

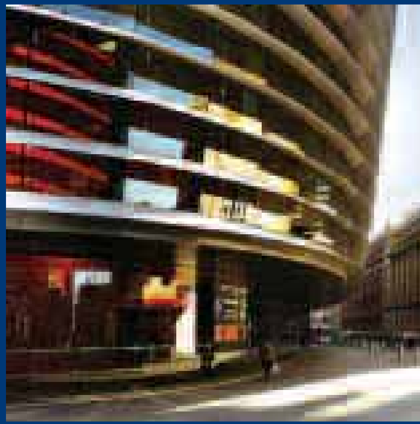


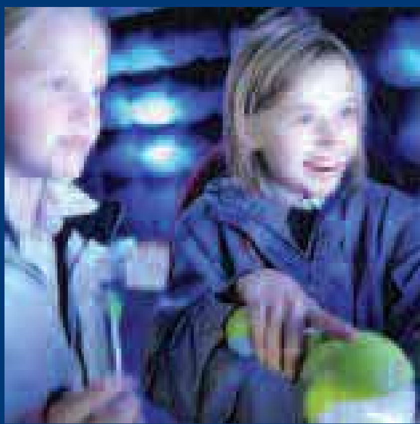


Annual Report and Accounts

east midlands development agency

April 2008 — March 2009

HC 681

East Midlands Development Agency (*emda*)

Annual Report and Accounts
2008-2009

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Chairman's foreword

Bryan Jackson
emda Chairman

In a year of unprecedented economic challenges, East Midlands Development Agency (*emda*) has continued to work closely with partners throughout the region to sustain the long term vision of the Regional Economic Strategy (RES) to make the East Midlands 'A Flourishing Region'. At the same time considerable effort and resource has been put into supporting our region's businesses through the difficulties of the economic downturn.

From 1st October 2008 *emda* took on the role of Chair of Chairs for the nine Regional Development Agencies (RDAs) in England for a six month period. During this busy period the Agency has worked closely with other RDAs and Government to help businesses through the recession. The Agency has advised Government on the interventions required to support business and taken an active role in the implementation of initiatives such as the Small Firms Business Forum assembled by Lord Mandelson.

Moving forward *emda* continues to act as a voice for business, working closely with Government in our lead RDA role with the Department for Business, Enterprise and Regulatory Reform (BERR)[1]. This is a fantastic opportunity to shape Government's strategy for Britain's economic and industrial future on behalf of the RDA network. It means we can truly be an ideas factory for Government to ensure businesses are supported and remain competitive, both during the economic downturn and beyond.

In August 2008, *emda* launched its plan for how Government and the Agency would work with regional partners to help businesses and households through the current economic circumstances. A new Regional Economic Cabinet, to provide strong effective leadership to address the effects of the credit crunch on the region, has been established. The Agency plays a key role in the Cabinet, which meets every four to six weeks to share intelligence to coordinate activities in order to help businesses.

Plans for the implementation of the Government's Sub-National Review (SNR) of economic development and

Students at a Science, Technology, Engineering and Maths (STEM) event

Chairman's foreword

regeneration have also continued during 2008-2009. Once in place the arrangements will strengthen and streamline the delivery of sustainable economic development across England. *emda* is now working closely with local authorities, the business community and other stakeholders to put in place SNR implementation arrangements which suit the needs of our region.

At the heart of the plans is a new, single strategy for sustainable economic growth in the East Midlands. The Agency continues to build an enhanced and robust evidence base to underpin the current RES in preparation for the move to a new single regional strategy in the near future. In this hugely challenging economic climate, the underlying purpose of the SNR – aligning economic development structures for maximum impact – now has an even greater significance.

The SNR will change the way the Agency works with partners sub-regionally, and from 1st April 2009 *emda* undertook a transformation of its Sub-Regional Strategic Partnerships (SSPs). This change will mean *emda* and the East Midlands' unitary and county authorities working together even more closely to take forward economic development across the region. May I take this opportunity to thank our SSP colleagues for the positive contribution they have made to the economy of their sub-regions and the regeneration of their communities over the last eight years, they leave a lasting legacy. *emda* continued to work closely with the seven SSPs through 2008-2009 and you will find case study examples of their activity in the following pages of this report.

I'd also like to thank all the partners who have continued to work with *emda* throughout the challenges of the past year and extend my thanks to my Board and all the *emda* team. They have shown continued dedication and commitment to support businesses through these tough times whilst continuing to encourage long term sustainable economic development in the region.

QUAD in Derby

The end of 2008-2009 was a significant milestone for *emda*, as the Agency celebrated its 10th anniversary on 1st April. This coincided with the publication of the results of both a national impact evaluation of RDAs' work and *emda's* own impact evaluation. Both demonstrate the significant positive ways in which the Agency has helped the regional economy. The evaluation report gives us the assurance that, as we look back on *emda's* work over the past decade, not only has the Agency generated economic benefits that substantially outweigh its overall costs, *emda* also continues to have a wider impact on people, places and businesses in the East Midlands that cannot be captured by figures alone. Looking ahead, the impact evaluation will help shape the direction of future investments to focus on investments that will deliver the greatest impact and benefits for the region's economy.

[1] which from mid-June 2009 became the Department for Business Innovation and Skills (BIS).

Chief Executive's review

This report details *emda* key achievements over the past 12 months, highlighting some of the activity undertaken by both *emda* and its Sub-regional Strategic Partnerships (SSPs) to help deliver the Regional Economic Strategy (RES). It also covers activity undertaken through management and delivery of funding schemes such as the European Regional Development Fund and Rural Development Programme for England.

This year has also seen a substantial level of activity in response to the economic downturn. *emda* has mobilised significant resources to help businesses to respond to and overcome barriers such as tightening credit conditions, difficulty in raising match funding for capital investment projects and decreasing demand for manufacturing goods and supporting exports.

Alongside a continuing need to meet tough efficiency saving targets, *emda's* strong regional leadership and robust programme management controls have been more important than ever. The Agency's ability to respond quickly to the rapidly changing economic conditions meant that we were able to put in place a comprehensive range of measures designed to combat the impact of the recession on companies across the region. We remain committed to doing all we can to help businesses get through these uncertain times. We want companies to survive the downturn and go on to thrive when the upturn comes as the country comes out of this period of global uncertainty. In our lead relationship with BERR[2] we continue to have an important responsibility to be proactive and creative in the development and implementation of Government policies and specifically in support for business and enterprise. During the past year we have had a coordinating role across the RDAs to help raise awareness of national business support initiatives and help roll out activity in the regions.

Regional initiatives the Agency introduced included a Transition Loan Fund for businesses having difficulty obtaining credit, a series of Survive and Thrive events which offered practical expert advice through to *emda's* commitment to paying invoices to suppliers of goods and services within 10 days to help the cash flow of regional companies. More information on the specific activity undertaken to support businesses through the recession is detailed in the case study on page 15 of this report.

The Agency has worked to develop and retain skills in the region by tailoring and enhancing Train to Gain support to better meet the needs of smaller businesses. We've worked with tourism businesses through East Midlands Tourism to improve their welcome to visitors and maintain profit levels and productivity. We extended the Career Chain programme, which has successfully developed the skills of engineers facing redundancy to retain them in the region, to also cover the construction sector.

Staying close to business to understand their needs is critical in these difficult times. *emda* has continued to provide strong leadership over the past year and, despite the tough economic climate, build on the Agency's achievements to date. At the end of March 2008 the results of an independent evaluation of *emda's* impact were published, carried out by specialist research company Ecotec. The comprehensive evaluation is one that few other public sector bodies – or indeed other RDAs – have been subject to before. The report confirms that *emda* has had a significant impact on the region's economy. For every £1 *emda* spends, an average of £9 to £15 of economic output is generated for the East Midlands economy.

The regional economy has shown its resilience through the current economic climate. The region's record results for attracting inward investment to the region in previous years have been built on, with 29 companies encouraged to invest in the East Midlands in 2008-2009, creating or safeguarding some 2, 630 jobs.

The London 2012 Games also continue to present opportunities for the region's businesses. CompeteFor, a unique business matching service championed by *emda*, is connecting East Midlands businesses with London 2012 related contracts. Figures published in November 2008 showed that 26 companies or organisations from the East Midlands have already won work supplying the Olympic Delivery Authority (ODA), 43 percent of them small and medium sized enterprises (SMEs). Many more have won work supplying the ODA's contractors and are preparing to compete to win future work. We are also working with Loughborough University and other facilities listed in the Pre Games Training Camp Guides to encourage international teams to base themselves in our region in the lead up to the 2012 Games.

Investment in regeneration in 2008-2009 has focused on the enhancement of the competitiveness of our towns and cities. With our investment the Agency has developed the economic value of our natural and historic environment. We have supported the reuse of previously developed land and directly assisted in attracting businesses to our region. Specifically we have invested in transport interchanges such as Corby and East Midlands Parkway rail stations, as well as iconic arts and creative industry facilities like Curve in Leicester and QUAD in Derby. Other investments include key waterway and green corridor assets, derelict sites such as at the former Steetley Colliery in North Nottinghamshire and a network of innovation centres in Lincolnshire.

[2] which from mid-June 2009 became the Department for Business Innovation and Skills (BIS).

Chief Executive's review/Economic context

As the economic downturn deepened towards the end of 2008 the demands upon *emda's* funds far exceeded our resources and those of our partners who faced particular challenges in securing private sector investment. We reviewed our potential land and development activity and restated our priority to invest in schemes that help people and businesses survive the recession and thrive in the subsequent upturn. We continue to work closely with all partners in making these decisions to ensure that funding is used in support of key regional projects.

Going forward we must also continue to raise skill levels and encourage innovation and enterprise to tackle the low wage, low skill equilibrium. I passionately believe that *emda* is best placed to deliver effective solutions to meet both regional and local challenges in the short term and the long term strategic priorities set out in the RES.

Over the following pages you'll find case study examples of the types of projects *emda* and SSPs have delivered against each of these strategic priorities during 2008-2009. It is not possible to capture here, or do justice to, all we do. These case studies, however, do give a flavour of the range of activity undertaken across the East Midlands over the past year, as we continue to work to ensure the RES vision for 'A Flourishing Region' can be achieved.

Jeff Moore
emda Chief Executive

Economic context 2008 - 2009

Following several years of above trend growth, the UK entered recession in the second half of 2008. The growth rate was 0.7% in 2008, down from 3.0% in 2007, and a sharp contraction of between -3.5% and -4.0% is expected for 2009. Despite its origins in the financial services sector, the recession is having a major impact on manufacturing activity[3], which has also been affected by a sharp fall in demand from overseas markets.

The East Midlands has, like other regions, been affected by the recession. The construction sector has contracted as the commercial and residential property markets have slowed. Falls in consumer expenditure have had an impact on retail. Within the manufacturing sector, the automotive industry and its supply chain in the region has been affected by a fall in demand for cars. However, following a sharp downturn at the end of 2008, there are signs that the rate of contraction may be easing.

Levels of output per head remain below the UK average (at 89% in 2007) but, despite an increase in unemployment, labour market performance compares well with the UK. In February 2009 the employment rate in the region was 75.8%, which is above the UK average of 73.8%. The East Midlands continues to be the only one of the five northern and midlands regions where this is the case[4]. The unemployment rate has increased during the last year, and now stands at 6.9%, the same as the national average.

Curve, Leicester

	East Midlands	UK
Gross Value Added (GVA) (2007, £bn)	77.9	1,216.8
Employment rate (Feb 2009, %)	75.8	73.8
Unemployment rate (Feb 2009, %)	6.9	6.9

[3] Source: Office for National Statistics, April 2009
[4] Source: Office for National Statistics, April 2009

Finance and operating review

Outputs performance

The following table shows *emda*'s performance against the targets set out in the 2008-2011 Corporate Plan. The requirement to deliver against a nationally agreed suite of output indicators was removed by the Department for Business, Enterprise and Regulatory Reform (BERR)[5] for this period. However, *emda* continued with the Tasking Framework definitions for year one of this corporate planning period.

All output targets were achieved for the year. Business support targets were exceeded by more than anticipated, as the Agency increased resources to support SMEs through the economic downturn.

2008-2009

Output name	Target for 2008-2009	Actual for 2008-2009
1 **Job creation:** The number of jobs created or safeguarded	10,000	13,195
2 **Employment support:** The number of people assisted to get a job	5,200	7,841
3 **Business creation:** The number of new businesses created and surviving 12 months, and businesses attracted to the region	2,500	2,718
4 **Business support:** The number of businesses assisted to improve their performance	25,000	29,819
4a Number of businesses within the region engaged in new collaborations with the UK knowledge base (HE/business collaboration projects)	500	880
5 **Regeneration**: Public and private regeneration infrastructure investment levered (£m)	150	225
Percentage of which is private	58% - 82%	66%
5a Hectares of brownfield land remediated	80	85
6 **Skills:** The number of people assisted in their skills development as a result of RDA programmes	18,000	31,209
6a Number of adults gaining basic skills as part of the Skills for Life strategy that count towards the Skills PSA Target	500	503
6b No of adults in the workforce who are supported in achieving at least a full Level 2 qualification or equivalent	1,700	2,022

Funding

emda runs four main programmes for the region, the Single Programme, the National Coalfields Programme, the Rural Development Programme for England, and the European Regional Development Fund.

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

The 2008-2009 Business Plan underwent a number of changes during the year, as *emda*'s budget was reduced by BERR and the Agency's receipts reduced significantly due to declining property values as a result of the economic downturn. The table on page 9 shows expenditure compared to the 2008-2009 revised Business Plan.

[5] From mid-June 2009 onwards BERR became the Department for Business, Innovation and Skills (BIS)

Finance and operating review

	Revised Business Plan 2008-2009 £m	Actual 2008-2009 £m	Difference 2008-2009 £m
Expenditure			
Total regional expenditure	100.6	100.8	0.2
Sub-regional Strategic Partnerships	43.6	43.5	(0.1)
Total Programme Expenditure	**144.2**	**144.3**	**0.1**
Baseline administration	16.8	16.5	(0.3)
European Programmes' administration	1.0	1.0	-
Total Single Programme Expenditure	**162.0**	**161.8**	**(0.2)**
Income			
Receipts	(5.5)	(5.6)	(0.1)
Net Single Programme Expenditure	**156.5**	**156.2**	**(0.3)**
Grant in Aid Cash Allocation	**156.2**	**156.2**	**(-)**
(Overspend)Underspend	0.3	-	0.3
Non cash			
Non Cash Costs	**5.0**	**4.1**	**(0.9)**
Non Cash Costs Allocation	**5.0**	**5.0**	**-**
Underspend	-	(0.9)	(0.9)

Single Programme funding

All of the cash funds available to the region were utilised in full. The underspend against non cash costs relates to depreciation and cost of capital charges, etc. Any underspend cannot be converted to the cash budget or fund project expenditure.

Grant in Aid allocation is now recognised on a 'cash received' basis in the accounts, and is therefore recorded at £175 million in Note 25, Grant in Aid Reserve on page 67.

Structural themes and strategic priorities

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

2008-2009 was the second year *emda*'s delivery was based on the priorities set out in the new RES, which were outlined in the 2008-2011 Corporate Plan and the 2008-2009 Business Plan.

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

Regional and sub-regional funding

The Corporate Plan allocated a significant part of *emda*'s funding to Sub-regional Strategic Partnerships (SSPs). In 2008-2009 £43.5 million (30%) of the Agency's Single Programme funding was deployed sub-regionally.

Finance and operating review

Expenditure

	Revised Business Plan 2008-2009 £m	Actual 2008-2009 £m	Variance 2008-2009 £m
Employment, learning and skills	4.8	4.8	-
Enterprise and business support	42.4	42.7	0.3
International trade and inward investment	2.7	2.7	-
Tourism	3.3	3.3	-
Innovation	9.8	9.8	-
Transport and logistics	0.4	0.4	-
Energy and resources	3.6	3.6	-
Environmental protection	1.7	1.7	-
Land and development	27.6	27.7	0.1
Achieving equality	3.2	3.2	-
Strategic programme activity	1.3	0.9	(0.4)
Total Regional Expenditure	**100.8**	**100.8**	**-**
Sub-regional Expenditure	**43.5**	**43.5**	**-**
Total Programme Expenditure	**144.3**	**144.3**	**-**

Corporate objectives

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

Activity against each strategic priority is detailed in the strategic priority review section, starting on page 14.

In addition, the Agency set operational objectives for the first time. Progress against each of these is detailed below.

Operational objectives

Sub-regional delivery objective: To delegate funds through an agreed strategic framework to local authorities in order that sub-regional partnerships can contribute to the achievement of RES outcomes and the successful achievement of Local Area Agreements (LAAs).

Progress: Formal contracting arrangements are now in place for seven of the nine East Midlands' unitary authorities. These agreements incorporate the sub-regional allocations previously administered by the Sub-regional Strategic Partnerships (SSPs) and came into place on 1st April 2009.

It is anticipated the outstanding agreements with Derbyshire County Council and Nottingham City Council will be in place at the commencement of 2010-2011, and 2009-2010 interim arrangements remain in place with two existing sub-regional partnerships – Derby and Derbyshire Economic Partnership (DDEP) and Greater Nottingham Partnership (GNP).

ERDF Competitiveness Programme objective: To effectively manage the implementation of the 2007-13 European Regional Development Fund (ERDF) Competitiveness Programme in order to ensure that activity brought forward meets the strategic objectives of the operational programme (including a contribution to regional productivity) and, through effective partnership working, that the region meets its first N+2 (spend) target at the end of 2009.

Progress: The first calls for activity were successfully managed from June to August 2008, with the first funding agreements in place by September 2008.

emda's ERDF management and control system, detailing the governance framework and procedures for managing the programme, was submitted to the Commission for approval in December 2008. This built on the unqualified audits from the Department for Communities and Local Government (CLG) and the Audit Authority the Agency received during the design phase of the programme.

Finance and operating review

Progress towards the first spend target in December 2009 (known as N+2) is positive, current forecasts show an over achievement of the first target.

Single regional strategy objective: To develop the specification, capacity and processes needed to underpin the development of a Single Regional Strategy by 2010, working within the relevant principles agreed by the *emda* Board in September 2007.

Progress: There have been significant delays and changes to this objective, as a result of Government changes to Sub-National Review implementation. The Regional Economic Strategy (RES) Evidence Base update has been delayed while awaiting clarification from Government, a revised plan now anticipates the consultation phase to take place in summer 2009.

emda continues to work closely with the Regional Assembly to strengthen the linkages between the RES and Regional Spatial Strategy partial review.

A good working relationship has been established with local authorities around using economic assessments to feed into the RES Evidence Base update.

Operational efficiency objective: To ensure that *emda*'s resources are deployed as efficiently and effectively as possible in order to maximise the contribution to the regional economic growth objective. This is to be achieved through continuous review of internal *emda* processes and investments and through working with partners.

Progress: The 2008-2011 Efficiency Plan was submitted to BERR in July 2008. The efficiency target for year one of the plan was £4.09 million, against a baseline year of 2007-2008.

The plan was revised in September, to reflect a modified investment programme which was realigned to respond to the rapid change in economic conditions.

The year one efficiency savings target was achieved at the end of February, and the full year performance for 2008-2009 exceeded the target by £1.2 million (30%).

The total efficiencies achieved at 31st March 2009 are £5.3 million, the majority of the efficiencies coming from the increased effectiveness of business support programmes.

Corporate governance

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

The governance of *emda* is managed by the Board, which met 10 times during 2008-2009. The Board delegates responsibility for decision making to three sub committees as follows:

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

Details of decisions reserved for the Board and the terms of reference for each group are contained within the Corporate Governance manual which is published on the *emda* website at **www.emda.org.uk**

Corporate Governance arrangements are reviewed annually, or as new guidance is issued.

The Board receives a report at each meeting outlining *emda*'s financial position. The Board and the Audit Committee review the financial information and key risks to gain assurance that the Agency is controlling its funds effectively.

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

Apex Court, City Link, Nottingham NG2 4LA

Investing in people

Investing in people is a critical element of *emda*'s business continuity strategy and commitment to excellence. A comprehensive Employee Learning and Development Programme helps employees maintain the competences and skills required to carry out their roles. This is continually evaluated to ensure its effectiveness. Specific focus is placed on ensuring appropriate leadership and management skills are in place to meet the challenging and constantly changing agenda. As such the Agency continues to meet its commitments as an Investor in People, first achieved in 2002 and reaccredited in February 2008.

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

Finance and operating review

IPSOS Mori completed the 2008 Employee Perception Survey for *emda*. They summarised the responses and findings by commenting: "It is therefore pleasing to conclude that these results are among some of the most positive we have ever recorded within an organisation we have surveyed and therefore provide an excellent portrayal of *emda* both as an employer and as a place to work."

Employment policies and procedures are reviewed and updated each year to ensure continuing legal compliance and best practice; specifically around family-friendly issues. The undergraduate and trainee programmes continue to develop to ensure *emda* is recruiting and developing future talent.

Note 7 in the accounts details the staff numbers and costs for 2008-2009. The average number of posts during the year increased from 261 to 277. The increase was mainly due to the full year effect of running the 2007-2013 European Regional Development Fund Programme. During the previous year a number of staff transferred from Government Office East Midlands, who operated the ERDF 2000-2006 programme, and some vacant posts were recruited during 2008-2009 as the programme moved into the delivery phase.

A further two posts were created to manage another European programme, the Rural Development Programme for England, as a result of this programme being awarded additional funding.

Corporate responsibility

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

emda wants to be the best Regional Development Agency and was rated as 'performing strongly', scoring 22 out of 24 in the independent performance assessment conducted in 2007 by the National Audit Office. The Agency continues to strive to exceed the expectations of employees, partners, businesses, Government and the people of the East Midlands.

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

- Blueprint – a socially and environmentally responsible property investment fund delivering quality commercial property for regional businesses, which deliver social and environmental best practice in relation to the built environment. In 2008-2009 work was completed on two buildings at Nottingham Science Park, designed to create a high quality science and innovation environment.
- A procurement process that is actively encouraging companies supplying *emda* to adopt sound equality, diversity and environmental impact measures.
- Considerable investment to support businesses to improve their resource efficiency, including a free service via Business Link Advisers trained to diagnose resource inefficiencies, and *emda* grants to support actions leading to resource efficiency gains.
- A commitment to realising the opportunities of a diverse and inclusive regional economy. As a public body *emda* is required to demonstrate how its actions positively promote equality of opportunity for different groups in society.
- An explicit commitment in the Regional Economic Strategy to support projects and initiatives that promote community cohesion – working with local authorities, sub-regional partnerships and voluntary and community sector bodies to deliver Local Area Agreements and promoting social enterprises.

Sustainable development

Contributing to sustainable development is one of *emda*'s statutory functions and is reflected in the collective mission of RDAs "to transform England's regions through sustainable economic development".

The Regional Economic Strategy (RES) embodies and integrates the principles of the UK Sustainable Development Strategy 'Securing the Future 2005' and sets out a vision of 'A Flourishing Region', characterised by growth, economic well being and increased prosperity – but not at any cost.

The Agency is actively working to reduce the impact on climate change and ensure a high quality environment, whilst working to transform our own use of resources.

To this end, a Sustainable Development Framework has been launched during 2008-2009 and lies at the heart of *emda*'s work – underpinning the development of regional strategies, programmes and projects, our work with regional partners and in the management of our internal operations.

Finance and operating review

Evaluation – progress and lessons learned

emda's commitment to evaluation, in particular the assessment of overall economic impact, pre-dated the BERR-led PricewaterhouseCoopers (PwC) national evaluation of RDAs. Consequently, PwC was able to fully utilise the findings from the study that had previously been commissioned by *emda* and carried out by Ecotec Research and Consulting. This study assessed all of the Agency's activities and spend from 1999 to 2007, making it a ground breaking and comprehensive study.

This study confirmed that *emda* has:

- Had a significant impact on the regional economy
- Generated economic benefits that substantially outweigh its overall costs
- Generated £9 to £15 of economic output (or GVA) for the regional economy for every £1 spent
- Produced more than £1 billion in economic benefits per year.

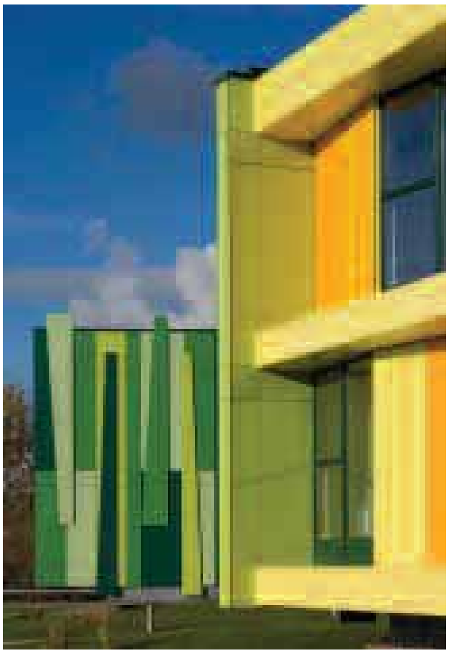
The evaluation also highlighted that:

- 90% of *emda*'s projects were judged to be effective or very effective in meeting their objectives
- 94% of all projects assessed were judged as delivering good or reasonable value for money
- Most projects would not have gone ahead without *emda* support
- Significant financial leverage has been generated by *emda* – Ecotec suggest a potential leverage for all project expenditure to be approximately £1.5bn.

These findings are a positive endorsement of the Agency's work, demonstrating that *emda* has been investing wisely in business support, regeneration and skills activities to bring about substantial benefits for our regional economy. The findings also reflect that *emda* has been driving up the quality of projects, with an ongoing focus on delivering value for money and economic impact.

As part of the ongoing feedback from the Ecotec study, *emda* has instituted a number of process improvements which further embed evaluation practice in the Agency's activities. In particular, revisions have been made to the project appraisal and monitoring procedures to ensure evaluation plans and enhanced monitoring arrangements are in place prior to project initiation. This process has been underpinned by a comprehensive programme of evaluation and monitoring training delivered to all *emda* staff engaged in project development and management. *emda* also has dedicated evaluation resources within the Agency to drive forward the evaluation programme and embed an evaluation culture within the Agency.

The Avenue coking works – an example of good practice through partnerships



emda-funded Blueprint is accelerating regeneration in urban areas

emda helped establish the internationally recognised BioCity facility

Strategic programme activity and progress against the RES

Environmental Technology Centre

***emda* is committed to supporting the region through the economic downturn, and has put in place a range of measures to provide real help during these challenging times. Over the longer term, *emda*'s aim remains to deliver the Regional Economic Strategy (RES) published in 2006 by working in partnership with public, private and voluntary organisations.**

The RES highlights the themes of productivity, sustainability and equality and sets out 10 strategic priorities until 2020 to ensure the vision for 'A Flourishing Region' can be accomplished. The level of funding against each strategic priority varies as the Agency seeks to invest in the areas where the most impact can be made and where the greatest alignment with our objectives and core business exists.

This Annual Report provides case study examples of activity undertaken during 2008-2009, which help support delivery against each of these strategic priorities, both by *emda* across the region and through the Agency's Sub-Regional Strategic Partnerships (SSPs). In addition to activity directly funded through *emda* and the SSPs, the Agency continues to deliver significant funding for the East Midlands through the management and regional delivery of national and European funding schemes. These include the National Coalfields Programme, the European Regional Development Fund (ERDF) and Rural Development Programme for England (RDPE).

The RES strategic priorities are:

- **Employment, learning and skills**
- **Enterprise and business support**
- **Innovation**
- **Transport and logistics**
- **Energy and resources**
- **Environmental protection**
- **Land and development**
- **Cohesive communities**
- **Economic renewal**
- **Economic inclusion**

European Regional Development Fund (ERDF)

emda is responsible for the management and delivery of the region's ERDF Competitiveness Programme for the period 2007 – 2013.

Launched in the region in March 2008, the Programme aims to increase productivity through innovation, improve resource efficiency in businesses, and boost sustainable economic and enterprise activity in less advantaged communities. It is currently worth around £240 million[6] over the seven year period.

Since the Programme was launched 48 projects have received financial backing, totalling almost £26.1 million of ERDF funding. A further 33 schemes are currently in the pipeline with applicants requesting over £17.3 million of ERDF investment.

The Programme is delivered through two main Priority Axes:

- **Priority Axis 1 (PA1)** seeks to create a high value-added economy by supporting innovation activity (particularly in the region's key sectors), high growth businesses and resource efficiency activities.
- **Priority Axis 2 (PA2)** focuses on areas with low levels of economic and enterprise performance to help create the right conditions to generate new and sustainable forms of economic activity. PA2 targets the region's 12 most disadvantaged districts – Ashfield, Bassetlaw, Bolsover, Boston, Chesterfield, Corby, Derby City, East Lindsey, Leicester City, Lincoln, Nottingham City and Mansfield.

The ERDF Programme has a set of bespoke governance arrangements, with a Programme Monitoring Committee (PMC) responsible for its strategic management and oversight. Over the last year the PMC has discussed and agreed a number of investment priorities for the first half of the programming period.

Environmental Technology Centre

One of the first projects to receive funding from the Programme is the Environmental Technology Centre (ETC) at The University of Nottingham, which has received a £1.5 million ERDF investment.

This funding will help small and medium sized enterprises (SMEs) to improve their financial and environmental performance by providing access to emerging technologies through demonstrations and knowledge transfer. The ETC is a leading resource for technology transfer, providing teaching, research and business support, and as part of a Knowledge Transfer Partnership was awarded the Innovation for Sustainability Award in the 2008 Lord Stafford Awards East Midlands.

[6] Subject to exchange rate fluctuations

Strategic programme activity and progress against the RES

Rural Development Programme for England (RDPE)

emda is delivering the socio-economic elements of the RDPE. Launched in the East Midlands in January 2008, RDPE is funded by Defra and the European Union, with approximately £60 million available for projects in the East Midlands until 2013.

RDPE mainly targets land-based businesses, which includes farming, forestry and horticulture. The criteria for projects to be eligible for grants includes adding value to agricultural, horticultural or forestry products, improving co-operation and collaboration between businesses to improve efficiency and promoting diversification in the rural economy.

During 2008-2009 *emda* committed £19.5 million from RDPE to a range of individual projects, the LEADER Approach and LandSkills East Midlands.

RDPE grants provided

The first RDPE grant in the East Midlands was awarded in May 2008. A £140,000 grant was provided to help build a Centre of Renewable Energy (CORE) in East Drayton, North Nottinghamshire.

Further awards have since been made to a diverse and exciting range of projects, including:

- A collaborative grain storage facility at Hemswell in Lincolnshire, which has received almost £1.5 million. Woldgrain Storage Ltd will create over 26,000 tonnes of additional crop storage and use innovative technology to control crop drying, cleaning, sorting and grading.
- Bluebell Dairy in Spondon, Derbyshire, where a £144,000 grant is helping convert existing farm buildings into a farm shop, tea room and ice cream parlour to sell ice cream made with milk produced on the farm.
- A Lincolnshire horticultural business that has received just under £130,000 towards the construction of 3.5 million gallon storage reservoirs to collect and recycle rainwater and feed a brand new state-of–the-art water irrigation system.
- Almost £105,000 awarded to Warden Farms in Northamptonshire to help convert a redundant barn into three holiday letting rooms and an open plan art and rural craft studio.

LEADER Approach

More than £12 million of the £60 million RDPE funding available for the region has been committed though the LEADER Approach. This initiative allows Local Action Groups (LAGs) to decide their own priorities and needs for specific projects, within the RDPE framework. Two application rounds during 2008 have seen approval of seven LAGs in Derbyshire, Lincolnshire, Northamptonshire and Nottinghamshire.


Construction of a storage resevoir

LandSkills East Midlands

Lantra have been appointed as the managing agent for the LandSkills East Midlands programme. £900,000 has been awarded from RDPE to assist the region's land-based businesses to upskill their workforce, improve productivity and efficiency so they are able to develop businesses that are both competitive and sustainable.


A Worldgrain crop storage facility

Employment, learning and skills


Students on the 'Lab in a Lorry'

To raise productivity, the East Midlands must raise the skill levels of its workforce. Working with partners, *emda* will increase the proportion of adult employees gaining new skills, helping to create more opportunities for more people to move into better jobs by encouraging growing, competitive businesses.

emda's support for learning and skills development in 2008-2009 has included a diverse range of schemes. These included Career Chain, which supports the retention of engineers and construction workers facing redundancy in the region and support for tourism businesses to improve their competitiveness. The development of a skilled future workforce is supported through projects such as Catapulting Kids Further. The case study below focuses on activity to encourage take-up of science, technology, engineering and maths (STEM) subjects.

Science, technology, engineering and maths (STEM)

During 2008-2009 STEM activity has included:

- **Assisting 309 people in their skills development**
- **Launch of the STEM student journalist scheme**
- **25,000 visitors to NanoWhat? Roadshows across the region**
- **Bursaries available to 120 students in 2008 to encourage take up of STEM at East Midlands universities**

Launched at the start of 2008 and with a £9 million investment over four years, *emda*'s STEM Programme aims to support the development of STEM skills and increase the level of STEM literacy in the region. The programme funds various projects that target both young people and teachers.

Projects supported in 2008-2009 have included a new **student journalist scheme** to help stimulate a greater interest in STEM subjects amongst the next generation. Launched in April 2008, 25 young people from across the East Midlands were recruited to the first STEM student journalist programme.

April 2008 also saw the start of the **NanoWhat? Roadshow**, a series of events filled with interactive displays and games illustrating how nanotechnology influences our everyday lives. Approximately 25,000 visitors attended the roadshows in Nottingham, Leicester, Loughborough, Derby and at the Lincoln Show and Rockingham Festival.

emda funding enabled the **Lab in a Lorry** to continue its tour of the region throughout the year. The 44ft lorry, developed by the Institute of Physics (IOP), visited all six counties in the East Midlands. The interactive mobile physics laboratory contains three dedicated experiment spaces and offers 11-14 year olds the opportunity to explore science through specially created, hands-on experiments.

STEM student scholarships (EMSTAs) have also been awarded to encourage students to study STEM subjects at the region's universities. The awards are specifically targeted at 'widening participation' students – addressing discrepancies in the take-up of higher education. They encourage applications from students who are typically under-represented in STEM subjects, such as those from low income families, the first in the family to enter higher education, or from areas where participation in higher education is low.

A2 CHEA project

The Alliance SSP is funding the A2 CHEA project, facilitating a network of both physical and virtual higher education (HE) centres across the Alliance sub-region of North Nottinghamshire and North East Derbyshire.

Over the life of the project, A2 CHEA will:

- **Provide 7 fully-equipped HE local access centres**
- **Provide advice, guidance and support to over 900 individuals**
- **Engage 50 new and existing businesses in HE learning and skills development**

The project aims to offer more accessible learning environments. It also brings increased opportunities to engage in skills development and learning to a wide range of potential learners living or working in the area.

A2 CHEA builds on the success of its sister project, CHEA, which has received £1 million investment since 2006. It brings five universities and four further education colleges together to develop additional, more flexible, vocationally orientated HE provision through a collaborative approach.

Enterprise and business support

To achieve greater economic success, the East Midlands must develop as a region of highly productive, globally competitive businesses. *emda* will support businesses across the region and work hard to raise the profile of enterprise. This will encourage the creation of new businesses and overcome the barriers to small business growth.

Enterprise and business support is a major area of work for the Agency. *emda's* activity over the past year has had a strong focus on supporting businesses through the economic downturn. In addition the Agency's ongoing activity to develop and help both start-up and existing businesses has continued through schemes such as HighGrowth East Midlands, Mentoring for All and the Manufacturing Advisory Service. The Agency continued to work with the Prince's Trust to encourage enterprise by young people whilst continuing to develop the Business Link service, which is the gateway to access all business support activity in the region.

During the course of the year a range of activities have been undertaken in response to the economic downturn. These are referenced below along with specific details of one new business support initiative launched this year – EnterpriseLoans East Midlands.

Support for businesses in tough times

In 2009 *emda* took a number of direct actions to help businesses respond to the challenging economic conditions.

Business Link activity was refocused to guide businesses through the recession. Business Link Advisers underwent training to enable them to deal with a range of financial questions and scenarios relevant to the economic downturn.

- **Working with other RDAs and Government to provide £110 million for the Small Business Finance Scheme, Capital Loan Scheme and Transition Loan Fund**
- **£6 million Transition Loan Fund providing loans of £50,000 to £250,000**
- **Additional £1 million grant support available through the Resource Efficiency Transformation Grant**
- **Almost 2,000 business people attended Survive and Thrive events in five locations**

emda worked with Government to provide new loans to business such as the Small Business Finance Scheme, Capital Loan Scheme and Transition Loan Fund. Available from February 2009, the £6 million Transition Loan Fund lends up to £250,000 per business and will remain in place until the commercial lending market has returned to a level of normality.

Grant support offered through the Business Transformation Grant (BTG) was enhanced to include specific aid to help companies recruit a private sector turnaround specialist. In addition a further £1 million grant support has been made available through a Resource Efficiency BTG to help businesses reduce energy, waste and water costs.

A Survive and Thrive event

A series of Survive and Thrive business support events were held in December 2008 as a rapid response to the economic downturn. With almost 2,000 business people attending the five events, each featured master classes provided by leading financial and legal experts. They offered businesses practical advice and possible solutions on topics such as managing cash flow, negotiating with banks and legal advice.

emda's Route to Market programme was launched at these events. The programme supports businesses in key areas such as business strategy, retaining customers, recruiting and developing staff, sales and marketing and managing finances. All are key elements to help businesses survive and thrive in any economic climate.

emda also worked with Business Link to deliver a series of Survival of the Fittest events from January 2009 onwards to further raise the profile of resource efficiency in business. *emda* supported a series of Showcase, Market and Sell events during February and March 2009. Organised by the East Midlands Chambers of Commerce, the events focused on helping businesses find new markets and opportunities to trade.

Enterprise and business support / Innovation

EnterpriseLoans East Midlands

EnterpriseLoans East Midlands:

- **Supports viable businesses who cannot get funding elsewhere**
- **Offers loans between £3,000 and £20,000**
- **Has supported 39 businesses to date**
- **Has provided loans totalling £556,650 to date**

Launched in June 2008, EnterpriseLoans East Midlands encourages enterprise and supports growing businesses. It provides vital business loans to people with viable business ideas but who have been unable to find finance elsewhere.

EnterpriseLoans East Midlands aims to help 1,000 businesses over the next 10 years, half of which will be start-up businesses, by offering loans of between £3,000 and £20,000. The *emda*-funded business loan scheme for small businesses has awarded over £535,000 to 38 East Midlands enterprises in its first nine months of operation. Without its help regional start-ups and entrepreneurs would have struggled to raise finances.

The first EnterpriseLoan was made to Tea Tree Café in Belper in September. The scheme has since funded a broad spectrum of businesses including cafés, a dance school, a travel agent and an accountancy practice.

The increasing difficulty of accessing finance during the recession is one of the main inhibitors of business start-up and growth. This is especially true for small businesses and deprived communities. The EnterpriseLoan scheme is helping to address this by focusing on companies owned and started by young people, women, ethnic minorities and people with disabilities.

Derbyshire Well Connected

New start-up businesses and SMEs in Derbyshire are being encouraged to take advantage of this project to help them stay ahead during the economic downturn by improving their broadband connectivity. Derbyshire has been ranked in the top 25 counties for broadband speeds, but not enough businesses had previously been exploiting this to their advantage.

Launched in July 2008, Derby and Derbyshire Economic Partnership (DDEP) invested more than £950,000 over three years. The project funding is being used to provide advice and support to increase access to broadband and information and communication technology (ICT) usage.

The initiative's first successfully completed projects provided wireless connectivity to Derby's Market Place and full broadband access to Peak Forest, a small community in the north of the county, which previously suffered from areas of no broadband availability.

Two high profile ICT showcase events held in Buxton and Derby were attended by 230 people. 44 businesses took part in the WellConnected Roadshow, which toured the sub-region. Another WellConnected initiative is the ICT Makeover Competition, which gave businesses a chance to win a fully-funded package of hardware, software, consultancy and training.

The next stage of the campaign will see an increased focus on training, further promotion of the advice line and website, and greater focus given to priority areas such as tourism, to ensure businesses survive the recession and strengthen their position by embracing ICT.

During 2008-2009:

- **During 2008-2009 514 businesses were assisted to improve their performance**

Innovation

To compete successfully in the global economy the East Midlands must foster a dynamic environment with innovative and creative businesses at its heart. *emda* will encourage businesses to embrace new technologies and processes, and help the region's universities continue to lead the way in research and development. A particular focus will be four sectors – transport equipment, sustainable construction, food and drink and healthcare and bioscience – that offer the greatest potential contribution to the region's economy.

emda is working closely with universities and other partners to prioritise support for innovation. Both *emda* and European funding is being used for business and university research and development. Around £12 million is being invested over three years for the establishment and operation of four innovation networks – or iNets. All four iNets are now operational and cover the transport equipment, sustainable construction, food and drink and the healthcare and bioscience sectors. More than £3.5 million was spent on the iNets during 2008-2009.

Innovation

Sustainable construction iNet

During 2008-2009:

- **38 companies were assisted by the iNets**
- **13 business / university collaborations took place**
- **Work commenced on building the sustainable construction iHub, which has the potential to create 900 jobs**

The sustainable construction iNet supports innovation in this sector by facilitating access to expertise, advice and networking opportunities, and by administering Innovation Support Grants. The grants are aimed at businesses with ideas for new products and services that need to purchase external expertise in order to manage their innovative projects. In addition, the iNet encourages higher education (HE) collaboration to stimulate the transfer of knowledge from the HE sector into business.

This iNet will move into a new, purpose-built iHub building in Daventry in 2011. As well as providing the base for the iNet, the iHub will provide office space for up to 60 businesses, meeting rooms, exhibition space and community facilities. The building itself will be an exemplar of best practice in sustainable construction.

The sustainable construction iHub is being built on land donated by Daventry District Council and Northamptonshire County Council. *emda* is providing £2.8 million for the iHub, with a further £4.2 million coming from the European Regional Development Fund. West Northamptonshire Development Corporation is providing further funding and the University of Northampton is also a major partner.

The site in Daventry is in a prominent gateway position, selected for its central position in relation to the wider Milton Keynes and South Midlands Growth Area. Another factor in favour of this location was the district council's commitment to a range of projects to support low carbon development.

Ionic Liquids Demonstrator

During 2008-2009:

- **4 businesses were engaged in new collaborations**
- **2 jobs were created or safeguarded**

Leicestershire Economic Partnership (LSEP) has invested nearly £80,000 in the Ionic Liquids Demonstrator. This facility has been established to demonstrate new, sustainable manufacturing processes to the metals finishing industry in Leicestershire.

The Green Chemistry group at the University of Leicester has originated and prototyped the use of a novel, patent-protected class of industrial solvents called ionic liquids. These are highly polar salts which remain liquid at room temperature. Their use offers an environmentally friendly, low cost, recyclable alternative to many hazardous chemical processes that have been applied for decades in the electropolishing, metal surfacing and electroplating industries.

Leicestershire and the East Midlands generally have a significant industry involved in the production of metallic components, predominantly supplying the aerospace and automotive sectors. Both these sectors demand high quality finished metal products from a competitive supply chain market. However, supplier companies often show a reliance on traditional technologies. The new demonstrator unit is intended to help overcome this conservatism towards innovation, providing Leicestershire businesses with direct access to technical support and advice. The project supports product development testing and training and provides access to collaborative research and development opportunities.

Positioning the demonstrator at the centre of a thriving metal finishing industry will also allow the University of Leicester to act as a conduit for the technology being developed across Europe.

Transport and logistics

To enable better connectivity within and outside the region (vital to raising productivity) infrastructure must be improved. *emda* is working with partners to prioritise increased investment, improve accessibility, reduce congestion, minimise harmful environmental impacts and realise the economic benefits of the region's airports.

Rather than directly providing major investment in transport infrastructure, *emda* works with partners to influence the prioritisation of investment in transport by others. The Agency wants to ensure transport plays a positive role in enhancing the economic development of the region. Working with key regional partners and local authorities the Agency developed Regional Funding Allocation (RFA) advice to Government which defines key transport investments for the region over the next 10 years. In 2008 *emda* commissioned research into regeneration at transport interchanges. The research paper found that investing in key transport interchanges can bring a number of benefits, such as improving journeys to work, creating job opportunities and attracting visitors.

As part of *emda's* overall regeneration of the region, the Agency contributed to infrastructure development at two key transport interchanges during 2008-2009, as detailed below.

Rail connectivity

East Midlands Parkway

- **Almost £1m invested in East Midlands Parkway station**
- **£2.5m invested in Corby station in 2008-2009 – total *emda* investment £4.75m**

emda contributed to rail interchange improvements with the opening of the East Midlands Parkway station at Ratcliffe-on-Soar in January 2009 and the commencement of services from the new Corby train station in February 2009. These investments will bring forward and catalyse regeneration both within the immediate environment and wider surrounding areas.

emda provided almost £1 million towards the £25 million eco-friendly **East Midlands Parkway** station. It was designed to improve the transport connectivity of the East Midlands and act as a crucial catalyst for regional growth. The station is creating better access to train services for hundreds of thousands of the region's commuters with direct routes to Derby, Nottingham, Leicester, Lincoln, London and Europe via St Pancras International.

It is expected that the station's location near junction 24 of the M1 will help reduce congestion in city centres. The station includes a park and ride terminal with over 850 parking spaces and transport links to Leicester, Derby and Nottingham.

emda worked with partners including East Midlands Airport and local authorities to ensure the provision of an airport shuttle service, maximising the potential for it to serve as a public transport interchange.

emda invested £4.75 million into the new £10.22 million **Corby train station**, which is also supported by Network Rail, East Midlands Trains, the Homes and Communities Agency and North Northants Development Company. Corby was the largest town in Britain without a railway station until the first passenger train service from Corby to London for 40 years commenced in February 2009.

The Agency worked closely with partners to ensure the new station building and supporting infrastructure brings economic benefits to the people of Corby and the surrounding area. Not only has it improved connectivity and access, it is also hoped land values will rise as Corby becomes a more attractive place to live, visit and invest in. It is estimated that it will generate £200 million for Corby.

Access Alliance

During 2008-2009:

- **314 people were assisted in their skills development**
- **22 businesses were assisted to improve their performance**
- **11 jobs were created or safeguarded**

The Alliance SSP has invested over £500,000 (with almost half of this allocated in 2008-2009) in this project to improve sustainable transport links to local jobs and services in North Nottinghamshire and North East Derbyshire.

Transport and logistics / Energy and resources

Access Alliance is supporting local sustainable transport schemes in the sub-region to link residents to jobs, training and other services. It is aimed mainly at young people and those without access to a private car. There is a specific focus on assisting access to work or training and development opportunities that will improve these individuals' employment options.

Funded schemes include a car sharing scheme in Bassetlaw, additional mini-buses for colleges, enhanced and new services delivered by community transport providers. There are enhanced bus services to help access employment at Robin Hood Airport, a moped loan scheme to help young people in rural areas get to work and learning, independent travel training for people with disabilities. Access Alliance has also helped transform a run down footpath to extend Derbyshire's greenway network, linking Killamarsh to the Pennine Trail and encouraging more "green" commuting.

Access Alliance projects aim to assist 235 people into work and help 560 individuals of all ages to develop new skills across the area. This key sustainable transport project involves partnership working between the public, private and third sectors. It works alongside Derbyshire and Nottinghamshire County Councils' accessibility strategies.

Energy and resources

To reduce the impact on climate change and ensure a high quality environment where people want to live and work, the region must transform the way it uses resources and generates energy. *emda* is promoting renewable technologies and supporting businesses to exploit these, resulting in new opportunities and saving money through more efficient use of resources.

emda continues to encourage new ways of generating and using energy to reduce our region's contribution to climate change. The Agency has worked with Government Office East Midlands, the Environment Agency and local authorities to develop a Regional Climate Change Programme of Action. *emda* is helping businesses exploit the opportunities presented by increased demand for environmentally friendly goods, for example through the development of low carbon technologies and new approaches to sustainable construction. Ensuring the region has the right skills to respond to new energy markets and climate change is key. During 2008-2009 *emda* launched an energy technologies grant scheme for further education colleges.

Energy technologies further education grants scheme

During 2008-2009 *emda*:

- **Invested around £124,000 in the scheme**
- **Awarded grants to 6 FE colleges**
- **Worked with partners to create the Further Education Colleges Energy Task Group**

emda has provided grants to further education (FE) colleges across the region to purchase energy technology capital equipment in return for the development of qualifications relating to new energy technologies.

Consultation with industry and business has identified a lack of skills and skilled installers, operators and maintainers of new energy technologies. Many skills providers have expressed a desire to begin teaching skills relating to new energy technologies but the cost of installing working systems is often prohibitive.

This project aims to overcome the capital investment barrier by funding working installations that can then be used to provide practical skills and training. In turn this supports and accelerates the provision of Level 3 skills and above.

The £400,000 grant fund has supported FE colleges in Grantham, Northampton, South Leicestershire and South Nottingham as well as Moulton College in Northampton, Castle College in Nottingham and Stephenson College in Coalville. Examples of the energy technology equipment purchased include a mini CHP (combined heat and power) system at Stephenson College and a wind turbine at South Nottingham College.

The success of the FE grants pilot has also resulted in the creation of the East Midlands Further Education Energy Task Group. The group aims help the transition towards a low carbon economy and make the East Midlands' FE sector synonymous with an exemplary and comprehensive approach to delivering energy related skills to industry.

Energy and resources / Environmental protection

Cut Waste Improve Competitiveness

During 2008-2009:

- **83 people were assisted in their skills development**
- **15 businesses were assisted to improve their performance**
- **15 businesses were engaged in new collaborations**

Funded through Northamptonshire Enterprise Limited (NEL), this project is delivered by the University of Northampton's SITA Centre for Sustainable Waste Management, which has a worldwide reputation for resource efficiency with businesses.

Working in partnership, the Cut Waste Improve Competitiveness project has delivered real savings for businesses whilst helping them to reduce their carbon footprint.

The project encourages businesses to make better use of their resources by carrying out environmental audits and developing action plans to detail changes they can implement to become more resource efficient. Training sessions ensure the businesses involved develop the skills needed to continue making savings after the project has finished.

The scheme has worked with businesses from a range of different sectors, including food and drink, manufacturing, retail, hospitality, healthcare, education, and construction. It has gained a reputation for delivering savings, both environmental and financial, across all sectors. The funding from NEL has enabled 19 businesses to be audited in 2008-2009. Potential savings of approximately £150,000 have been identified and potential costs of approximately £300,000 from legal non-compliance.

Cut Waste Improve Competitiveness has also been represented at Survival of the Fittest resource efficiency events organised by Business Link. This enabled delegates to discuss resource efficiency and find out more about the audits and training modules the scheme offers.

Environmental protection

The environment needs to be protected and enhanced to ensure the region's economic growth is sustainable. The Agency aims to promote sustainable design best practice and cleaner production processes, as well as actively improving damaged industrial environments.

A good quality environment is critical for the region's well being. It not only enhances the quality of life for residents but also improves the attractiveness of the region for inward investors, adds to our tourism offer and creates new enterprise and job opportunities. *emda* continues to support the environmental remediation of a number of key sites across the region to bring them back into productive economic usage. The Agency has funded a number of green infrastructure projects, such as the development of a visitor centre at the RSPB's nature reserve at Frampton March near Boston and the £6.5 million Waterway Regeneration Fund.

Waterway Regeneration Fund

The Waterway Regeneration Fund aims to improve the environment by bringing forward previously vacant and underused sites, as well as supporting projects that will boost employment and stimulate commercial and residential markets.

The fund began its delivery phase in January 2008. One year on 23 projects have been contracted. One scheme already starting to benefit the local environment is Trent River Park, which in addition to Waterway Regeneration Fund investment is receiving £900,000 from *emda's* Green Infrastructure Fund to transform the River Trent area between Attenborough and Gunthorpe Bridge.

Construction work at Mercia Marina

Environmental protection

- *emda* investment of over £3.6m committed to waterways projects in 2008-2009
- Grants of up to £500,000 provided
- 23 projects contracted to date
- Programme to reclaim 27 hectares of brownfield land
- Additional £900,000 Green Infrastructure Fund investment in Trent River Park, around £345,000 of which was allocated in 2008-2009

Development at Trent River Park includes a 10 mile cycle and walking route as well as access and landscape improvements at the Trent Gateway from the Erewash Canal. There has been habitat creation and enhanced visitor access to the Attenborough Nature Reserve plus new walkways and bridges at Castle Marina and Victoria Embankment. Improvements to paths and links to the countryside from Nottingham / Lincoln Railway Bridge to Stoke Lock have been made.

Other projects that received Waterway Regeneration Fund support included creation of one of the largest inland marinas in Europe – Mercia Marina at Willington in Derbyshire; work to address contamination and under-use along the River Maun in Mansfield; and refurbishment works, new moorings, cycle routes, footpaths and a barrier development at the Lincolnshire Fens Waterways Link.

Green Lincs

Lincolnshire Enterprise (LE) invested over £52,000 during 2008-2009 in the Green Lincs project, which has helped businesses in the county to evaluate their environmental performance and develop improved environmental management controls.

Originally launched in November 2006, delivery of the project was completed in October 2008. Green Lincs used both online and face to face environmental assessments to establish businesses' environmental impacts.

Since it started in 2006 Green Lincs has:

- Assisted 82 businesses to improve their performance
- Assisted 29 people in their skills development
- Supported 46 businesses with leadership and management skills
- Assisted 40 businesses to make better use of ICT

These environmental assessments provided companies with an environmental action plan, encouraging them to develop formal mechanisms to manage their significant environmental impacts.

Through Green Lincs, businesses could access further support including identification of environmental aspects and impacts, the review of legal compliance and the setting of objectives, targets, programmes and performance indicators.

Support included a series of training workshops to facilitate the delivery of environmental best practice, improve environmental performance, realise associated cost savings, and ultimately contribute positively to environmental sustainability within the region.

Land and development

To achieve sustainable growth the region needs an adequate supply of quality development land and a good balance between competing land uses. Working with partners, *emda* wants to improve the rate of land re-use and help provide appropriate transport, cultural and community infrastructure, sharing the benefits of development across the region.

Significant investment in regeneration activity in 2008-2009 focused on developing the economic value of the region's environment and attracting businesses to the East Midlands. Schemes such as the Agency's employment floor space fund helps development of quality sites and buildings which act as a stimulus to create and encourage skilled and high added-value jobs. *emda* also invested in transport interchanges, landmark art facilities and delivered a number of schemes under the Brownfield Land Action Plan. One of the most notable schemes delivered as part of the action plan is the clean-up of the former Steetley Colliery site near Worksop.

Steetley Colliery

- **Levered £52.5m private sector investment**
- **£4.65m *emda* investment**
- **Facility to create up to 270 new jobs**

Work underway at the Steetley site

emda signed a contract with Laing O'Rourke in September 2008, which confirmed an *emda* contribution of £4.65 million towards a multi-million pound remediation programme at the colliery and the sale of the Agency's landholding at Steetley to the construction company. The former colliery was owned and managed by *emda* as part of English Partnerships' National Coalfields Programme.

The investment supports a regeneration scheme which had already seen an extensive remediation programme begin on the highly contaminated site of the former Baker Refractory Works at Steetley. The sale of *emda's* landholding allows Laing O'Rourke to also redevelop the former Steetley Colliery and Armstrong quarry to bring the whole site – 94 hectares in total – back into use as a new manufacturing facility producing construction components.

When fully up and running the facility will create around 270 new jobs, the majority of which will be skilled manufacturing jobs, demonstrating that the region continues to attract high-value manufacturing with world class companies establishing facilities in the UK.

During the clean up to date, less than five percent of the waste has been removed from site, the balance being reused during construction. Some 30,000 tonnes of concrete and brick have been crushed and stock piled for re-use. This is expected to save around 1,500 heavy goods vehicle journeys.

Northampton public realm

Improving the public realm – the streets and open spaces – in our towns and cities is vital in regenerating areas and developing a sense of pride in the places where we live and work. In 2008-2009 Northamptonshire Enterprise Limited (NEL) approved a £780,000 contribution to a £7 million multi-agency investment in phase one of the Northampton Town Centre Public Realm Project.

The project is focused on increasing economic activity and addressing commercial underperformance in parts of the town centre as part of a coherent package of town centre improvements. It complements the transformation of Black Lion Hill, Marefair, Doddridge Sqaure and Gold Street from a traffic dominated area with poor pedestrian facilities to a high quality public space servicing major retail areas, an entertainment complex and offices.

The proposals for Gold Street will also substantially improve the link between the train station and the town centre to make it more welcoming to pedestrians and boost trade in the area. Work will include new road paving, street furniture and pedestrian-friendly, wider pavements.

The public realm project is being led by Northamptonshire County Council, in conjunction with West Northamptonshire Development Corporation. Additional funding has been provided by *emda*, NEL and the Department for Communities and Local Government's Growth Area Funding.

Land and development / Cohesive communities

- **£1.87m public and private sector investment levered during 2008-2009**
- **£780,000 contributed by NEL**


Gold Street, Northampton

Northampton is at the heart of the proposed growth for Northamptonshire as a result of the Milton Keynes and South Midlands Growth Area. A key requirement is to ensure that the town centre is able to attract investment that will support both housing and employment growth.

Improvement of the public realm will contribute to the town's growth and make Northampton more vibrant and appealing, as well as acting as a catalyst for wider sub-regional growth given Northampton's status as the county town.

Cohesive communities

Working with partners, *emda*'s aim is to increase life chances for all, supporting equality and diversity to create a dynamic society and stronger economy. Together we can encourage neighbourhood renewal, develop the capacity of local groups to improve community cohesion, and remove some of the obstacles to investment, increasing economic and employment opportunities in more challenging areas of the region.

Much of *emda*'s overall regeneration programme helps to rejuvenate neighbourhoods and enhance the competitiveness of our towns and cities. Specific investments include almost £20 million committed in previous financial years to fund the development of new or refurbished arts facilities in the major urban areas of the East Midlands. Many of these facilities opened in 2008-2009, including QUAD, a brand new centre for art and film in Derby; the Level Centre in Rowsley near Matlock, a new home for specialist arts organisation First Movement who create art projects for people with learning disabilities; and Curve in Leicester.

Opening of Curve

Leicester's £62 million iconic new theatre, Curve, received £6.2 million funding from *emda*. Unveiled to the public in November 2008, Curve is an integral part of the city's regeneration and renaissance plans and represents the latest stage in work to turn Leicester's St George's area into a buzzing cultural hub.

Designed by internationally-renowned architect Rafael Viñoly, Curve is the second of three capital projects to be completed in Leicester's cultural quarter. The projects are the result of a partnership between the city council, *emda*, Arts Council East Midlands, Leicester Shire Economic Partnership, the European Regional Development Fund (2000 – 2006 programme), Leicester Theatre Trust and Leicester Arts Centre Trust. Curve is a cornerstone in the transformation of Leicester city centre, helping to create a city that local communities have a true sense of pride in.

Cultural and creative arts venues are vital in *emda's* work to create a flourishing region. The economic, social and cultural value of Curve will be evaluated as part of a long term study *emda* has commissioned into the impacts of the Agency's investments in regional arts venues. Curve has already created new jobs, attracted new visitors to the area and is helping to raise the profile of the arts in the East Midlands.


Inside Curve in Leicester

Cohesive communities / Economic renewal

- **£6.2m *emda* investment in Curve**
- **Almost £20m invested in arts venues across the region to facilitate long term economic, social and cultural benefits**

Business Breaks for Young People

This initiative, backed by Greater Nottingham Partnership, supports the development of youth enterprise in schools and community settings in disadvantaged areas of Nottingham.

Working with young people who are at risk of exclusion, or who have already been excluded from mainstream education, the initiative has a particular focus on the Bulwell, St Anns and Sneinton areas of the city.

Business Breaks for Young People provides a facilitor to mentor up to 16 young people to develop business ideas, work through the practicalities of the process and support them in implementing their business plans. Topics covered by the programme include business awareness, marketing, sales, financial planning, customer service, decision making, team working and presentation skills.

Each group is also provided with a £500 start-up grant to help develop and implement their business ideas. Upon completion, each young person leaves the Business Breaks programme with practical business start-up skills and experience and a viable business proposition that can offer them security and employment for the future.

To date there have been four Business Breaks for Young People projects, the first of which began in September 2004. The current project, which is due to finish in September 2009, is engaging with two groups of eight young people aged 14 to 19.

One of the key successes of the Business Breaks programme has been that it raises the confidence and aspirations of the beneficiaries. In many instances the programme is the first activity to capture the imagination and enthusiasm of these disengaged and at risk young people, and encourages them to think about enterprise as a potential career path and the skills they need to succeed in business. The programme also counts towards accreditation for the GCSE equivalent ASDAN (Award Scheme Development and Accreditation Network) Award.

- **16 people were assisted in their skills development during 2008-2009**

Economic renewal

To share the benefits of economic growth and a rising quality of life, all people and communities need the chance to create their own sustainable economic futures. *emda* assists disadvantaged areas in economic renewal in a number of ways, for instance by providing responsive business support.

Working with partners to encourage sustainable economic development in all communities, *emda* completed research in 2008 into the key challenges facing the rural East Midlands. Specific support for rural economies has included support for farming, forestry and horticulture businesses in the East Midlands through the Rural Development Programme for England (RDPE). Plus schemes to renew economies in former coalfield areas through the National Coalfields Programme and funding to create new Business Improvement Districts.

Extension of the Business Improvement Districts Academy

- **£270,000 allocated to extend the BIDs Academy**
- **New funding will benefit 12 smaller regional towns**

Business Improvement Districts (BIDs) are partnerships between businesses, local authorities and other stakeholders that work together to deliver extra services to the benefit of a particular location.

Economic renewal

The pioneering East Midlands BIDs Academy, established in 2007, was extended during 2008-2009 for a further two years to support up to 12 regional towns in developing robust business-led partnerships and advise them on BID development.

The new scheme has been allocated £270,000 to focus on smaller locations that have not previously been able to access the skills and resources needed to develop an effective partnership.

The BIDs Academy supports town centres to become more effective at promoting themselves, develop BID proposals and deliver effective town centre partnerships. The original one year programme supported the development of BIDs for Daventry, Derby, Hinckley, Nottingham and Sleaford, which will bring an additional £5 million into these locations over five years.

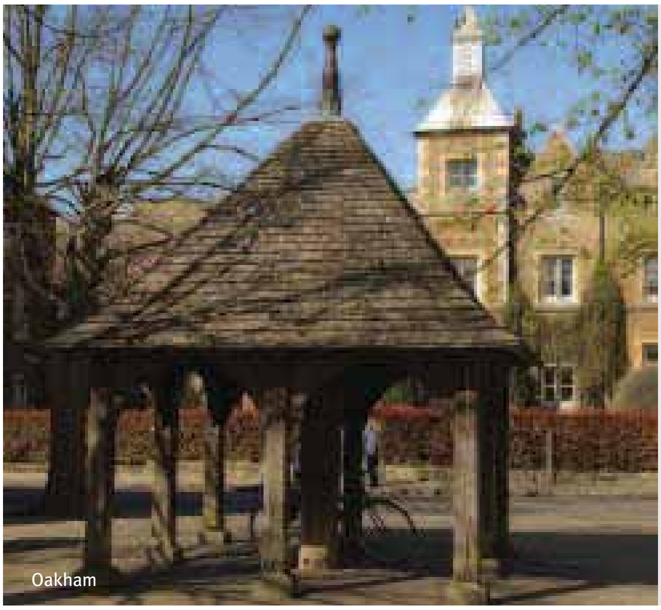
Town centres and the businesses within them are facing challenging times and need to work harder to attract customers and spend. The extension of the BIDs Academy for a further two years will help deliver projects identified by the local business community as key to improving their location's trading environment.

Market Towns Challenge Fund

The project will:

- **Assist 103 businesses to improve their performance**
- **Lever in over £50,000 public sector and over £35,000 private sector investment**

The Welland Market Towns Challenge Fund allocated grants of almost £150,000 to Town Centre Partnerships to support the economic development of market towns.



Oakham

The fund is improving the viability and vitality of 15 market towns and villages in the Welland area by providing new facilities and developing existing ones to provide new services. These 15 towns and villages are Bourne, Market Deeping and Stamford in Lincolnshire; Market Harborough, Melton Mowbray, Lutterworth and Broughton Astley in Leicestershire; Oakham and Uppingham in Rutland; and Rushden, Irthlingborough, Higham Ferrers, Oundle, Raunds and Thrapston in East Northamptonshire.

Launched in June 2008, the project is funded for three years until March 2011. Capital grants are available to Town Centre Partnerships of between £5,000 and £15,000, these provide up to 60 percent of total project costs. The market towns involved are being encouraged to collaborate on joint capital projects such as shop front improvement, enhanced signage and footpath improvements.

During 2008-2009, Town Centre Partnerships have planned and developed projects which will continue to come to fruition over the next two years. A further £170,000 will be available for these projects in 2009-2010. Projects already underway as a result of the Market Towns Challenge Fund include new market stalls in Bourne; a project supporting independent retailers in Market Harborough, Lutterworth and Broughton Astley; a Think Local Shop Local project for Melton Mowbray; and public realm improvements in Market Deeping and Stamford.

During 2008-2009 each Town Centre Partnership was also given £2,500 for a Promotion and Participation Fund. These funds were made available to local retailers for small quick win solutions to promote their businesses and to build partnerships.

Economic inclusion

To improve the opportunities available to disadvantaged groups the East Midlands must tackle the barriers to participating in, and benefiting from, the region's economic success. *emda* and its partners are working to address the barriers and market failures that can prevent people from fully participating in the region's economy, improving skills and enterprise opportunities.

emda's activity to encourage economic inclusion includes working alongside partners such as Jobcentre Plus and the Learning and Skills Council, as part of the Employment Skills and Productivity Partnership (esp). As a result of an *emda*-funded Tackling Worklessness and Economic Exclusion in the East Midlands report. Jobcentre Plus are now implementing Job Multi Agency Employment Teams to help people from disadvantaged backgrounds to move back into work. *emda* has also directly funded help to get people back into employment through the Workplaces scheme.

Workplaces

During 2008-2009:

- **237 people have benefited from a work placement**
- **32 companies have provided work placements**
- **145 people have received careers advice and guidance**
- **21 people have entered sustained employment**
- **45 people have enrolled on accredited learning provision**

Workplaces is an *emda*-funded project, designed to help people into sustained employment through productive work experience opportunities. Available throughout the East Midlands, the scheme complements existing support by assisting individuals who are not eligible for work experience placements through Jobcentre Plus.

Launched in January 2008, Workplaces provides a work experience diagnostic tool to help employers identify the most suitable work experience candidates for their company. It also helps the individuals involved in the scheme identify their key skills, experience and preferred working styles. Face to face support is also provided to individuals and employers to make sure the work experience is meaningful for both parties.

Workplaces has developed strong local links with voluntary and community partners, careers advice services and employers. It also pilots the use of work experience with recruitment agencies.

Making the Connection

During 2008-2009:

- **20 people were assisted to get a job**
- **39 people were assisted in their skills development**
- **10 adults gained basic skills as part of the Skills for Life Strategy**

Lincolnshire Enterprise (LE) funded the Making the Connection initiative following the success of a similar programme developed by the Alliance SSP and Greater Nottingham Partnership.

The programme aims to help local people to take up local jobs by developing, delivering, and sustaining a multi-agency approach. Making the Connection brings together inward investment, growth zones, training providers and developers. It matches existing employers and potential inward investors with a readily available and skilled workforce. The programme has a dual focus, helping local people to access training and job opportunities with businesses moving into, or expanding within the local area, and ensuring that inward investors to the area have access to a pool of readily available and skilled workers.

LE is undertaking an 18 month pilot, working with Jobcentre Plus and other partners to test out the Making the Connection model in a number of discrete geographical areas, whilst, at the same time, developing a programme that will support activity across the county.

Directors' report

The Directors present the Annual Report and Accounts for the period ended 31st March 2009.

Non-Executive Directors (The Board)

Membership of the *emda* Board during the financial year 2008-2009 is as follows:

Name	Position	Appointment / reappointment date	End of appointment	Length of appointment
Dr Bryan Jackson OBE	Chair	December 2007		3 years
Steve Brown	Deputy Chair	December 2007		3 years
Cllr Neville Jackson	Board Member	December 2005	December 2008	3 years
Cllr Ross Willmott	Board Member	December 2005	December 2008	3 years
Valerie Dwyer	Board Member	December 2006	December 2008	3 years
Cllr Gary Hunt	Board Member	December 2007		3 years
Cllr Jon Collins	Board Member	December 2007		3 years
Cllr Geoff Stevens	Board Member	December 2007		3 years
Prof Philip Tasker	Board Member	December 2007		3 years
Haydn Biddle	Board Member	April 2007		3 years
Tricia Pedlar	Board Member	April 2007		3 years
Ann Cartwright	Board Member	December 2007		3 years
Michael Seals MBE	Board Member	December 2007		3 years
Parvin Ali OBE	Board Member	December 2008		3 years
Stan Crawford OBE	Board Member	December 2008		3 years
Elizabeth Donnelly	Board Member	December 2008		3 years
Cllr Jim Harker	Board Member	December 2008		3 years

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

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

Executive Directors

The Board appointed the following individuals during 2008-2009 to manage the activities of the Agency:

Chief Executive	Jeffrey P Moore
Deputy Chief Executive	Abby Johnson Brennan
Executive Director of Regeneration	Diana Gilhespy
Executive Director of Business Services	Michael Carr
Executive Director of Corporate Services	Glenn Harris

Directors' report

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

Under section 14 of the Regional Development Agencies Act 1998 the Secretary of State for Business, Enterprise and Regulatory Reform[7] has directed *emda* to prepare for each financial year a Statement of Account in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of *emda* and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- Prepare the accounts on the going concern basis.

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

The Agency and the 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 and in other electronic form.

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

Financial memorandum and accountability and financial framework

The Secretary of State issued the Agency with a Financial Memorandum on its formation setting out the financial framework under which the Agency should operate. This Memorandum was updated in November 2005, and was in place until 30th September 2008 and the Agency has complied in all material respects with the terms of this memorandum during the course of 2008. On 1st October 2008 the document was replaced by an Accountability and Financial Framework. The Agency has complied in all material respects with the terms of this Framework during the course of 2008-2009.

Principal activities

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

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

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

Financial results and review

Financial summary

During the 2008-2009 financial year *emda* was primarily funded by Grant in Aid from the Department for Business, Enterprise and Regulatory Reform. This amounted to £175 million in respect of the 2008-2009 financial year. Other funding sources amounted to £10.2 million. The Agency has continued to maximise the efficient use of programme budgets.

Results

The results for the year ended 31st March 2009 are set out in the financial statements on pages 44 to 71.

[7] From mid-June 2009 onwards BERR became the Department for Business, Innovation and Skills (BIS)

Directors' report

Review of activities – financial performance 2008-2009

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

This Single Programme funding was supplemented by European funding, funding from English Partnerships under the Coalfield Programme, and capital receipts from the disposal of assets.

The Agency will continue to seek additional resources to support its activities and those of its partners, in contributing to the delivery of the revised Regional Economic Strategy, 'A Flourishing Region'.

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

Freedom of Information enquiries

During the period April 2008 to 31st March 2009 the Agency received 53 requests for information under the Freedom of Information Act. All enquires were answered within the prescribed period required by the Act.

Employment of disabled persons

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

Employee relations

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

Employee absence

Staff absenteeism for the year was 1.97%, the total days of absence were 1,272, from a possible 64,608 days.

Loss of personal data

There were no losses of data during 2008-2009.

Better Payment Practice Code

The Agency is committed to the Better Payment Practice Code (previously the CBI Prompt Payment Code) and aims to pay all undisputed invoices within 30 days. In 2008-2009 the Agency paid 90.68% of invoices on time. During 2008-2009 the Agency also committed to support SME businesses by aiming to achieve payment of undisputed supplier invoices within 10 days. From October 2008 to March 2009 the Agency paid 65% on time.

The Agency's environmental policy for operation

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

Audit and Risk Management Committee

The Audit and Risk Management Committee meets on a quarterly basis. The following Board Members serve on *emda*'s Audit and Risk Management Committee:

	Position	Membership Term
Cllr Neville Jackson	Chair	End of appointment December 2008
Cllr Ross Willmott	Member	End of appointment December 2008
Stan Crawford OBE	Member/Chair	Full year, Chair from December 2008
Prof Philip Tasker	Member	Full year
Ann Cartwright	Member	Full year
Cllr Jon Collins	Member	Appointed March 2009
Elizabeth Donnelly	Member	Appointed March 2009

Directors' report / Remuneration report

Audit services

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

Audit services	£56,500
IFRS accounts re-statement	£5,750

The Comptroller and Auditor General also has statutory powers to report on the economy, efficiency and effectiveness with which *emda* has used its resources. In November 2003 the Comptroller and Auditor General published the 'Success in the Regions' report on how the agencies and the departments work together. In February 2007 the NAO published an Independent Performance Assessment (IPA) on East Midlands Development Agency. This and other reports issued by the Comptroller and Auditor General can be found on the National Audit Office website at **www.nao.org.uk**

Political and charitable donations

One donation of £25 was made to Beaumont House Community Hospice during the year.

Annual Public Meeting

The Annual Public Meeting will be held on 16th October 2009 at Pera in Melton Mowbray.

Remuneration report

This report for the year ended 31st March 2009 is produced by the Board on the recommendation of the Remuneration and Human Resources Committee and deals with the remuneration of the Chair, Chief Executive, Board Members and Executive Directors who have influence over the decisions of the Agency as a whole.

Remuneration Committee

Membership

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

	Position	Membership Term
Parvin Ali OBE	Chair	Full year
Dr Bryan Jackson OBE	Member	Full year
Michael Seals MBE	Member	Full year
Valerie Dwyer	Member	End of appointment December 2008
Ann Cartwright	Member	Appointed January 2009

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

Role of the Committee

The role of the Remuneration and Human Resources Committee is:

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

Remuneration report

Remuneration policy

The remuneration of the Chief Executive Officer is decided by the committee on recommendation from the Chairman of the Board. Progression through the nationally approved RDA Chief Executives pay scale (reviewed nationally on an annual basis) is set at a maximum of 5% of the maximum of the pay scale, plus the appropriate cost of living increase. There is also a non consolidated performance related bonus of up to 20% of salary, based on performance against objectives that have been agreed by the Remuneration and Human Resources Committee and reviewed by the Executive Director of Government Office for the East Midlands (GOEM). Both elements are ratified by the Secretary of State for Business, Enterprise and Regulatory Reform.

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

Service contracts

The remuneration of the Board is set by the Department for Business, Enterprise and Regulatory Reform.

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

Board Members appointments are made in accordance with the Commission of Public Appointments Code. For Board Members there is no provision in place for early termination of appointment.

Board Members

Table one – Board appointments

Name	Position	Appointment / reappointment date	End of appointment	Length of appointment
Dr Bryan Jackson OBE	Chair	December 2007		3 years
Steve Brown	Deputy Chair	December 2007		3 years
Cllr Neville Jackson	Board Member	December 2005	December 2008	3 years
Cllr Ross Willmott	Board Member	December 2005	December 2008	3 years
Valerie Dwyer	Board Member	December 2006	December 2008	3 years
Cllr Gary Hunt	Board Member	December 2007		3 years
Cllr Jon Collins	Board Member	December 2007		3 years
Cllr Geoff Stevens	Board Member	December 2007		3 years
Prof Philip Tasker	Board Member	December 2007		3 years
Haydn Biddle	Board Member	April 2007		3 years
Tricia Pedlar	Board Member	April 2007		3 years
Ann Cartwright	Board Member	December 2007		3 years
Michael Seals MBE	Board Member	December 2007		3 years
Parvin Ali OBE	Board Member	December 2008		3 years
Stan Crawford OBE	Board Member	December 2008		3 years
Elizabeth Donnelly	Board Member	December 2008		3 years
Cllr Jim Harker	Board Member	December 2008		3 years

Remuneration report

Audited section of remuneration report

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

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

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

The Chairman is contracted to work three days per week, and the Deputy Chairman four days per month for the Agency.

Table two – Board Members emoluments

	Salary 2008-2009 £	Taxable benefits 2008-2009 £	Total salary 2008-2009 £	Total salary 2007-2008 £
Dr Bryan Jackson OBE	80,510	1,511	**82,021**	**80,679**
Steve Brown *	23,327	3,162	**26,488**	**32,492**
Rita Patel	-	-	**-**	**6,278**
Jonathan McLeod	-	-	**-**	**6,278**
Cllr Neville Jackson	6,403	184	**6,587**	**8,503**
Cllr Ross Willmott	6,403	125	**6,587**	**8,835**
Valerie Dwyer	6,403	50	**6,454**	**8,472**
Cllr Gary Hunt	8,538	302	**8,840**	**8,778**
Cllr Jon Collins	8,538	66	**8,604**	**8,371**
Cllr Geoff Stevens	8,538	683	**9,221**	**9,245**
Prof Phillip Tasker	8,538	-	**8,538**	**8,371**
Parvin Ali OBE	8,538	482	**9,020**	**8,960**
Stan Crawford OBE	8,538	80	**8,618**	**8,371**
Haydn Biddle	8,538	699	**9,237**	**9,394**
Tricia Pedlar	8,538	438	**8,976**	**9,071**
Ann Cartwright	8,538	242	**8,780**	**2,823**
Michael Seals MBE	8,538	496	**9,034**	**2,913**
Elizabeth Donnelly	2,846	40	**2,886**	**-**
Cllr Jim Harker	2,846	176	**3,022**	**-**

* Remuneration for Steve Brown includes £6,250 for services as Chairman of East Midlands Tourism

Chief Executive and Executive Directors

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

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

Remuneration report

Table three – Chief Executive and Executive Directors' salaries

	2008-2009 Salary band including performance pay £'000	2008-2009 Benefits in kind £ nearest £100	2008-2009 Full year equivalent salary £'000	2007-2008 Total salary £'000
Jeffrey P Moore Chief Executive	160-165	5,700	165-170	150-155
Abby Johnson Brennan Deputy Chief Executive (Seconded to GOEM from 19th March 2009 for 2 years)	105-110	6,200	110-115	105-110
Michael Carr Executive Director of Business Services	95-100	-	95-100	90-95
Glenn Harris Executive Director of Corporate Services	95-100	-	95-100	90-95
Diana Gilhespy Executive Director of Regeneration	95-100	-	95-100	90-95
Anthony Payne Executive Director of Strategy and Communications (appointed 23rd March 2009 for a 2 year fixed term)	0-5	-	80-85	N/A

Salary

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

Benefits in kind

Jeffrey P Moore and Abby Johnson Brennan were entitled to a lease car under their contract of employment. The equivalent monetary value of the benefit is detailed in the table above.

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

Pension benefits

Pension benefits of Board Members

With the approval of BERR, a pension scheme has been put in place for the Chairman with contribution rates and benefits which are identical to the Principal Civil Service Pension Scheme but which is funded directly by the Agency. The Agency is not permitted to pay these contributions to a personal pension plan provider. On retirement, payment of the Chairman's pension will be the responsibility of the Agency, underwritten by BERR. No other Board Members are eligible for pension contributions, performance related pay, or any other taxable benefit as a result of their appointment with the Agency. Full disclosure of the assets and liabilities of the scheme are provided in Note 7 to the accounts.

Pension benefits of Chief Executive and Executive Directors

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

Cash Equivalent Transfer Values (CETV)

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

The CETV figures, and from 2003-2004 the other pension

Remuneration report

details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension 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 the end of the period.

Table four – Chairman's pension

	Real increase in pension and related lump sum age 60 £'000	Total accrued pension at aged 60 at 31st March 2008 and related lump sum £'000	CETV at 31st March 2008 £'000	CETV at 31st March 2009 £'000	Real increase in CETV after adjustment for inflation and changes in market investment factors £'000	Length of relevant service Years
Dr Bryan Jackson OBE Chairman	0 - 2.5	5 - 10	87	117	27	4

Table five – Chief Executive and Executive Directors' pensions

	Real increase in pension and related lump sum age 60 £'000	Total accrued pension at aged 60 at 31st March 2008 and related lump sum £'000	CETV at 31st March 2008 £'000	CETV at 31st March 2009 £'000	Employees contributions and transfers in £'000	Real increase in CETV after adjustment for inflation and changes in market investment factors £'000	Length of relevant service Years
Jeffrey P Moore Chief Executive	0 - 2.5 plus 5 - 7.5 lump sum	55 - 60 plus 175 - 180 lump sum	1,056	1,182	0 - 2.5	20	36
Abby Johnson Brennan Deputy Chief Executive (Seconded to GOEM from 19th March 2009 for 2 years)	0 - 2.5 plus 0 - 2.5 lump sum	10 - 15 plus 5 - 10 lump sum	131	160	2.5 - 5	16	10
Michael Carr Executive Director of Business Services	0 - 2.5	5 - 10	54	80	2.5 - 5	18	3
Glenn Harris Executive Director of Corporate Services	0 - 2.5	20 - 25	196	227	2.5 - 5	14	15
Diana Gilhespy Executive Director of Regeneration	0 - 2.5	25 - 40	620	709	12.5 - 15	30	26
Anthony Payne Executive Director of Strategy and Communications (appointed 23rd March 2009 for a 2 year fixed term)	0 - 2.5	10 - 15	187*	187	0 - 2.5	0	12

* Calculated as at the start date of 23rd March 2009.

Remuneration report

Note on table five: The factors used in calculating CETVs were updated in October 2008. As a result of this the opening CETV of the 2008-2009 calculations is likely to be different to the closing CETV from the 2007-2008 calculations.

Non cash remuneration

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

Compensation paid, significant awards to former directors

There were no payments during the financial year (2007-2008 nil).

Amounts payable to third party for services as a senior manager

No payments were made to third parties.

Payments made for loss of office

Payments made during the financial year amounted to £58,805 (2007-2008 £7,000).

Civil Service Pensions

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 30th July 2007, civil servants may be in one of four defined benefit schemes – either a 'final salary' scheme (Classic, Premium or Classic Plus) or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with changes in the Retail Prices Index (RPI). New entrants from 1st October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (Partnership Pension Account).

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

Classic scheme

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

Premium scheme

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

Where the member's ill health is such that it permanently prevents them undertaking gainful employment service is enhanced as for widow(er) pensions.

Classic Plus scheme

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

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

Nuvos

In Nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31st March)

Remuneration report / Statement on internal control

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

Partnership Pension Account scheme

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

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

Further details about the CSP arrangements can be found in Note 5(b) and at the website www.civilservice-pensions.gov.uk

During 2001-2002 the organisation harmonised all the terms and conditions of staff including pensions. All staff were given the opportunity to join the PCSPS pension scheme. The above contributions made to the English Partnerships scheme relate to employees who decided to stay with this pension scheme.

No members of staff took early retirement due to ill health during the financial period (2007-2008 nil).

J P Moore
Chief Executive

Bryan Jackson
Chairman

Date: 23rd June 2009

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of *emda*'s policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in managing public money, the Government's Financial Reporting Manual and Government accounting. I also share responsibility with the Board for ensuring that *emda* continues to operate within the framework specified by the Secretary of State and the Department for Business, Enterprise and Regulatory Reform (BERR) in *emda*'s Accountability and Financial Framework. The Board and I use a common mechanism for obtaining assurance on the adequacy, effectiveness and efficiency of *emda*'s risk management, control and governance process. The Chairman and I are therefore making a joint statement on the effectiveness of internal control.

The purpose of the system of internal control

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

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

The system of internal control has been in place in *emda* for the year ended 31st March 2009 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Statement on internal control

Capacity to handle risk

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

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

Taking the above into account, *emda*'s risk management strategy is to achieve the balance between the need for a robust internal control environment and governance framework and the need to support the Agency's culture, people and partners in achieving *emda*'s objectives. Setting and promulgating this overall approach to risk management is the responsibility of the Board through the Risk Management Policy, but must be implemented across the Agency.

The risk and control framework

Our management of risk is embedded in policy making, planning and delivery by consideration of risk by the Executive team in establishing strategy and in managing operational activities. The main processes which we have in place for identifying, evaluating and managing risk are:

1. **Risk Management Policy and Strategy**

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

2. **Risk profiles**

   Each directorate has a risk profile. Each risk profile sets out identified risks, the risk priority and outlines a control strategy for managing the risk, and the sources of assurance used by the Agency to ascertain the effectiveness of the controls. Where further action is needed to strengthen the control environment, an action plan is put in place. The Audit Committee reviews each Directorate Risk Profile in detail annually. The most significant risks are incorporated into an overall Corporate Risk Profile which is reviewed by the Board, Audit Committee and senior management.

3. **Project risk profiles**

   For each specific project identified as high risk by the Executive team, a Project Board consisting of qualified *emda* staff and external advisors will assess risks in relation to its objectives and targets and feed upwards its diagnosis of the risks faced into the managing Directorate Risk Review. This involves identifying potential opportunities and risks relating to the achievement of corporate and directorate objectives. It is important to adopt a consistent combination of top-down and bottom-up inputs.

In addition the Agency is in the process of implementing Partnership Risk Reviews, undertaken by *emda* in conjunction with its key partners, which will identify the key risks of working in partnership and identify strategies for dealing with those risks.

Risk priorities

For this year, *emda*'s risk priorities fall into the areas listed below. In each area, the Agency has developed and continues to review and improve risk management processes to help manage its risks.

1. **Transfer of the East Midlands 2007-13 ERDF Competitiveness Programme from Government Office for the East Midlands to *emda***

   emda was formally vested with responsibility for the 2007-13 ERDF Programme in January 2008. The responsibility for delivering this programme has a number of associated risks in relation to the resources made available to deliver the programme, staffing requirements, systems and processes. The programme has a fully developed procedures manual, and has been subject to audit authority and internal audit reviews. The start-up risks have now reduced. The programme delivery risks are managed through *emda*'s governance framework.

2. **Engaging with partners**

   A key mechanism for the delivery of the Corporate Plan is through partners such as Sub-regional Strategic Partnerships (SSPs), Destination Management Partnerships (DMPs) delivering the tourism programme and Urban Regeneration Companies (URCs). *emda* has continued to develop its management arrangements with all of these bodies and each partner is subject to a periodic review by the Agency's internal auditors. *emda* agrees delivery plans with its partners to ensure

Statement on internal control

expectations are aligned and undertakes regular formal performance reviews in order to identify and manage performance risks. Additional assurance work with the SSPs has taken place, this was required in order to effectively manage the transfer of sub-regional delivery to local authorities from April 2009, further details are given below.

3. **Sub-National Review**

In November 2008, the Government confirmed its Sub-National Review (SNR) implementation arrangements (which had changed somewhat from the original intentions). Moving forward, *emda* and a Local Authority Leaders' Board will have a joint statutory responsibility for the development, implementation and monitoring of an integrated Regional Strategy for the East Midlands (encompassing the issues currently covered in the Regional Economic Strategy and the Regional Spatial Strategy). The realisation of this new approach remains subject to the passing of new legislation (the Local Democracy, Economic Development and Construction Bill) and is likely to come into force on 1st April 2010. The implication of this revised approach is that less risk will be transferred to the Agency.

In line with the principles established within SNR, sub-regional delivery will be delegated to seven of the nine principle local authorities in the East Midlands from 1st April 2009. An agreement has not yet been reached with Nottingham City or Derbyshire County Council and the respective Sub-regional Strategic Partnerships (SSPs) will continue for a further year. This change will initially take place where *emda* has been able to establish that capacity exists and implement an appropriate performance management and compliance framework. Contractual arrangements with the local authorities have been agreed that limit the risk to *emda* and ensure delivery will be focused on economic development programmes.

4. **National Coalfields Programme**

The Nation Coalfields Programme, delivered by *emda* on behalf of the Homes and Communities Agency (HCA), includes 27 sites and forecast investment in excess of £300 million. All projects, with full costings are reviewed and approved jointly with the HCA. During the last year we have progressed all the outstanding schemes, in particular at Avenue (to a full funding application), at Gedling (to outline planning stage), and at Steetley, developed in conjunction with single programme investment on an adjoining site, supporting the construction of a significant manufacturing facility. *emda* undertook a complete re-appraisal of Avenue independently verified by CLAIRE (Contaminated Land Applications in the Real Environment), presenting the updated funding request to CPRG in December 2008. While awaiting HMT approval significant ongoing costs continue to be incurred. BERR have been alerted to the financial impact of delaying development on the site.

5. **Financial control**

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

Financial management

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

Project appraisal and monitoring

The Agency manages project risk by adopting the guidance offered by BERR under the Single Programme. As part of project appraisal, an assessment of potential challenges and risks is undertaken and alternative options for delivery are considered. Our Shared Resource Centre provides a specialist appraisal service to the Agency's key partners and also covers *emda*'s own internal projects. In addition, *emda* has also created legal and procurement functions to provide guidance in those areas. Monitoring is undertaken on a risk basis, to provide evidence of expenditure and outputs during delivery and completion.

Programme management

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

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

6. **Business failure**

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

Statement on internal control

7. **Information security**

During the year, *emda* has reviewed existing information security policies and procedures, in line with guidance issued by the Cabinet Office. The Chair of the Audit Committee was appointed as the Senior Information Risk Officer, with the Committee overseeing all developments. During 2008-2009, all *emda* staff have been informed about their role in managing information security, and a revised Acceptable Use Policy has been introduced that places a duty of care on all staff to protect data and information.

Improvements to physical data security have been undertaken, with all laptops used by the Agency encrypted, and new protocols on the use of removable storage devices such as USB memory sticks, CDs and DVDs have also been actioned. Information security is now part of mandatory induction training for all staff, and the *emda* network has been subjected to a full penetration test during the year with only low impact issues identified.

We have identified all information assets within the Agency, and are in the process of establishing the role and responsibility of the Information Asset Owners (IAO) which will be completed during 2009-2010.

During the year, *emda* has suffered no loss of data or information.

Significant internal control problems

There are no significant internal control issues to report.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the Audit Committee's Annual Report to the Board, the work of the internal auditors and the executive managers within *emda* who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

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

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

- Focusing activity on the key business risks
- Being available to act as facilitators by guiding managers and staff through the risk management process
- Auditing the risk management process and its application.

emda has appointed KPMG as independent internal auditors, who operate in accordance with Government Internal Audit Standards and to an Internal Audit Plan approved by the Audit Committee. Internal Audit submits regular reports on the adequacy and effectiveness of the Agency's systems of internal control and the management of key business risks together with recommendations for improvement. Recommendations have been accepted by management and have been implemented or progressed in accordance with agreed timetables. The status of Internal Audit recommendations, and the collection of evidence to verify their implementation, is regularly reported to the Audit Committee.

Following completion of the planned work for 2008-2009, the Head of Internal Audit issued an independent and objective Statement of Assurance on the adequacy and effectiveness of the Agency's system of internal control, which stated that:

"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of *emda*'s risk management, control and governance processes. In our opinion *emda* has adequate and effective risk management, control and governance processes to manage the achievement of its objectives. Notwithstanding our overall opinion, our work identified a number of opportunities for improving controls and procedures to which management has responded positively."

J P Moore
Chief Executive

Date: 23rd June 2009

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament and East Midlands Development Agency

I certify that I have audited the financial statements of the East Midlands Development Agency (the Agency) for the year ended 31st March 2009 under the Regional Development Agencies Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, Chief Executive/Accounting Officer and Auditor

The Agency and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Regional Development Agencies Act 1998 and Secretary of State directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Agency's and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Regional Development Agencies Act 1998 and Secretary of State directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Management Commentary and the Directors' Report, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Foreword, the Chief Executive's Review and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

The certificate and report of the Comptroller and Auditor General to the Houses of Parliament and East Midlands Development Agency

Opinions

In my opinion:

- The financial statements give a true and fair view, in accordance with the Regional Development Agencies Act 1998 and directions made thereunder by the Secretary of State, of the state of the East Midlands Development Agency's affairs as at 31st March 2009 and of its net expenditure for the year then ended
- The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Regional Development Agencies Act 1998 and directions made thereunder by the Secretary of State
- Information, which comprises the Chairman's Foreword, the Chief Executive's Review, the Directors' Report, the Management Commentary and the unaudited parts of the Remuneration Report, included within the Annual Report is consistent with the financial statements.

Opinion on regularity

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date: 29th June 2009

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SWIW 9SS

Group income and expenditure account for the year ended 31st March 2009

	Notes	2008-2009 £'000	2007-2008 £'000
Income			
European funding	Note 2	4,102	9,052
Other grants	Note 2	614	150
Coal grant	Note 2	(645)	(1,049)
Proceeds from disposal of development assets	Note 17	785	4,254
Reimbursement of provision for environmental liabilities	Note 22	48,901	3,902
Transfer from General Reserve – Coal grant	Note 23	5,454	8,819
Transfer from Revaluation Reserve	Note 24	350	203
Rents and maintenance income		897	1,610
Other income	Note 4	5,207	4,244
Book value of development assets written back	Note 17	347	327
Income from subsidiaries (discontinued)		507	579
Total Income		**66,519**	**32,091**
Expenditure			
Grant expenditure		143,699	163,261
Salaries and wages	Note 7	12,149	11,237
Other administrative costs	Note 9	6,477	6,316
Administrative costs in relation to subsidiaries (discontinued)		519	549
Bad debts written off and movements in provision for bad and doubtful debts		1,735	468
Increase in provision for environmental liabilities	Note 21	48,901	3,902
Release of provision for environmental liabilities		-	(300)
Increase / (decrease) in provision for English Partnerships pension	Note 20	-	(166)
Movement in provision for joint profit share arrangement	Note 20	(701)	790
Book value of development assets sold	Note 17	817	3,170
Book value of development assets written off	Note 17	9,196	4,317
Book value of investments written off in subsidiary company		-	2,307
Total Expenditure	Note 3	**222,792**	**195,851**
Net expenditure		**(156,273)**	**(163,760)**
Interest receivable	Note 5	661	1,272
Interest receivable from subsidiary company (discontinued)		2	5
Interest payable	Note 6	(421)	-
Profit / (loss) from disposal of intangible assets	Note 12	(10)	-
Profit / (loss) from disposal of operating assets	Note 13	3	(7)
Profit / (loss) from disposal of investment assets		-	13
Profit / (loss) from disposal of investments		(44)	-
Surplus / (loss) from share in joint ventures		(246)	(255)
Surplus / (loss) from share in associates		(2,079)	662
Notional cost of capital	Note 10	(1,153)	(1,062)
Net expenditure on ordinary activities		**(159,540)**	**(163,132)**
Taxation	Note 11	(1,178)	(419)
Taxation in relation to subsidiaries (discontinued)		35	(1)
Taxation from share in joint ventures and associates		(19)	(19)
Net expenditure after tax		**(160,702)**	**(163,571)**
Minority interests		(10)	271
Reversal of notional cost of capital	Note 10	1,153	1,062
Net expenditure taken to reserves		**(159,559)**	**(162,238)**
Net expenditure taken to Grant in Aid Reserve	Note 25	(158,133)	(162,840)
Net expenditure taken to General Reserve – Activities in relation to subsidiaries, joint ventures and associates	Note 23	(1,426)	602
		(159,559)	**(162,238)**

Of the net expenditure for the period of £159,559,000, the Agency contributed net expenditure of £158,133,000 (Note 25).

Net expenditure of the Agency is financed by Grant in Aid as explained in Note 1.

The notes on pages 49 to 71 form part of these accounts.

All activities are from continuing operations, unless otherwise stated. Discontinued operations relate to the disposal of an investment in Silverstone Innovation Centre Limited, being a subsidiary company until 23rd March 2009.

Group statement of recognised gains and losses for the year ended 31st March 2009

	Notes	2008-2009 £'000	2007-2008 £'000
Unrealised surplus / (deficit) on revaluation of development assets	Note 17	144	138
Unrealised surplus / (deficit) on actuarial valuation of By Analogy pension scheme	Note 8	9	10
		153	**148**
Prior period adjustment:			
Development asset funded from Grant in Aid		-	19
Gains and losses recognised for the year		**153**	**167**

The prior period adjustment in 2007-2008 relates to a reclassification of an asset to reflect that the development asset was funded by Grant in Aid.

All gains and losses relate to continuing operations.

The notes on pages 49 to 71 form part of these accounts.

Group balance sheet as at 31st March 2009

	Notes		2008-2009 £'000		2007-2008 £'000
Intangible assets					
Intangible operating assets	Note 12		**186**		**249**
Fixed assets					
Tangible operating assets	Note 13	1,337		3,226	
Investments in joint ventures:					
Share of gross assets	Note 14	1,595		2,112	
Share of gross liabilities	Note 14	(1,899)		(2,169)	
Investments in associates	Note 14	(749)		1,346	
			284		**4,515**
Long term debtors					
Reimbursement in respect of provisions	Note 22	80,695		35,160	
Long term loans		22,404		16,409	
Other long term debtors	Note 16	910		-	
			104,009		**51,569**
Current assets					
Stock of development assets	Note 17	19,679		25,163	
Debtors	Note 18	6,774		13,094	
Cash at bank and in hand	Note 31	33,741		9,228	
		60,194		**47,485**	
Creditors					
Amounts falling due within one year	Note 19	(24,438)		(19,804)	
Net Current Assets			**35,756**		**27,681**
Total Assets less Current Liabilities			**140,235**		**84,014**
Provisions for liabilities and charges	Note 20		(101,560)		(56,796)
Total Assets less All Liabilities			**38,675**		**27,218**
Reserves and financing					
Grant in Aid Reserve	Note 25		27,840		10,973
General Reserve	Note 23		10,505		15,532
Revaluation Reserve	Note 24		330		536
Minority interest			-		177
			38,675		**27,218**

The notes on pages 49 to 71 form part of these accounts.

Approved by:

Chief Executive/Accounting Officer — J P Moore

Chairman — Bryan Jackson

Date: 23rd June 2009

Agency balance sheet as at 31st March 2009

	Notes		2008-2009 £'000		2007-2008 £'000
Intangible assets					
Intangible operating assets	Note 12		**186**		**249**
Fixed assets					
Tangible operating assets	Note 13	1,337		1,471	
Investment in subsidiary undertakings		-		1,298	
Investment in associate undertakings		2		2	
			1,339		**2,771**
Long term debtors					
Reimbursement in respect of provisions	Note 22	80,695		35,160	
Long term loans	Note 15	21,473		16,409	
Other long term debtors	Note 16	910		-	
			103,078		**51,569**
Current assets					
Stock of development assets	Note 17	19,679		25,163	
Debtors	Note 18	6,774		12,944	
Cash at bank and in hand	Note 31	33,741		9,187	
		60,194		**47,294**	
Creditors					
Amounts falling due within one year	Note 19	(24,438)		(19,651)	
Net Current Assets			**35,756**		**27,643**
Total Assets less Current Liabilities			**140,359**		**82,232**
Provisions for liabilities and charges	Note 20		(101,560)		(56,796)
Total Assets less All Liabilities			**38,799**		**25,436**
Reserves and financing					
Grant in Aid Reserve	Note 25		27,840		10,973
General Reserve	Note 23		10,629		13,927
Revaluation Reserve	Note 24		330		536
			38,799		**25,436**

The notes on pages 49 to 71 form part of these accounts.

Approved by:

Chief Executive/Accounting Officer J P Moore

Chairman Bryan Jackson

Date: 23rd June 2009

Group cash flow statement for the year ended 31st March 2009

	Notes	2008-2009 £'000	2007-2008 £'000
Cash flow statement			
Operating activities			
Net cash inflow / (outflow) from operating activities	Note 30	(152,355)	(168,581)
Returns on investment and servicing of finance			
Interest received	Note 5	661	1,272
Interest received in subsidiary		-	5
Interest paid	Note 6	(421)	-
Taxation			
UK corporation tax (paid) / received		(982)	506
Capital expenditure and financial investment			
Purchase of intangible assets	Note 12	(69)	(243)
Purchase of operating assets	Note 13	(463)	(613)
Proceeds on disposal of operating and investment assets		70	78
Proceeds on disposal of investments		1,320	-
Loan advances	Note 15	(6,000)	(5,500)
Loan repayments		1,508	3,052
Financing			
Coal grant received for capital expenditure	Note 23	6,130	6,472
Grant in Aid received in period	Note 25	175,000	161,000
European funding	Note 23	155	270
Increase / (Decrease) in Cash in the Year	Note 31	**24,554**	**(2,282)**

The notes on pages 49 to 71 form part of these accounts

Notes to the financial statements for the year ended 31st March 2009

1. Accounting policies

(1) Basis of accounting

The financial statements of East Midlands Development Agency have been prepared in a form directed by the Secretary of State for the Department of Business, Enterprise and Regulatory Reform, with the consent of HM Treasury, in accordance with the Regional Development Agencies Act 1998. The financial statements have been prepared, as set out in Treasury guidance, under the historical cost convention as modified by the policies set out below and in accordance with applicable Accounting Standards in the United Kingdom and, without limiting the information given, to meet the accounting and disclosure requirements of the Companies Act 1985.

A summary of the main accounting policies, which have been applied consistently, is set out below.

(2) Basis of consolidation

No separate income and expenditure account is presented for the Agency as provided by Section 230 of the Companies Act 1985.

The consolidated accounts incorporate the accounts of the Agency and its subsidiary undertaking, Silverstone Innovation Centre Limited, which was a subsidiary company until 23rd March 2009, when *emda* sold its equity holding.

Joint ventures, British Midlands Development Corporation and emEP have been accounted for on a gross equity accounting basis.

Additionally, the East Midlands Early Growth Fund has been included on a gross equity accounting basis by virtue of the control *emda* can exert over the company.

Three Urban Regeneration Companies – North Northamptonshire Development Company, Leicester Regeneration Company and Derby Cityscape – have also been accounted for as joint ventures by the gross equity accounting method on the basis of the control *emda* can exert over these organisations.

Investments in associate undertakings relating to Blueprint Limited Partnership, Biocity Nottingham Limited, Regeneration East Midlands Limited and Meden Valley Making Places have been consolidated on an equity accounting basis.

(3) Assets – investment and development

Land and buildings held are shown in the balance sheet at open market value.

Undeveloped land is valued at open market value. Properties in the course of development are valued at the lower of open market value of the land plus current costs of construction at the date of valuation, or open market value of the completed development (with the benefit of any contracted lettings) less the cost to complete.

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

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

(3a) Investment assets

All the portfolio of industrial and commercial investment properties have now been disposed of with the exception of several pieces of land which have been valued at nil value. A valuation of the whole portfolio was carried out as at 31st March 2009, and was carried out by Innes England. The basis for valuation on the land held is open market value.

Any overall surplus on revaluation of these properties to open market value, and subsequent adjustments thereto, are credited to the Revaluation Reserve after eliminating the overall accumulated unrealised deficit, as originally charged, by revaluation adjustment, to the income and expenditure account.

(3b) Development assets

Development assets, consisting of land and buildings, are shown at the lower of current replacement cost or net realisable value. Any resulting write downs of these properties, to open market value, are accounted for annually and separately identified in the income and expenditure account. Any surplus on revaluation of these properties to open market value, and subsequent adjustments thereto, are credited to the Revaluation Reserve after eliminating the overall accumulated unrealised deficit, as originally changed, by revaluation adjustment, to the income and expenditure account.

The assets were valued by Innes England at 31st March 2009.

Notes to the financial statements for the year ended 31st March 2009

1. Accounting policies (continued)

(4) Fixed assets – other tangible and intangible assets

Tangible fixed assets are valued at depreciated replacement cost. Software licences are capitalised as intangible assets and are valued at amortised replacement cost.

(5) Depreciation and amortisation

Depreciation is provided to write off the cost of tangible fixed assets over their anticipated useful lives on a straight line basis at the following annual rates:

Freehold buildings	50 years
Fixtures and fittings	10 years
Intangible assets	4 years
Office furniture and equipment	4 years
Computer equipment	4 years

(6) Fixed asset investments

Investments in joint venture and associate undertakings are valued at cost on the Agency's balance sheet. Details of the investments are given in Note 14 to the accounts.

(7) Loans

Loans are shown net of provision for amounts considered doubtful and write offs for amounts considered irrecoverable. Provision has been made for all loans where recovery appears doubtful. No loan is written off until the impossibility of recovery is beyond doubt. Approval from the Department for Business, Enterprise and Regulatory Reform is obtained for any write off in excess of £250,000.

(8) Pension costs

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

(9) Government grants receivable

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

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

(10) Deferred taxation

Deferred taxation has been recognised as a liability if transactions have occurred at the balance sheet date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future.

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

(11) Foreign currency transactions

Transactions in foreign currency are recorded in sterling at the rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currency are translated into sterling at the rates prevailing at the balance sheet date. Resulting exchange gains and losses are taken to the income and expenditure account.

(12) Operating leases

Operating lease rentals are charged to the income and expenditure account over the period of the lease term. There are no financial leases.

(13)Financial instruments

All financial instruments are recognised in the period to which the contractual provisions of the instrument rate.

Under FRS 26, loan notes and long term loans are recorded at fair value, with any movement through the revaluation reserve.

Notes to the financial statements for the year ended 31st March 2009

2. Analysis of total grant utilised

In 2008-2009 the Agency was financed by Grant in Aid from the Department for Business, Enterprise and Regulatory Reform and also funded by the Homes and Communities Agency (formerly English Partnerships).

		Agency 2008-2009 £'000	Agency 2007-2008 £'000
Financing			
Grant in Aid received from BERR	Note 25	**175,000**	**161,000**
Grant funding			
Coal grant received from Homes and Communities Agency		6,133	8,296
Opening coal grant creditor / (debtor)	Note 18	(409)	(3,282)
Closing coal grant (creditor) / debtor	Note 19	(239)	409
European grants received		4,102	9,052
Other grants received		614	150
Total grant receivable		**10,201**	**14,625**
Coal grant applied to additions of development assets	Note 23	6,130	6,472
Coal grant credited / (debited) to income and expenditure account		(645)	(1,049)
European grants credited to income and expenditure account		4,102	9,052
Other grants credited to income and expenditure account		614	150
Total grant utilised		**10,201**	**14,625**

3. Analysis of programme expenditure of group by strategic priority

	Raising productivity 2008-2009 £'000	Ensuring sustainability 2008-2009 £'000	Achieving equality 2008-2009 £'000	Total expenditure recorded in income and expenditure account 2008-2009 £'000
Single Programme:				
Current	66,426	8,313	4,697	79,436
Capital	30,322	48,487	3,564	82,373
Other Programme				56,881
ERDF				4,102
				222,792

Of the Single Programme expenditure in the year £21,987,000 has been provided to other Government agencies with the balance of £200,805,000 being provided to the private sector.

Notes to the financial statements for the year ended 31st March 2009

4. Other income

	Group and Agency 2008-2009 £'000	Group and Agency 2007-2008 £'000
Clawback income	1,470	1,965
Partner contributions	3,314	1,742
Recharges	355	386
Miscellaneous income	68	151
	5,207	**4,244**

5. Interest receivable

	Group and Agency 2008-2009 £'000	Group and Agency 2007-2008 £'000
Bank deposit	221	623
Other	440	649
	661	**1,272**

6. Interest payable

	Notes	Group and Agency 2008-2009 £'000	Group and Agency 2007-2008 £'000
Unwinding of provision	Note 21	1,177	-
Unwinding of debtor	Note 22	(772)	-
Other		16	-
		421	**-**

7. Salaries and wages

(a) Total salaries and wages

	Group and Agency 2008-2009 £'000	Group and Agency 2007-2008 £'000
Board Members		
Board Members' fees	214	222
Pension costs	18	17
Social Security costs	17	18
	249	257
Staff		
Salaries and wages including overtime of permanent staff	8,894	8,128
Other staff	424	551
Pension costs	1,798	1,639
Social Security costs	726	655
Redundancy costs	58	7
	11,900	10,980
Total UK *emda* staff salaries and wages	12,149	11,237
Brussels office salaries and wages*	176	164
Total staff salaries and wages	**12,325**	**11,401**

* Brussels Office salaries and wages are included as grant expenditure within the income and expenditure account.

Notes to the financial statements for the year ended 31st March 2009

7. Salaries and wages (continued)

(b) Staff numbers

The average number of staff employed by the Agency during the period (including all agency and seconded staff) was 277. The full time equivalent of staff classed as civil service staff during the period was 267. Staff, including temporary and seconded staff, were distributed within the following departments and directorates:

	2008-2009 Staff nos.	2007-2008 Staff nos
Chief Executive Department	7	6
Corporate Services	63	60
Regeneration Development Directorate	58	56
Strategy and Communications Directorate	65	56
Business Services Directorate	84	83
	277	261

	2008-2009 Staff nos.	2007-2008 Staff nos
Senior management roles	12	13
Other	265	248
	277	261

(c) Seconded staff

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

Name of organisation	2008-2009 Staff nos.	2008-2009 £'000	2007-2008 Staff nos.	2007-2008 £'000
GOEM	-	-	1	30
EMB Limited	1	7	-	-
Lincolnshire Police	-	-	1	5
Turner & Townsend	1	74	1	94
Deloitte & Touche	-	-	1	34
Advantage West Midlands	-	-	1	14
ONE North East	-	-	1	23
BERR	3	89	1	28
	5	**170**	**7**	**228**

(d) Temporary and agency staff

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

	2008-2009 Staff nos.	2007-2008 Staff nos
Chief Executive Department	0.22	0.00
Corporate Services	3.25	2.84
Regeneration Development Directorate	2.40	2.32
Strategy and Communications Directorate	1.68	0.88
Business Services Directorate	0.72	2.11
	8.27	**8.15**

Notes to the financial statements for the year ended 31st March 2009

8. Retirement benefits

PCSPS

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

For 2008-2009 employers' contributions of £1,796,294 were payable to the PCSPS (2007-2008 £1,634,877) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2007-2008 were between 17.1% and 25.5%). The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. At the balance sheet date there were no pre-paid / outstanding contributions to the scheme.

English Partnerships scheme

The English Partnerships scheme is a multi-employer defined benefit scheme and East Midlands Development Agency is unable to identify its share of the underlying assets and liabilities. An actuarial valuation was carried out at 31st March 2007 and more details can be found in the separate scheme statement of the English Partnerships Pension Scheme. For 2008-2009 employer contributions of £13,498 were payable to the English Partnerships scheme (2007-2008 £14,966) at the rate of 23.8% of pensionable pay from 1st January 2003. It has been agreed that contibutions will be reviewed on an annual basis although the actuary conducts a full revaluation of the fund every three years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme. At the balance sheet date there were no prepaid / outstanding contributions to the scheme.

Partnership Pension Account

Employees joining after 1st October 2002 could opt to open a Partnership Pension Account, a stakeholder pension arrangement with an employer contribution. Employers' contributions of £8,112 (2007-2008 £4,377) were paid to one or more of a panel of four appointed stakeholder pension providers during the financial year. The employer makes a basic contribution of between 3% to 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions the employer will match employee contributions up to 3% of pensionable salary (in addition to the employers' basic contribution). Employers also contribute a further 0.8% of pensionable salary being £52.27 (2007-2008 £34.39), payable to the PCSPS to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement) of these employees. At the balance sheet date there were no pre-paid / outstanding contributions to the scheme.

By Analogy Pension Scheme

emda operates a defined benefit scheme on behalf of its Chairman with contribution and benefit rates identical to those provided by the PCSPS scheme. The contribution rate for the period beginning 1st April 2009 will be 25.5% (2007-2008 25.5%). A full actuarial valuation was carried out as at 31st March 2009 by a qualified independent actuary.

The major assumptions of the actuary were:

	31st March 2009	31st March 2008	31st March 2007
The rate of increase in salaries	4.29%	4.30%	4.30%
The rate of increase for pensions in payment and deferred pension	2.75%	2.75%	2.75%
The rate used to discount the scheme liabilities	6.04%	5.30%	4.60%
The inflation assumptions	2.75%	2.75%	2.75%

Notes to the financial statements for the year ended 31st March 2009

8. Retirement benefits (continued)

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

	Value as at 31st March 2009 £'000	Value as at 31st March 2009 £'000
Total market value of the assets	-	-
Present value of the scheme liabilities	(110)	(86)
(Deficit) / surplus of the scheme	(110)	(86)
Net pension (liability) / asset	**(110)**	**(86)**

	2008-2009 £'000	2007-2008 £'000
Amounts charged to operating profit		
Current service cost (net of employee contributions)	25	25
Past service cost	-	-
Total operating charge	**25**	**25**
Amounts included as other finance costs		
Expected return on pension scheme assets	-	-
Interest on pension scheme liabilities	(5)	(4)
Net return	**(5)**	**(4)**
Amounts recognised in the Statement of Recognised Gains and Losses (SRGL)		
Actual return less expected return on scheme assets	-	-
Experience gains / (losses) arising on the scheme liabilities	-	-
Change in the assumptions underlying the present value of the scheme liabilities	9	10
Actuarial gain / (loss) recognised in the SRGL	**9**	**10**

Movement in surplus during the year	**2008-2009 £'000**	**2007-2008 £'000**
Opening (deficit)	(86)	(65)
Movement in year:		
Current service cost	(25)	(25)
Contributions	(3)	(2)
Settlements/curtailments	-	-
Past service costs	-	-
Other finance income	(5)	(4)
Actuarial (loss)/ gain	9	10
Closing (deficit)	(110)	(86)

History of experience gains and losses	**2008-2009**	**2007-2008**
Difference between expected and actual return on scheme assets:		
Amount (£000)	-	-
Percentage of scheme assets	**0%**	**0%**
Experience gains and losses on scheme liabilities:		
Amount (£000)	-	-
Percentage of scheme liabilities	**0%**	**0%**
Total amount recognised in Statement of Recognised Gains and Losses:		
Amount (£000)	**9**	**10**
Percentage of scheme liabilities	**8%**	**12%**

Notes to the financial statements for the year ended 31st March 2009

9. Other administration costs

	Agency 2008-2009 £'000	Agency 2007-2008 £'000
Travel and subsistence	430	393
Staff recruitment and training costs	451	495
Office costs	456	493
Estate management	742	637
Marketing and PR	684	821
Professional costs	1,348	1,318
IT and communication	559	505
Depreciation, amortisation and impairment	666	724
Auditors' remuneration for statutory audit	57	55
Auditors' remuneration for IFRS	6	-
Operating lease rentals	644	608
Irrecoverable VAT	524	347
Exchange losses / (gains)	(90)	(82)
Interest payable	-	2
	6,477	**6,316**

10. Notional cost of capital

When calculating the net expenditure for the year the Agency is required to include as expenditure a notional cost of capital, to the extent that there is no real charge for this. This has been calculated as 3.5% (2007-2008 3.5%) of the average of the Agency's net assets. After the "Net Expenditure After Tax," for the year there is an entry reversing this amount.

11. Taxation

The Agency taxation charge based on taxable profits for the year at 28% (2007-2008 30%) comprises:

		Agency 2008-2009 £'000	Agency 2007-2008 £'000
Corporation tax			
UK corporation tax charge at 28% (2007-2008 30%)		726	689
Adjustment in respect of previous periods		(4)	(42)
Deferred tax			
Origination and reversal of timing differences	Note 18	456	(228)
Tax charge / (credit) on the surplus for the period		**1,178**	**419**

The corporation tax charge for the current year is higher than the standard rate of corporation tax in the UK of 28% (2007-2008 30%). The differences are explained below:

	Group and Agency 2008-2009 £'000	Group and Agency 2007-2008 £'000
Net expenditure on ordinary activities before taxation for the Group	(159,540)	(163,132)
Add / (less) amounts related to grant funding activities	159,540	163,132
Tax on profit at 28% (2007-2008 30%)	-	-
Disallowable items	521	79
Depreciation less capital allowances	22	(97)
Capital gains less profit on disposals	-	707
Trading losses not utilised	183	-
Current year tax charge	**726**	**689**

Notes to the financial statements for the year ended 31st March 2009

12. Intangible assets

	Group and Agency 2008-2009 Software licences £'000	Group and Agency 2007-2008 Software licences £'000
Cost or valuation		
At 1st April	602	359
Additions in year	69	243
Disposals	(38)	-
At 31st March	**633**	**602**
Amortisation		
At 1st April	353	248
Amortisation in the year	103	105
On disposals	(9)	-
At 31st March	**447**	**353**
Net book value		
At 31st March	**186**	**249**

13. Tangible operating assets

Group

	Investment property of subsidiary company £'000	Fit out cost of leasehold properties £'000	Equipment, fixtures and fittings and vehicles £'000	Total 2008-2009 £'000
Cost or valuation				
At 1st April 2008	1,600	1,802	2,933	6,335
Additions in year	-	3	460	463
Disposals	-	-	(62)	(62)
Disposal of subsidiary company	(1,600)	-	(216)	(1,816)
At 31st March 2009	**-**	**1,805**	**3,115**	**4,920**
Depreciation				
At 1st April 2008	-	1,026	2,083	3,109
Depreciation in the year	-	132	452	584
On disposals	-	-	(34)	(34)
Disposal of subsidiary company	-	-	(76)	(76)
At 31st March 2009	**-**	**1,158**	**2,425**	**3,583**
Net book value				
At 31st March 2009	**-**	**647**	**690**	**1,337**
Net book value				
At 31st March 2008	**1,600**	**776**	**850**	**3,226**

Notes to the financial statements for the year ended 31st March 2009

13. Tangible operating assets (continued)

Agency

	Fit out cost of leasehold properties £'000	Equipment, fixtures and fittings and vehicles £'000	Total 2008-2009 £'000
Cost or valuation			
At 1st April 2008	1,802	2,723	4,525
Additions in year	3	454	457
Disposals	-	(62)	(62)
At 31st March 2009	**1,805**	**3,115**	**4,920**
Depreciation			
At 1st April 2008	1,026	2,028	3,054
Depreciation in the year	132	431	563
On disposals	-	(34)	(34)
At 31st March 2009	**1,158**	**2,425**	**3,583**
Net book value			
At 31st March 2009	**647**	**690**	**1,337**
Net book value			
At 31st March 2008	**776**	**695**	**1,471**

14. Subsidiaries, joint ventures and associated undertakings

Subsidiaries and joint ventures

Name of undertaking	Interest at year end	Year end	Nature of business
Silverstone Innovation Centre Limited (limited company)	*emda* sold all of its interest on 23rd March 2009 (previously 87.86% equity holding)	31st March	Provision of workspace for hi-tech motorsport companies
British Midlands Development Corporation (US not for profit corporation)	50% (Principal Associate Advantage Advantage West Midlands) The Corporation ceased trading on 28th February 2009	31st March	To promote investment in and trade with the British Midlands by US corporations
emEP Limited (limited company)	50% (Principal Associate Home and Communities Agency)	31st March	Holding company of Blueprint General Partner Limited
North Northamptonshire Development Company (company limited by guarantee)	25% – reported as a joint venture by virtue of right of veto of all members	31st March	Regeneration of the Borough of Corby area
Derby Cityscape Limited (company limited by guarantee)	25% – reported as a joint venture by virtue of right of veto of all members	31st March	Regeneration of the city of Derby area
Leicester Regeneration Company Limited (company limited by guarantee)	25% – reported as a joint venture by virtue of right of veto of all members (*emda* ceased being a member on 31st March 2009)	31st March	Regeneration of the city of Leicester area
East Midlands Early Growth Fund Limited (limited company)	50% (Principal Associate E-Synergy Limited)	31st December	Holding investments in small emerging companies

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

Notes to the financial statements for the year ended 31st March 2009

14. Subsidiaries, joint ventures and associated undertakings (continued)

Associates

Name of undertaking	Interest at year end	Year end	Type of organisation	Nature of business
Meden Valley Making Places	25%	31st March	Company limited by guarantee	Regeneration of the Meden Valley area
Biocity Nottingham Limited	33.3%	31st December	Company limited by guarantee	Development of healthcare biosciences and related environmental sciences
Regeneration East Midlands Limited	20%	31st March	Company limited by guarantee	To improve the effectiveness of regeneration in the East Midlands
Midlands Aerospace Alliance	20%	31st March	Company limited by guarantee	To promote and advance commerce in the aerospace sector
Blueprint Limited Partnership	25%	31st March	Limited liability partnership	Regeneration of land and property in the East Midlands

Key financial results of subsidiaries

2008-2009	Profit / (loss) after tax for the year £	Agency share of net profit up to date of disposal £	Gross assets £	Gross liabilities £	Agency share of gross assets £	Agency share of gross liabilities £	Agency share of net assets / (liabilities) £
Silverstone Innovation Centre Limited	77,585	66,672	2,029,781	(475,084)	-	-	-
2007-2008							
Silverstone Innovation Centre Limited	*(2,228,363)*	*(1,957,840)*	*1,942,079*	*(464,967)*	*1,706,311*	*(408,520)*	*1,297,791*

Investments in subsidiaries are calculated on the basis of the Agency's share of net assets, as detailed above.

emda's equity holding in Silverstone Innovation Centre Limited was sold on 23rd March 2009 for proceeds of £1,320,000. As such *emda* had no share in the company's gross assets or gross liabilities as at 31st March 2009.

Key financial results of joint ventures

2008-2009	Profit / (loss) after tax for the year £	Agency share / (loss) of net profit to date of disposal £	Group assets £	Gross liabilities £	Agency share of gross assets £	Agency share of gross liabilities £	Agency share of net assets / (liabilities) £
British Midlands Development Corporation	(1,465)	(733)	219,664	(34,865)	109,832	(17,433)	92,399
North Northamptonshire Development Company Limited	(1,796)	(449)	456,525	(1,112,509)	114,131	(278,127)	(163,996)
Derby Cityscape Limited	(84,703)	(21,176)	986,325	(398,379)	246,581	(99,595)	146,986
Leicester Regeneration Company Limited	-	-	515,881	(515,881)	-	-	-
emEP Limited	-	-	1,000	-	500	-	500
East Midlands Early Growth Fund Limited	(487,654)	(243,827)	2,247,579	(3,008,288)	1,123,790	(1,504,144)	(380,354)
	(575,618)	**(266,185)**	**4,426,974**	**(5,069,922)**	**1,594,834**	**(1,899,299)**	**(304,465)**

Notes to the financial statements for the year ended 31st March 2009

14. Subsidiaries, joint ventures and associated undertakings (continued)

Key financial results of joint ventures

2007-2008	Profit / (loss) after tax for the year £	Agency share / (loss) of net profit to date of disposal £	Group assets £	Gross liabilities £	Agency share of gross assets £	Agency share of gross liabilities £	Agency share of net assets / (liabilities) £
British Midlands Development Corporation	*24,932*	*12,466*	*155,048*	*(21,109)*	*77,524*	*(10,555)*	*66,969*
North Northamptonshire Development Company Limited	*(582,438)*	*(145,610)*	*775,302*	*(1,429,490)*	*193,826*	*(357,373)*	*(163,547)*
Derby Cityscape Limited	*48,507*	*12,127*	*1,099,792*	*(392,714)*	*274,948*	*(98,179)*	*176,769*
Leicester Regeneration Company Limited	-	-	*798,106*	*798,106*	*199,527*	*(199,527)*	-
emEP Limited	-	-	*1,000*	-	*500*	-	*500*
East Midlands Early Growth Fund Limited	*(273,065)*	*(136,533)*	*2,732,915*	*(3,005,970)*	*1,366,458*	*(1,502,985)*	*(136,527)*
	(782,064)	***(257,550)***	***5,562,163***	***(5,647,389)***	***2,112,783***	***(2,168,619)***	***(55,836)***

Key financial results of associate undertakings

2008-2009	Profit / (loss) after tax for the year £	Agency share / (loss) of net profit to date of disposal £	Group assets £	Gross liabilities £	Agency share of gross assets £	Agency share of gross liabilities £	Agency share of net assets / (liabilities) £
Meden Valley Making Places Limited	87,461	21,865	3,743,564	(3,132,312)	935,891	(783,078)	152,813
Biocity Nottingham Limited	180,483	60,101	11,136,783	(11,097,293)	3,708,549	(3,695,399)	13,150
Regeneration East Midlands	4,508	902	600,767	(522,401)	120,153	(104,480)	15,673
Midlands Aerospace Alliance	Not trading	-	-	Not trading	-	-	-
Blueprint Limited Partnership	(8,712,000)	(2,178,000)	48,689,000	(52,412,000)	12,172,250	(13,103,000)	(930,750)
	(8,439,548)	**(2,095,132)**	**64,170,114**	**(67,164,006)**	**16,936,843**	**(17,685,957)**	**749,114**

2007-2008	Profit / (loss) after tax for the year £	Agency share / (loss) of net to date of disposal £	Group assets £	Gross liabilities £	Agency share of gross assets £	Agency share of gross liabilities £	Agency share of net assets / (liabilities) £
Meden Valley Making Places Limited	*180,945*	*45,236*	*6,698,310*	*(6,174,519)*	*1,674,578*	*(1,543,630)*	*130,948*
Biocity Nottingham Limited	*135,124*	*45,041*	*10,580,613*	*(10,721,606)*	*3,526,871*	*(3,573,869)*	*(46,998)*
Regeneration East Midlands	*(127,822)*	*(25,564)*	*614,045*	*(540,188)*	*122,809*	*(108,038)*	*14,771*
Midlands Aerospace Alliance	*Not trading*	-	-	*Not trading*	-	-	-
Blueprint Limited Partnership	*2,324,000*	*581,000*	*49,529,000*	*(44,540,000)*	*12,382,250*	*(11,135,000)*	*1,247,250*
	2,512,247	***645,713***	***67,421,968***	***(61,976,313)***	***17,706,508***	***(16,360,537)***	***1,345,971***

Investments in joint ventures and associate undertakings are shown in the Agency balance sheet at cost, with *emda*'s share of gross assets and gross liabilities for joint ventures, and net assets or net liabilities for associate undertakings, being reflected in the Group balance sheet.

Notes to the financial statements for the year ended 31st March 2009

14. Subsidiaries, joint ventures and associated undertakings (continued)

	Debtor/ (creditor) at year end 2008-2009 £	Debtor/ (creditor) at year end 2007-2008 £
Silverstone Innovation Centre Limited	37,023.72	3,350.00
Regeneration East Midlands	-	(100.00)
British Midlands Development Corporation	159,933.39	101,917.00
Blueprint Limited Partnership	14,884,260.00	16,384,260.00
East Midlands Early Growth Fund Limited	3,000,000.00	3,000,000.00

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

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

	2008-2009 £	2007-2008 £
Turnover	1,260,250	3,476,000
Fixed assets	-	-
Current assets	12,172,250	12,382,250
Liabilities due within one year	(523,500)	(1,434,750)
Liabilities due after one year or more	(12,579,500)	(9,700,250)

15. Long term loans

		Agency 2008-2009 £'000	Agency 2007-2008 £'000
Loan capital			
Balance at 1st April		16,409	13,946
Advances in year – loan notes A		-	2,500
Advances in year – East Midlands Early Growth Fund		-	3,000
Advances in year – Transition Loan Fund		6,000	-
Repayments made in the year against long term loans		-	(30)
Delay in repayments expected in year against long term loans		1,500	-
Provision for bad debts – Blueprint loan notes		(931)	-
Provision for bad debts – Transition Loan Fund		(1,500)	-
Capital balance at 31st March		**21,478**	**19,416**
Balance due to be repaid within one year			
Loan notes B	Note 18	-	(3,000)
RDC loans	Note 18	(5)	(7)
Total long term loans		**21,473**	**16,409**

From 1st October 2008, through to 1st October 2010, *emda* granted Blueprint Limited Partnership a two year capital repayment holiday from the issued loan notes B. As at 31st March 2009 there remained an outstanding balance of £14,884,260 on which interest of 6% p.a. is charged. A bad debt provision has been made in *emda*'s Agency accounts, for the net liabilities shown in Blueprint Limited Partnership's balance sheet. The bad debt provision has been reversed in *emda*'s Group accounts and the net liabilitity accounted for as an associate investment (see note 14).

During the year *emda* established a Transition Loan Fund to support businesses through the economic downturn, offering loans ranging from £50,000 to £500,000 for a maximum loan period of up to three years, on commercial terms. During the year £6,000,000 had been committed into the fund for which a bad debt provision of £1,500,000 has been established.

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

The loans are included at historic cost less any impairment.

Notes to the financial statements for the year ended 31st March 2009

15. Long term loans (continued)

The loans are repayable as follows:

	Agency 2008-2009 £'000	Agency 2007-2008 £'000
Within one year or less	5	3,007
In more than one year but not more than two years	1,508	3,006
In more than two years but not more than five years	9,676	2,183
In more than five years	10,289	11,220
	21,478	**19,416**

16. Other long term debtors

	Group and Agency 2008-2009 £'000	Group and Agency 2007-2008 £'000
Disposal proceeds on development assets	500	-
Disposal proceeds on sale of investments	410	-
	910	**-**

Disposal proceeds on the sale of development assets relate to the final installment due for the sale of a development asset site. Proceeds are not expected to be received until after 31st March 2010.

Disposal proceeds on the sale of investments relate to amounts owed for the sale of shares in Silverstone Innovation Centre, the disposal of which took place on 23rd March 2009. The amount is due by 31st March 2011 at the latest.

17. Stock of development assets

	Group and Agency 2008-2009		Group and Agency 2007-2008	
	£'000	£'000	£'000	£'000
Balance at 1st April		25,163		25,767
Additions in year		7,413		10,894
		32,576		36,661
Profit / (loss) on disposal of assets	(32)		1,084	
Proceeds on disposal of assets	(785)		(4,254)	
Book value on disposal of assets		(817)		(3,170)
Amounts written off		(9,196)		(4,317)
Amounts written back		347		327
Amounts written up to revaluation reserve		144		138
Expenditure covered by environmental provision		(3,375)		(4,476)
Valuation at 31st March		**19,679**		**25,163**

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

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

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

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

Notes to the financial statements for the year ended 31st March 2009

18. Debtors

	Group 2008-2009 £'000	Group 2007-2008 £'000	Agency 2008-2009 £'000	Agency 2007-2008 £'000
Amounts receivable within one year:				
Trade debtors	1,166	923	1,166	899
RDC loan debtors	5	7	5	7
Prepayments and accrued income	2,558	3,020	2,558	3,020
Deposits and advances	-	1	-	1
Loan note B repayments	-	3,000	-	3,000
Grant for coalfield expenditure	-	409	-	409
Other debtors	447	1,100	447	1,082
Sub-regional Strategic Partnership debtors – cash floats	1,727	3,108	1,727	3,108
Amounts due from British Midlands Development Corporation	160	102	160	102
Value added tax	359	508	359	508
Deferred tax	352	916	352	808
	6,774	**13,094**	**6,774**	**12,944**

	Group 2008-2009 £'000	Group 2007-2008 £'000	Agency 2008-2009 £'000	Agency 2007-2008 £'000
Analysis of Debtors – intra-government balances				
Balances with other central government bodies	2,806	2,236	2,806	2,128
Balances with local authorities	180	292	180	292
Balances with bodies external to Government	3,788	10,566	3,788	10,524
	6,774	**13,094**	**6,774**	**12,944**

A deferred tax asset has been fully recognised, with the exception of trading losses in respect of Blueprint Limited Partnership of £610,419, at a corporation tax rate of 28%. This is on the basis that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. In the financial year to 31st March 2008 a deferred tax asset had been fully recognised.

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

	Balance b/wwd £'000	Recognised current year £'000	Balance c/fwd £'000
Other plant and machinery	779	(448)	331
Trading losses	1	(1)	-
Pensions	28	(7)	21
	808	**(456)**	**352**

Notes to the financial statements for the year ended 31st March 2009

19. Creditors

Amounts payable within one year:

	Group 2008-2009 £'000	Group 2007-2008 £'000	Agency 2008-2009 £'000	Agency 2007-2008 £'000
Trade creditors	2,847	9,605	2,847	9,544
Accruals	3,053	3,874	3,053	3,874
Sub-regional Strategic Partnership accruals	1,652	3,118	1,652	3,118
Deferred income	15,957	2,134	15,957	2,134
Corporation tax	406	665	406	665
Grant for coalfield expenditure	239	-	239	-
Other creditors	284	408	284	316
	24,438	**19,804**	**24,438**	**19,651**

Analysis of creditors – intra-government balances

	Group 2008-2009 £'000	Group 2007-2008 £'000	Agency 2008-2009 £'000	Agency 2007-2008 £'000
Balances with other central government bodies	16,301	2,015	16,301	2,005
Balances with local authorities	612	4,612	612	4,612
Balances with bodies external to Government	7,525	13,177	7,525	13,034
	24,438	**19,804**	**24,438**	**19,651**

20. Provisions for liabilities and charges

		Group and Agency 2008-2009 £'000	Group and Agency 2007-2008 £'000
Environmental provision			
Balance at 31st March	**Note 21**	100,690	54,750
English Partnerships pension provision			
Balance at 1st April		760	926
Provision in year		-	-
Provision released in year		-	(166)
Balance at 31st March		760	760
By Analogy pension provision			
Balance at 1st April		86	65
Provision in year		24	21
Balance at 31st March		110	86
Development asset profit share provision			
Balance at 1st April		1,200	410
Provision utilised in year		(499)	-
Provision in year		-	790
Provision released in year		(701)	-
Balance at 31st March		-	1,200
Total provisions for liabilities and charges		**101,560**	**56,796**

Notes to the financial statements for the year ended 31st March 2009

20. Provisions for liabilities and charges (continued)

The provision for environmental liabilities represents the value of remediation work required, as a minimum, to return two sites to a saleable and safe condition. The provision represents the amount, which in the opinion of the valuers, *emda* would have to pay a third party to take on the sites and associated environmental liabilities. The timing of the provision is uncertain. The provision is to be funded by the Homes and Communities Agency and the Department of Energy and Climate Change and a debtor has been set up to reflect this (see Note 22).

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

The By Analogy pension provision represents the actuarial valuation of the scheme as at 31st March 2009.

The development asset profit share provision represents an amount that is payable under an agreement, where the net profits on sale of a specific site are shared equally between *emda* and a third party. A final payment was made during the financial year and the remaining provision has been reversed.

21. Provision for environmental liabilities

Site name	Group and Agency Avenue £'000	Pleasley £'000	Total £'000
Provision for environmental liabilities			
Balance at 1st April 2008	54,500	250	**54,750**
Unwinding of provision	1,177	-	**1,177**
Provision utilised in year	(4,138)	-	**(4,138)**
Provision made in the year	48,901	-	**48,901**
Net movement	45,940	-	**45,940**
Balance at 31st March 2009	100,440	250	**100,690**

22. Reimbursement in respect of provisions

Site name	Group and Agency Avenue £'000	Pleasley £'000	Total £'000
Reimbursement of environmental liabilities			
Balance at 1st April 2008	35,160	-	**35,160**
Unwinding of debtor	772	-	**772**
Amount received in year	(4,138)	-	**(4,138)**
Increase in debtor in year	48,901	-	**48,901**
Balance at 31st March 2009	80,695	-	**80,695**

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

Notes to the financial statements for the year ended 31st March 2009

23. General reserve

	Group		Agency	
	2008-2009 £'000	2007-2008 £'000	2008-2009 £'000	2007-2008 £'000
European funding				
Balance at 1st April	1,372	5,560	1,372	5,560
Additions to reserve in period	159	270	159	270
Repayment of funding	(4)	-	(4)	-
Transfers to income and expenditure account for expenditure	-	(4,458)	-	(4,458)
Balance 31st March	1,527	1,372	1,527	1,372
Coal grant				
Balance at 1st April	12,558	14,905	12,558	14,905
Coal grant received for additions of development and investment assets	6,130	6,472	6,130	6,472
Transfer to income and expenditure account for asset disposals and write offs	(5,454)	(8,819)	(5,454)	(8,819)
Transfer to reimbursement in respect of provisions for Avenue funding	(4,138)	-	(4,138)	-
Balance 31st March	9,096	12,558	9,096	12,558
Pensions				
Balance at 1st April	(3)	(13)	(3)	(13)
Transfers (to) / from the reserve in period	9	10	9	10
Balance 31st March	6	(3)	6	(3)
Activitites in relation to subsidiaries and joint ventures				
Balance at 1st April	1,605	1,003	-	-
Surplus / (deficit) for the period	(1,426)	602	-	-
Disposal of subsidiary company	(303)	-	-	-
Balance 31st March	(124)	1,605	-	-
Total balance 31st March	**10,505**	**15,532**	**10,629**	**13,927**

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

24. Revaluation reserve

	Group		Agency	
	2008-2009 £'000	2007-2008 £'000	2008-2009 £'000	2007-2008 £'000
Revaluations				
Balance at 1st April	536	601	536	601
Additions to reserve in period	144	138	144	138
Transfer to income and expenditure account	(350)	(203)	(350)	(203)
Balance 31st March	**330**	**536**	**330**	**536**

Notes to the financial statements for the year ended 31st March 2009

25. Grant in Aid reserve

	Group		Agency	
	2008-2009 £'000	2007-2008 £'000	2008-2009 £'000	2007-2008 £'000
Opening balance at 1st April	10,973	10,813	10,973	10,813
Grant in Aid received in period	175,000	161,000	175,000	161,000
Grant in Aid used for long term loan	-	2,000	-	2,000
Transfer Agency net expenditure from income and expenditure account	(158,133)	(162,840)	(158,133)	(162,840)
Balance at 31st March	**27,840**	**10,973**	**27,840**	**10,973**

26. Contingent assets

Lachesis Venture Capital Fund

In 2004 *emda* granted £3,000,000 to a Venture Capital Fund called 'The Lachesis Fund' in order to support university spin out companies. If the fund undertakes any distribution from their investment portfolio *emda* is entitled to receive a share of the distribution in proportion to the investment *emda* has made into the fund (currently 37.9%), capped at the value of the original funding. It is unlikely that there will be a distribution from the fund before 2014. The net assets of the partnership, as at 31st July 2008 are £9,419,561 (31st July 2007 £8,720,368).

Equity share agreements

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

27. Contingent liabilities

As at 31st March 2009, the Agency had no contingent liabilities (2007-2008 nil).

28. Operating leases

As at 31st March 2009 the Agency had annual commitments under operating leases as follows:

	2008-2009		2007-2008	
	Buildings £'000	Other £'000	Buildings £'000	Other £'000
Leases expiring:				
– within 1 year	-	3	-	3
– between 1 and 5 years	-	22	-	23
– in over 5 years	564	-	564	-
	564	**25**	**564**	**26**

29. Commitments

	Agency 2009-2010 £'000	Agency 2008-2009 £'000
Capital expenditure authorised by the Board and contracted at 31st March 2009	33,309	47,129
Revenue expenditure authorised by the Board and contracted at 31st March 2009	46,743	39,285
Total commitments at 31st March 2009	**80,052**	**86,414**

All the commitments for 2009-2010 are as per the 2008-2011 Corporate Plan.

Notes to the financial statements for the year ended 31st March 2009

30. Reconciliation of group operating surplus / (deficit) to net cash flow from operating activities

	Notes	2008-2009 £'000	2007-2008 £'000
Operating surplus / (deficit)		(156,273)	(163,760)
Net income from subsidiary company		(41)	-
Transfer from General Reserve – Coal grant	Note 23	(5,454)	(8,819)
Transfer from General Reserve – reimbursement of provision	Note 23	(4,138)	-
Transfer to General Reserve	Note 23	9	10
Transfer from Revaluation Reserve	Note 24	(350)	(203)
Transfer from General Reserve – Brussels office	Note 23	-	(164)
Transfer from General Reserve – European funding	Note 23	-	(4,458)
Depreciation, amortisation and impairment		687	742
Additions to stock of development assets	Note 17	(7,413)	(10,894)
Book value of development assets sold	Note 17	817	3,170
Amounts written off development assets	Note 17	9,196	4,317
Amounts written back on development assets	Note 17	(347)	(327)
Amounts written off investments		-	2,307
Grant funding to subsidiary company		-	15
(Increase) / decrease in debtors		3,302	3,145
Increase / (decrease) in creditors	Note 19	5,046	3,993
Environmental liability provision increase / (decrease)	Note 21	48,901	3,602
Reimbursement of environmental liabilities provision (increase) / decrease	Note 22	(48,901)	(3,902)
Unwinding of provisions / debtors	Note 6	405	-
English Partnerships pension provision decrease	Note 20	-	(166)
Grant in aid to cover loans	Note 25	-	2,000
Other provisions increase / (decrease)		2,199	811
Net cash inflow / (outflow) from operation activities		**(152,355)**	**(168,581)**

31. Reconciliation of group net cash flow to movement in net funds

	2008-2009 £'000	2007-2008 £'000
Net funds at 1st April	9,228	11,510
Disposal of subsidiary company	(41)	-
Change in net funds	24,554	(2,282)
Net funds at 31st March	33,741	9,228

32. Post balance sheet events

There are no post balance sheets events to report.

East Midlands Development Agency's financial statements are laid before the Houses of Parliament by the Secretary of State of the Department of Business Enterprise & Regulatory Reform. FRS 21 requires East Midlands Development Agency to disclose the date on which the accounts are authorised for issue. This is the date on which the Certificate and Report of the Comptroller and Auditor General is signed.

The authorised date for issue is: 29th June 2009

Notes to the financial statements for the year ended 31st March 2009

33. Related party transactions

East Midlands Development Agency is an Executive Non-Departmental Public Body sponsored by the Department for Business, Enterprise and Regulatory Reform (BERR). During the year ended 31st March 2009 the Agency received Grant in Aid and grant funding through BERR. No other significant transactions have taken place between the two bodies.

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

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

Advantage West Midlands (AWM)

East of England Development Agency (EEDA)

London Development Agency (LDA)

North West Development Agency (NWDA)

One North East (ONE)

South East England Development Agency (SEEDA)

South West of England Regional Development Agency (SWERDA)

Yorkshire Forward (YF)

Debtors at the year end include a total of **£554,105.07** due from Advantage West Midlands, **£72,441.00** from East of England Development Agency and **£2,281.60** from Yorkshire Forward.

Creditors at the year end include a total of **£3,500.00** due to East of England Development Agency and **£9,405.70** to North West Developmenmt Agency.

East Midlands Development Agency has a number of associate companies to which payments were made in the current financial year. The associates are:

	Amounts paid by *emda* in 2008-2009 £'000
Biocity Nottingham Limited	25
Regeneration East Midlands Limited	649
Blueprint Limited Partnership	169

Case Study: European Regional Development Fund (ERDF)

33. Related party transactions (continued)

The Agency was involved in the following related party transactions during the period which are considered to be material.

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

Name	Role	Related party	Position in related party	Total value of payments 2008-2009 £	Total value of receipts 2008-2009 £	Nature of payments £
Ross Willmott	Board Member	Leicester City Council	Leader of Labour Group	987,039.79	6,179.50	Grants/Services
		Regeneration East Midlands Ltd	Director	649,295.00	-	Grants/Services
		Culture East Midlands	Board Member	134,500.00	-	Grants
		Labour Party	Member	2,640.00	-	Attend party conference
Neville Jackson	Board Member	Lincolnshire County Council	Councillor	2,679,093.76	12,454.70	Grants
		Lincolnshire Enterprise SSP	Board Member	5,616,825.00	85,408.76	Grants
Valerie Dwyer	Board Member	Groundwork Greater Nottingham *	Chair and Board Member	552,981.59	-	Grants
Geoff Stevens	Board Member	Derbyshire Dales District Council	Councillor	750,000.00	-	Grants
		East Midlands Regional LGA	Executive Member	2,671.97	-	Services
		East Midlands Regional Assembly	Board Member	30,000.00	105,012.80	Grants
Jon Collins	Board Member	Renewal Trust	Chair of Board	552,981.59	-	Grants
		Nottingham City Council	Leader	845,657.18	7,956.50	Grants/Services
Philip Tasker	Board Member	De Montfort Expertise	Director	1,253.81	-	Services
		De Montfort University	Chief Executive/ Vice Chancellor	438,420.47	1,222.00	Grants
Stan Crawford	Board Member	Sherwood Environmental Village Limited	Shareholder/Director	-	14,147.26	
		Sherwood Energy Limited	Shareholder/Director	334.42	-	Services
Parvin Ali	Board Member	East Midlands Regional Assembly	Board Member	30,000.00	105,012.80	Grants
		ONE East Midlands	Board Member	301,271.40	-	Grants
Gary Hunt	Board Member	Leicester City Council	Councillor	987,039.79	6,179.50	Grants
Michael Seals	Board Member	National Farmers Union	Works with organisation	14,794.35	-	Grants
Haydn Biddle	Board Member	Prince's Trust Lincolnshire	Chairman	657,673.00	-	Grants
		LSC East Midlands	Board Member	56,361.71	297,305.29	Grants
Jim Harker	Board Member	Northamptonshire County Council	Councillor	73,740.31	13,399.73	Grants
		East Midlands Regional Assembly	Board Member	30,000.00	105,012.80	Grants
		Local Government Association	Board Member and Vice Chairman	2,671.97	-	Grants
		Northamptonshire Enterprise Limited	Board Member and Vice Chairman	6,504,944.17	396.00	Grants
		North Northamptonshire Development Company	Board Member	292,187.50	-	Grants
Elizabeth Donnelly	Board Member	Labour Party	Member	2,640.00	-	Attend Party conference

* Groundwork Greater Nottingham received grant funding through the Renewal Trust. The total paid to the Renewal Trust during 2008-2009 and included above was £552,982.

Case Study: European Regional Development Fund (ERDF)

33. Related party transactions (continued)

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

Name	Role	Related party	Position in related party	Total value of payments 2008-2009 £	Total value of receipts 2008-2009 £	Nature of payments £
Jeffrey P Moore	Chief Executive	Derby Cityscape Limited	Board Member	465,138.08	-	Grants
		Nottingham Regeneration Limited	Board Member	250,000.00	-	Grants
		East Midlands Council of Prince's Trust	Member	657,673.00	-	Grants
		Blueprint Limited Partnership	Chairman	169,636.00	1,989,636.67	Grants/Services
		Nottingham Trent University	Relative with interest	76,654.00	1,040.00	Grants/Services
		National Space Science Centre	Trustee	91,719.21	-	Grants/Services
		Rolls-Royce	Relative with Interest	180,000.00	-	Grants
		Pera	Relative with Interest	911,396.71	6,083.00	Services
Abby Johnson Brennan	Deputy Chief Executive	Arts Council England	Board Member	586,350.00	56,567.01	Grants
		Northamptonshire County Council	Relative with Interest	73,740.31	13,399.73	Grants
		Culure East Midlands	Board Member	134,500.00	-	Grants
Michael Carr	Director	Silverstone Innovation Centre	Chairman	37,695.26	-	Services
		Biocity Nottingham Limited	Board Member	25,203.45	-	Grants/Services
		Loughborough University	Board Member	3,887,012.75	-	Grants/Services
Glenn Harris	Director	North Northamptonshire Development Company	Director	292,187.50	-	Grants
		Silverstone Innovation Centre	Board Member	37,695.26	-	Services
Diana Gilhespy	Director	West Notts College	Director	550.00	-	Services
Anthony Payne	Director	Leicester Regeneration Limited	Director	443,089.91	-	Grants
		Regeneration East Midlands Limited	Board Member	649,295.00	-	Grants/Services

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

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

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यह जानकारी अन्य भाषा में उपलब्ध है।
कृपया मार्केटिंग डिपार्टमेंट से 0115 988 8509 पर सम्पर्क करें।

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આ માહિતી બીજી ભાષામાં ઉપલબ્ધ છે.
કૃપા કરી માર્કેટીંગ ડીપાર્ટમેન્ટનો ટેલીફોન નંબર
૦૧૧૫ ૯૮૮ ૮૫૦૯ પર સંપર્ક કરો.

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FOR FURTHER INFORMATION PLEASE CONTACT

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