual £000	% Variance
Total Spend	5,767	5,325	8%
Total Income	0	0	N/A
<b>Net Expenditure</b>	<b>5,767</b>	<b>5,324</b>	<b>8%</b>

The programme is showing an underspend of £0.4m which is due to procurement delays within the Tyne & Wear City Region Employability project.

### Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	15	1,211	8073%
Employment Support (units)	3,706	3,876	105%
Business Support (units)	80	409	511%
Skills (units)	3,500	2,523	72%

As can be seen from the table above 2009-10 has been an exceptional year for Economic Inclusion, especially in relation to Jobs Created/Safeguarded and Business Support. The high actual for Jobs Created/Safeguarded is predominantly a result of resources in Economic Inclusion being transferred to support the Corus Skills and Employment Support project which was approved in December 2009. This project has also significantly contributed towards the Programme's Employment Support total. The Business Support year end target has been significantly over achieved thanks to the success of the VCS Third Sector Capacity Building Fund. Skills is down against target for the year, however for management purposes, the Skills and Economic Inclusion Programmes are managed jointly and the overachievement in the Skills Programme means that jointly the target has been achieved.

### Progress Against Key Projects

**Tees Valley Employability Programme** – excellent progress has been made with this project which will deliver the Regional Employability Framework at City Region level. An interim evaluation into aligning PCT Health funding with project activities has been completed, recommendations are being taken forward/implemented and findings disseminated to partners. The project management team are in place and they are working across the Local Authorities to agree the delivery of post employment support and communications strategy. The INTO Work Programme in Darlington has commenced delivery during the last quarter and the Communications Strategy is currently in development.

**Rural Employability Durham** – this project aims to provide for the delivery of the Rural Employability Framework in three sub-counties of County Durham. An interim evaluation has now been completed and the recommendations are being implemented.

**Rural Employability Northumberland** - this project aims to provide a fully integrated employability



service in 'deep' rural Northumberland, where mainstream services do not exist. Delivery of the project has already resulted in recruitment 'hubs' being established in Wooler and Seahouses which are providing employment advice and vacancy information. A Rural Employability Project is currently being procured to deliver in Rothbury.

**Third Sector Capacity Fund** – this project aims to build the capacity of the third sector to engage and contribute strategically to sustainable economic development in the region. A Round 2 grants panel has been completed and PR generated. Round 3 is now 'live' and submission of full applications was expected by 15 April 2010.

**Corus Skills and Employment Support** – this project is jointly funded with Yorkshire Forward and is concerned with the provision of skills training and employability support to Corus employees at risk. The project was approved on 4 December 2009 and the full £1m of One North East funding was paid to Corus on 11 December 2009. The delivery of training and employability support commenced in quarter 4 with 1,200 jobs safeguarded.

## PLACE PRIORITY

### City Regions and Rural Programme

#### Corporate Objective

To maximise private sector investment and market opportunities for growth through strategic infrastructure investment in our city regions and rural areas.

#### Financial Performance

Expenditure/Income	Budget £000	Actual £000	% Variance
Total Spend	57,459	57,019	1%
Total Income	2,801	1,620	(42%)
<b>Net Expenditure</b>	<b>54,658</b>	<b>55,399</b>	<b>(1%)</b>

The City & Regions programme is showing an overspend of £0.7m against budget. This overspend is partially due to procurement delays for Design Centre for the North East project which resulted in lower than anticipated receipts.

#### Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	345	509	148%
Employment Support (units)	218	1	0%
Businesses Creation(units)	0	12	N/A
Business Support (units)	261	353	135%
Skills (units)	2,500	2,570	103%

City Regions and Rural has performed very well against all of its 2009-10 Corporate Targets with the exception of Employment Support. The Programme's capital projects have delivered more construction jobs than expected during the period, leading to the overachievement of the Jobs Created/Safeguarded target. Despite not having a target for Business Creation the Programme has managed to attract 12 businesses to Sunderland during the year through The Place project which is an excellent achievement. Employment Support is significantly down against target for the year but it is recognised that this target was challenging for the Programme as employment support activity generally falls outside of its direct remit. It was however hoped that some of its projects may have been able to contribute but due to changes in project priorities to support businesses rather than more

traditional physical regeneration activities, this was not the case. It should be noted that this has not impacted on the Agency’s overall Employment Support target which has been achieved.

**Progress Against Key Projects**

**Durham City Vision** – this project is a long term vision for the strategic transformation of the City of Durham. Redevelopment of the Ice Rink site in Durham is ongoing, with an informal draft development brief prepared and Durham County Council is currently considering the consultation and adoption process. The redevelopment of the Market Place is also ongoing, with planning consent approved and work commenced on site during quarter 4.

**Science Central** – the pre-development phase masterplanning and feasibility work is continuing. An initial draft of the masterplan was presented to the Science City Project Board in December 2009. Work on the planning application commenced in quarter 4, along with the feasibility study for the first phase of the development, to include a Gateway building. Intensive work is ongoing to develop and deliver an Inward Investment strategy for the site, and assess future potential joint venture options, to formally engage with the private sector in the next phase of development.

**Gateshead Quays** – the business case for the masterplanning exercise for Gateshead Quays area reflecting possible development of a Convention Centre was approved in November 2009, consisting of £0.5m single programme funding. The masterplanning team was appointed in January 2010 and work has now commenced on the preparation of the comprehensive masterplan.

**Promoting the Region Programme**

**Corporate Objective**  
Supporting the region’s economic growth by promoting a clear and positive image of North East England which attracts people and businesses from outside of the region to live, work, invest or visit

**Financial Performance**

Expenditure/Income	Budget £000	Actual £000	% Variance
Total Spend	6,453	6,365	1%
Total Income	0	0	N/A
<b>Net Expenditure</b>	<b>6,453</b>	<b>6,365</b>	<b>1%</b>

Promoting the Region is showing a slight underspend of £67k.

**Corporate Targets**

This Programme does not directly deliver against the Agency’s Corporate Targets. However following the implementation of the Agency’s Performance Framework approach to Performance Management, during 2010-11 the Programme will begin to formally report the valuable outcomes that it delivers and the long-term benefit this generates for the region. This will include outcomes such as increased number of visits to the region, achieved through the successful marketing and tourism activity detailed below. This increase in visitor numbers will then generate significant contributions to increasing the regions GVA. The Performance Frameworks will give the Programme a formal system for capturing and reporting these outcomes and impacts, allowing them to thoroughly demonstrate their value.

**Progress Against Key Projects**

**Business and Innovation Campaign** – the campaign has made excellent progress in delivering against key milestones throughout the year. Research was undertaken to identify North East England’s competitive position within a range of new and emerging industry sectors including new and renewable energy, printable electronics, gaming sector, life sciences and biofuels/process sector. This research identified that North East England has strengths which can be exploited in communication particularly in relation to electric vehicles and offshore wind. There is significant focus nationally and internationally on these sectors which presents the region with an opportunity to undertake high profile activity again through the Promoting the Region programme. The independent research has therefore been used to support development of promotional materials featuring strong compelling messages

and new activity was rolled out from mid February across national and niche publications. Key messages include clusters of innovation, supply chain structures support, Centres of Excellence and availability of manufacturing sites. This activity is supported by a much enhanced Regional Image website featuring dedicated Invest North East England and Live and Work sections. The reach of the campaign is global and excellent levels of regional and national coverage have been achieved for North East England with particular focus on the electrical vehicle and renewable energy sectors.

By the end of March 2010 1632 people had agreed to become North East England Ambassadors. A programme of support materials aimed at encouraging Ambassadors to be more pro-active has been launched and a social media strategy developed. As a result press releases are now being posted on Twitter and Ambassadors actively encouraged to engage in online debate.

**E-Focused Visitor Economy Marketing** - this project performed well against key milestones across the year. The inspirational TV advert produced in 2008 was re-used in May, January and March. Media focused on digital and satellite channels and this coupled with the re-use of the previous year's advert provided a high impact TV presence at reduced cost. A new database and e-focused customer relationship management system was also successfully implemented.

The visitnortheastengland website has seen a number of enhancements including the truly innovative Activity Generator. This feature randomly selects 3 different potential visitor activities and produced significant press interest. These enhancements have enabled the website to become the main response mechanism for campaigns completing the shift away from print in the UK and improving value for money. Encouraging user generated content through the use of social media was a key focus. The Twitchhiker undertook a North East England challenge using the Activity Generator, with followers from all over the World including New York, Sydney, and Canada voting on which activities in North East England he should undertake. This reached 22,000 global followers and generated huge levels of positive independent comment.

Potential visitors were also generated through activity in the national press and via a successful radio advertising campaign. Marketing aimed at generating business over the traditionally quiet Autumn/Winter season was particularly successful. This produced over 168,727 unique visitors to the website which represented an 84% increase on the previous year which had already seen good growth. The strategic alliance with DFDS Seaways in Holland and Germany continued successfully. A joint campaign featuring ferry and hotel stay resulted in a significant number of bed nights. North East England has continued to be successfully marketed in Australia and New Zealand.

**Culture and Tourism Programme**

**Corporate Objective**  
 Stimulate growth and competitiveness in culture and visitor economy businesses through investment activity that increases visitor spend, delivers specialist sector support, stimulates the creation of new visitor attractions and contributes to raising the profile of the region in the national visitor market. The work compliments Inward Investment and Promoting the Region activity by stimulating a strong cultural, business tourism and leisure sector.

**Financial Performance**

<b>Expenditure/Income</b>	<b>Budget £000</b>	<b>Actual £000</b>	<b>% Variance</b>
Total Spend	13,077	12,899	1%
Total Income	0	17	100%
<b>Net Expenditure</b>	<b>13,077</b>	<b>12,882</b>	<b>1%</b>

Culture and Tourism is £0.2m behind the annual budget of £13.1m. The programme was however in line with forecasted spend.

## Corporate Targets

Corporate Targets	End of Year		
	Target	Actual	% Achieved
Jobs Created/Safeguarded (units)	200	318	159%
Businesses Creation(units)	3	2	67%
Business Support (units)	1,600	678	42%
Skills (units)	1,500	2,419	161%

The Culture and Tourism Programme has had a mixed year in terms of direct target performance as shown by the table above. Its excellent performance against its Jobs Created/Safeguarded and Skills targets is thanks to the Programme's capital projects delivering more construction jobs than expected and opportunities that arose to count further skills outputs from Tourism Network North. In relation to Business Creation the Programme was only targeting to create three businesses and achieved two so this is not an area of concern, as the variance only appears artificially large in percentage terms. The Business Support actual is low against the Programme's target due to issues encountered in the setting of project forecasts which were slightly overestimated. These forecasts are now being thoroughly reviewed and work is taking place to increase performance where possible.

### Progress Against Key Projects

**Durham World Heritage Site Visitor Centre** – the conversion of 7 Owengate in Durham into a visitor centre will support the development of the Durham World Heritage Site and City. The aim of the project is to increase the dwell time of visitors in Durham resulting in increasing spend in retail, food and other service industry businesses as part of a City wide plan. The Business Case was approved in quarter 4 and expenditure was complete by 31 March 2010.

**Area Tourism Partnerships** – extensive business collaboration and development programmes continue to be delivered with a series of key, business focussed conferences and work to promote investment in the sub regions through Area Tourism Management Plans. ATPs have continued to offer specialist sector support in close working with wider business support networks. Business plans for each of the ATP's were completed and submitted to the Agency in quarter 4.

**Hadrian's Wall – Vindolanda** – this capital investment project will enable the exhibition of the Writing Tablets on loan from the British Museum at the Vindolanda Roman Site in Northumberland. The housing and improved presentation of artefacts of international value will increase visitor numbers and spend at the attraction and surrounding businesses. Physical works have commenced on site during 2009-10 and are progressing well.

**Seaton Delaval Hall** – this project is supporting the acquisition of Seaton Delaval Hall and grounds by the National Trust to stimulate growth in an area suffering from deprivation. The aim of the project is to catalyse new economic activity and business growth on the back of a new tourist attraction. The full funding package was secured and the transfer of the asset to National Trust was completed by the end of quarter 3 and the acquisition was completed in quarter 4.

### 5.3 Ensuring Cross-Cutting Themes are fully embedded

Our approach to delivery through our structure of 3 Priorities, 8 Programmes and 24 Activities ensures that the cross-cutting themes of 'Sustainable Development' and 'Economic Opportunities for All' are fully embedded across our Programmes. Even though the Agency remains sharply focused on combating the economic downturn we have not neglected our commitment to delivering these cross-cutting themes. Progress on these themes during 2009-10 is detailed below:

#### Sustainable Development

The Agency is the main funding body for SustainE, the region's sustainable development champion body, alongside local authorities (via ANEC). The Agency is continuing dialogue about the future of Sustainable Development support in the region, given that the regional architecture is likely to change in future. This has involved a number of workshops to assess the regional need and possible complexion of a regional sustainable development champion body, the results of which will be fed into

the ongoing dialogue. We are also continuing to work to embed SD principles in both strategic documents and project level delivery.

In the area of Carbon Reduction, the Agency has been working jointly with the other RDAs during 2009-10 to develop Common Operating Principles to enable common reporting against the Energy White Paper commitment. These principles were agreed by the RDA Chief Executives in March 2010. This collaborative work took place as it became apparent that in the absence of a recognised methodology, some RDAs had developed their own methodologies for the assessment of carbon emissions. However, the methodologies vary widely and the results are not directly comparable.

The RDAs will report against the Energy White Paper Commitment, in line with the Common Operating principles, from April 2010. To ensure we are able to meet this commitment the Agency will commence the collection of data, on carbon savings associated with our investments, in April 2010 and will report savings in 2010-11. We will also be working with the other RDAs to develop a common methodology for the assessment of carbon savings for the Energy White Paper Commitment over the next 12 months with a view to implementing this methodology from April 2011, and using it to report savings for 2011-12.

### **Economic Opportunities for All**

Throughout the year, the Agency has taken steps to embed its equality impact assessments within its Procurement Strategy, employment practices and the processes for project appraisal and policy development. In addition, the Agency plays a leading role in shaping wider activity to address equalities issues through the region's Equality and Diversity Action Plan, overseen by the North East Equality and Diversity Partnership. The Agency provides investment for key strands including the development of a more robust evidence base to influence and inform regional policy and programmes. This work has led to an influential piece of research being published, highlighting the impact of the recession on ethnic minorities.

A series of Equality and Diversity workshops were piloted in quarter 3 to a sample of businesses in the region to raise awareness of the potential benefits of good equality practice in the workplace. The evaluation of these workshops has informed delivery of Equality & Diversity focussed support.

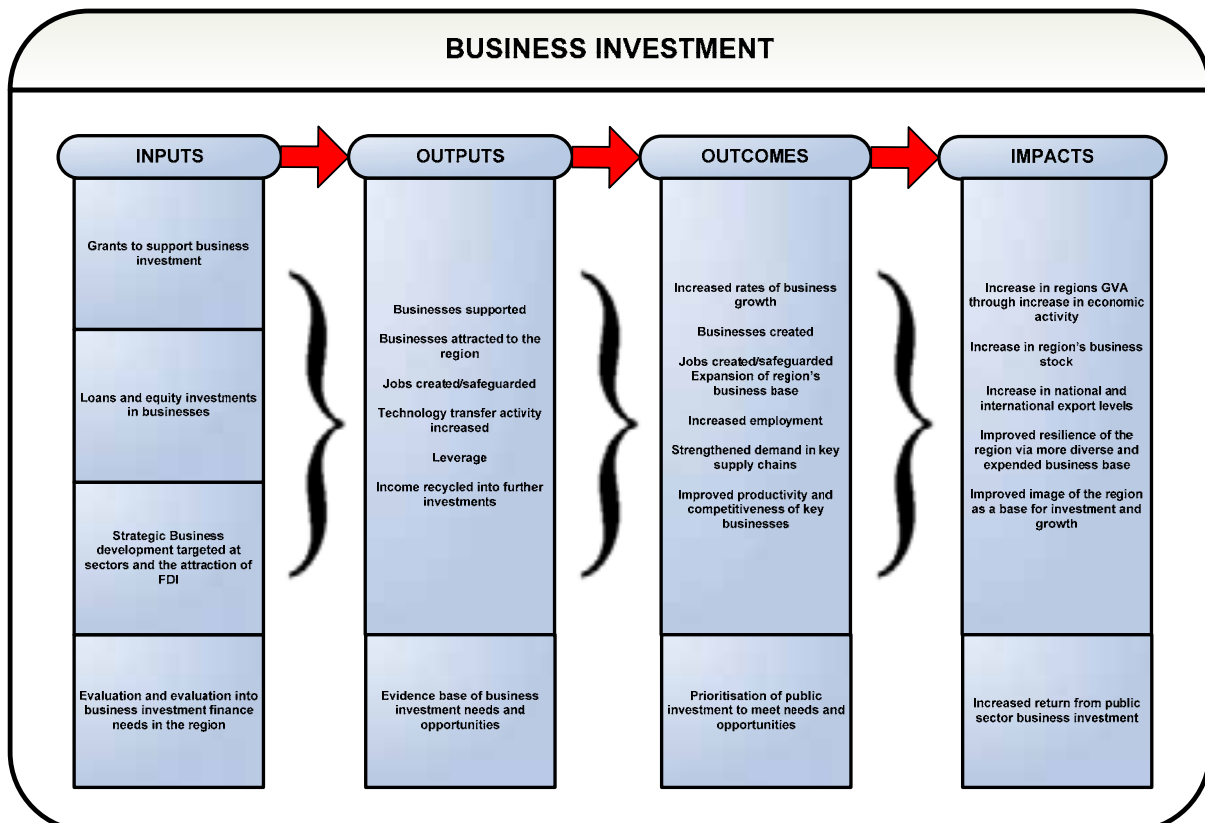
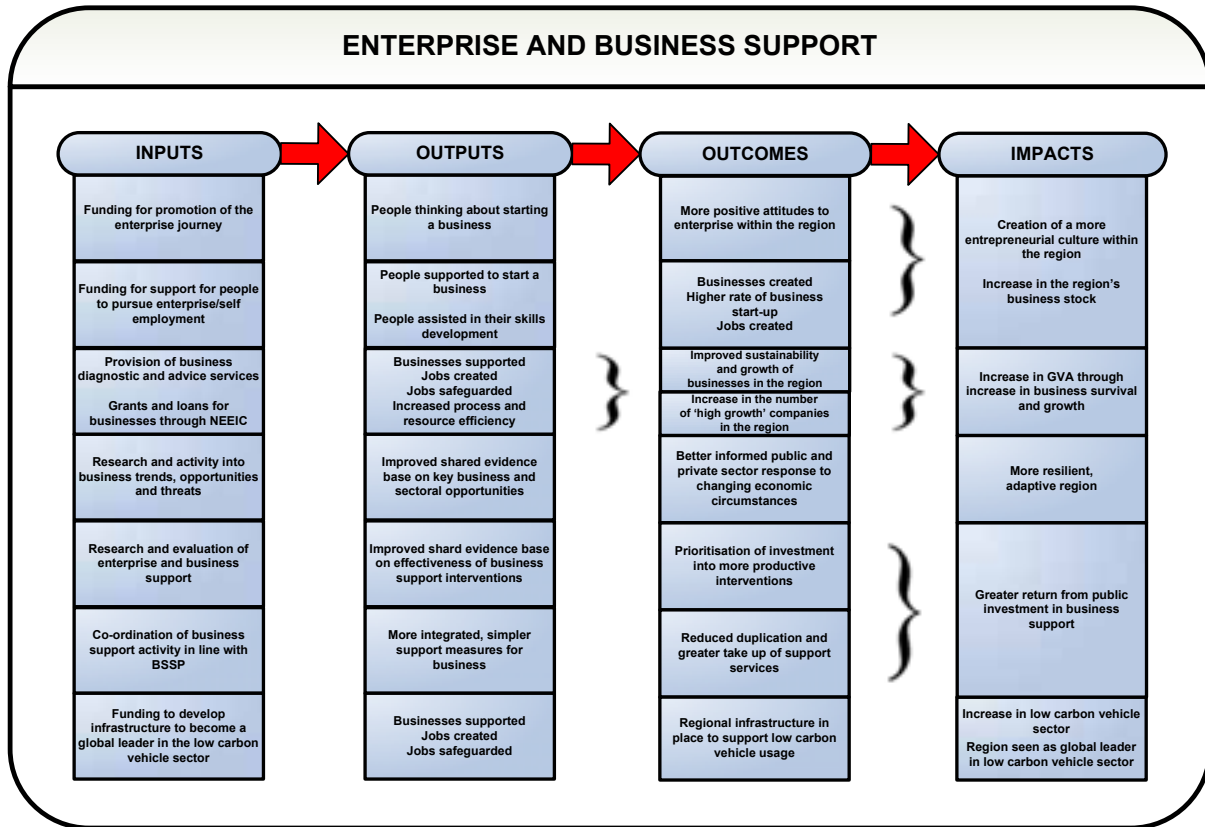
A Single Equality Scheme (SES) in partnership is being prepared. The scheme and action plan will bring together all of One North East's actions and progress (under its existing Race, Disability and Gender Equality Schemes), to show how we will meet our current legal requirements. This approach aims to embed equality into our everyday work. The Agency has taken the following steps to prepare for introduction of the Equality Act, expected to become Law in 2010:

- Internal Diversity Group being set up, members will receive accredited training
- All Head of Teams attended a Master Class: Leading Progress
- We are exploring setting up an external scrutiny group to advise and monitor progress
- Training on the scheme for staff took place in March

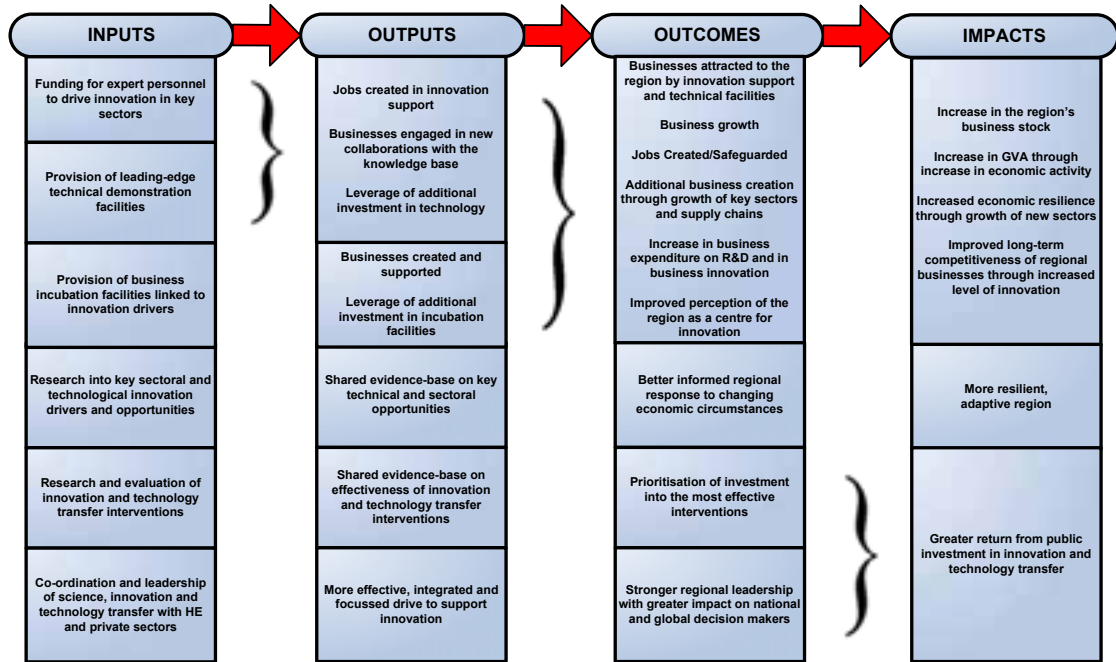
We will continue to move forward on this area, completing the action plan in the first quarter of 2010-11.

## Annex B Performance Frameworks

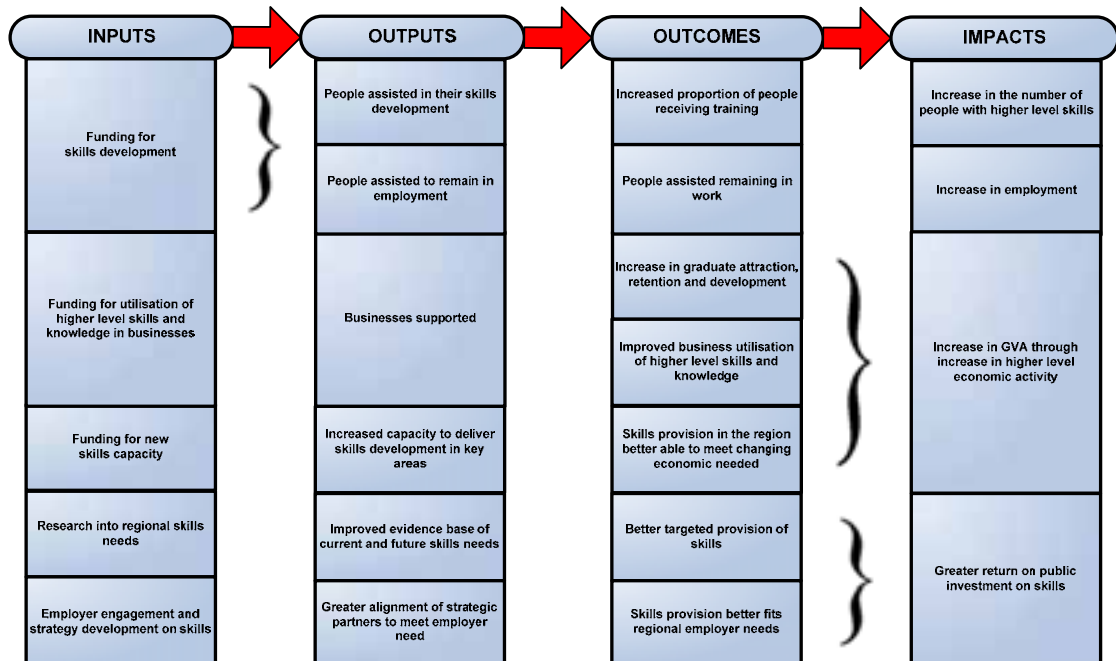
Following the review of their focus each Programme's Performance Framework has been updated to reflect the inputs, outputs, outcomes and impacts they will deliver to achieve their Corporate Objectives:

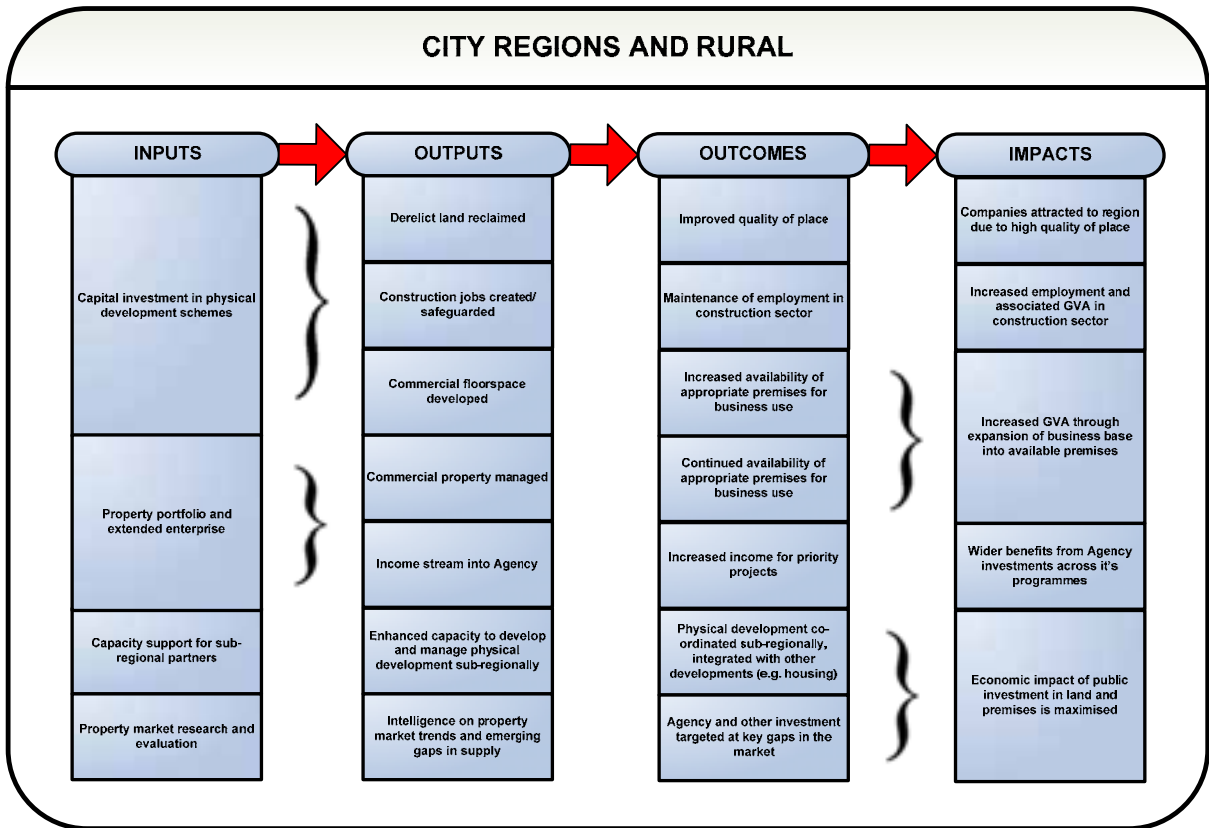
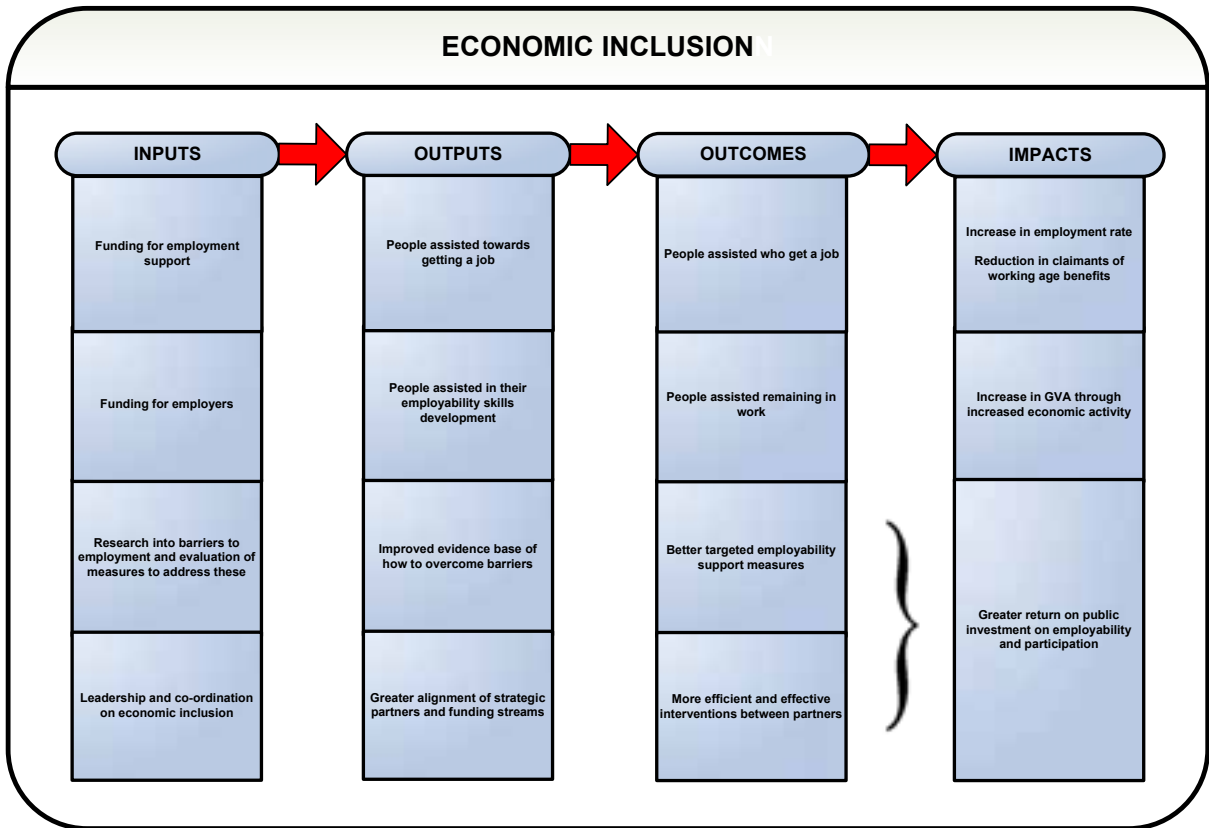


## INNOVATION AND BUSINESS SUPPORT



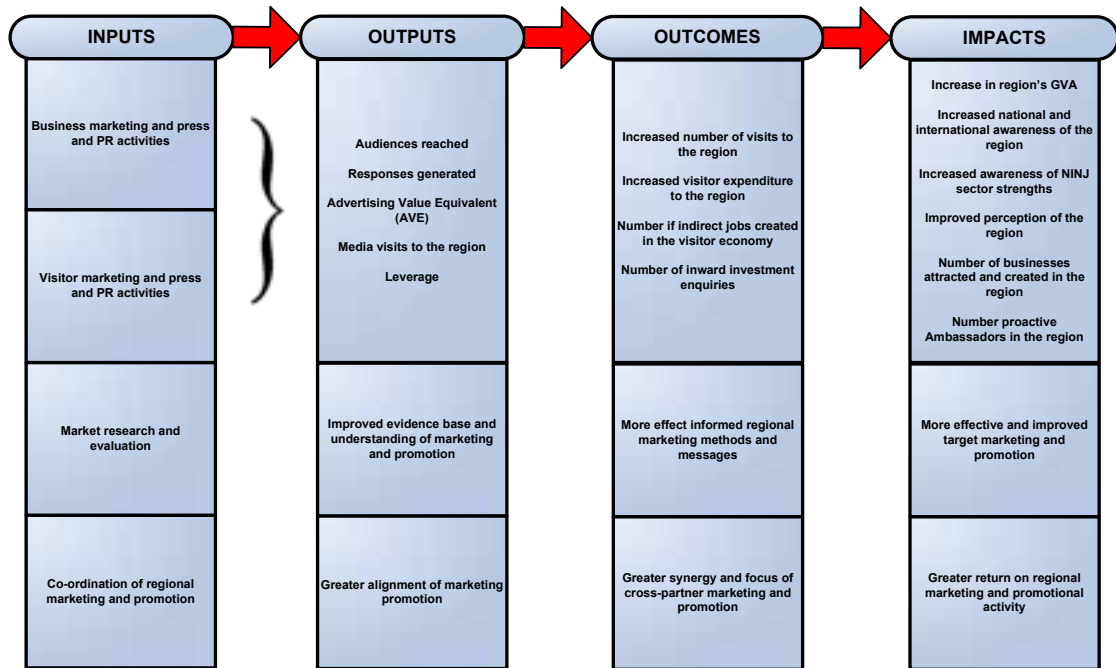
## SKILLS AND HIGHER EDUCATION



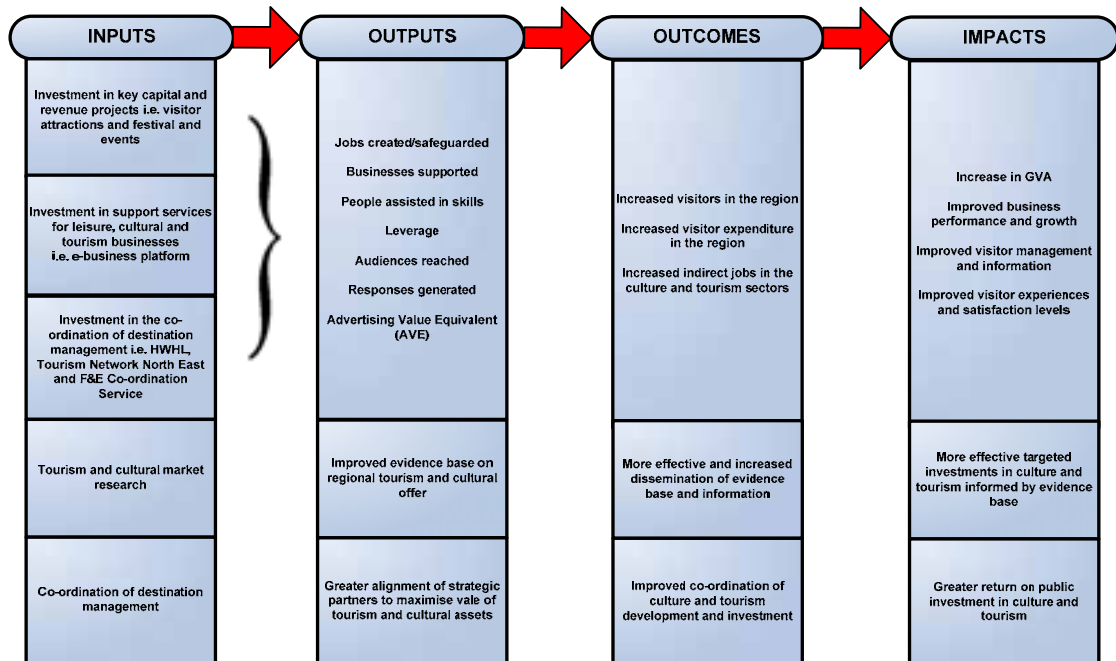




## PROMOTING THE REGION



## CULTURE AND TOURISM



## **Annex C Disaggregation of Outputs**

Within the scope of the Corporate Targets and Corporate Measures the Agency is required to split performance according to two criteria: a Rural/Urban split, and a disadvantaged area/non-disadvantaged area split. This is presented below:

Corporate target	Gross Attributable Outputs for 2008-09					
	Rural/Urban			Disadvantaged / Non-disadvantaged		
	Rural	Urban	Total	DA	Non DA	Total
Jobs Created/Safeguarded (units)	3,271	15,624	18,896	9,416	9,480	18,896
Employment Support (units)	1,845	5,844	7,689	5,655	2,034	7,689
Businesses Creation(units)	1,045	2,449	3,494	2,087	1,407	3,494
Business Support (units)	8,169	19,269	27,438	16,237	11,202	27,438
Skills (units)	22,150	50,921	73,071	44,299	28,772	73,071
<b>Corporate Measures</b>						
Brownfield Land (ha)	2.47	7.43	9.90	6.38	3.52	9.90
Knowledge Base/ Business Collaboration (units)	529	1,471	2,000	1,197	803	2,000
Total Leverage (£M) of which is:	73.84	424.02	497.87	250.92	246.95	497.87
- Regeneration (£M)	16.12	264.82	280.93	110.50	170.44	280.93
- Private Investment (£M)	50.09	315.05	365.13	153.35	211.79	365.13
- Private Regeneration only (£M)	10.03	225.19	235.22	75.51	159.71	235.22
Non Housing Floor Space (sqm)	165	25,236	25,401	24,531	870	25,401

**Note:** Rural/Urban disaggregation is based on government's *Rural Urban Classification*. Where projects are located in a defined *Rural* area or they target *Rural* residents then all outputs will be identified as *Rural*. For other projects outputs will be attributed as *Rural/Urban* based on the % population. *Disadvantaged* is based on the 20% of most deprived wards in the country as identified by the 2000 Index of Multiple Deprivation (IMD), produced by ODPM. Where project objectives are to target those living in or the project is located in a *Disadvantaged* area all outputs will be attributed as such. For non-specific projects, outputs will be attributed based on the % deprived area/population to that in the region/sub region.

## **Annex D Cross-Regional Collaboration**

Formal Agreement	Lead RDA
Hadrian's Wall Heritage Limited	ONE
Shanghai Expo Marketing	ONE
Northern Way – Developing Electric Vehicle Infrastructure	ONE
Northern Way – City Regions	ONE
Northern Way – Policy & Research	ONE
Northern Way – Transport – Manchester Hub	YF
Northern Way – Transport – Rail Gauge Enhancement	YF
Northern Way – Innovation & Energy - Carbon Abatement Technology	NWDA
Northern Way – Innovation & Energy - Pintable Electronics	NWDA
Northern Way – Innovation & Energy - Northern Wind Innovation Programme	NWDA
Northern Way – Innovation & Energy - NorthernNet	NWDA
Northern Way – Innovation & Energy – Nuclear – Supply Chain	NWDA
Northern Way – Innovation & Energy – Offshore Wind Supply Chain Programme	NWDA

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