

**One North East Annual Report & Accounts 2010-2011**  
HC 1166

July 2011



**One North East Annual Report and Accounts 2010-2011**

**Annual Report and Accounts presented to Parliament pursuant to sections 15 (2) and 17 (3) of Part I of the Regional Development Agencies Act 1998.**

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## Foreword

One North East successfully invested £227m into the regional economy during 2010-11.

Around £90m of this sum was secured from Government through its Strategic Investment Fund (SIF) - a direct result of One North East's reputation and of Government support for our investment priorities.

The SIF investment helped to drive progress at key economic and innovative projects such as the Tees Valley Industrial Programme, the National Centre for Renewable Energy and the Centre for Process Innovation, leveraging in millions of pounds worth of European and private sector investment.

Our strategic programme of investments continued to underpin new and exciting business growth, creating the economic conditions for new jobs by pump priming the technologies and processes that will drive future economic growth.

The Agency and its dedicated staff remained clearly focused on delivering for the region at a very difficult time for all employees at One North East.

One North East and all Regional Development Agencies outside London are expected to close at the end of March 2012. A new landscape of local economic development and delivery is being created across England under the guidance of the new coalition Government.

In line with many other parts of the public sector, One North East made significant in-year cuts to its budget in the last financial year to help the Government tackle the national deficit - in our case nearly £36m in savings.

The board and directors' team worked hard to minimise the impact of these cuts on our partners and the regional economy and implemented a major communications exercise to explain the reasoning behind our decision making.

While the Agency increasingly had to focus its efforts on the professional wind down and closure of its business in a tightened fiscal environment, it still delivered substantially for the region through a targeted programme of investment.

The One North East created Finance for Business North East Fund made the first of many investments into the regional economy - in its first year of operation, it concluded 88 deals valued at £17m.

The professionalism and dedication of One North East staff paid off massively for the region with the unveiling of three major economic investments, bringing with them the promise of many hundreds of new jobs and prosperity.

A common thread ran throughout the announcements of the sale of the former Vaux site in Sunderland to the city council and the approval for Hitachi to build 500 rail carriages for the Intercity Express Programme at Newton Aycliffe – the leadership, support and expertise of One North East.

One North East also led the response group which helped steel workers impacted by the partial mothballing of the Corus TCP Redcar blast furnace. The upskilling of workers and support for apprentices helped put in place the economic conditions which led to the eventual sale of the plant to Thai steelmaker SSI.

The Investment and Aftercare Team, ERDF team, SAM Programme, Capital Development, Legal and Procurement and Corporate PR and Marketing teams all worked closely with senior executives at these organisations to help secure major benefits for the regional economy.

Substantial investment into the low carbon agenda continued with the North East spearheading a network of 1,300 charging points for electric vehicles through the 'Plugged in Places' scheme with Nissan poised to begin production of its Leaf electric car, associated new battery plant and revamped test track facilities.

One North East's financial support and leadership of the national low carbon agenda has placed the region at the forefront of fresh opportunities in this rapidly growing marketplace.

In the renewables sector, the Agency invested heavily through our own budget and from the European Regional Development Fund (ERDF) into new test facilities for wave and tidal power at the National Renewable Energy Centre in Blyth.

The Agency also led the delivery of the Tees Valley Industrial Programme (TVIP) - strategically investing into the local area to help build a low carbon and advanced manufacturing economy.

In total, more than £40m was committed, including £2.5m for Tata Steel and the Centre for Process Innovation to create a new High Temperature Innovation Centre and £6.9m to buy 50 hectares of land at the Wilton Complex to support new inward investment in the area.

Work has continued to transform the physical fabric of the North East. At Ouseburn in Newcastle, work has begun on converting the former Maynards Toffee Factory into new office space for creative businesses. One North East is investing £2.75m into the project allied to £3m of ERDF support, which could create 12 new businesses and up to 50 new jobs.

And in Sunderland, with the assistance of One North East and the Homes and Communities Agency, the city council now owns the landmark former Vaux site with agreement reached to develop the former brewery site into a new business district to create more jobs and office space in the heart of the city.

While investment in the regional economy has continued at a pace, One North East is also managing a detailed transition and closure process of its own business.

Our aim is to ensure the professional wind down and closure of One North East - meeting our on-going legal obligations to partners while undertaking a detailed transition programme to leave an economic legacy for the region.

Working closely with Government, we have and will continue to seek maximum value for the sale or transfer of our assets to address the national deficit while also making sure that this activity benefits the regional economy.

The Agency launched a voluntary and compulsory redundancy scheme with outplacement support for staff leaving the business.

The success and reputation of One North East was built upon the hard work and professionalism of all our employees.

While the climate in which One North East has operated in the past financial year has been challenging - we have demonstrated through an impressive programme of delivery our determination to continue to strengthen the regional economy right up until our closure.

Alan Clarke CBE, One North East Chief Executive.

Paul Callaghan, One North East Chairman.



## **One North East Board**

### **Paul Callaghan – Chairman**

Paul is Chairman of One North East. He is also Chairman of Leighton, the North East based technology, software, media and communications group that he founded. Paul was a founder director of the Entrepreneurs' Forum and was formerly Chairman of RTC North and of Business Link North East. He is Chairman of Live Theatre in Newcastle and sits on the development board of the SAFC Foundation charity.

Paul is an Honorary Fellow of the University of Sunderland and is also Chairman of its Board of Governors. He is Deputy Lieutenant of Tyne and Wear, a Fellow of the Royal Society of Arts and of the Institute of Administrative Management and is Co-sponsor and Chairman of Red House Academy, a new city academy in Sunderland. He has degrees in Economics, Management and Finance from the LSE, Newcastle and Salford Universities.

Since October 2010 he has been the Chair of Chairs of the Network of England's Regional Development Agencies.

### **Ian Brown**

Northumberland businessman Ian Brown joined the Board of One North East in 2005 and has a specific role as 'rural champion' on the Board. He is a consultant on sustainability issues, was the founding chairman of a gourmet food business and is director of six other companies. He has also successfully developed, and continues to manage, a rural business park near Alnwick, Northumberland.

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

### **Ian Dormer**

Ian owns Rosh Engineering Limited in Birtley. Since the early 1990s Ian has been active at national level with the Institute of Directors. After he joined the main board, he

was appointed as Vice Chairman from 2004 until April 2010. He now chairs the IoD's Chartered Director Committee and sits on the Institute's nominations committee. He has also been a Director of the Northern Business Forum, a Director and Chairman of Business Link Tyne & Wear, and chaired the North East Business Support Simplification Programme Transition Management Board.

Ian is Chair of Enterprise Development North East Limited as well as sitting on the Board of 1NG Limited, the City Development Company for NewcastleGateshead. He is also the current Chairman of the Agency's Audit Committee.

### **Gill Hale**

Gill Hale is Regional Secretary for the public service trade union UNISON, and the Chair of the Northern Regional TUC – the first woman elected to that office. She joined the One North East Board in 2007 and is a current member of the Corporate Resources Committee and Transition Board sub group.

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

### **Professor Christopher Higgins**

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

He has been Professor at Oxford and Imperial College and his research led to the UK's first clinical trials for cystic fibrosis gene therapy. He also served on the Councils of BBSRC, The Academy of Medical Sciences and the Human Genetics Commission and Chaired the Spongiform Encephalopathy Advisory Committee, which advises the Government on BSE and vCJD.

### **Peter Jackson**

Peter Jackson is the Conservative Group Leader on Northumberland County Council. He represents Ponteland South with Heddon. He chairs the Council's Scrutiny Management Board and is a Member of the Audit Panel of the Local Government Association.

In business he has built up an arable farming enterprise covering 2,000 hectares in South Northumberland and Durham. Peter is Chairman of the Tynegrain Group of companies, a farmer co-operative which includes GrainCo. Peter is also a director of Enterprise Development North East Limited and a member of the Agency's Corporate Resources Committee.

### **Lord Shipley OBE**

John Shipley is a member of the House of Lords (appointed in May 2010) and has served as a Board Member since 2005. Lord Shipley was first elected as a councillor in May 1975 and was Leader of Newcastle City Council from 2006 until September 2010. Until September 2010 he was also a Board Member of 1NG and Newcastle Science City.

John is currently a member of the Agency's Audit Committee as well as a member of Newcastle Theatre Royal Trust and Chairs the Prince's Trust North East. He is a member of the Economic Affairs Select Committee in the House of Lords.

### **Bob Symonds**

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

### **Alison Thain OBE**

Alison is Group Chief Executive of social housing manager and developer Fabrick Housing Group, a strategic partnership of Tees Valley Housing and Erimus Housing. With a turnover of over £65m, 700 staff and capital spending of £100m pa, Fabrick is one of the top companies in the Tees Valley.

Alison is also a Governor of Teesside University and one of the private sector partners of Tees Valley Unlimited Leadership Board, the Local Enterprise Partnership for the sub region. She was awarded the OBE in 2004. A former chair of the Regeneration

Committee she is now an active member of the Transitional Board Sub Group and Corporate Resources Committee.

### **Ruth Thompson OBE**

Ruth Thompson OBE, holds a range of non-executive director posts, including, NHS NE Strategic Health Authority, Narec and Northumbria University. She is Chair of National Energy Action.

She chaired and was instrumental in setting up the North East Employer's Coalition. She was awarded an OBE in 2002 for services to New Deal. She chairs the Agency's Corporate Resources Committee and is a member of the Audit Committee, Transition Board sub group and Director with Enterprise Development North East Limited.

### **Graham Thrower**

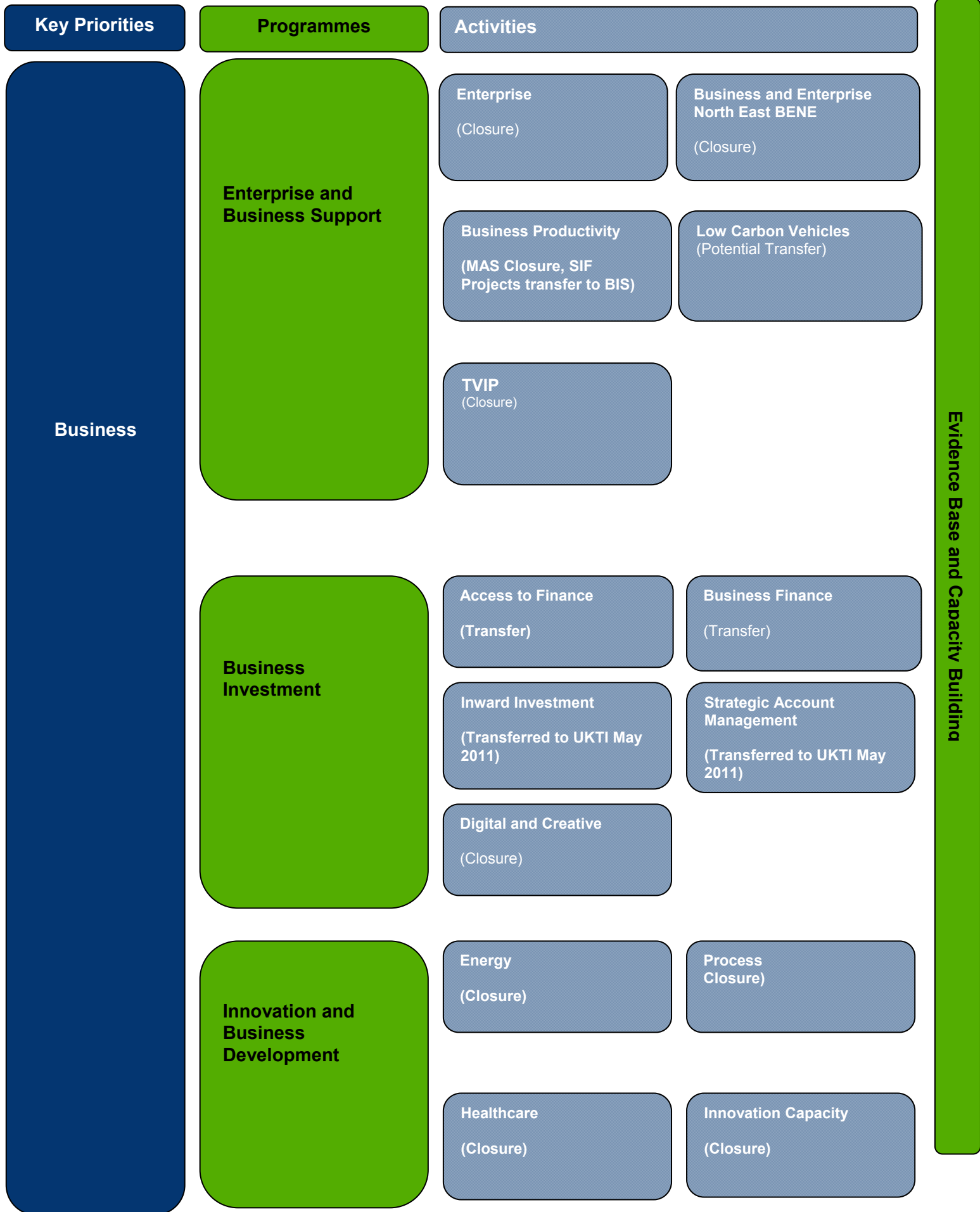
Graham Thrower has had an extensive international career in Corporate Finance raising equity, bond and bank finance around the world for many of the major global companies in the Media, Telecom and Technology sectors; most latterly at the US Investment Bank Citigroup where he was a Managing Director.

Since 2004 Graham has been based in the North East of England where he has built the record label and music business alt.vinyl, as well as founding a number of other digital and creative enterprises. He is a member of the Agency's Audit Committee and also sits on the boards of North East Access to Finance and Newcastle Science City, as well as being Chairman of the national music development agency Generator.

### **Kate Welch OBE**

Kate Welch OBE is founder and Chief Executive of Acumen Development Trust which works to achieve social and economic regeneration through learning, employment and enterprise. Acumen won the Enterprising North East England title for their work in Easington in 2006. The following year, Kate was chosen as a BT Essence of the Entrepreneur winner and the North East Woman Social Entrepreneur of the Year. In 2008 she was awarded an OBE for services to Social Enterprise in the North East and was the Ernst and Young Entrepreneur of the Year Social award winner for the North. She was chosen as one of the 100 most entrepreneurial women in the UK and as a finalist in the Women in Ethical Business Awards during 2009. Kate is a member of the Agency's Audit Committee.

# Managing through Programmes



Evidence Base and Capacity Building

**Key Priorities**

**Programmes**

**Activities**

**People**

**Skills and Economic Inclusion**

Skills & Economic Inclusion  
(Closure)

**Place**

**City Regions and Rural**

Capital Development  
(Partial Transfer)

Business Accommodation  
(Partial Transfer)

**Culture and Tourism**

Visitor Economy & Culture  
(Closure)

**Evidence Base and Capacity Building**

## **BUSINESS**

### **Business Finance**

As part of the comprehensive business support offer provided by One North East, the agency administered the Grant for Business Investment (GBI).

In 2010, the GBI scheme backed 156 companies with a total of £13.8m in grant aid. This vital finance is anticipated to create 1,520 new jobs and protect a further 970.

The scheme was closed to new applications in December 2010 as part of Government changes to business support, but crucially this public investment still secured £123m in capital expenditure from the private sector beneficiary firms during its last year of business.

Examples of GBI successes included:

- Wearside engineering firm Penn Elcom secured the jobs of 72 employees with an expansion of its business. The firm is creating 15 new jobs and safeguarding a further 52 in a £1.6m project that will see the company move to a new factory in Washington. One North East offered the firm a GBI of £220,000 to help fund the move and purchase additional equipment at the new plant.
- Cramlington's Osborne Engineering Limited (OEL), which employs more than 125 staff, is creating up to 45 new jobs manufacturing bespoke bearings and gas turbine components for clients in the oil and gas, wind power and power generation industries. The expansion project was supported by a £350,000 GBI from One North East.
- Greencare Mobility Limited secured a GBI of £65,000 to help fund its development programme in Middlesbrough. The firm which makes and assembles wheelchairs is creating 13 new jobs and safeguarding a further six thanks to the expansion project.
- Nissan's Sunderland plant started production of an all-new engine that could create 200 new jobs over the next three years. The contract to assemble the two litre petrol unit follows approval for the first £2m of a proposed £15m investment package to upgrade Sunderland's engine operation through to 2014. This package was supported by a £1.94m GBI grant from One North East.

## **Research and Development Grant**

To support the growth of the region's small and medium-sized businesses, One North East invested £2.4m through Research and Development Grant support into 155 projects during 2010-11.

The grant backed projects at an early stage of feasibility or nearer capital development taking an underlying project through to commercial reality.

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

Examples of R&D Grant success included:

- Oxford Diagnostics Limited, Newcastle, received £250,000 in R&D grant support towards a £710,000 project to develop a Breath Analyser using Plasma Emission Spectroscopy technology for the early diagnosis and monitoring of Type 1 and Type 2 diabetes.
- Gosforth-based Continuous Retorts Limited, received £217,000 towards a £543,000 R&D project to develop a commercially viable continuous retort that cooks and sterilises packaged food using heat and pressure. Current retorts rely on a batch process which wastes energy and relies on a cycle of heating and cooling.
- Sightlab Communications Limited, Jarrow, was awarded £64,000 in grant support towards a £160,000 project to develop an audio player and content delivery system for visually impaired people. The system will be able to receive content over mobile phone networks and can access the internet and download content from special sites.

## **Strategic Investment Fund**

One North East oversaw the successful delivery of over £90m of Strategic Investment Fund (SIF) projects. The Agency was the biggest RDA beneficiary from the fund.

Among the projects that received SIF backing were the:



- The Centre for Process Innovation (CPI) hosts the National Industrial Biotechnology Facility (NIBF) designed to help companies develop bio-tech derived products and processes. The new developments at NIBF completed during 2010-11 - creating open access demonstrator facilities for industrial biotechnology - are the result of £12m funding through SIF. CPI is a partner in the UK's first Technology and Innovation Centre (TIC) - the High Value Manufacturing TIC to help expand the sector and position the UK as Europe's leading exporter of high value goods.
- Petec in County Durham, is the UK national printable electronics prototyping centre, providing design, development and prototyping facilities aimed at quickly bringing new printable electronics products to market. The development of the £20m Petec Phase 2 project progressed well (SIF and ERDF funded expansion) – the build was completed in January of this year and the installation of equipment concluded. The facilities include a state-of-the-art prototyping pre-manufacturing facility enabling the development of new innovations for markets such as energy efficient lighting, solar photovoltaic cells and sensors.
- The National Renewable Energy Centre (Narec) in Blyth is delivering a capital investment programme funded primarily by the SIF, One North East and the Energy Technologies Institute (ETI). This £100m programme managed by the One North East Energy and Environment Team will run through into 2011-12. The components include the development of four new national testing and development facilities: Blade Testing Centre; Marine Test Rig; Offshore Wind Test Rig and Offshore Test Site, supported by a wrap around infrastructure investment project

## **Tees Valley Industrial Programme**

The Tees Valley Industrial Programme (TVIP) fund was created by One North East and the Department for Business, Innovation and Skills (BIS) through Strategic Investment Fund support to accelerate industrial transition in the Tees Valley and seize emerging opportunities in low carbon and advanced manufacturing.

TVIP was created by Government as part of its response to alleviate the impact of the partial mothballing of the Corus TCP blast furnace in Redcar.

Originally designed as a two-year programme, in the 12 months the programme was in place it committed £42m into a broad range of sectors and locations right across the Tees Valley.

**These investments are expected to:**

- Create almost 1,900 jobs
- Protect nearly 1,400 jobs
- Leverage in £232m worth of private sector business investment
- Help create almost 700 new businesses
- Redevelop over 50 hectares of land.

The investments and their impact will have a lasting legacy for the area, and will help drive forward a new low carbon economy for the Tees Valley.

TAG Energy Solutions (TAG) was offered a grant of £1.5m by One North East as it gears up to bid for over £500m worth of work in the offshore wind sector.

The grant is funded through TVIP and will form part of a £20m project to develop new production facilities at TAG's Haverton Hill base in Billingham, to roll tubulars and manufacture the foundations that will support turbines in the offshore wind industry.

The project itself will create 110 new jobs and safeguard a further 33, while total employment linked to the project is estimated at over 400.

TVIP also invested £6.9m towards the purchase of land at the Wilton Complex which will be developed to support new inward investment in Tees Valley.

**Inward Investment**

One North East's Investment and Aftercare Team (IAT) played a key role in a string of vital regional investments, offering guidance, finance and support to companies wanting to establish a base in the region.

The team secured 56 inward investment projects during 2010/11 resulting in:

- £671m capital expenditure generated as a result of these investments

- 3,425 new jobs created
- 2,854 existing jobs safeguarded
- 6,279 jobs created and safeguarded in total
- 42 of these projects were from overseas markets, with the other 14 from the UK

The IAT were involved in 88% of all inward investment secured in the North East during 2010-11. In addition the team facilitated 15 R&D intensive global partnership agreements between the region's academic and commercial base and partner organisations in overseas target markets.

Key projects secured during 2010-11 included:

- Japanese company Hitachi winning a contract to assemble train rolling stock for the East Coast mainline in Newton Aycliffe, creating up to 730 new jobs and 5,000 supply chain jobs
- Indian-owned Corus developing a £31.5m offshore wind farm business on the site of its plant in Tees Valley with the creation of up to 220 new jobs
- Brazilian firm VSE acquiring Gateshead-based Turbo Power Systems for £10m, creating 145 new jobs and safeguarding an existing 75 positions
- Japanese automotive components manufacturer Nifco undergoing a £16m expansion of its Stockton operation, creating up to 120 new jobs
- US customer service outsourcer 2Touch investing £310,000 to expand its call centre in Tyne & Wear with the creation of 200 new jobs

## **MAS North East**

The trailblazing MAS North East programme helps manufacturers improve productivity and share knowledge through a targeted programme of expert interventions.

In the past year, independent analysis of the programme shows that it has supported nearly 500 companies, predicting a total financial impact on these businesses of £28.3m. This figure includes productivity savings, greater profitability and new contracts won as a result of the programme's work.

The net cumulative contribution of MAS North East activity to the North East economy since it was launched in 2008 is £118m in Gross Value Added through new and existing employees and their salary spend in the local economy.

Return on investment exceeds £11 generated for every one pound spent by the programme, a figure which analysts predict could rise to £30 for every pound invested.

Created by Government and One North East in 2008, the MAS North East service - which is a combination of the Manufacturing Advisory Service and One North East's pioneering North East Productivity Alliance - has consistently registered impressive results.

In the last 12 months MAS North East:

- Assisted 488 businesses, of which 101 were companies seen for the first time
- Created or safeguarded 346 jobs
- Delivered over 4,000 training outputs

MAS North East earlier this year received praise following an independent survey commissioned by One North East. The interim report included the following key headlines:

- High level of client satisfaction
- 80% of clients would use the service again
- 83% would recommend the service to others
- 88% rated the delivery consultant as good or very good

## **Strategic Account Management**

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

SAM managers held 513 meetings with the companies, of which 255 were strategic review meetings. Overall, the year end produced 68 capital investment and job creation/safeguarding projects, alongside 426 brokered business support interventions.

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

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

One notable success of the SAM team was the supporting role played in the SSI acquisition of Corus Teesside Cast Products, thereby safeguarding 700 jobs with the promise of additional investment to expand the operation on Teesside.

The SAM team also worked closely with Northern Rock which announced a further 680 proposed job losses, which will take the company to just under 2,000 employees.

A summary report of the SAM programme's last five years worth of achievements and company case studies has been completed and sent out to partners. The following is a summary of the outcomes of the programme since 2006:

- Up to 500 companies supported per annum
- Over 1,700 business support interventions
- 183 investment and job creation projects identified
- 93% satisfaction rate on SAM Manager support
- 85% of SAM companies reporting high levels of trust with their SAM manager
- 265 large scale redundancy situations managed or reversed
- No unsighted redundancies in the last five years
- Regional co-ordination of Northern Rock, Corus TCP and Nissan Response Groups, plus other smaller response groups

## **Business Link**

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

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

In 2010-11 all Business Link KPI targets were met or exceeded and the budget was utilised in full.

Highlights of 2010-11 performance include:

- 29,714 diagnostics (103% of annual target)
- 21,103 businesses supported (109% of annual target)
- 5,192 jobs created (115% of annual target)
- 4,224 businesses created (104% of annual target)
- 3,373 businesses created and surviving 12 months (115% of annual target)
- 1,990 businesses created and surviving 24 months (121% of annual target)

The Government announced that the regional Business Link service will close on 25th November this year, to be replaced by an online support service and contact centre.

## **Access to Finance**

In the past 12 months, the £125m North East Finance for Business Fund has established itself as a source of crucial support for new and growing regional companies.

Created by One North East, the European Investment Bank and ERDF and consisting of six constituent funds - the main fund was the first of its type in England to target investment into the exciting new firms whose activity will lead regional economic growth.

In its first year of operation, it concluded 88 deals valued at £17m which represented an impressive start to the project.

Key highlights from the first year included:

- 84 firms receiving financial investment

- Leverage of £18m (£16.3m private sector) meaning that North East businesses received a total of £35m as a result of these funds
- Over 100 new jobs created as a result of these investments
- Over 500 jobs safeguarded

North East Access to Finance (NEA2F) established itself in the region as it delivered upon its role as parent company within the Access to Finance structure for the North East. It is a coordinator and instigator of soft interventions around thought leadership in this key area of government policy and stimulator of regional Business Angel activity. A number of initiatives around these core roles are now being rolled out and NEA2F continues to actively engage with UK and European policy makers to ensure regional access to finance issues are at the forefront of the evolving post RDA environment.

### **Proof of Concept Fund**

Based in Morpeth, Revelation Management received £120,000 to assist with product development in the software industry. The company expects to create five jobs as a result of Proof of Concept Fund (POC) investment.

Nearly £80,000 was invested in TEF Labs, to develop an online language training product. Operating out of the Evolve Centre in Sunderland, the company is forecasting five new jobs will be created.

### **Technology Fund**

Onyx Group Limited is a Stockton-based provider of outsourced IT solutions for the business sector. The company has 15 years experience in the IT sector and has grown to employ 118 people. The Technology Fund has provided a £250,000 unsecured venture debt facility. The funding is earmarked for investment into OnyxCloud. OnyxCloud enables customers to access infrastructure and services 'on-demand' over the internet.

### **Accelerator Fund**

Senselogic Limited is a company which offers energy management solutions for offices. The Accelerator Fund invested £125,000 (the first tranche of a planned total investment of £250,000), with the investment achieving £500,000 private leverage. The company, based in Newton Aycliffe, manufactures devices for lowering electricity consumption.

The Accelerator Fund also invested £190,000 in amBX a previous recipient of Co-Investment Fund funding. Operating from the Boho Zone in Middlesbrough, the company is looking to promote sales of its LED lighting controller, which enhances the PC as a gaming platform.

### **Angel Fund**

MES Footwear is a new-start company operating out of South Shields and Gateshead producing bespoke footwear/trainers for the youth market. The investment was made to provide a new commercial website and enhance its marketing activity. The company received its second tranche of funding (£23,000), following earlier investment of £27,000 from the Angel Fund.

Based in Middlesbrough, Assyria Studios received £10,000 to assist with the introduction of a new product enabling improved publishing of interactive videogame technology.

A second tranche of £75,000 was invested in Preforma, the Jarrow-based engineering company developing a modular system for constructing tubular handrails and guardrails, alongside a further £50,000 from BEL Group.

### **Growth Plus Fund**

Bastion Security, Gateshead, received £400,000 from the Growth Plus Fund. The company is a well established designer, manufacturer and installer of premium security products for the commercial, governmental and defence sectors. Products include armoured telescopic ATM surrounds to protect cash in transit personnel and maintenance workers, specialist joinery services for customers such as Courts and Banks, highly rated security doors and anti-ballistic products.

And £500,000 was invested in Partridge Trading, Stocksfield, in a total funding round of £1.35m. The John Partridge brand is well established and operates in the country clothing market space; traditionally specialising in high end coats and jackets for wholesale to specialist retailers.

### **Growth Fund**

Investment of £120,000 was offered to AMD Specialist Coatings Limited, Gateshead, a provider of metal and non-metal treatment by way of wet and dry paint applications. The investment round totalled £332,500.



Gott Technical of Morpeth is a company which offers design, supply and installation of garage and industrial equipment. The Growth Fund invested £175,000, achieving £233,000 private leverage. The company is forecasting the creation of 12 jobs as a result of the investment.

Newcastle-based Dene Films is one of the region's most successful independent film and TV production companies which has established strong relationships both regionally and nationally. The investment is to support capital expenditure to bring more capability in house as well as wider development. The company received £150,000 from the Growth Fund in a total funding round of £795,000, with support from the Growth Plus Fund.

Cinnamon Holdings, of Gateshead, undertake legal work on the sale and purchase of residential properties. A £90,000 investment from the fund will allow the company to invest in new IT infrastructure and implement a volume based business development strategy.

### **Micro Loan Finance Fund**

Significant progress was made on the creation of a Micro Loan Fund, culminating in the signing of a fund management contract with Entrust in March 2011. The fund will consist of unsecured loans between £1,000 and £25,000.

Entrust is currently finalising the approved loan agreements prior to making the first investments from this fund.

### **Enterprise**

One North East's enterprise programme strived to change people's perceptions of self-employment, so it is seen as rewarding and attractive. The Agency helped new businesses by providing financial support and training for growth.

Up to £250,000 was made available for Coaching for High Growth aimed at supporting small and medium-sized firms with significant growth potential to link into professional business coaches and mentors.

The project supported 155 businesses, many of which are now in the process of accessing suitable finances to take their business to the next level.

The Enterprise Ambassador project created a network to spread the word that the region is a vibrant and forward thinking hub for business investment, growth and career advancement.

Enterprise Ambassadors are entrepreneurs who share their skills and experiences in business to help inspire others playing an important role in supporting the next generation of young entrepreneurs.

Beneficiaries included schools, local authorities, community groups and other organisations looking for inspirational people to visit, tell their story in person, sit on judging panels for enterprise competitions or simply share their story as a case study for those considering enterprise as a life choice.

TEDCO, the delivery organisation, recruited 56 ambassadors and developed a system for matching ambassadors to the appropriate audience. This ensured the relevant skills and experience of an ambassador were targeted to the relevant audience to inspire and motivate them to develop their enterprising thoughts and ideas.

Enterprise Arcade was developed and launched in Bishop Auckland, encouraging people with a business idea to consider starting up their own company by providing a safe environment for them to trade in.

The project created new businesses and made excellent use of empty premises on the high street, ultimately giving the hardest to reach groups a sheltered opportunity to explore self-employment that had never existed before.

In the last financial year, the One North East Enterprise Team created the Hanlon Enterprise Co-ordination Group.

The group is aimed at bringing together local authority partners delivering enterprise coaching activity to share ideas, issues and intelligence relating to the use of the on-line Hanlon tracking system.

Hanlon is a data management system which has been implemented across the region. The system provides a robust client tracking tool that enables the multiple transfer of data and performance information to support delivery of enterprise provision.

The group ironed out initial teething problems and established an enterprise system fit for all delivery organisations to use.

## **European Regional Development Fund 2007-2013**

The North East England ERDF Competitiveness Programme levers around £318m in ERDF investment into the North East, in support of two key investment priorities - enhancing and exploiting innovation and business growth and stimulating enterprise.

To date, over £214m of ERDF investment has been approved for a wide range of projects. This investment has so far:

- Assisted nearly 3,140 small and medium-sized enterprises
- assisted more than 1,100 new small and medium-sized companies
- created 1,585 businesses
- created 2,905 jobs
- safeguarded 2,200 jobs.

The ERDF programme is now in its third year of operation and has been subject to independent evaluation. Key findings included:

- The strategic focus of the ERDF Operational Programme on supporting economic restructure through innovation, business growth and enterprise remains relevant and valid
- North East programme management and delivery arrangements are considered effective and efficient, open and transparent
- Good progress has been made against programme GVA targets
- The North East ERDF Programme is “well designed and has been implemented effectively to date” and its ERDF functions are “well managed and responsive.”

## **Enhancing and Exploiting Innovation**

Key ERDF investments in 2010-11 include £2.5m towards the world's first Blade Test Facility at the National Renewable Energy Centre in Blyth, placing the North East at the centre of offshore wind turbine developments.

ERDF investment will support the development of facilities in Blyth that are capable of testing wind turbine blades up to 100m long. These world class facilities will be used by up to 80 North East businesses, creating 10 new jobs and safeguarding 70 jobs in local manufacturing companies.

Finance for Business North East is actively supporting the North East's economic recovery through vital investment into hundreds of fast-growing firms. The unique collaboration between the European Investment Bank – providing £62.5m – with a further £62.5m from ERDF and One North East, saw a series of successful investments during its first year.

## **Business Growth and Enterprise**

Projects approved during the year include £4.9m to help make the North East an international leader in design. Construction has begun on the £9.9m Northern Design Centre at Gateshead's Baltic Business Quarter and when complete, the iconic four storey building will provide a base for the region's growing design industry – and a major new creative resource for local service providers and manufacturers.

Also in Gateshead, over £225,000 of ERDF investment was awarded to convert a Grade II listed church in Bensham into Brighton Road Studios. The studios will offer continued support to the North East's flourishing creative economy by addressing the demand for affordable workspace, creating up to 18 new jobs by 2015.

£2.5m of ERDF investment is helping to create a state-of-the-art business incubator at the former Circatex site in South Shields. More than 40 flexible working spaces will form the Green Incubator with business support being offered for new and growing companies in the low carbon and environmental sectors.

The three-storey building is due to open in June 2012 with 95 construction jobs expected to be created, a further 44 jobs safeguarded and 44 created, while 35 small businesses will be assisted.

## **ERDF Transition**

Following the decision to abolish RDAs, responsibility for the management and administration of the North East ERDF Programme will transfer to the Department of Communities and Local Government (DCLG) from July 1, 2011.

The Agency has been working closely with DCLG to make sure there is a smooth transition to new management arrangements. A North East located ERDF team will remain in place to support the programme, making sure that the £200m of ERDF already invested delivers the best possible outcomes for the North East, and that regional partners take full advantage of the £120m still available.

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

Nearly 50 regional businesses have won over £80m worth of contracts in relation to the 2012 Games, with over 3,500 companies registered with the official brokerage service CompeteFor.

Hart Door Systems based in Newcastle is the most recent company to win an Olympic contract to supply roller shutters for the Olympic Stadium.

The national Olympic committees of Grenada, Sri Lanka and Columbia have signed memoranda of understanding to use North East Pre-Games Training Camp venues ahead of the London 2012 Games. The region has also submitted expressions of interest to host other countries ahead of London 2012.

St James' Park is one of the host venues for the Olympic football competition with nine matches taking place in Newcastle in July and August 2012. One North East, together with partners including Newcastle City Council and Newcastle United Football Club, is taking part in regular venue operational planning days to ensure the region is prepared for its role in London 2012, maximising business and sporting opportunities.

The North East has secured 67 Inspire Mark projects which recognise the best non-commercial schemes inspired by London 2012 involving in excess of 741,000 people and representing £7.6m worth of funding.

Another 120 people graduated from the Personal Best Pre-Employment training programme in the past year taking the total number of graduates to almost 1,000 in the region.

The North East programme has been a great success; the region has the highest number of graduates who are in work (29%) and going on to undertake further study (32%) of anywhere in the country.

The Agency continues to work with London Organising Committee of the Olympic Games on plans to host the Olympic Torch Relay in the North East.

## **PEOPLE**

### **Skills**

#### **Talent Challenge**

The project was developed to provide support to talented individuals in the region who have either been made redundant or who have been put at risk of redundancy.

In the last financial year the project has helped more than 1,110 people across 214 organisations with support towards getting a job, and 1,400 people with their skills development.

The service, delivered on behalf of the Agency by NRG, is a central element of the region's redundancy response activity and feedback from partners, employers and individuals has been consistently good.

One North East is the only RDA to have invested in this type of support, providing help to the region's talent pool, assisting professionals to further develop their skills and experience to allow individuals to move more quickly into employment/self-employment.

The Talent Solutions Fund, which provides funding for those being made redundant to undertake higher level skills, is helping people move from public to private sector employment.

### **Higher Level Skills and Brokerage**

The project was created to help more employers understand the benefits of investing in higher level skills and provide better information to help them choose the most appropriate intervention with the right higher education institution.

The project proved to be an excellent example of effective partnership with the region's universities, FE colleges, Sector Skills Councils, Business Link and the TUC.

UC Higher Education Union Learn Advisers, funded as part of the project, have forged great working links with higher education institutions and the project is driving demand with employers for higher level skills as a result.

A web platform has been developed which will help employers to quickly and easily determine what solutions are on offer depending on the needs of the business. This tool is currently being tested with employers. To date 21 businesses have been supported and 167 people helped with their skills development.

### **Economic Inclusion**

Four employability projects were created to help people find and retain a sustainable job:

- **Rural Northumberland:** 110 people in rural areas of Northumberland were assisted with advice and support to help find sustainable employment. Evaluation undertaken revealed the support given via the rural 'hubs' in remote parts of the county is well received. A high percentage of clients have also been helped to start their own business
- **Rural Durham:** Over 1,000 people in the rural areas of South West Durham were helped with support to find employment. The project has been successful in winning other funding to continue the service for another year. The evaluation

showed that the service had a high success rate of being able to place local residents into jobs

- **Tyne and Wear City Region:** More than 3,100 people were helped with 'post employment support' – mentoring and guidance to help sustain their employment, or assistance whilst at risk of unemployment to help find another job. Major achievements included the completion of the Future Jobs Fund with a high success rate of clients being kept on in a permanent job; development of a web portal aimed at making it easier for employers to access help with recruitment; the influencing of the emerging work programme and negotiations with potential prime job providers
- **Tees Valley:** 1,400 people were helped with finding a job, or to help keep a job through the various projects within this programme. The main delivery has now ended. Work is being undertaken to help sustain these projects and fully embed the Hanlon client tracking database across the Tees Valley area.

### **Third Sector Capacity Fund**

This fund aims to build capacity in third sector organisations so that they can become more sustainable. Two rounds of competitive bidding were held during the last year, allocating £1.8m of funding to 15 projects, to add to the eight already funded through previous rounds.

Collectively, the projects assisted 560 third sector organisations across the North East. Over 1,300 people also increased their skills through support provided by these projects. Case studies and success stories can be found on [www.thirdsectorfund.org.uk](http://www.thirdsectorfund.org.uk)



## **PLACE**

### **Capital Development**

#### **Sunderland Vaux site**

Sunderland City Council officially took ownership of the former Vaux brewery site in the city centre - heralding a bright new future for the key area of development land.

Agreement had already been reached that the city council, One North East and the Homes and Communities Agency (HCA) would buy the site from owners Tesco.

The final exchange of contracts was agreed in February 2011, paving the way for a business-led development at the site whose future has been unclear for many years.

Work will initially include clearing the site of debris and old building foundations, making it look more presentable and looking at its potential for possible temporary uses before major development work starts.

Long-term plans are to develop the former brewery site into a new business district to create more city-centre jobs, offices and pedestrian traffic. This will help improve perceptions of Sunderland city centre for shoppers, businesses, and residents.

Tesco has owned the site since 2001 and was granted planning permission last year for a superstore development in nearby Roker.

Overlooking the River Wear at the northern edge of the city centre, the 26-acre former Vaux site is widely regarded as one of the North East's most significant regeneration sites.

#### **Ouseburn Former Maynard's Toffee Factory**

Located in the heart of Ouseburn, Newcastle, the formerly derelict Maynard's Toffee Factory is now being converted into a £6m hub for commercially creative businesses.

The converted premises will allow predominantly creative and digital businesses to move on from existing incubator space as well as providing a stepping stone for firms wanting to move to higher quality and larger accommodation.

The landmark building is being transformed into 1,500 square metres of floorspace with 25 new workspace units.

The high quality office space will offer a creative environment for like-minded business people.

NewcastleGateshead development company 1NG is delivering the project on behalf of Newcastle City Council and One North East.

The project is funded by ERDF £3m, One North East is contributing £2.75m with £250,000 from Newcastle City Council.

### **Demolition of Tyne Bridge Tower**

One North East continued its commitment to lead the physical regeneration of the region by beginning demolition work on one of Tyneside's most prominent eyesores.

For decades Tyne Bridge Tower has been a blot on the Gateshead skyline, but it will soon be razed to the ground, thanks to investment from the Agency.

The demolition of the 13-storey tower supports the continued regeneration of Gateshead Quays, which boasts such global attractions as The Millennium Bridge, The Sage Gateshead and BALTIC Centre for Contemporary Arts.

Tyne Bridge Tower has stood empty for more than five years and is a high profile site capable of supporting and improving links from Gateshead Town Centre to Gateshead Quays.

One North East and partner Gateshead Council consider its removal a priority for the continued regeneration of NewcastleGateshead Quayside, to make the site available for development as part of 1NG's proposals for the regeneration of the Quays area of Gateshead.

The project will cost just over £500,000 and will involve landscaping on the vacant site afterwards.

## **Tourism and the Visitor Economy**

An independent report published in July 2010 valued the North East England tourism industry at £3.9bn, employing 65,000 people and further growth was achieved during the course of the year.

The recent growth is the continuation of a long-term trend since 2003 that has seen the number of overnight visitors to the region increase by 9% and the number of nights spent in the region rise by 15%.

In 2010, average bedroom occupancy rates for hotels and B&B/guesthouses were both up on the previous year; with B&B/guesthouses recording record occupancy levels in June and November. Hotel occupancies rose from 68% to 69% and B&Bs from 43% to 47%.

However, there are challenges for the region's tourism and visitor economy to overcome. Self-catering occupancy fell by 7% to 50% in 2010 and the region's visitor attractions also saw visitor numbers fall by 7% for the year overall.

The National Trust reported particularly significant declines in the North East compared to neighbouring regions such as Yorkshire, although some attractions including Beamish (up 25%), Belsay Hall and The Biscuit Factory (both up 30%) bucked this trend.

The region's tourism offer further improved in 2010 with the opening of nine major new developments with a combined value of more than £20m.

One North East investments made in the previous year helped in the opening of Seaton Delaval Hall by the National Trust (£1m) and the opening of major new exhibits at Vindolanda and the Roman Army Museum (£1.8m).

Almost one million people visited Hartlepool for the Tall Ships Races in August, putting the town firmly on the international visitors map.

Budget cuts at One North East had a significant impact on Area Tourism Partnerships.

Visit Tees Valley closed, County Durham Tourism was absorbed into Durham County Council while NewcastleGateshead Initiative took over some of the activity previously delivered by Tourism Tyne and Wear, following its closure. The role of Northumberland Tourism continues in a greatly reduced capacity.

The future of the delivery of regional tourism is unclear. The role of national organisations such as VisitEngland and VisitBritain in regional promotion going forward also remains unclear.

## **Culture and Tourism Marketing**

In line with other public sector organisations, a Government marketing freeze was imposed on One North East in June 2010. This severely restricted the promotional activity of the tourism marketing team at One North East, particularly in being able to reach new audiences and potential visitors.

Since then the tourism marketing campaign has been focussed on an automated e-mail strategy, targeting the well-established database of receptive visitors captured during previous activity.

The frequency of the email marketing was increased helping to maintain the number of visitors to the [www.visitnortheastengland.com](http://www.visitnortheastengland.com) website, with almost 1m visitors in 2010. The website will remain active until March next year - however no new content will now be developed.

The email marketing campaign also saw an open rate of 37%, well above the national average for such campaigns.

Online visitor bookings continued to play a significant role in the tourism industry, with research showing that 50% of visitors now book at least one element of their holiday online. The value of online bookings via Desti.ne Frontdesk, the regional booking system, saw yet another increase, bringing in £4.2m worth of business to the region's economy.

As part of the marketing freeze, the Agency also had to terminate its international and national PR contracts, vastly reducing the number of press trips to the region.

However, previous successful campaigns meant the region continued to enjoy an extensive legacy with coverage in key titles worth more than £500,000. One single Australian press trip produced £133,000 worth of coverage in leading titles such as The Australian and The Sydney Morning Herald.

## **Regional Image Campaign**

The Government freeze on marketing activity had an immediate impact on the Regional Image campaign when it came into force last June.

The award-winning 'Passionate People, Passionate Places' campaign and its activity across television, radio, print and on-line media positioned the North East as a great place to live, work, invest and visit. It was widely acclaimed for creating new, positive perceptions of the region.

The campaign sharpened its focus to position North East England as a premier business location for new companies and professionals, with the career opportunities and quality of life necessary to attract senior business people to relocate.

The campaign, which had been fully planned for the rest of 2010, was subsequently cancelled and marketing and public relations activity radically scaled down.

Despite this, communications activity did continue in a limited way, updating websites, completing key marketing publications used by One North East's Inward Investment team and informing stakeholders of the closure of campaign marketing activity.

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

The RDPE is a seven-year programme (2007-2013) jointly funded by the European Union and Department for Environment, Food and Rural Affairs (Defra) and is managed in the North East by the Agency, Natural England and the Forestry Commission.

RDAs are responsible for two of the three RDPE objectives:

- improving the competitiveness of the farming and forestry sectors and
- improving the quality of life in rural areas and promoting diversification of the rural economy

While achieving these objectives the RDPE team exceeded their targets during 2010-11, delivering £10.1m of far-reaching targeted support to farmers and the rural community.

As a direct result, 290 jobs were created between January 2010 and December 2010 and 174 safeguarded. There were also 875 trainees who benefited from 813 training days, which is nearly double the number of training days delivered during the same period in the previous year.

Key areas of support delivered during the year included encouraging farm diversifications, providing continued and increasing support for dairy farmers and boosting the red meat supply chain.

### **Farm Diversification**

Village Farm Dairy, in Mordon, Sedgfield, produces around 850,000 litres of milk each year, all of which is 'Farm Assured' and through £26,000 RDPE funding, plans are now in place to create new cheese premises that will also produce cheese to this standard. Three new full time positions will be created as a result.

Detchant Farm in Belford, Northumberland, is better known as the providers of Sunny Hill Eggs and boasted the region's first dedicated free-range egg packing facility with previous help from RDPE.

With further farm diversification in their sights, owners the Jackson family secured £200,000 through the RDPE Business and Community Assets Programme to create a new farm shop and restaurant selling good quality seasonal and local produce as well as a large children's play area. Initially 11 new jobs will be created with more to follow.

Chilli sauce company TCD Foods Limited received an RDPE grant of over £35,000 after identifying an opportunity to drive growth through new machinery and a new manufacturing plant to expand its business and create six new jobs.

The expansion will ensure that all of the company's products are produced on site in Haltwhistle, Northumberland, and will provide a service for the local economy allowing fellow rural businesses to diversify into food production by using TCD's facilities.

### **Dairy Farming**

Rock Farm Dairy in County Durham expanded rapidly to meet the needs of the North East's dairy industry following the closure of the Dairy Farmers of Britain (DFoB) at Blaydon.

RDPE initially awarded the dairy £80,000 to increase capacity which resulted in a growth in business, a five-fold increase in annual turnover and the creation of 56 jobs.

In 2010 a further £207,000 was approved to modernise the infrastructure and complement the improvements made during the previous year, ensuring a successful and viable future for the dairy and safeguarding all the newly created jobs.

Across the region, dairy farmers received a boost when criteria was extended to access a £1.5m scheme. Delivered by the North East England Investment Centre (NEEIC) and approved in 2009, the project initially targeted farming and rural micro-businesses to diversify and improve energy efficiency.

Criteria changes however ensured that dairy farmers could also seek support for modernising milking parlours and calf feeding systems as well as installing small-scale renewable energy systems on farms and diversifying into other commercial activities.

### **Red Meat Supply Chain**

Boosting the North East supply chain with benefits from farmer through to butcher by improving provenance and reducing food miles is a key aim of the RDPE programme.

Freeman Catering Butchers received over £155,000 to help develop an integrated supply chain which will see stock being bought from local producers, killed on contract

at a local abattoir and the carcasses fully processed at Freeman's own site in Gateshead ready for sale.

The project will create ten new jobs and not only strengthens the red meat supply chain but also provides environmental benefits, increasing demand and better quality meat from sustainable sources.

Further funding for Linden Foods is ensuring that the North East will get its first fully EU accredited abattoir, strengthening the region's red meat supply chain bringing benefits to farmers, wholesale butchers, retailers and consumers.

RDPE approved £200,000 to make the Burradon abattoir more efficient and raise standards while addressing potential market failure in the region's red meat supply chain which currently lacks such a high quality abattoir. This meant many animals were instead transported to Scotland, Yorkshire and the south.

Family pork butcher MI Dickson Limited is continuing to expand and meet demand after receiving £200,000 to develop its bakery production in a boost to the North East's food and drink sector.

The South Shields business – established in 1953 - has grown from a single pork shop to 20 outlets across the North East. In a bid to diversify further and continue growing to meet changing consumer habits, Dicksons is extending its existing bakery area as part of a £1m project that will create five jobs and safeguard 14 existing posts.

## **LandSkills**

LandSkills North East – managed by Lantra Sector Skills Council on behalf of One North East - has continued to help boost the skills of the region's farmers and foresters giving individuals and businesses access to the skills, training and qualifications they need to remain competitive.

The £1.2m LandSkills North East project was launched in September 2008 and offered subsidised training costs of up to 70%, arranging courses at times and locations convenient for those working in rural locations.



LandSkills North East has continued to fund a diverse range of courses from forestry skills and woodland management to business development and from animal health to information technology.

### **Rural Community Support**

The LEADER scheme also forms part of the RDPE programme delivering £1.5m of the allocated budget through a community led approach and is seen by One North East and Defra as an important way of addressing rural needs. Each of the four LEADER areas has a Local Action Group (LAG) made up of public and private partners.

An example of projects supported include the Pot-a-Doodle Do wigwam village on Borewell Farm, Scremerston, Berwick, which received £40,500 funding through the Coast and Lowlands Local Action Group, allowing it to expand to cope with growing tourist demand, further boosting the local visitor economy.

The existing site has 12 wigwams and the new funding will help to pay for another eight to help the business cope with demand for group accommodation during the high season, creating one new job and also bringing job security for the existing 12 members of staff.

### **Future of RDPE**

Following the decision to abolish RDAs, it was announced that the management of RDPE will be transferred to Defra on 1<sup>st</sup> July 2011. One North East is working closely with Defra to ensure a smooth transition to new management arrangements with a North East team remaining in place dedicated to delivering the best possible outcomes and the highest level of targeted support to the rural community.

## RDA Performance Management

### Overview

The Agency formally reports performance via the production of an Annual Performance Report.

The report provides information on the following key areas:

- \* activities undertaken in support of the overarching growth objective, underpinning outcome-focused indicators and RES objectives
- \* progress against Corporate Objectives

To ensure continued performance monitoring during 2010-11, the Agency produced quarterly performance reports for the Board, showing progress against Business Plans. In line with the Government's policy on openness and accountability, the quarterly and annual Board reports are placed on the Agency's website.

### Overall Assessment of Performance

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

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

As shown in the table below, due to the impacts of the £32.9m in-year budget cuts agreed at the Agency's September Board meeting, which were in addition to the previously notified £35.4m budget cuts, none of Agency's Corporate Targets have been achieved during 2010-11.

Whilst output targets have not been achieved, it can be seen that the Agency has still continued to deliver strongly during the period with over 14,000 jobs created/safeguarded, over 2,500 businesses created or attracted to the region, over 24,000 businesses supported to improve performance, over 5,500 people assisted with employment support and nearly 28,000 people assisted with their skills development.

The following table shows the Agency's achievements against its Corporate Targets in 2010-11:

<b>Agency Corporate Targets</b>	<b>Target 2010-11</b>	<b>Actual 2010-11</b>	<b>% Achieved</b>
Jobs Created/Safeguarded (units)	17,750	14,755	83%
Employment Support (units)	7,000	5,856	84%
Business Creation (units)	3,270	2,562	78%
Business Support (units)	26,590	24,031	90%
Skills (units)	44,613	27,936	63%

## One North East Directors' Report 2010-2011

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

### Statutory Background

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

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

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

The results for the year ended 31 March 2011 are set out in the Financial Statements on pages 62 to 101.

The Agency's income receivable from grants, disposals of assets, rents and other sources totalled £91,746 million. After taking account of disposals, the Agency's income was applied to its activities in paying grants and on property development.

During the year the Agency's reserves increased to £153 million, comprising an increase in provisions of £2m, a decrease due to an amount written off in relation to development assets (inventories) of £14m, a decrease in loans to jointly controlled entities of £2m, and a decrease in cash and cash equivalents of £6m, offset by a decrease in trade and other payables of £9m, an increase in trade receivables of £12m and an increase in other current assets of £8m.

### Going Concern

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

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

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

### Events after the Reporting Period

As part of the closure process for the Agency, permission is being sought from BIS to divest the Agency of its interest in the Jointly Controlled Entities detailed in Note 13. The Board of the North East Regional Aggregation Body LLP has decided that it will cease trading on 31st May 2011.

As outlined in the remuneration report, the decision to uprate public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is robustly defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the government have not been assessed.

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

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

The transfer is expected to take effect on 19 September 2011. The transfer order includes a number of One North East's assets that are currently included in these accounts under the heading of Inventories – note 7. Details of the assets intended for transfer will be announced when the transfer order is agreed. The transfers will be at the current carrying value of the relevant assets and no gain or loss on transfer will arise.

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

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

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

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

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

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

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

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

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

## Board Membership

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

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

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

Paul Callaghan (Chairman from 16.8.10; Deputy Chair to 16.8.10)	Gill Hale
Margaret Fay CBE (Chairman, resigned from board 16.8.10)	Lord John Shipley OBE
Ruth Thompson OBE (Deputy Chair from 1.10.10)	Graham Thrower
Ian Brown	Cllr Bob Symonds
Cllr Peter Jackson	Ian Dormer
Alison Thain OBE	Professor Christopher Higgins
Kate Welch OBE	Cllr Alex Cunningham (resigned 6.4.10 due to submission of MP candidacy papers)

### Board representation on Audit Committee and Remuneration Committee were as follows:

#### Audit Committee

Paul Callaghan, (Chairman and Member to 16.8.10)  
Ian Dormer (Chairman from 16.8.10)  
Ruth Thompson OBE  
Lord John Shipley OBE  
Alison Thain OBE  
Kate Welch OBE  
Graham Thrower

#### Remuneration Committee

Paul Callaghan, Chairman  
Ruth Thompson OBE  
Ian Dormer

One North East maintains a Register of Board Members' Interests, which is available for inspection on request by contacting the Agency's Director of Legal and Procurement. Members declare their interests to the Board in any transactions involving the relevant organisations and do not participate in any discussions or vote on any related matters. Related party transactions of Board Members and senior members of staff are detailed further in note 26.

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

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

### **Audit Committee**

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

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

The Audit Committee met eight times during 2010-11 to receive assurance on the Agency's systems of corporate governance, risk management and internal control. The Committee also received regular reports from KPMG as independent Internal Auditors. The range of Audit Committee activity carried out during 2010-11 has provided positive assurance about the Agency's governance and control environment and has supported the Accounting Officer in signing a satisfactory Statement of Internal Control for the year.

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

### **Remuneration Committee**

The work of the Remuneration Committee is detailed in the remuneration report contained in pages 49 to 55 of this report.

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

The following changes to the Chair and Executive Directors took place during 2010-11. The chairman of the board, Margaret Fay CBE, retired on the 16th of August, 2010. Paul Callaghan replaced her as chairman on the same day. Malcolm Page, Stacy Hall, David Cramond, and Alan Welby vacated the posts of Deputy Chief Executive, Director of Communications and Tourism, Director of Capital Development and Director of Strategy, respectively. Ian Williams (formerly Director of Business and Industry), Trevor Waggett, and Peter Judge were appointed as Deputy Chief Executive, Director of Finance and Director of Legal and Procurement, respectively, reducing the total number of executive directors from six to four.

### **Prompt Payment Policy**

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

The Agency aims to comply with the HM Treasury target by paying at least 95% of all undisputed invoices within 30 days. In the year ended 31 March 2011 the Agency paid 99.9% of invoices within 30 days of their receipt (2010: 99.9%).

The Agency aims to comply with the Government's announcement in the March 2010 budget to pay our suppliers within 5 days to support the region in the current economic climate. One North East subscribes to the "Prompt Payment Code" to reflect our continuing commitment to this payment code. From the 1 May 2010 to year ended 31 March 2011 the Agency paid 95.3% of undisputed invoices within 5 days of their receipt.

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

The Developing the Evidence Base budget 2010-11 was significantly reduced and refocused following the Government's decision to halt the development of integrated Regional Strategies. The budget focused on completion of committed research and evaluation activity.

Evaluations completed within the year include:

- Business Theme level evaluation;
- Place Theme level evaluation;
- Regional Enterprise Journey;
- Strategic Account Management

Work was completed on sectoral analysis and scenario planning using the North East Economic Model in collaboration with St Chad's College, Durham University, and the development of spatial and environmental modelling tools. This 'Integrated Policy Model' was rolled out to Local Authorities for their ongoing use.

Planning and transport related work also completed in the year included major regional studies of retail trends and infrastructure needs, and contribution to transport analyses within the DaSTS (Delivering a Sustainable Transport System) process.

## **Freedom of Information**

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

The Information Section of the Legal Services and Procurement Team works with colleagues across the Agency to ensure that we meet the legal obligations we have in relation to the Freedom of Information Act 2000. The Agency has received 458 (2010 - 340) requests for information during the year and has a 100% (2010 – 100%) compliance rate in relation to responding fully to requestors within the statutory 20 working day time limit.

## **Agency Accommodation**

One North East has offices at Newburn and Stockton on Tees. The value of the offices owned at Newburn was £8,730,000 at 31 March 2011. The annual operating cost of the buildings at Newburn and Stockton on Tees in 2010-11 were £1,232,440 and £223,295 respectively.

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

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

During 2010-11 the Agency reviewed the Single Equality Scheme (SES) in partnership with diversity organisations across the region. The scheme and action plan brings together all of One North East's actions and progress (under its existing Race, Disability and Gender Equality Schemes) to show how we will meet our current legal requirements. This approach aims to embed equality into our everyday work. In addition, we introduced to the Agency the Equality Act, which became law on 1 October 2010. Current activities in relation to the SES include:

- Diversity Champions were identified and received accredited training to help progress the SES
- External scrutiny group was set up to advise and monitor progress

### **Health and Safety**

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

The Agency's internal Health and Safety Committee meets regularly to receive reports on health and safety matters and to agree future action. The Committee is chaired by the Deputy Chief Executive. The Head of HR and Facilities reports to the Corporate Resources Committee on a bi-monthly basis.

### **Sustainable Development Duty**

The context for the Agency's delivery of its sustainability duty changed considerably during the year.

The process of developing a single integrated Regional Strategy has been halted, but we have ensured that the information developed to support that work on issues related to sustainability is being made available to partners and successor bodies in the region.

One North East has honoured its commitment as a sponsoring body of the regional Champion Body for sustainable development (SustainNE) and a contributor to the North East Climate Change Partnership.

Key pieces of evidence and policy work that have been produced in partnership with others include:

- An update of the North East Climate Change Adaptation Study
- Modelling of the economic implications of climate change
- A regional Renewable Energy Capacity Study
- Modelling carbon impacts of transport policy choices within the DaSTS processes

The Agency has continued to facilitate low-carbon economic growth in the region enabled by renewable energy and intelligent networks. Significant progress has been made in the fields of low-carbon vehicles, offshore wind, printable electronics and bio-technology, alongside longer-term work on exploring carbon capture and storage possibilities.

Sustainability continues to be considered in the Agency's approach to appraising projects. The Agency has also ensured that ERDF Sustainable Development requirements are fully embedded in the appraisal process.

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

## **Employee Information and Consultation**

Throughout this period of extreme change, the Agency has continued to benefit from positive and constructive employee consultation with its recognised trade union, the Public and Commercial Services Union.

Mark Prisk, Minister of State for Business and Enterprise, formally announced the Government's intention to close One North East in a letter to Margaret Fay on the 2 July 2010. In this letter he stated a target closure date for all RDAs of March 2012.

The Agency entered into formal consultation with PCS on 1 July 2010 in relation to the first phase of its redundancy programme. This resulted in 47 staff members leaving on redundancy by mid-October 2010. The second redundancy phase was announced on 15 October 2010 with an additional 150 redundancies taking place before 30 June 2011. These redundancies will be made through a mixture of Voluntary and Compulsory exits. Consultation on a third and final redundancy phase began on 1 April 2011. This phase will cover redundancies through to the operational closure of the Agency in March 2012. The Agency has actively pursued transfer opportunities for staff through TUPE and COSOP. Currently, approximately 90 staff members are 'in scope' for transfer to successor bodies and private contractors and it is expected that approximately 70 will transfer by December 2011. Outplacement support services have been secured for all staff at risk of redundancy through our Regional Response Partners including Next Steps, Job Centre Plus, BE-NE and Talent Challenge. To date, around 200 staff members have accessed some or all of these services.

At this critical time, the Agency internal communications channels have been essential to ensure that staff are kept fully informed. The frequency, importance and attendance at face-to-face sessions has increased significantly during this period.

- Staff Briefings have been used extensively by the Chief Executive and Executive Management Team to update staff on changes affecting the Agency.
- Touch Base has been used to provide more in depth question and answer sessions with specific staff groups on HR related topics.
- Team briefings have been an important communication mechanism to communicate interim structure changes and timetables.
- TGI Friday our informal weekly newsletter continues to be used to inform staff of up and coming events both internally and externally.
- OneZone, the staff intranet, has been used extensively to ensure easy access to outplacement information, voluntary exit processes and forms, external websites and One North East structure charts.
- Heads of Team HR Process Notes have been introduced to ensure effective communication across the Agency's Management Team and to ensure consistent application of HR processes.

## **Financial Memorandum**

The Secretary of State issued to One North East a Financial Memorandum on its formation setting out the financial framework under which the Agency should operate. The Memorandum was updated by the RDA Accountability Framework in October 2008 and the Agency has complied, in all material respects, with the Memorandum during the course of the 2010-2011 financial year.

## **Audit Services**

The external auditor of One North East is the Comptroller and Auditor General (C&AG) who acts as the principal auditor of the group. He is appointed by statute to undertake the audit of the financial statements. The total amount due to the National Audit Office (NAO), the body that undertakes the audit on behalf of the C&AG, for 2010-11 was £70,000 (2009-10: £70,000). All of this sum related to external audit work undertaken by NAO.

## **Risk Management**

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

## **Pension Costs**

The treatment of pension liabilities and the relevant pension scheme details are set out in the accounting policies note on page 69, in the Staff Numbers and Related Costs note to the Financial Statements (Note 4) and in the Remuneration Report on pages 49 to 55.

## **Political and Charitable Donations**

No political or charitable donations were made during the year.

**Annual Review Meeting**

The Annual Review Meeting before which this Annual Report and Accounts will be presented is planned for 11 October 2011.

**Approved by the Board on 7 July 2011**

**Paul Callaghan  
Chairman**

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



# One North East Remuneration Report 2010-2011

## Introduction

This report for the year ended 31 March 2011 is produced by the Board on the recommendation of the Remuneration Committee and deals with the remuneration of the Chairman, Board Members, Chief Executive and Executive Management Team and the pension arrangements in place for all Agency employees.

## Remuneration of the Chairman and of Board Members

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

## Remuneration of the Chief Executive

The Remuneration Committee has delegated authority from the Board of the Agency to make recommendations to BIS on the pay progression and performance related pay of the Chief Executive. The cost of living increase awarded to the Chief Executive is set according to a national scale approved by BIS. The Remuneration Committee also has delegated authority from the Board of the Agency to advise the Chief Executive in setting the remuneration of the Executive Management Team. Three members of the Board sat on the Remuneration Committee during the financial year (Margaret Fay CBE, Ian Dormer (replaced Margaret Fay CBE on 16.8.10), Paul Callaghan and Ruth Thompson OBE). The Remuneration Committee met on 13 May 2010.

The Remuneration of the Chief Executive is determined nationally and is in line with the Senior Civil Servants Review Board. The Remuneration of the Chief Executive is subject to the public sector pay freeze and as a consequence no cost of living or consolidated pay progression award was made in the financial year 2010-11 (performance year 2009-10).

Non-consolidated performance pay for the Chief Executive is determined by BIS on the recommendation of the Remuneration Committee. Recommendations are submitted to the Minister for approval alongside the Agency's annual pay remit. The level of performance pay is determined by performance against weighted objectives; in 2009-10 these related to the management of key relationships regionally and nationally, effective delivery of our lead role in relation to DCLG, the delivery of key transformational programmes and projects, particularly against a background of economic recovery, the effective operational management of ERDF, including delivery of N+2 targets, and the effective leadership and management of the Agency as Accounting Officer.

## Remuneration of the Executive Management Team

Performance pay of the senior management team is determined by the Chief Executive on advice from the Remuneration Committee.

Performance is measured against targets set individually for each Director by the Chief Executive and the amount of the performance award depends upon the annual pay remit agreement with BIS. The maximum non-consolidated award payable in 2010-11 was 5.7% of gross base salary for the performance year 2009-10.

## Service contracts

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

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

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

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

Early termination of employment for the Chief Executive and Executive Management team, other than for misconduct, will be under the terms of Civil Service Compensation Scheme, as amended by the Superannuation Act 2010.

## Audited Part of the Remuneration Report

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

### Emoluments of Board members

Board Member	Salary £	Pension Contribution £	Retirement £	Total 2011 £	Total 2010 £	Annual Salary Rate @ 31/03/11	Months Paid
Paul Callaghan (Chair) (Appointed Chair 16/08/10 to 31/3/12) (Deputy Chair from 01/12/09 to 16/08/10)	68,828	12,497	0	81,325	19,466	81,718	12
Margaret Fay CBE (Chair until 16/8/10) (four year appointment ended 16/08/10)	30,382	7,383	35,822	73,587	101,576	81,718	5
Christopher Thompson (Retired 30/11/09) (Deputy Chair from 11/09/06 to 30/11/09)	0	0	0	0	11,555	0	0
Ruth Thompson OBE (reappointed 13/12/09 to 31/03/12) (three year appointment) (Deputy Chair from 01/10/2010)	12,999	0	0	12,999	8,666	17,332	12
Alison Thain OBE (reappointed 14/12/07 to 31/12/12) (three year appointment extended to 31/12/12)	8,666	0	0	8,666	8,666	8,666	12
Cllr Bob Symonds (reappointed 14/12/07 to 31/12/12) (three year appointed extended to 31/12/12)	8,666	0	0	8,666	8,666	8,666	12
Ian Brown (reappointed 13/12/08 to 31/12/12) (three year appointed extended to 31/12/12)	8,666	0	0	8,666	8,666	8,666	12
Lord John Shipley OBE (reappointed 14/12/08 to 13/12/11) (three year appointment)	8,666	0	0	8,666	8,666	8,666	12
Kate Welch OBE (reappointed 13/03/09 to 13/12/11) (three year appointment extended to 13/12/11)	8,666	0	0	8,666	8,666	8,666	12
Cllr Peter Jackson (reappointed 13/12/09 to 31/03/12) (three year appointment)	8,666	0	0	8,666	8,666	8,666	12
Cllr Alex Cunningham (resigned 06/04/10) (three year appointment)	722	0	0	722	8,666	8,666	1
Ian Dormer (appointed 14/12/07 to 31/12/12) (three year appointment extended to 31/12/12)	8,666	0	0	8,666	8,666	8,666	12
Gill Hale (appointed 14/12/07 to 31/12/12) (three year appointment extended to 31/12/12)	8,666	0	0	8,666	8,666	8,666	12
Prof Christopher Higgins (appointed 14/12/07 to 31/12/12) (three year appointment extended to 31/12/12)	8,666	0	0	8,666	8,666	8,666	12
Graham Thrower (appointed 14/12/07 to 31/12/12) (three year appointment extended to 31/12/12)	8,666	0	0	8,666	8,666	8,666	12

The board received no taxable non-cash benefits during 2010-11.

### Emoluments of Chief Executive and Executive Management Team

	Salary £	Performance Related Salary £	Other Benefits £	Pension Contributions £	Exit Compensation £	Total 2011 £	Total 2010 £	Annual Salary Rate @ 31/03/11	Months Paid
Alan Clarke CBE (Chief Executive)	140,772	10,670	4,684	30,035	0	186,161	199,827	140,772	12
Malcolm Page (resigned 31/12/10) (Deputy Chief Executive until 31/12/10)	91,291	6,938	3,000	21,941	0	123,170	161,791	121,721	9
Ian Williams (Director of Business & Industry until 31/12/10; Deputy Chief Executive from 01/11/11)	103,437	5,581	4,000	25,216	0	138,234	131,127	120,000	12
Stacy Hall (until 15/09/10) (Director of Communications and Tourism)	64,129	2,783	2,525	11,558	120,890	201,885	127,805	97,639	6
David Cramond (resigned 03/12/10) (Director of Capital Development)	68,664	2,886	2,713	16,766	0	91,029	128,812	101,250	8
Alan Welby (until 30/09/2010) (Director of Strategy)	99,397	0	5,063	12,774	19,979	137,213	120,055	93,656	6
Trevor Waggett (appointed 01/01/11) (Director of Finance)	21,000	0	0	5,103	0	26,103	0	84,000	3
Charles Peter Judge (appointed 01/01/11) (Director of Legal and Procurement)	22,232	0	0	5,402	0	27,634	0	88,927	3

## Redundancy Compensation to Non-Directors (Disclosed in Cost Bands):

<b>Agency Staff</b>	<b>Total Compulsory Redundancy Packages</b>	<b>Total Other Departures</b>	<b>Total Exit Packages</b>
<b>Exit Package Cost Band</b>			
<£10,000	4	25	29
£10,000 - £25,000	12	28	40
£25,000 - £50,000	3	18	21
£50,000 - £100,000	1	10	11
£100,000- £150,000	0	1	1
£150,000- £200,000	0	0	0
Total number of exit packages	20	82	102
Total resource cost /£	366,184	1,969,331	2,335,515

An additional 95 members of staff departed on redundancy between 1 April and 30 June 2011.

### Subsidiaries Staff

<b>Exit Package Cost Band</b>			
<£10,000	3	0	3
£10,000 - £25,000	1	0	1
£25,000 - £50,000	0	0	0
£50,000 - £100,000	0	0	0
£100,000- £150,000	0	0	0
£150,000- £200,000	0	0	0
Total number of exit packages	4	0	4
Total resource cost /£	36,630	0	36,630

### Additional Information

#### Other Benefits to Board and Executive Directors

An estimated taxable benefit for 2010-11 of £431 (2009-10: £1,459) has been calculated in relation to Board members which relate to mileage claims for meetings held at Stella House (which is classified as their permanent place of work).

Other Benefits to the Chief Executive and Executive Management Team comprise lease cars, provided to the Chief Executive and the Director of Strategy, and a monthly car user allowance, provided to some of the other members of the Executive Management Team.

#### Non Cash remuneration

Apart from the use of lease cars described above, no non-cash remuneration was provided during the year to Board members, the Chief Executive or members of the Executive Management Team.

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

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

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

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

#### Payments made for loss of office

Payments during the year for loss of office were £nil (2009-10 £nil).

## Pension benefits

### Pension benefits of Board Members

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

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

The Chief Executive and members of the Executive Management Team are members of the PCSPS. Further details of the pension schemes are shown on page 53.

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

Name of Officer	Pension Scheme	Accrued Pension at age 60 as at 31/03/11 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31/03/11 £000	CETV at 31/03/10 £000	Real increase in CETV as funded by employer £000
A Welby	Nuvos	1-5	0-2.5	26	17	7
D Cramond	Nuvos	1-5	0-2.5	50	32	16
C P Judge	Premium	10-15	0-2.5	124	116	3
T Waggett	Premium	6-10	0-2.5	156	146	7
S Hall	Premium	35-40	0-2.5	364	351	1
I Williams	Classic	30-35 + lump sum of 100 -105	0-2.5 + lump sum of 5-7.5	436	375	28
M Page	Classic	35-40 + lump sum of 116 -120	0-2.5 + lump sum of 0-2.5	489	468	6
A Clarke CBE	Premium	70-75	0-2.5	1,314	1,224	0

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

### Cash Equivalent Transfer Values

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

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

The actuarial factors used in calculating these amounts were changed during 2010 to reflect changes in demographic assumptions and moves in the Retail and Consumer Prices Indexes. The balances at 31 March 10 reported here have been adjusted to reflect these changed factors and therefore are not the same as the corresponding figures in the 2009-10 Annual Report and Accounts.

### Real increase in CETV

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

### Pension Arrangements

Permanent staff of the Agency are members of either the PCSPS, the Homes & Communities Agency Pension Scheme (formerly English Partnerships Scheme) or the North East Development Agency Retirement Benefits Scheme (NEDARBS). The PCSPS is a non contributory defined benefit scheme (with the exception of the Partnership Pension Account, see page 53 for more), and the Homes & Communities Agency Pension Scheme and the NEDARBS are contributory defined benefit schemes where members contribute 5% or 6% of pensionable salary.

## Homes & Communities Agency Pension Scheme

The Homes & Communities Agency Pension Scheme (formerly English Partnerships Scheme) is a multi-employer defined benefit scheme, and the scheme's nature is such that individual member employers are unable to identify their share of underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007 and more details can be found in the separate scheme statement of the Homes & Communities Agency Pension Scheme. For 2010-11, normal employer contributions of £29,583 were payable to the Homes & Communities Agency Pension Scheme (2009-10: £36,529) at the rate of 29.1% of pensionable pay.

## Principal Civil Service Pension Schemes (PCSPS)

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

For 2010-11, employers' contributions of £2,552,908 were payable to the PCSPS (2009-10: £2,787,222) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands and will remain the same for the next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

As part of the Emergency Budget statement in 2010, the Chancellor announced that the uprating of public service pensions (including PCSPS) will be based on the CPI measure of price movements rather than the RPI as in prior periods. This change has taken effect from April 2011 and is reflected in the calculations of payments due as well as the Agency's NEDARBS and By Analogy pension schemes.

### (a) Classic Scheme

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

### (b) Premium Scheme

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

### (c) Classic Plus Scheme

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

### (d) Nuvos

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

## Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product. The employee does not have to contribute, but where they do make contributions, these will be matched by the employer up to a limit of 3% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death-in-service and ill-health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum. For 2010-11, normal employer contributions of £14,735 were payable to the Partnership Pension Account (2009-10: £12,483).

## North East Development Agency Retirement Benefit Scheme (NEDARBS)

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

Following the Government announcement that statutory inflation linking will in future be based on the CPI index, rather than RPI, the actuary that prepared the disclosures for 2010-11 used the CPI assumption to calculate future deferred pension revaluation and any increases to pensions in payment that have statutory inflation linked increases. The effect of these changes on this scheme is a reduction of £284,000 to the Defined Benefit Obligation, reflected in the past service cost shown below.

<b>Summary of Actuarial Valuations</b>	<b>2011 £000</b>	<b>2010 £000</b>
<b>Amounts recognised in the Statement of Financial Position are as follows</b>		
Present Value of funded obligations and net liabilities	694	39
<b>Amounts in the Statement of Financial Position</b>		
Assets	<u>694</u>	<u>39</u>
Net Assets	694	39
<b>Amounts recognised in the Statement of Comprehensive Net Expenditure are as follows</b>		
Interest on obligation	<u>(306)</u>	<u>7</u>
Total included in employee benefits expense	(306)	7
Actual return on plan assets	162	590
<b>Changes in the present value of the defined benefit obligation are as follows</b>		
Opening defined benefit obligation	3,057	2,135
Interest Cost	171	154
Actuarial losses (gains)	(140)	835
Past service cost	(284)	0
Benefits paid	<u>(69)</u>	<u>(67)</u>
Closing defined benefit obligation	2,735	3,057
<b>Changes in the value of plan assets are as follows</b>		
Opening fair value of plan assets	3,096	2,333
Expected return	193	147
Actuarial gains and (losses)	(31)	443
Contributions by employer	240	240
Benefits paid	<u>(69)</u>	<u>(67)</u>
Closing fair value of plan assets	3,429	3,096

<b>Principal actuarial assumptions at 31 March (expressed as weighted averages)</b>	<b>2011</b>	<b>2010</b>
Discount rate at 31 December	5.70%	5.60%
Future pension increases	3.05%	3.85%
Future salary increases	3.05%	3.85%

<b>Amounts for the current and previous four periods are as follows</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Defined Benefit Obligation	2,735	3,057	2,135	2,608	2,902
Fair value of plan assets	3,429	3,096	2,333	2,558	2,590
Surplus (deficit) in plan	694	39	198	(50)	(312)

<b>Plan assets by category</b>	<b>Assets at 31 Mar 2011 £000</b>	<b>Proportion at 31 Mar 2011</b>	<b>Assets at 31 Mar 2010 £000</b>	<b>Proportion at 31 Mar 2010</b>
Cash	590	17%	193	6%
Bonds	1,624	47%	1,264	41%
Equities and property	1,215	36%	1,639	53%
	<u>3,429</u>	<u>100%</u>	<u>3,096</u>	<u>100%</u>

The Agency expects to make £240,000 in contributions to the plan during 2011-12.

The overall expected long term return of 5.08% on plan assets, for the year to 31 March 2012, is the average expected long term returns of the component assets in the portfolio weighted by asset category, after allowing for scheme expenses, as follows:

- Bond investments: A weighted average within the portfolio of the redemption yield on UK government fixed interest bonds (4.4%) and the average yield on AA-rated corporate bonds (5.7%).
- The long-term return on equities and property assumes outperformance of 3.0% over gilts (7.4%).
- Cash holdings are assumed to give the same return as the bank base rate (0.5%).

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

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

Following the Government announcement that statutory inflation linking will in future be based on the CPI index, rather than RPI, the actuary that prepared the disclosures for 2010-11 used the CPI assumption to calculate future deferred pension revaluation and any increases to pensions in payment that have statutory inflation linked increases. The effect of these changes on this scheme is a reduction of £16,000 to the Defined Benefit Obligation, reflected in the past service cost shown below.

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts recognised in the Statement of Financial Position are as follows</b>		
Present Value of funded obligations and net liabilities	(176)	(260)
<b>Amounts in the Statement of Financial Position</b>		
Liabilities	<u>(176)</u>	<u>(260)</u>
Net Liability	(176)	(260)
<b>Amounts recognised in the Statement of Comprehensive Net Expenditure are as follows</b>		
Current service cost	34	25
Interest on obligation	<u>(1)</u>	<u>12</u>
Total included in employee benefits expense	33	37
Actual return on plan assets	0	0
<b>Changes in the present value of the defined benefit obligation are as follows</b>		
Opening defined benefit obligation	260	165
Service Cost	34	25
Interest Cost	15	12
Actuarial losses (gains)	(73)	61
Past service cost	(16)	0
Benefits paid	<u>(44)</u>	<u>(3)</u>
Closing defined benefit obligation	176	260
<b>Changes in the value of plan assets are as follows</b>		
Opening fair value of plan assets	0	0
Contributions by employer	44	3
Benefits paid out	<u>(44)</u>	<u>(3)</u>
Closing fair value of plan assets	0	0

<b>Principal actuarial assumptions at 31 March (expressed as weighted averages)</b>	<b>2011</b>	<b>2010</b>
Discount rate at 31 December	5.70%	5.60%
Future pension increases	3.05%	3.85%
Future salary increases	3.05%	3.85%

<b>Amounts for the current and previous four periods are as follows</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Defined Benefit Obligation	176	260	165	167	151

The Agency expects to make £19,857 in contributions to the plan during 2011-12.

Paul Callaghan  
Chairman  
7 July 2011

Alan Clarke CBE  
Chief Executive/Accounting Officer  
7 July 2011

## STATEMENT ON INTERNAL CONTROL 2010 - 11

### Scope of Responsibility

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

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

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

On 22 June 2010, the Coalition Government confirmed its intention to abolish Regional Development Agencies by 31 March 2012 through the Public Bodies Bill. The Agency immediately took action and put plans in place to absorb the impact of Agency closure, whilst ensuring the effective delivery of its significant economic development activity in 2010-11.

### The Purpose of the System of Internal Control

The Agency's system of Internal Control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based upon an ongoing and embedded process designed to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. This system has been in place in One North East for the year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

The closure of the Agency with almost a two year closure timescale presents a substantial challenge to maintaining an effective control environment throughout the closure period. In 2010-11 the Agency faced both 'business as usual' risks and risks arising from the closure process. During the year the Agency established a Closure and Transition Plan, which sets out how the Agency will manage the process of winding down its business by 31 March 2012. As part of this work, the Agency reviewed and enhanced its system of internal control in response to the new business context. For example, the Scheme of Delegated Authority was reviewed to ensure decision making on final programme investments and planned disposals were made at the appropriate senior levels, mostly through Directors Team. The plan has been reviewed by our sponsor department (BIS), who consider our approach to provide an appropriate framework for the closure process. There were no significant internal control weaknesses in the Group.

### Capacity to Handle Risk

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

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

The Risk Management Strategy is subject to annual review and a revised strategy for 2011-12 was approved in March 2011. The Strategy reflects the fact that the management of risk forms an integral part of the Agency's performance management and business planning processes. It is designed to ensure that it is clear where ownership and accountability for risk lies. The Strategy closely follows the guidelines as set out in Dear Accounting Officer letters, and is in accordance with the HM Treasury Orange Book guidance. In addition, the Agency has incorporated the key elements of the latest British Standard on Risk Management to ensure its arrangements continue to adhere to best practice. The Agency continues to refine and improve its processes still further, to ensure that the risk and internal control systems continue to be appropriate and are working effectively.



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

As a result of the Government's decision to abolish RDAs by March 2012, the Agency's priorities changed significantly, with focus shifting to ensuring an orderly closure of the organisation and an effective transfer of those functions that will continue. To meet these new priorities, as well as continuing to meet day to day business requirements and manage the changing risk environment, changes were made to the internal governance structure. Since September 2010, a Project Board, chaired by the Chief Executive, has been in place to review all aspects of closure and transition on a weekly basis – this consists of all executive Directors and key transition officers. A Transition Board Sub-group, consisting of the Chairman plus Chairs of each standing committee, was also established to provide non-executive oversight. The Transition Board Sub-group reports directly to the Agency Board on overall progress.

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

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

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

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

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

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

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

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

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

Information security and the importance of safeguarding information is an important part of the internal control agenda, which is led by the Finance & Information Management & Technology team. Following a restructure of senior management, which enabled the Agency to better manage transition and closure, the Director of Finance has replaced the Deputy Chief Executive as the Senior Information Risk Officer. As in previous years, all employees must adhere to the Agency's ICT Security Policy, which ensures the continued delivery of appropriate standards of collection, use, control and access to the organisation's information. The Agency does comply with the Government's Security Policy Framework, a requirement of BIS.

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

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

In response to the announcement of the Government's decision to abolish the RDA's by 31 March 2012, the Agency identified a number of transition and closure risks which were managed throughout the year via existing risk management processes. The Agency also established a group of transition lead officers, including an officer with responsibility for managing and monitoring transition risks. A series of Key Performance Indicators relating to transition and closure have been developed to monitor and manage the key areas of closure and transition. These risks include 9 strategic risks each of which is personally managed by a Director.

As highlighted by the OGC Gateway Review, successful delivery of the Closure and Transition Plan is dependent on a range of outstanding decisions and processes at a national and local level. I and the Board consider the number and scope of external dependencies to present a significant risk to transition and closure programme delivery. We are mitigating these risks in a number of ways including maintaining dialogue with Government via a number of routes including the Chair of Chairs role, Peer Review, representation on the National Transition Board and close working with HCA. We have also produced plans for a variety of scenarios which allow for different levels of staffing and financial resource.

Where possible and appropriate, the Agency will seek to make reasonable assumptions on how to proceed with transition and closure based on guidance and evidence existent at the time that decisions are required.

The Agency will experience a significant reduction in staff during 2011-12 which, when combined with prospects of reduced public sector funding, increases the level of fraud risk the Agency faces. In response to this heightened fraud risk, together with other risks arising from Closure and Transition, our Audit Committee approved a refocus of assurance activity including additional meetings as and when required.

## **Review of Effectiveness**

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

The Agency's Board has corporate responsibility for ensuring that the Agency fulfils the aims and objectives set by the Secretary of State, and for promoting the efficient and effective use of staff and other resources by the Agency. To this end, and in pursuit of its wider corporate responsibilities, the Board plays a major role in the risk management and internal control processes. The Board meets regularly to consider the Agency's plans and strategic direction, in which it is supported by a number of specific Standing Committees. Attendance at these meetings is recorded and absences are reported. Each Board member also has an individual annual meeting with the Chairman of the Agency to discuss their performance, training requirements and any required actions.

The Board delegates the detailed review of assurance on the Agency's systems of Corporate Governance, Risk Management and Internal Control to the Audit Committee, which has met regularly during the year. The Terms of Reference of the Audit Committee, including its role and the authority delegated to it by the Board, have been made available on the Agency's website. A more detailed explanation of the role of the Audit Committee can be found on page 45 of the Agency's Annual Report and Accounts, within the Directors' Report Section.

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

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

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

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

Following completion of the planned work for 2010-11, the Head of Internal Audit issued an independent and objective Statement of Assurance on the adequacy and effectiveness of the Agency's system of internal control, which stated that:

"Based on the reviews undertaken during 2010-11, in our opinion One North East has adequate and effective risk management, control and governance processes to manage the achievement of its objectives.

On the basis of the information provided above, I, as Accounting Officer, conclude that the Agency has had a satisfactory system of Internal Control in operation for the financial year 2010-11."

Alan Clarke CBE  
Chief Executive  
One North East

## **THE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT**

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

### **Respective responsibilities of the Board, the Chief Executive and auditor**

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

### **Scope of the Audit of the Financial Statements**

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

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

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

### **Opinion on Regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of One North East's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Regional Development Agencies Act 1998 and Secretary of State directions issued thereunder.

### **Emphasis of Matter – Going Concern**

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in Note 3 to the financial statements concerning the application of the going concern principle in light of the announcement to abolish One North East, which is subject to legislation. This proposal indicates the existence of a material uncertainty which may cast significant doubt

about the ability of One North East to continue as a going concern. The financial statements do not include the adjustments that would result if One North East was unable to continue as a going concern.

**Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Regional Development Agencies Act 1998; and
- the information given within the Management Commentary and the Directors' Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

**Matters on which I report by exception**

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

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

Amyas C E Morse

Comptroller and Auditor General

National Audit Office,

157-197 Buckingham Palace Road

Victoria,

London,

SW1W 9SP

Date 14<sup>th</sup> July 2011

# FINANCIAL STATEMENTS 2010-11

## GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2011

	Note	Year Ended 31 March 2011 £000	Year Ended 31 March 2010 £000
<b>Expenditure</b>			
European funded programme expenditure	2	3,563	5,650
Programme Expenditure	2	223,681	227,048
Staff Costs	4	21,034	22,641
Depreciation	9	452	533
Other Expenditure	6	13,140	12,267
Write Downs and Impairments	7/8	14,261	10,269
Book Value of Inventories Sold	7	3,677	337
European funded expenditure, managing authority role	10	22,874	64,168
<b>Total Expenditure</b>		<b>302,682</b>	<b>342,913</b>
<b>Income</b>			
European Funded Income	10	4,851	6,221
Other Income	10	67,398	18,538
European funding, managing authority role	10	22,874	64,168
Proceeds from disposals	10	1,258	524
<b>Total Income</b>		<b>96,381</b>	<b>89,451</b>
<b>Net Expenditure</b>		<b>206,301</b>	<b>253,462</b>
Interest Payable / (Receivable)	10	(5,841)	(5,688)
(Surplus)/Loss from share in JVs/Associates	13	742	286
<b>Net Expenditure after Interest</b>		<b>201,202</b>	<b>248,060</b>
Corporation Tax Recovered	11	(1,379)	(178)
<b>Net Expenditure Taken to the General Reserve</b>		<b>199,823</b>	<b>247,882</b>
<b>Other Comprehensive Expenditure</b>			
Net (gain)/loss on revaluation of property, plant and equipment	9	0	(460)
Net (gain)/loss on revaluation of financial assets	8	43	51
Net (gain)/loss on revaluation of inventories	7	(340)	(5)
Net (gain)/loss on disposals	7	1,391	0
Corporation Tax relating to items included in revaluation reserve	11	95	1
<b>Total Comprehensive Expenditure for the year ended 31 March</b>		<b>201,012</b>	<b>247,469</b>

Net expenditure is financed by Grant in Aid as explained in accounting policy note 1.11 on page 70.

Book Value of Inventories Sold is equal to the amount of disposals shown on Note 7 less the amount of prior period impairments included in the Revaluation Reserve at 1 April 2010, which appears as the Net gain/(loss) on disposals shown on the Agency Statement of Changes in Taxpayers' Equity.

# FINANCIAL STATEMENTS 2010-11

## GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Note	Year Ended 31 March 2011 £000	Year Ended 31 March 2010 £000	Year Ended 31 March 2009 £000
<b>NON CURRENT ASSETS</b>				
Intangible Assets	12	13	49	149
Property, Plant and Equipment	9	9,275	9,818	9,143
Loans and Receivables at fair value	14	3,882	7,748	8,410
Investments in Joint Ventures (Assets)	13	78,891	80,196	70,011
Investments in Joint Ventures (Liabilities)	13	(75,795)	(76,248)	(68,975)
Loans to Jointly Controlled Entities	15	121,958	123,928	130,375
Financial Assets	8	17	64	183
Pension Asset	1.3	518	0	0
<b>Total Non Current Assets</b>		<b>138,759</b>	<b>145,555</b>	<b>149,296</b>
<b>CURRENT ASSETS</b>				
Inventories	7	31,567	45,166	44,181
Trade Receivables	16	12,675	3,313	5,730
Financial Assets	8	49	162	134
Other Current Assets	16	35,866	28,846	25,822
Cash and Cash Equivalents	17	41,766	46,607	29,017
<b>Total Current Assets</b>		<b>121,923</b>	<b>124,094</b>	<b>104,884</b>
<b>Total Assets</b>		<b>260,682</b>	<b>269,649</b>	<b>254,180</b>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	18	(78,607)	(92,908)	(69,236)
<b>Total Current Liabilities</b>		<b>(78,607)</b>	<b>(92,908)</b>	<b>(69,236)</b>
<b>Assets less Current Liabilities</b>		<b>182,075</b>	<b>176,741</b>	<b>184,944</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions	5	(8,131)	(4,276)	(2,465)
Deferred Tax Provision	5	(4,430)	(5,768)	(6,097)
Trade and Other Payables	18	(13,276)	(15,056)	(18,737)
Pension Liability	1.3	0	(221)	(165)
<b>Total Non Current Liabilities</b>		<b>(25,837)</b>	<b>(25,321)</b>	<b>(27,464)</b>
<b>ASSETS LESS LIABILITIES</b>		<b>156,238</b>	<b>151,420</b>	<b>157,480</b>
<b>TAXPAYERS' EQUITY</b>				
Capital Reserve		10,694	10,191	7,792
General Reserve		137,650	132,146	141,018
Revaluation Reserve		7,894	9,083	8,670
<b>Total Taxpayers' Equity</b>		<b>156,238</b>	<b>151,420</b>	<b>157,480</b>

Approved by the Board on 7 July 2011

Paul Callaghan  
Chairman

Alan Clarke CBE  
Chief Executive/Accounting Officer

**FINANCIAL STATEMENTS 2010-11**  
**AGENCY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2011**

	Note	Year Ended 31 March 2011 £000	Year Ended 31 March 2010 £000	Year Ended 31 March 2009 £000
<b>NON CURRENT ASSETS</b>				
Intangible Assets	12	13	49	149
Property, Plant and Equipment	9	9,268	9,802	9,130
Investments in Subsidiaries	13	(1,124)	(995)	137
Investments in Joint Ventures (Assets)	13	78,891	80,196	70,011
Investments in Joint Ventures (Liabilities)	13	(75,795)	(76,248)	(68,975)
Loans to Jointly Controlled Entities	15	121,958	123,928	130,375
Financial Assets	8	17	64	183
Pension Asset	1.3	518	0	0
<b>Total Non Current Assets</b>		<b>133,746</b>	<b>136,796</b>	<b>141,010</b>
<b>CURRENT ASSETS</b>				
Inventories	7	31,550	45,104	44,181
Trade Receivables	16	14,515	2,092	5,696
Financial Assets	8	49	162	134
Other Current Assets	16	31,913	24,386	21,342
Cash and Cash Equivalents	17	25,097	31,111	18,524
<b>Total Current Assets</b>		<b>103,124</b>	<b>102,855</b>	<b>89,877</b>
<b>Total Assets</b>		<b>236,870</b>	<b>239,651</b>	<b>230,887</b>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	18	(73,589)	(83,193)	(67,694)
<b>Total Current Liabilities</b>		<b>(73,589)</b>	<b>(83,193)</b>	<b>(67,694)</b>
<b>Assets less Current Liabilities</b>		<b>163,281</b>	<b>156,458</b>	<b>163,193</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions	5	(5,674)	(2,183)	(2,465)
Deferred Tax Provision	5	(4,430)	(5,768)	(6,097)
Pension Liability	1.3	0	(221)	(165)
<b>Total Non Current Liabilities</b>		<b>(10,104)</b>	<b>(8,172)</b>	<b>(8,727)</b>
<b>ASSETS LESS LIABILITIES</b>		<b>153,177</b>	<b>148,286</b>	<b>154,466</b>
<b>TAXPAYERS' EQUITY</b>				
Capital Reserve		7,633	7,057	4,778
Revaluation Reserve		7,894	9,083	8,670
General Reserve		137,650	132,146	141,018
<b>Total Taxpayers' Equity</b>		<b>153,177</b>	<b>148,286</b>	<b>154,466</b>

Approved by the Board 7 July 2011

Paul Callaghan  
Chairman



## FINANCIAL STATEMENTS 2010-11

### GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010-11 £000	2009-10 £000
<b>Cash Flows from Operating Activities</b>			
Net (Deficit)/Surplus after Interest		(201,202)	(248,060)
(Increase)/Decrease in Trade and Other Receivables	16	(16,382)	(607)
(Increase)/Decrease in Inventories	7	8,872	(1,318)
Increase/(Decrease) in Trade Payables	18	(14,301)	23,215
Depreciation and Amortisation	6/9	481	669
Corporation Tax Charges and Changes to Deferred Tax Provision	11	7	3,152
Use of Provisions	5	2,592	5,155
Other Operating Recharges	6	(162)	(4,012)
Book Value of Inventories Sold	-	3,677	337
(Surplus) / Loss from share in JV's / Associates	-	742	286
<b>Net Cash Outflow from Operating Activities</b>		<b><u>(215,676)</u></b>	<b><u>(221,182)</u></b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment	9	(39)	(803)
Disposal / Revaluation of Property, Plant and Equipment	9	130	(310)
(Increase) / Decrease to Other Assets	8/12	124	138
Investments in Subsidiaries	-	-	(1,413)
Loan Repayments from Other Bodies	14/15	5,930	6,477
<b>Net Cash Flow from Investing Activities</b>		<b><u>6,145</u></b>	<b><u>4,089</u></b>
<b>Cash Flows from Financing Activities</b>			
Grants from Parent Department		206,000	239,000
Subsidiary Activities		(1,310)	(1,128)
Bank Loans (Subsidiaries)		-	(3,189)
<b>Net Financing</b>		<b><u>204,690</u></b>	<b><u>234,683</u></b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents in the Period</b>		<b><u>(4,841)</u></b>	<b><u>17,590</u></b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>		46,607	29,017
<b>Cash and Cash Equivalents at the End of the Period</b>		41,766	46,607
		<b><u>(4,841)</u></b>	<b><u>17,590</u></b>

In 2009-10, the Group's Net Deficit after Interest included a cost of capital amount of £5,406,000 in accordance with policy set by HM Treasury. This same amount was then netted out from the cash flow in a subsequent separate line item. HM Treasury has removed the requirement to present cost of capital in 2010-11. Therefore, the comparative 2009-10 figures have been adjusted to reflect the removal of this amount as a separate line item. As this amount appeared on both the Statements of Comprehensive Net Expenditure and Cash Flows in equal and opposite directions, the effect of the removal on Net Expenditure Taken to the General Reserve and to Cash Flows from Operating Activities is nil.

Additionally, Book Value of Inventories Sold has been disclosed separately in 2010-11, whereas the amount was included in (Increase)/Decrease in Inventories in 2009-10. Therefore, in the 2009-10 comparative figures, an additional line item amount of £337,000 for Book Value of Inventories Sold has been added, and the Increase in Inventories figure above has been decreased by the same amount.

# FINANCIAL STATEMENTS 2010-11

## AGENCY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

Cash Flows from Operating Activities	Note	2010-11 £000	2009-10 £000
Net (Deficit)/Surplus after Interest	-	(201,113)	(248,104)
(Increase)/Decrease in Inventories	7	8,826	(918)
Use of Provisions	5	2,752	(288)
Book Value of Inventories Sold	-	3,677	0
(Surplus)/Loss from share in JVs/Associates	-	742	286
(Increase)/Decrease in Trade and Other Receivables	16	(19,950)	560
Depreciation and Amortisation	6/9	471	647
Increase/(Decrease) in Trade Payables	18	(9,604)	15,535
<b>Net Cash Outflow from Operating Activities</b>		<b><u>(214,199)</u></b>	<b><u>(232,282)</u></b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property, Plant and Equipment	9	(39)	(777)
Disposal/Revaluation of Property, Plant and Equipment	9	130	(460)
(Increase)/Decrease to Other Assets	8/12	124	629
Loan Repayments from Other Bodies	15	1,970	6,477
<b>Net Cash Flow from Investing Activities</b>		<b><u>2,185</u></b>	<b><u>5,869</u></b>
<b>Cash Flows from Financing Activities</b>			
Grants from Parent Department		<u>206,000</u>	<u>239,000</u>
<b>Net Financing</b>		<b><u>206,000</u></b>	<b><u>239,000</u></b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b><u>(6,014)</u></b>	<b><u>12,587</u></b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>		31,111	18,524
<b>Cash and Cash Equivalents at the End of the Period</b>		25,097	31,111
		<b><u>(6,014)</u></b>	<b><u>12,587</u></b>

In 2009-10, the Agency's Net Deficit after Interest included a cost of capital amount of £5,406,000 in accordance with policy set by HM Treasury. This same amount was then netted out from the cash flow in a subsequent separate line item. HM Treasury has removed the requirement to present cost of capital in 2010-11. Therefore, the comparative 2009-10 figures have been adjusted to reflect the removal of this amount as a separate line item. As this amount appeared on both the Statements of Comprehensive Net Expenditure and Cash Flows in equal and opposite directions, the effect of the removal on Net Expenditure Taken to the General Reserve and to Cash Flows from Operating Activities is nil.

# FINANCIAL STATEMENTS 2010-11

## GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £000	2010 £000	2009 £000
<b>CAPITAL RESERVE</b>				
Balance at 1 April	-	10,191	7,792	19,508
Transfers between reserves	-	755	(10)	730
Corporation Tax	11	61	266	260
Transfers between JV and subsids	13	0	(1,177)	0
Released to the Statement of Comprehensive Net Expenditure	-	0	0	2,046
Change in share of net assets of subsids & joint ventures	13	(313)	3,320	(14,752)
		<u>10,694</u>	<u>10,191</u>	<u>7,792</u>
<b>REVALUATION RESERVE</b>				
Balance at 1 April	-	9,083	8,670	16,986
Net gain/(loss) on revaluation of property, plant and equipment	9	0	460	(530)
Net gain/(loss) on revaluation of financial assets	8	(43)	(51)	(33)
Net gain/(loss) on revaluation of inventories	7	340	5	(6,019)
Net gain/(loss) on disposals	7	(1,391)	0	0
Transfers between reserves	-	0	0	(3,408)
Corporation Tax	11	(95)	(1)	1,674
<b>Balance at 31 March</b>		<u>7,894</u>	<u>9,083</u>	<u>8,670</u>
<b>GENERAL RESERVE</b>				
<b>Balance at 1 April</b>		132,146	141,018	143,163
Total recognised income and expense		(199,823)	(247,882)	(245,823)
Transfers between reserves		(673)	10	2,678
Grant in Aid received from BIS applied to purchase of assets		5,313	12,323	12,775
Grant in Aid received from BIS applied to resource expenditure		200,687	226,677	228,225
<b>Balance at 31 March</b>		<u>137,650</u>	<u>132,146</u>	<u>141,018</u>
<b>TOTAL TAXPAYERS' EQUITY</b>		<u>156,238</u>	<u>151,420</u>	<u>157,480</u>

# FINANCIAL STATEMENTS 2010-11

## AGENCY STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 £000	2010 £000	2009 £000
<b>CAPITAL RESERVE</b>				
Balance at 1 April	-	7,057	4,778	16,511
Change in share of net assets of subsids & joint ventures	13	(241)	2,069	(14,102)
Corporation Tax	11	62	266	260
Released to the Statement of Comprehensive Net Expenditure	-	0	0	2,046
Transfers between reserves	-	755	(56)	63
<b>Balance at 31 March</b>		<b>7,633</b>	<b>7,057</b>	<b>4,778</b>
<b>REVALUATION RESERVE</b>				
Balance at 1 April	-	9,083	8,670	16,986
Corporation Tax	-	(95)	(1)	1,674
Net gain/(loss) on disposals	7	(1,391)	0	0
Net gain/(loss) on revaluation of financial assets	8	(43)	(51)	(33)
Net gain/(loss) on revaluation of inventories	7	340	5	(6,019)
Net gain/(loss) on revaluation of property, plant and equipment	9	0	460	(530)
Transfers between reserves	-	0	0	(3,408)
<b>Balance at 31 March</b>		<b>7,894</b>	<b>9,083</b>	<b>8,670</b>
<b>GENERAL RESERVE</b>				
Balance at 1 April		132,146	141,018	143,163
Total recognised income and expense		(199,741)	(247,928)	(246,490)
Transfers between reserves		(755)	56	3,345
Grant in Aid received from BIS applied to purchase of assets		5,313	12,323	12,775
Grant in Aid received from BIS applied to resource expenditure		200,687	226,677	228,225
<b>Balance at 31 March</b>		<b>137,650</b>	<b>132,146</b>	<b>141,018</b>
<b>TOTAL TAXPAYERS' EQUITY</b>		<b>153,177</b>	<b>148,286</b>	<b>154,466</b>

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 1. Accounting Policies

#### 1.1 Basis of Accounting

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The accounts have been prepared on a going concern basis. For more information, see Note 3 (Going Concern).

#### 1.2 Basis of Consolidation

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

The consolidated accounts incorporate the accounts of the Agency and its subsidiary undertakings: North East Regional Investment Fund Three Limited, The North East Regional Investment Fund Partner Limited, Enterprise Development North East Limited, North East Regional Aggregation Body LLP, DOTT07/Designs of the Time Limited and North East England Trading Limited.

Joint ventures relating to Sunderland ARC Limited, Tees Valley Regeneration Limited, NEL Fund Management Group Limited, the North East Property Partnership, Hadrian's Wall Heritage Limited, 1NG Limited, Onsite North East General Partner Limited, and Newcastle Science Company Limited have been accounted for using the equity method under IAS 31, Interests in Joint Ventures and IAS 28, Investments in Associates.

#### 1.3 Pensions

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

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

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

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

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

"By Analogy" scheme and NEDARBS

A credit, representing the expected return on assets in the fund during the year is included in other finance income. This is based on the market value of the assets at the start of the financial year.

A charge, within other finance charges, representing the expected increase in the liabilities of the scheme during the year is included within net interest. This arises because the liabilities of the scheme are one year closer to payment.

The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset in the balance sheet.

Differences between actual and expected returns on assets during the year are recognised in the Group Statement of Comprehensive Net Expenditure, together with differences arising from changes in actuarial assumptions.

#### 1.4 Land and Buildings

Land and buildings and undeveloped land are shown on the Statement of Financial Position on a Market Value basis. Valuations are carried out in accordance with the appropriate sections of the current practice statements contained within the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition.

An independent external valuation of the whole portfolio was carried out as at 31 March 2011 by GVA Grimley Ltd, Chartered Surveyors.

Disposals and purchases of land and buildings are accounted for on the earlier of the date of legal completion and the date of transfer of the significant risks and rewards of ownership.

All expenditure is capitalised relating to acquisition fees, legal fees to purchase the property, development work and reclamation work to land.

## Notes to the Financial Statements

### for the Year Ended 31 March 2011

#### 1.5 Loans and Receivables at Fair Value

Loans and receivables at fair value are held by the non-Agency group companies in the form of unsecured loans and redeemable preference shares held in prior periods were shares of high-risk small and medium sized enterprises. Provisions against investments are charged to the Statement of Comprehensive Net Expenditure in line with the expected risk of loss to the projected net book value of the investments at each year end.

#### 1.6 Website Development Costs

Website development costs are written off to the Statement of Comprehensive Net Expenditure in the period which the cost is incurred.

#### 1.7 Tangible operating assets and intangible assets

Non current assets other than properties used by the Agency are capitalised at their cost of acquisition and installation.

Software licenses are capitalised as intangible assets on this same basis.

Assets are capitalised where the costs are greater than £1,000 (including irrecoverable VAT) on a grouped basis where appropriate.

#### 1.8 Depreciation/amortisation

Depreciation/amortisation is provided to write off the historic cost of furniture and fittings and information technology over their anticipated useful lives on a straight line basis at the following annual rates:

##### Tangible Assets:

Leasehold buildings with less than 25 years to run	Period of Lease
Computer equipment	3 years
Office equipment and plant	5 years
Office furniture and fittings	10 years

##### Intangible Assets:

Software licences	3 years
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Depreciated historical cost is used as a proxy for the current value of named classes of non-property assets because it would cost more to value these items than they are worth.

The properties occupied by the Agency are reviewed for impairment and no depreciation charge is made if it is considered to be immaterial owing to the residual values of the properties being not materially different from the book values.

#### 1.9 Long Term Loans

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

#### 1.10 Inventories

Inventories, consisting of development land and buildings, are shown at fair value. The Agency treats valuations of inventories individually with upward revaluations being credited to the Revaluation Reserve and downward revaluations being charged to the Statement of Comprehensive Net Expenditure to the extent that there is no credit on the Revaluation Reserve against which such a loss can be charged.

#### 1.11 Government Grants Receivable and Payable

One North East's activities are funded primarily by grant in aid provided by BIS for specified types of expenditure. Grant in aid used to finance activities and expenditure which support the statutory and other objectives of One North East is treated as financing, and credited to the General Reserve, because it is regarded as contributions from a controlling party. Other grants relating to capital expenditure used to acquire specific capital items are credited to a Capital Reserve and grants to fund revenue expenditure are credited to the Statement of Comprehensive Net Expenditure.

## Notes to The Financial Statements

### for the Year Ended 31 March 2011

#### 1.12 Income

Income related to the Agency's role as the managing authority for ERDF is recognised when the validity and correctness of the claim is assured, as required by Government guidance. Other Grant income and European funding is recognised when the funding becomes due in accordance with the Agency's contractual rights.

Rental income and income from loan investments is recognised in accordance with the timing as set out in the relevant contracts, and other income is recognised when it is due under contractual rights or when it has been earned according to agreement, is reliably measurable and receipt is reasonably assured.

#### 1.13 Taxation

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

#### 1.14 Foreign Currency Transactions

Transactions in foreign currencies are recorded in sterling at the rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates prevailing at the Statement of Financial Position date. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure. All material assets and liabilities are denominated in sterling, therefore the group is not exposed to currency risk.

#### 1.15 Leases

Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure over the period of the lease on a straight line basis. There are no Finance Leases.

#### 1.16 Financial Instruments

The Agency has no borrowings and relies primarily on departmental grants for its cash requirements and is therefore not exposed to liquidity risks.

The subsidiary companies North East Regional Investment Fund Three Limited and The North East Regional Investment Fund Partner Limited were formed to provide access into an investment and loan fund for Small and Medium Enterprises (SMEs) in key industrial/commercial sectors in the region. These companies aim to facilitate the creation, diversification and expansion of SMEs in the region by providing access to finance where risks are in excess of normal market considerations and on terms which will encourage take up.

Given the subsidiary companies role as a 'gap funder' to support SME businesses seen to be viable, but with an inability to obtain all their funding requirements from traditional sources these investments are evaluated as high risk. In the subsidiary companies provisions are charged to the profit and loss account in line with the expected risk of loss to the fund.

The provisions against investments will only be increased if the provision basis shown above does not reflect an adequate provision in the financial statements. The increase in the provision will only be made if specific investments are seen as not being fully recoverable.

These subsidiaries have been funded by the Agency, bank loans and ERDF funding. The borrowings of the subsidiaries are detailed in Note 26.

Partnership workspace schemes, the Agency's investment with partners who are mainly local authorities, to provide rural workspace are included in the Statement of Financial Position at a valuation based on present value of estimated future rental income. Expenditure on these projects is written off in the year of spend.

#### 1.17 Other Operating Recharges

Funding is received by North East Regional Investment Fund Three Limited and The North East Regional Investment Fund Partner Limited for the purpose of investing in SMEs. Until the funding is applied to investments the funding is repayable.

Subsequently as investments are realised, the recycled money must be rolled into a legacy fund together with all interest and dividends received plus capital gains and impairment losses. Such movements flow through the group financial statements and are allocated to the resulting legacy funds as other operating charges.

## Notes to The Financial Statements

### for the Year Ended 31 March 2011

#### 1.18 Capital Charge

A charge reflecting a notional cost of capital utilised by the Agency, was disclosed on the face of the Statement of Comprehensive Net Expenditure (SOCNE) for the financial year ended 31 March 2010. This figure was included in Net Expenditure after Interest and then reversed on the face of the SOCNE in the calculation of Net Expenditure Taken to the General Reserve. Thus, the net effect on the SOCNE of the cost of capital disclosed was nil, and the amount was included purely for disclosure purposes as required by the Government Financial Reporting Manual.

The updated Government Financial Reporting Manual for 2010-11 requires the removal of this disclosure as part of the overall alignment of government budgets, estimates and accounts because it is no longer viewed as a means of asset management since other incentives, considered to be more effective, have been introduced.

Apart from the removal of the line items showing the cost of capital and reversal amounts, the comparative figures for the year ended 31 March 2010 have not changed. As the effect on the SOCNE of the disclosure was nil, the Statements of Financial Position and Changes in Taxpayers' Equity are unaffected. The Statements of Cash Flows also included disclosures of the cost of capital and subsequent reversals, and these have been removed in the comparatives with a net nil effect on cash flows.

#### 1.19 Future IFRS amendments and early adoption

The Agency applies new or amended International Financial Reporting Standards (IFRS) in line with their adoption in the Financial Reporting Manual (FReM).

There are no changes to the Government Financial Reporting Manual (FReM) effective for the financial year beginning 1 April 2011 identified as having an impact on the Agency's accounts for that year.

There has been no early adoption of IFRS changes

Changes to IFRS effective for future financial years (unless adopted earlier by the Financial Reporting Manual) that may be relevant but are not expected to have an impact on the Agency's accounts

- Amendments to IFRS 7, "Disclosures – Transfer of financial assets.
- Amendment to IAS 1, "Presentation of Financial Statements
- Amendments to IAS 12, "Deferred Tax; Recovery of Underlying Assets"
- Amendments to IAS 24, "Related Party Disclosures"
- Amendments to IAS 27, "Consolidated and Separate Financial Statements"
- Amendments to IAS 34, "Interim Financial Reporting"



## Notes to the Financial Statements

for the Year Ended 31 March 2011

### 2. Segmental Analysis

#### Direct Expenditure for the Group:

	Year Ended 31 March 2011 £000	Year Ended 31 March 2010 £000
<b>Core Agency Programmes</b>		
Programme 1 - Business Investment	34,445	53,360
Programme 2 - Innovation and Business Development	74,407	46,125
Programme 3 - Enterprise and Business Support	37,456	48,060
Programme 4 - Skills and Economic Inclusion	9,254	15,653
Programme 5 - Tees Valley Investment Programme	29,128	0
Programme 6 - City Regions and Rural	34,853	57,701
Programme 7 - Promoting the Region	571	6,386
Programme 8 - Culture and Tourism	6,889	12,927
Less: Capitalised items included in programme expenditure above	(5,272)	(12,099)
Other group programme net expenditure	5,513	4,585
<b>Group Programme Expenditure</b>	<b>227,244</b>	<b>232,698</b>
Write Downs and Impairments	14,261	10,270
Staff Costs	21,034	22,642
European funded expenditure, managing authority role	22,874	64,168
Other non-programme expenditure, Agency	12,800	7,438
Other non-programme expenditure, group companies	4,469	5,697
<b>Total Group Expenditure</b>	<b>302,682</b>	<b>342,913</b>

£3,563,000 (2010: £5,650,000) of the Agency programme expenditure was funded by European funding. The additional £22,874,000 (2010: £64,168,000) of European funded expenditure included in Total Group Expenditure above is outflows related to the Agency's role as a managing authority for the European Regional Development Fund and was entirely offset by an equal amount of income (for more information, see Note 10).

Programme expenditure included £204,153,000 (2010: £196,291,000) in grant funding. Grants to private sector recipients were £152,453,000 (2010: £143,577,000) and grants to public sector recipients were £51,700,000 (2010: £52,714,000).

In its operations, the Agency does not assign assets and liabilities to any segments, and no one segment uses any designated portion of the assets or creates any designated portion of the liabilities. Therefore, separating the assets and liabilities by segment could only be done as a result of an arbitrary allocation, which would be misleading as to the segmental operations of the Agency.

## **Notes to The Financial Statements**

**for the Year Ended 31 March 2011**

### **3. Going Concern**

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

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

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

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 4. Staff Numbers and Related Costs

#### Staff costs comprise

	2011 Total £000	2010 Total £000
<b>Board Members</b>		
Fees and Salaries	239	216
Pension - Chairman	20	20
Social Security	16	17
	<u>275</u>	<u>253</u>
<b>Staff</b>		
Staff - Salaries	12,554	14,745
Staff - Pension	3,090	3,354
Staff - Social Security	1,095	1,164
	<u>16,739</u>	<u>19,263</u>
Staff - Redundancy	2,611	1,006
Staff - Seconded	149	290
Staff - Temporary	25	257
	<u>2,785</u>	<u>1,553</u>
	<u>19,799</u>	<u>21,069</u>
<b>Total Agency Salaries and Wages</b>		
Staff - Subsidiaries	901	1,243
Staff - Northern Way	298	329
Redundancy - Subsidiaries	36	0

Total costs for Northern Way staff housed at the Agency, including secondees, were £442,000 (2010: £496,000)

The Agency redundancy cost figure above includes £275k in payments and pension compensation in lieu of notice. Cash paid in relation to redundancy costs amounted to £1,313,171 (2010: £1,151,424). No staff retired early on ill-health grounds during the year.

The total number of days lost to sickness absence during 2011 was 2,356 (2010: 2,991), of which 1,213 days (2010: 1,310) related to long-term illness.

Details of the pension scheme are disclosed in the remuneration report.

#### 4.1 Average number of persons employed

The average number of whole-time equivalent persons employed during the most recent two years follows. Staff numbers are reducing due to the pending closure of the Agency.

	Total	Permanent Staff	Temporary Staff
<b>2010-11</b>			
Total Agency Staff Numbers	342	341	1
Northern Way	6	6	
Subsidiaries	17		
<b>2009-10</b>			
Total Agency Staff Numbers	399	392	7
Northern Way	7	7	
Subsidiaries	27		

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 4.2 Seconded Staff

Staff were seconded from the following organisations during the year and were funded from operating costs expenditure:

#### Staff seconded to the Agency

<b>Name of Organisation</b>	<b>2011 No. of Staff</b>	<b>2011 Cost £000</b>	<b>2010 No. of Staff</b>	<b>2010 Cost £000</b>
Department for Communities and Local Government	0	0	1	23
Department for Work and Pensions	0	0	1	84
Government Office North East	1	57	2	148
North Tyneside Council	2	92	0	0
Sunderland Council	0	0	1	35
	<u>3</u>	<u>149</u>	<u>5</u>	<u>290</u>

#### Staff seconded to The Northern Way

<b>Name of Organisation</b>	<b>2011 No. of Staff</b>	<b>2011 Cost £000</b>	<b>2010 No. of Staff</b>	<b>2010 Cost £000</b>
Department for Communities and Local Government	0	46	1	167
Government Office North East	1	98	0	0
	<u>1</u>	<u>144</u>	<u>1</u>	<u>167</u>

In addition, staff were seconded from the following organisations for which no charge was made, but in respect of which there was an estimated benefit to the Agency:

<b>Name of Organisation</b>	<b>2011 No. of Staff</b>	<b>2011 Cost £000</b>	<b>2010 No. of Staff</b>	<b>2010 Cost £000</b>
Skills Funding Agency	1	69	0	0
	<u>1</u>	<u>69</u>	<u>0</u>	<u>0</u>

Where amounts appear with no corresponding FTE numbers, this indicates that the secondment provided an average over the period of less than 1/2 of an FTE staff member.

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 5. Provisions for Liabilities and Charges

<b>GROUP</b>	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
Balance at 1 April	10,044	8,562	16,503
Provided in the year	3,152	2,436	2,934
Provisions not required written back	0	(329)	(9,777)
Provisions utilised in the year	(635)	(625)	(1,098)
<b>Balance at 31 March</b>	<b>12,561</b>	<b>10,044</b>	<b>8,562</b>

Analysis as at 31 March

Deferred Tax	4,430	5,768	6,097
ERDF Provision	600	1,000	1,301
Other Provisions	7,531	3,276	1,164
<b>Balance at 31 March</b>	<b>12,561</b>	<b>10,044</b>	<b>8,562</b>

### AGENCY

Balance at 1 April	7,951	8,562	16,503
Provided in the year	2,788	343	2,934
Provisions not required written back	0	(329)	(9,777)
Provisions utilised in the year	(635)	(625)	(1,098)
<b>Balance at 31 March</b>	<b>10,104</b>	<b>7,951</b>	<b>8,562</b>

Analysis as at 31 March

Deferred Tax	4,430	5,768	6,097
ERDF Provision	600	1,000	1,301
Other Provisions	5,074	1,183	1,164
<b>Balance at 31 March</b>	<b>10,104</b>	<b>7,951</b>	<b>8,562</b>

The major components of the provision for deferred taxation which has been fully provided at a corporation tax rate of 28% (2010:28%) are the same for both Group and Agency and are as follows:

Capital Gains on Buildings for Business Partnership Assets	4,163	5,465	5,906
Accelerated Capital Allowances	1	1	1
Investment Properties and Revaluations	266	302	190
<b>Balance at 31 March</b>	<b>4,430</b>	<b>5,768</b>	<b>6,097</b>

Provisions are made when the Agency has a present obligation as a result of a past event and it is more than 50% probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Therefore, the amounts provided are, by their nature, uncertain in terms of exact value and timing of related cash outflows.

The Deferred Tax provision is used to provide for corporation tax amounts to be paid in relation to future taxable income. As shown in the schedule above, most of the anticipated future taxable income relates to revaluations on land and buildings. Therefore, the amounts will come due only when capital gains are realised through the sale of the land and buildings.

The ERDF provision is used to provide for any clawback of grants made that may not have been utilised for their correct purpose or in the time scale agreed. Clawback claims are usually settled within less than a year, but they can be made until the date of the end of the programme, which is 31 December 2025.

Other Provisions is used to provide for various potential liabilities that may occur in future. Cash flows related to these provisions would normally be expected to arise within a one year period.

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 6. Other Expenditure

	2011 £000	2010 £000
<b>Agency:</b>		
Other Provisions	3,009	(289)
Auditor Remuneration - Statutory IFRS Work	0	7
Operating Lease Rentals	20	30
Book value of Property Plant and Equipment sold	140	55
Auditor Remuneration - Statutory Work	70	70
Auditor Remuneration - Independent Supplementary Review	0	77
Bad Debts Written Off and Movements in Provisions for Bad and Doubtful Debts	799	133
Amortisation of Intangible Assets	29	136
Professional Fees and Project Costs	334	710
Travel and Subsistence	441	841
Administration Costs	535	940
IT and Communication	772	987
Marketing and PR	596	1,108
Office Costs	1,926	1,765
<b>Total Agency</b>	<b>8,671</b>	<b>6,570</b>
<b>Subsidiaries:</b>		
Bad Debts Written Off and Movements in Provisions for Bad and Doubtful Debts	185	0
Auditor Remuneration - Statutory Work	18	24
IT and Communication	13	34
Travel and Subsistence	16	36
Office Costs	165	237
Professional Fees and Project Costs	681	382
Administration Costs	234	764
Other Operating Costs / (Recharges)	3,548	1,005
Amounts Provided against Fixed Asset Investments	(754)	1,123
Other Provisions	363	2,092
<b>Total Subsidiaries</b>	<b>4,469</b>	<b>5,697</b>
<b>Total</b>	<b>13,140</b>	<b>12,267</b>

Other Operating Recharges were £162,000 (2010: £4,012,000). For further information, see Note 1.17.

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 7. Inventories

<b>GROUP</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Valuation at 1 April	45,166	44,181	87,059
Additions	5,272	11,546	12,539
Disposals	(5,067)	(337)	(425)
Transfers	0	0	(21,710)
Write off to Statement of Comprehensive Net Expenditure	(14,144)	(10,229)	(27,263)
Revaluation Reserve	340	5	(6,019)
<b>At 31 March</b>	<u>31,567</u>	<u>45,166</u>	<u>44,181</u>

### AGENCY

Valuation at 1 April	45,104	44,181	87,059
Additions	5,272	11,484	12,539
Disposals	(5,067)	(337)	(425)
Transfers	0	0	(21,710)
Write off to Statement of Comprehensive Net Expenditure	(14,099)	(10,229)	(27,263)
Revaluation Reserve	340	5	(6,019)
<b>At 31 March</b>	<u>31,550</u>	<u>45,104</u>	<u>44,181</u>

### 8. Financial Assets

<b>GROUP</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April	226	317	569
Transfers	0	0	0
Write off to Statement of Comprehensive Net Expenditure	(117)	(40)	(219)
Revaluation	(43)	(51)	(33)
Disposal costs	0	0	0
<b>At 31 March</b>	<u>66</u>	<u>226</u>	<u>317</u>

### AGENCY

At 1 April	226	317	569
Transfers	0	0	0
Write off to Statement of Comprehensive Net Expenditure	(117)	(40)	(219)
Revaluation	(43)	(51)	(33)
Disposal costs	0	0	0
<b>At 31 March</b>	<u>66</u>	<u>226</u>	<u>317</u>

### GROUP AND AGENCY

Financial Assets receivable within one year	49	162	134
Financial Assets receivable more than one year	17	64	183
<b>At 31 March</b>	<u>66</u>	<u>226</u>	<u>317</u>

Financial assets consist of partnership workspace that was inherited by the Agency on its inception from the Rural Development Commission. The Commission awarded grants to Local Authorities to purchase commercial property for rent, and as successor to the Commission, the Agency holds contractual rights to receive 50% of annual rental income within a set period of time and 50% of any disposals.

These contractual rights are valued by discounting the forecasted related income stream at the treasury rate of 3.5%.

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 9. Property, Plant and Equipment - Group

#### Land and Buildings

<b>Valuation</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April	8,730	8,270	8,800
Revaluations	0	460	(530)
<b>At 31 March</b>	<u>8,730</u>	<u>8,730</u>	<u>8,270</u>

#### Information Technology

<b>Cost</b>			
At 1 April	3,306	2,614	2,465
Additions	37	726	152
Disposals	(261)	(34)	(3)
<b>At 31 March</b>	<u>3,082</u>	<u>3,306</u>	<u>2,614</u>

<b>Depreciation</b>			
At 1 April	2,776	2,468	2,107
Charged in Year	311	342	364
Disposals	(261)	(34)	(3)
<b>At 31 March</b>	<u>2,826</u>	<u>2,776</u>	<u>2,468</u>

<b>Net Book Value</b>			
<b>At 31 March</b>	<u>256</u>	<u>530</u>	<u>146</u>

#### Furniture and Fittings

<b>Cost</b>			
At 1 April	2,082	2,121	2,117
Additions	2	77	8
Transfers	0	0	0
Disposals	(413)	(116)	(4)
<b>At 31 March</b>	<u>1,671</u>	<u>2,082</u>	<u>2,121</u>

<b>Depreciation</b>			
At 1 April	1,524	1,394	1,195
Charged in Year	141	191	201
Disposals	(283)	(61)	(2)
<b>At 31 March</b>	<u>1,382</u>	<u>1,524</u>	<u>1,394</u>

<b>Net Book Value</b>			
<b>At 31 March</b>	<u>289</u>	<u>558</u>	<u>727</u>

#### Total Property, Plant and Equipment

<b>Cost or valuation</b>			
At 1 April	14,118	13,005	13,382
Additions	39	803	160
Transfers	0	0	0
Revaluations	0	460	(530)
Disposals	(674)	(150)	(7)
<b>At 31 March</b>	<u>13,483</u>	<u>14,118</u>	<u>13,005</u>

<b>Depreciation</b>			
At 1 April	4,300	3,862	3,302
Charged in Year	452	533	565
Disposals	(544)	(95)	(5)
<b>At 31 March</b>	<u>4,208</u>	<u>4,300</u>	<u>3,862</u>

<b>Net Book Value</b>			
<b>At 31 March</b>	<u>9,275</u>	<u>9,818</u>	<u>9,143</u>

#### Asset Financing:

<b>Owned</b>	<u>9,275</u>	<u>9,818</u>	<u>9,143</u>
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## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 9.1. Property, Plant and Equipment - Agency

#### Land and Buildings

Valuation	2011 £000	2010 £000	2009 £000
At 1 April	8,730	8,270	8,800
Revaluations	0	460	(530)
<b>At 31 March</b>	<u>8,730</u>	<u>8,730</u>	<u>8,270</u>

#### Information Technology

Cost			
At 1 April	3,264	2,572	2,424
Additions	37	726	151
Disposals	(261)	(34)	(3)
<b>At 31 March</b>	<u>3,040</u>	<u>3,264</u>	<u>2,572</u>

Depreciation			
At 1 April	2,737	2,435	2,081
Charged in Year	305	336	357
Disposals	(261)	(34)	(3)
<b>At 31 March</b>	<u>2,781</u>	<u>2,737</u>	<u>2,435</u>

<b>Net Book Value</b>			
<b>At 31 March</b>	<u>259</u>	<u>527</u>	<u>137</u>

#### Furniture and Fittings

Cost			
At 1 April	2,029	2,092	2,088
Additions	2	51	8
Transfers	0	0	0
Disposals	(413)	(114)	(4)
<b>At 31 March</b>	<u>1,618</u>	<u>2,029</u>	<u>2,092</u>

Depreciation			
At 1 April	1,484	1,369	1,176
Charged in Year	138	175	195
Disposals	(283)	(60)	(2)
<b>At 31 March</b>	<u>1,339</u>	<u>1,484</u>	<u>1,369</u>

<b>Net Book Value</b>			
<b>At 31 March</b>	<u>279</u>	<u>545</u>	<u>723</u>

#### Total Property, Plant and Equipment

Cost or valuation			
At 1 April	14,023	12,934	13,312
Additions	39	777	159
Transfers	0	0	0
Revaluations	0	460	(530)
Disposals	(674)	(148)	(7)
<b>At 31 March</b>	<u>13,388</u>	<u>14,023</u>	<u>12,934</u>

Depreciation			
At 1 April	4,221	3,804	3,257
Charged in Year	443	511	552
Disposals	(544)	(94)	(5)
<b>At 31 March</b>	<u>4,120</u>	<u>4,221</u>	<u>3,804</u>

<b>Net Book Value</b>			
<b>At 31 March</b>	<u>9,268</u>	<u>9,802</u>	<u>9,130</u>

#### Asset Financing:

<b>Owned</b>	<u>9,268</u>	<u>9,802</u>	<u>9,130</u>
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## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 10. Income

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>European Funding</b>		
European funded income - Agency	4,851	6,221
	<u>4,851</u>	<u>6,221</u>
<b>Other Government Grants</b>		
Other Government Grants - Agency	50,351	10,754
	<u>50,351</u>	<u>10,754</u>
European funding, managing authority role	22,874	64,168
	<u>22,874</u>	<u>64,168</u>
<b>Other Income</b>		
Other Income	15,823	5,946
Investment Income from Loan Investments	401	730
Rents and maintenance charges	823	1,108
	<u>17,047</u>	<u>7,784</u>
<b>Proceeds from Disposals</b>		
Proceeds from disposal of inventories	1,250	524
Proceeds from disposal of property, plant and equipment	8	0
	<u>1,258</u>	<u>524</u>
<b>Total Income</b>	<u>96,381</u>	<u>89,451</u>
<b>Interest</b>		
Interest Receivable and Other Finance Income	5,841	5,688
Interest Receivable	<u>5,841</u>	<u>5,688</u>

#### European Funded Income and Expenditure, Managing Authority Role

During 2010-11, One North East was delegated certain managing authority tasks by the Department for Communities and Local Government for the European Regional Development Fund (ERDF) in the North East of England. In this role, the Agency acted as intermediary between the Department for Communities and Local Government and final beneficiaries, which were applicant businesses throughout the region, for the payment of ERDF grants. The amount shown does not include ERDF funding where the Agency was also the beneficiary for the funds, which is included in the European funded income - Agency line above.

In accordance with Governmental guidance, expenditure and income are recognised simultaneously in offsetting amounts upon confirmation that the validity and correctness of the expenditure is assured.

The Agency also receives funding from ERDF and the European Commission, as shown in this note on the line item 'European Funded Income', most of which is applied to Programme Expenditure. The amount of European funded expenditure differs from the related income by the accrued income amounts and funding clawback by the grantors.

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 11. Taxation

The Group taxation charge based on Group taxable profits for the year at 28% (2010: 28%) comprises:

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Corporation Tax</b>		
Current Year	(41)	6
Prior Year	0	145
	<u>(41)</u>	<u>151</u>
<b>Deferred Taxation</b>		
Current Year	(926)	(321)
Prior Year	0	(8)
Rate Change	(412)	0
	<u>(1,338)</u>	<u>(329)</u>
	<u>(1,379)</u>	<u>(178)</u>

The corporation tax charge for the current year is lower than the standard rate of corporation tax for the UK of 28% (2010: 28%). The differences are explained below.

	<b>2011</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>
<b>Reconciliation to tax at current rate</b>		
Net Expenditure on Ordinary Activities Before Taxation for the Group	(206,301)	(253,466)
Tax Arising on Net Expenditure at 28% (2010: 28%)	(57,764)	(70,970)
Utilisation of Tax Losses	(1,608)	(1,572)
Marginal Relief and Other Tax Credits	0	(2)
Prior Year Corporation Tax Charge	(412)	137
Non-deductible expenditure	5,484	2,056
Non-allowable Deficit on Non Taxable Activities	52,921	70,173
<b>Corporation Tax Current Year Change for the Period</b>	<u>(1,379)</u>	<u>(178)</u>

No deferred tax provision has been made in respect of trading losses, as calculated for tax purposes, carried forward at 31 March 2011 estimated at £2,031,000 gross (2010: £15,236,000) are potentially available to relieve future trading profits. The potential deferred tax asset on these losses has not been recognised as the Agency does not consider it likely that the losses will be utilised in the foreseeable future.

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 12. Intangibles

Intangible Assets are the same for the Group and the Agency and they comprise

#### Software Licenses

	2011	2010	2009
Cost or valuation	£000	£000	£000
At 1 April	1,342	1,306	1,229
Additions	2	36	77
Disposals	(40)	0	0
<b>At 31 March</b>	<u>1,304</u>	<u>1,342</u>	<u>1,306</u>
<b>Amortisation</b>			
At 1 April	1,292	1,157	970
Charged in year	29	136	187
Disposals	(30)	0	0
<b>At 31 March</b>	<u>1,291</u>	<u>1,293</u>	<u>1,157</u>
<b>Net Book Value at 31 March</b>	<u>13</u>	<u>49</u>	<u>149</u>

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 13. Investments in Jointly Controlled Entities

ALL GROUP COMPANIES HAVE A 31 MARCH YEAR END

#### WHOLLY OWNED SUBSIDIARIES

North East Regional Investment Fund Three Limited  
[Company Limited by Guarantee] - (Incorporated 5th March 2002)  
(Principal place of business:  
Stella House, Goldcrest Way, Newburn Riverside,  
Newcastle upon Tyne, NE15 8NY)

Nature of Business - Provision of unsecured loans and redeemable preference shares for SME's based in the North East.

Enterprise Development North East Limited  
(formerly North East Regional Portal 2001 Limited)  
[Company Limited by Guarantee] - (Incorporated 29th October 2001)  
(Principal place of business :  
Kielder House, Lakeside Court,  
5th Avenue Business Park, Team Valley Trading Estate,  
Tyne and Wear, NE11 0NL)

Nature of Business - General purpose incubator company.

The North East Regional Investment Fund Partner Limited  
[Company Limited by Guarantee] - (Incorporated 20th June 2006)  
(Principal place of business:  
Stella House, Goldcrest Way, Newburn Riverside,  
Newcastle upon Tyne, NE15 8NY)

Nature of Business - Participation in equity investment funds.

North East Regional Aggregation Body LLP  
(Incorporated 13th January 2004)  
(Principal place of business:  
Kielder House, Lakeside Court,  
5th Avenue Business Park, Team Valley Trading Estate,  
Tyne and Wear, NE11 0NL)

Nature of Business - To facilitate the redeployment of universally available and affordable broadband infrastructure.

DOTT07/Designs of the Time Limited  
(Incorporated 21st March 2006)  
(Principal place of business:  
Stella House, Goldcrest Way, Newburn Riverside,  
Newcastle upon Tyne, NE15 8NY)

Nature of Business - Dissolved on 8 June 2010 (Dormant after the 2008-09 financial year)

North East England Trading Limited  
(Incorporated 3rd March 2008)  
(Principal place of business:  
Stella House, Goldcrest Way, Newburn Riverside,  
Newcastle upon Tyne, NE15 8NY)

Nature of Business - Dormant Company

North East Regional Investment Fund Limited  
[Company Limited by Guarantee] - (Incorporated 29 Oct 1999)  
(Principal place of business:  
Stella House, Goldcrest Way, Newburn Riverside,  
Newcastle upon Tyne, NE15 8NY)

Nature of Business - Provision of unsecured loans and redeemable preference shares for SME's in the North East  
Ownership interest sold on 27 January 2009

#### JOINT VENTURES

North East Property Partnership LP  
(Incorporated 20th April 2004)  
(Principal place of business:  
2nd Floor, Building 7, Queens Park,  
Team Valley Trading Estate, Tyne and Wear, NE11 0QD)

Nature of Business - Property investment and management.

Ownership Interest - 50%

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 13. Investments in Jointly Controlled Entities (continued)

#### JOINT VENTURES (CONTINUED)

Onsite North East General Partner Limited (Limited by Shares)  
(Incorporated 25th April 2008)  
(Principal place of business:  
Cavendish House, Teesdale Business Park, Tees Valley,  
Stockton on Tees, TS17 6QY)

Nature of Business - To develop and market development sites ready for disposal to developers.  
Ownership Interest - 50%

Sunderland Arc Limited  
[Company Limited by Guarantee] - (Incorporated 1st May 2002)  
(Principal place of business:  
North Sand Business Centre, Liberty Way, Sunderland, SR6 0QA)

Nature of Business - Urban Regeneration Company  
Ownership Interest - 33.33%

Tees Valley Regeneration Limited  
[Company Limited by Guarantee] - (Incorporated 2nd April 2002)  
(Principal place of business;  
Cavendish House, Teesdale Business Park, Tees Valley,  
Stockton on Tees, TS17 6QY)

Nature of Business - Dormant Company (ceased trading 31 March 2010)  
Ownership Interest - 33.3%

1NG Limited  
(Incorporated 3rd March 2009)  
(Principal place of business:  
9th Floor, Baltic Place East,  
South Shore Road, Gateshead, NE8 3AE)

Nature of Business - An economic development and regeneration company focused on delivery.  
Ownership Interest - 33.3%

Newcastle Science Company Limited  
[Company Limited by Guarantee] - (Incorporated 24th February 2009)  
(Principal place of business:  
Time Central, 32 Gallowgate  
Newcastle upon Tyne, NE1 4BF)

Nature of Business - To capitalise on cutting edge scientific research for the economic and social benefit of Newcastle and the surrounding area.  
Ownership Interest - 33.33%

Hadrian's Wall Heritage Limited  
[Company Limited by Guarantee]  
(Incorporated 17th May 2006)  
(Principal place of business:  
East Peterel Field, Dipton Mill Road, Hexham, NE46 2JT)

Nature of Business - To co-ordinate protection, development and promotion of Hadrian's Wall World Heritage Site.  
Ownership Interest - 25% (33.33% from 1 April 2011)

NEL Fund Management Group Ltd  
(formerly NEL Fund Managers Limited)  
(Principal place of business:  
Akenside Studios, Akenside Hill  
Newcastle upon Tyne, NE1 3UF)

Nature of Business - Involved in the management of venture capital funds to provide loans and equity finance to SME's.  
Ownership Interest - Sold on 6th August 2009

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 13. Investments in Jointly Controlled Entities (continued)

<b>Key Financial Results of Subsidiaries:</b>	<b>2011 Total £000</b>	<b>2011 Agency Share £000</b>	<b>2010 Total £000</b>	<b>2010 Agency Share £000</b>	<b>2009 Total £000</b>	<b>2009 Agency Share £000</b>
North East Regional Aggregation Body LLP	(123)	(123)	32	32	0	0
Enterprise Development North East Limited	(8)	(8)	10	10	33	33
North East Regional Investment Fund Three Limited	0	0	0	0	0	0
North East Regional Investment Fund Limited	0	0	0	0	622	622
The North East Regional Investment Fund Partner Limited	0	0	0	0	0	0
<b>Total Profit/(Loss) of Subsidiaries for the Year after Taxation</b>	<b>(131)</b>	<b>(131)</b>	<b>42</b>	<b>42</b>	<b>655</b>	<b>655</b>

### Key Financial Results of Joint Ventures:

North East Property Partnership LP	(1,765)	(882)	(117)	(59)	(2,472)	(1,235)
NEL Fund Management Group Limited	0	0	0	0	(51)	(20)
Onsite North East General Partner Limited	262	131	(388)	(194)	0	0
Tees Valley Regeneration Limited	0	0	(110)	(37)	0	0
Newcastle Science Company Limited	0	0	0	0	0	0
Hadrians Wall Heritage Limited	26	6	2	1	2	0
Sunderland ARC Limited	10	3	8	3	10	3
North East Regional Aggregation Body LLP	0	0	0	0	119	59
<b>Total Profit/(Loss) of Joint Ventures after Taxation</b>	<b>(1,467)</b>	<b>(742)</b>	<b>(605)</b>	<b>(286)</b>	<b>(2,392)</b>	<b>(1,193)</b>

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 13. Investments in Jointly Controlled Entities (continued)

In Relation to Joint Ventures the Assets and Liabilities comprised:

	2011 Total £000	2011 Agency Share £000	2010 Total £000	2010 Agency Share £000	2009 Total £000	2009 Agency Share £000
<b>Non Current Assets:</b>						
Newcastle Science Company Limited	4	1	7	2	0	0
1NG Limited	177	59	257	86	0	0
NEL Fund Management Group Limited	0	0	0	0	8	3
North East Regional Aggregation Body LLP	0	0	0	0	12	6
Tees Valley Regeneration Limited	0	0	0	0	21	7
Sunderland ARC Limited	0	0	35	12	56	19
Hadrian's Wall Heritage Limited	1,496	374	1,006	251	900	225
North East Property Partnership LP	121,684	60,842	125,225	62,613	119,760	59,880
	<u>123,361</u>	<u>61,276</u>	<u>126,530</u>	<u>62,964</u>	<u>120,757</u>	<u>60,140</u>
<b>Current Assets:</b>						
Newcastle Science Company Limited	790	263	213	71	0	0
1NG Limited	1,829	610	723	241	0	0
Onsite North East General Partner Limited	27,553	13,777	26,952	13,476	0	0
NEL Fund Management Group Limited	0	0	0	0	19	8
Hadrian's Wall Heritage Limited	496	124	535	134	468	117
Tees Valley Regeneration Limited	0	0	879	293	1,061	354
Sunderland ARC Limited	909	303	1,254	418	1,241	414
North East Regional Aggregation Body LLP	0	0	0	0	7,691	3,846
North East Property Partnership LP	5,076	2,538	5,198	2,599	10,263	5,132
	<u>36,653</u>	<u>17,615</u>	<u>35,754</u>	<u>17,232</u>	<u>20,743</u>	<u>9,871</u>
<b>Current Liabilities:</b>						
Newcastle Science Company Limited	794	265	220	73	0	0
Onsite North East General Partner Limited	581	291	239	119	0	0
1NG Limited	1,911	637	804	268	0	0
NEL Fund Management Group Limited	0	0	0	0	26	10
Hadrian's Wall Heritage Limited	428	107	492	123	428	107
Tees Valley Regeneration Limited	0	0	413	138	819	273
Sunderland ARC Limited	837	279	1,192	397	1,193	398
North East Regional Aggregation Body LLP	0	0	0	0	7,751	3,876
North East Property Partnership LP	7,603	3,801	7,650	3,825	8,101	4,051
	<u>12,154</u>	<u>5,380</u>	<u>11,010</u>	<u>4,943</u>	<u>18,318</u>	<u>8,715</u>
<b>Non Current Liabilities:</b>						
Sunderland ARC Limited	0	0	(29)	(10)	0	0
1NG Limited	95	32	176	59	0	0
Onsite North East General Partner Limited	23,010	11,505	23,010	11,505	0	0
Tees Valley Regeneration Limited	0	0	568	189	101	34
Hadrian's Wall Heritage Limited	1,497	374	1,006	252	900	225
North East Regional Aggregation Body LLP	0	0	0	0	1,126	563
North East Property Partnership LP	117,009	58,504	118,618	59,309	118,876	59,438
<b>At 31 March</b>	<u>141,611</u>	<u>70,415</u>	<u>143,349</u>	<u>71,304</u>	<u>121,003</u>	<u>60,260</u>
<b>Gross Assets:</b>						
Newcastle Science Company Limited	794	265	220	73	0	0
1NG Limited	2,006	669	980	327	0	0
Onsite North East General Partner Limited	27,553	13,777	26,952	13,476	0	0
NEL Fund Management Group Limited	0	0	0	0	27	11
Tees Valley Regeneration Limited	0	0	879	293	1,082	361
Sunderland ARC Limited	909	303	1,290	430	1,297	433
Hadrian's Wall Heritage Limited	1,992	498	1,541	385	1,368	342
North East Regional Aggregation Body LLP	0	0	0	0	7,703	3,852
North East Property Partnership LP	126,759	63,379	130,424	65,212	130,023	65,012
	<u>160,013</u>	<u>78,891</u>	<u>162,286</u>	<u>80,196</u>	<u>141,500</u>	<u>70,011</u>



## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 13. Investments in Jointly Controlled Entities (continued)

<b>Gross Liabilities:</b>	<b>2011 Total £000</b>	<b>2011 Agency Share £000</b>	<b>2010 Total £000</b>	<b>2010 Agency Share £000</b>	<b>2009 Total £000</b>	<b>2009 Agency Share £000</b>
Newcastle Science Company Limited	794	265	220	73	0	0
1NG Limited	2,007	669	980	327	0	0
Onsite North East General Partner Limited	23,591	11,795	23,249	11,624	0	0
NEL Fund Management Group Limited	0	0	0	0	26	10
Tees Valley Regeneration Limited	0	0	981	327	920	307
Sunderland ARC Limited	837	279	1,164	388	1,193	398
Hadrian's Wall Heritage Limited	1,924	481	1,499	375	1,328	332
North East Regional Aggregation Body LLP	0	0	0	0	8,877	4,439
North East Property Partnership LP	124,612	62,306	126,268	63,134	126,977	63,489
	<u>153,765</u>	<u>75,795</u>	<u>154,361</u>	<u>76,248</u>	<u>139,321</u>	<u>68,975</u>

Investments in Subsidiaries and Joint Ventures are Calculated on the basis of the Agency's share in net assets as detailed below:

<b>Investments in Subsidiaries:</b>	<b>2011 £000</b>	<b>2010 £000</b>	<b>2009 £000</b>
Enterprise Development North East Limited	139	147	137
North East Regional Aggregation Body LLP	(1,263)	(1,142)	0
North East Regional Investment Fund Limited	0	0	0
North East Regional Investment Fund Three Limited	0	0	0
The North East Regional Investment Fund Partner Limited	0	0	0
	<u>(1,124)</u>	<u>(995)</u>	<u>137</u>

<b>Investments in Joint Ventures:</b>	<b>2011 £000</b>	<b>2010 £000</b>	<b>2009 £000</b>
1NG Limited	0	0	0
Hadrian's Wall Heritage Limited	17	10	10
NEL Fund Management Group Limited	0	0	0
Newcastle Science Company Limited	0	0	0
North East Property Partnership LP	1,074	2,078	1,523
North East Regional Aggregation Body LLP	0	0	(587)
Onsite North East General Partner Limited	1,981	1,852	0
Sunderland ARC Limited	24	42	35
Tees Valley Regeneration Limited	0	(34)	54
	<u>3,096</u>	<u>3,948</u>	<u>1,035</u>

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 14. Loans and Receivables at Fair Value

#### LOANS

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At 1 April	12,606	11,658	10,923
Additions	0	7,245	7,640
Repayments	(3,962)	(4,437)	(4,688)
Arising on Disposal of Subsidiary	0	0	(159)
Investments written off	(1,394)	(1,850)	(2,058)
Conversion	0	(10)	0
<b>At 31 March</b>	<u>7,250</u>	<u>12,606</u>	<u>11,658</u>
<b>Provisions</b>			
At 1 April	5,169	3,280	3,221
Charged in Year	(451)	3,739	2,276
Released in year	(67)	(281)	(2,058)
Investments written off	(829)	(1,569)	0
Arising on Disposal of Subsidiary	0	0	(159)
<b>At 31 March</b>	<u>3,822</u>	<u>5,169</u>	<u>3,280</u>
<b>Net Book Value</b>			
<b>At 31 March</b>	<u>3,428</u>	<u>7,437</u>	<u>8,378</u>
<b>EQUITY</b>			
<b>Cost</b>			
At 1 April	665	200	292
Additions	175	455	0
Conversion	0	10	0
Arising on Disposal of Subsidiary	0	0	(92)
<b>At 31 March</b>	<u>840</u>	<u>665</u>	<u>200</u>
<b>Provisions</b>			
At 1 April	354	169	256
Charged in year	32	186	(17)
Arising on Disposal of Subsidiary	0	0	(71)
<b>At 31 March</b>	<u>386</u>	<u>354</u>	<u>168</u>
<b>Net Book Value</b>			
<b>At 31 March</b>	<u>454</u>	<u>311</u>	<u>32</u>
<b>Total Loans and Receivables at Fair Value</b>			
<b>At 31 March</b>	<u>3,882</u>	<u>7,748</u>	<u>8,410</u>

All of the amounts relating to the group refer to non Agency loans and receivables at fair value.

On 27 January 2009 One North East sold their investment in North East Regional Investment Fund Limited and North East Regional Investment Fund Two Limited.

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 15. Loans to Jointly Controlled Entities

<b>GROUP</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April	123,928	130,375	109,032
Amounts released in year	0	30	90
Additions	0	0	23,756
Amounts repaid in year	(1,970)	(6,477)	(2,503)
<b>At 31 March</b>	<b>121,958</b>	<b>123,928</b>	<b>130,375</b>

#### AGENCY

Balance at 1 April	123,928	130,375	109,032
Amounts released in year	0	30	90
Additions	0	0	23,756
Amounts repaid in year	(1,970)	(6,477)	(2,503)
<b>At 31 March</b>	<b>121,958</b>	<b>123,928</b>	<b>130,375</b>

For more details on these loans, please see Note 26 on page 97.

### 16. Trade Receivables and Other Current Assets

#### GROUP

<b>Trade Receivables</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Trade Receivables	12,675	3,313	5,730
<b>Total Trade Receivables</b>	<b>12,675</b>	<b>3,313</b>	<b>5,730</b>
<b>Other Current Assets</b>			
Value Added Tax	0	219	1,055
Taxation	1,318	738	5,216
Other Receivables	4,804	13,460	8,058
Prepayments & Accrued Income	29,744	14,429	11,493
<b>Total Other Current Assets</b>	<b>35,866</b>	<b>28,846</b>	<b>25,822</b>
<b>Total Trade Receivables and Other Current Assets</b>	<b>48,541</b>	<b>32,159</b>	<b>31,552</b>

#### Receivables: Intra-government balances

Balances with other central government bodies	33,693	9,290	16,645
Balances with bodies external to government	14,287	22,627	14,327
Balances with local authorities	552	243	580
Balances with NHS Trusts	9	0	0
Balances with public corporations and trading funds	0	0	0
	<b>48,541</b>	<b>32,159</b>	<b>31,552</b>

#### AGENCY

##### Trade Receivables

Trade Receivables	14,515	2,092	5,696
<b>Total Trade Receivables</b>	<b>14,515</b>	<b>2,092</b>	<b>5,696</b>

##### Other Current Assets

Other Receivables	1,046	9,147	4,388
Prepayments & Accrued Income	29,555	14,282	10,683
Taxation	1,312	738	5,216
Value Added Tax	0	219	1,055
<b>Total Other Current Assets</b>	<b>31,913</b>	<b>24,386</b>	<b>21,342</b>

##### Total Trade Receivables and Other Current Assets

	<b>46,428</b>	<b>26,478</b>	<b>27,038</b>
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#### Receivables: Intra-government balances

Balances with other central government bodies	33,693	9,290	16,645
Balances with bodies external to government	12,174	16,945	9,813
Balances with local authorities	552	243	580
Balances with NHS Trusts	9	0	0
Balances with public corporations and trading funds	0	0	0
	<b>46,428</b>	<b>26,478</b>	<b>27,038</b>

Accrued income related to ERDF funding was £2,594,902 (2010: £1,348,737)

As at 31 March 2011, the Agency is awaiting BIS approval to our request to write off £6,109,591 of Trade Receivables considered unlikely to be recoverable. Full provision against these amounts is included as a provision in the 31 March 2011 Statement of Financial Position, each having been charged to the Statement of Comprehensive Net Expenditure in the year BIS authority was first requested. As a result, their carrying value at 31 March 2011 is £nil.

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 17. Cash and Cash Equivalents

Group Position:	2011 £000	2010 £000	2009 £000
Balance at 1 April	46,607	29,017	42,423
Net change in cash and cash equivalent balances	(4,841)	17,590	(13,406)
<b>Group Balance at 31 March</b>	<b>41,766</b>	<b>46,607</b>	<b>29,017</b>

Less: Subsidiary Net change in cash and cash equivalent balances (16,669) (15,496) (10,493)

**Agency Balance at 31 March** 25,097 31,111 18,524

#### The following balances at 31 March were held at:

Commercial banks and cash in hand	41,766	34,607	21,063
Short term deposits	0	12,000	8,000
Office of HM Paymaster General	0	0	(46)
<b>Balance at 31 March</b>	<b>41,766</b>	<b>46,607</b>	<b>29,017</b>

### 18. Trade Payables and other Current Liabilities

#### GROUP

##### Amounts falling due within one year

	2011 £000	2010 £000	2009 £000
Corporation Tax	0	7	11
Other taxation and social security	235	26	9
Bank Loans	0	1,335	842
Trade Payables	3,127	1,939	2,639
Other Payables	2,432	7,118	5,460
Accruals and deferred income	72,813	82,483	60,275
	<b>78,607</b>	<b>92,908</b>	<b>69,236</b>

##### Amounts falling due after more than one year

Other payables, accruals and deferred income	13,276	15,056	18,737
	<b>13,276</b>	<b>15,056</b>	<b>18,737</b>

##### Payables: Intra-government balances

Balances with bodies external to government	49,448	61,262	52,551
Balances with other central government bodies	31,370	32,801	22,945
Balances with local authorities	11,043	13,151	11,716
Balances with NHS Trusts	22	18	391
Balances with public corporations and trading funds	0	732	370
	<b>91,883</b>	<b>107,964</b>	<b>87,973</b>

#### AGENCY

##### Amounts falling due within one year

Accruals and deferred income	69,848	76,010	60,156
Other Payables	802	6,192	5,221
Other taxation and social security	131	2	4
Trade Payables	2,808	989	2,313
	<b>73,589</b>	<b>83,193</b>	<b>67,694</b>

##### Payables: Intra-government balances

Balances with bodies external to government	31,155	36,491	32,288
Balances with other central government bodies	31,369	32,801	22,929
Balances with local authorities	11,043	13,151	11,716
Balances with NHS Trusts	22	18	391
Balances with public corporations and trading funds	0	732	370
	<b>73,589</b>	<b>83,193</b>	<b>67,694</b>

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 19. Impairments

The total impairment charge for the year charged to the Statement of Comprehensive Net Expenditure and Revaluation Reserve split by category is as follows:

To Statement of Comprehensive Net Expenditure	Note	2011 £000	2010 £000	2009 £000
Financial Assets	8	(117)	(40)	(219)
Inventories	7	(14,144)	(10,229)	(27,263)
		<u>(14,261)</u>	<u>(10,269)</u>	<u>(27,482)</u>
<b>Revaluation Reserve</b>				
Financial Assets	8	(43)	(51)	(33)
Inventories	7	340	5	(6,019)
Property, Plant & Equipment	9	0	460	(530)
		<u>297</u>	<u>414</u>	<u>(6,582)</u>

For details of how the valuation was arrived at for these impairments refer to accounting policies notes 1.4, 1.5 and 1.10

### 20. Capital Commitments

Contracted capital commitments at 31 March	2011 £000	2010 £000	2009 £000
Inventories	14,852	16,721	24,527

#### Analysis of Capital Commitments

The Agency has entered into non-cancellable contracts for capital expenditure. The payments to which the Agency is committed analysed by the period during which the commitment expires are as follows:

Contracted amounts:	2011 £000	2010 £000	2009 £000
Expiry within 1 year	5,371	6,611	13,907
Expiry after 1 year but not more than 5 years	9,481	10,110	10,620
	<u>14,852</u>	<u>16,721</u>	<u>24,527</u>

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 21. Commitments under leases

Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	2011 £000	2010 £000	2009 £000
<b>Buildings:</b>			
Expiry within 1 year	208	640	640
Expiry after 1 year but not more than 5 years	312	832	1,026
Expiry thereafter	0	676	884
	<u>520</u>	<u>2,148</u>	<u>2,550</u>
<b>Other:</b>			
Expiry within 1 year	12	23	5
Expiry after 1 year but not more than 5 years	1	13	5
Expiry thereafter	0	0	0
	<u>13</u>	<u>36</u>	<u>10</u>

### Receivables under leases

Most agreements under which the Agency is the lessor allow for cancellation (known as "break clauses") with notice. However, a small number of leases have been deemed to be non-cancellable and will provide the following minimum lease payments:

Number of leases	4	6	6
	<b>2011</b> <b>£000</b>	<b>2010</b> <b>£000</b>	<b>2009</b> <b>£000</b>
<b>Amounts receivable:</b>			
Due within 1 year	173	226	260
Due after 1 year but not more than 5 years	122	323	526
Due thereafter	6	10	13
	<u>301</u>	<u>558</u>	<u>799</u>

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 22. Contingent Liabilities disclosed under IAS 37

The Agency has no significant current legal negotiations which involve potential contingent liabilities. However, the wholly-owned subsidiary, The North East Regional Investment Fund Partner Limited has made the following disclosure:

As disclosed in the prior year financial statements, the NEL Growth Fund ("NELGF"), of which the company is custodian, was audited by DG Regio (Directorate General for Regional Policy) and DG Regio's draft audit report findings indicate that NELGF may not have been fully state aid compliant, or complied fully with procurement processes and raises the potential for "appropriate financial correction".

During this accounting period various matters have been satisfactorily resolved. However, a number of points remain outstanding and continue to be robustly challenged by the Board, working with the Department for Communities and Local Government and One North East. The maximum exposure if all the ERDF monies were to become repayable would be £2.25m.

As detailed in the Remuneration Report, the Agency participates in the Homes and Communities Agency Pension Scheme (formerly the English Partnerships Pension Scheme). Under the current scheme rules, a possible obligation exists for the Agency to settle its share of the exit debt, upon the last active member in the scheme ceasing employment with the Agency.

At 31 March 2011, the scheme Actuary's estimate of the Agency's share of the exit debt is £7,700,000. Prior year figures have not been provided by the actuaries.

### 23. Financial Instruments

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

However, several of the group companies fulfil a role within the North East region of providing funding for businesses with restricted finance from traditional high street lenders. The risk of default has been assessed by the management of these companies and full provisions have been made for the estimated monetary impact of any potential risky investments.

See also Note 1.16 for further discussion of Financial Instruments.

### 24. Onerous Leases

The Agency is currently obligated under a lease for the occupancy of a portion of Cavendish House in Stockton-on-Tees, which is due to terminate in September 2013. As the Agency does not expect to benefit from this space in future periods, the lease qualifies as an onerous contract under IAS 37. At the date of signing the accounts, negotiations to assign the lease had not been finalised. Therefore, a provision in the amount of £554,000 has been included in 'Other Provisions' in Note 5.

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 25. Borrowings

All borrowings relating to the group refer to non Agency bank loans. The Agency has no borrowings. In 2009-10 the borrowings related to the subsidiary North East Regional Investment Fund Three Limited, and these borrowings were settled during 2010-11 with no new borrowings.

<b>Group</b>	<b>2011 £000</b>	<b>2010 £000</b>	<b>2009 £000</b>
2010 Other Loan	0	0	5,470
2011 (Interest payable @ 2.95% above LIBOR rates)	0	1,335	4,417
2013 Other Loan	0	0	3,840
2014 Other Loan	0	0	5,852
	<u>0</u>	<u>1,335</u>	<u>19,579</u>

#### Current and Non Current Amounts:

<b>Less: Amounts Falling Due Within One Year</b>	<b>0</b>	<b>(1,335)</b>	<b>(842)</b>
<b>Amounts Falling Due After More Than One Year</b>	<b>0</b>	<b>0</b>	<b>18,737</b>

#### Analysis of Bank Loan Repayments:

In One Year or Less or on Demand	0	1,335	842
In More Than One Year But Not More Than Two Years	0	0	842
In More Than Two Years But Not More Than Five Years	0	0	2,528
In More Than Five Years	0	0	205
	<u>0</u>	<u>1,335</u>	<u>4,417</u>



## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 26. Related Party Transactions

One North East is an executive Non-Departmental Public Body of the Department for Business Innovation and Skills. During the year, One North East had significant transactions with this Department and with other entities for which BIS is regarded as the parent, and in particular with other RDA's. In addition, during 2010-11 the Agency along with North West Development Agency operated a North American Office. Costs in the year were £1.4 million which were borne in equal shares by the two agencies.

The Agency had the following loans receivable from its subsidiaries and joint ventures.

#### Outstanding balances at the end of the period:

Name of Related Party	Nature of relationship	Loan amount receivable £000	Provision for doubtful debts £000	Bad debts expense £000	Capital and Interest received £000
North East Regional Aggregation Body LLP	Wholly owned subsidiary	1,129	1,129	0	0
Onsite North East General Partner Limited	50% Joint Venture	23,756	0	0	0
North East Property Partnership LP	50% Joint Venture	98,203	0	0	7,200

#### Loan amounts receivable: Terms and Conditions

Name of Related Party	Loan Term	Interest Rate	Security	Nature of consideration to be given
North East Property Partnership	Initial=10 years; maximum at partnership termination	5%	Properties transferred to partnership	Cash

Other Terms and Conditions:

—Guarantees given: A guarantee of funding has been established through a revolving credit facility granted by Halifax Bank of Scotland in consideration of shares mortgage granted by UKLEP (the other partner in NEPP) secured by its shares and any additional interests in NEPP.

—Principal payment requirements: ONE may draw down principal at the discretion of management, and the draw reduces ONE's interest in the joint venture.

Name of Related Party	Loan Term	Interest Rate	Security	Nature of consideration to be given
Onsite North East General Partner Limited	Set by longstop date - 15 years	5%	Properties transferred to partnership	Cash

Other Terms and Conditions:

The loan term began March 2009. Interest rolls up into the loan principal for the first three years of the loan.

—Guarantees given: None

—Principal payment requirements:

- a. Repayment of the related principal is to be made on the sale of any one or more of the transferred properties and any draw by ONE may only be taken upon sale of property(ies) and after three years of partnership operation;
- b. Repayment of the full outstanding balance will be required if any of the following occurs:
  - i. Disposal of all of the transferring properties
  - ii. The partnership becomes insolvent or is otherwise terminated
  - iii. The partner organisation (Langtree) sells its interest to a third party
  - iv. A bank seeks to enforce security in assets of the partnership or the partner (Langtree)
  - v. The longstop date, unless extended with all parties' consent

Name of Related Party	Loan Term	Interest Rate	Security	Nature of consideration to be given
North East Regional Aggregation Body LLP	31 December 2017	0%	None	Cash

Other Terms and Conditions:

—Guarantees given: None

—Principal payment requirements:

- a. Payment due in annual installements with full payment to be completed by 31 December 2017.

- b. The full amount of the loan becomes due upon default by the borrower

—Default interest will accrue daily at a rate 4% per annum on any amounts unpaid by 31 December 2017.

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 26. Related Party Transactions (continued)

#### Agency transactions with Subsidiaries and Joint Ventures (other than Loans):

Company Name	Payments £000	ERDF Payments (managing authority) £000	Receipts £000	Outstanding Payable (Receivable) £000
North East Regional Aggregation Body LLP	0	0	(2,036)	(2,000)
Tees Valley Regeneration Limited	10	0	(72)	(47)
OnSite North East General Partner Limited	56	0	(40)	0
Sunderland ARC Limited	367	0	(5)	0
Hadrians Wall Heritage Limited	669	0	(1)	11
Enterprise Development North East Limited	874	0	(65)	17
1NG Limited	1,440	0	(2)	1,224
Newcastle Science Company Limited	1,510	546	(88)	0

#### Transactions between external related parties and all Group Companies (listed on pages 85 and 86):

Company Name	Payments £000	ERDF Payments (managing authority) £000	Receipts £000	Outstanding Payable (Receivable) £000
Ad Idem Limited	0	0	(3)	0
Association of North East Councils	144	0	(112)	0
Business Enterprise North East	16,065	7,807	0	2,485
Codeworks	527	531	0	0
English Heritage	76	0	0	0
Environment Agency	2	0	0	0
Fresh Element Limited	1	0	0	0
Gateshead Metropolitan Borough Council	6,001	0	(35)	1,782
Generator North East Limited	0	257	0	0
Gravity Consulting Services Limited	9	0	0	0
Groundworks (Northumberland)	103	0	0	33
Homes and Communities Agency	99	0	(1)	2
Land Restoration Trust	44	0	0	0
Langtree (Property Development & Management Services Limited)	235	0	0	23
Learning & Skills Regional Council	17	0	0	0
National and Renewable Energy Centre Limited	42,373	195	(506)	991
National Energy Action	1	0	0	0
Newcastle City Council	6,814	332	(91)	121
North East Access to Finance Limited	563	0	(6)	15
North East Strategic Health Authority	57	0	0	0
North Music Trust	150	0	0	0
North West Development Agency	4,816	0	(3)	2,510
Northumberland County Council	6,489	318	(977)	991
Northumbrian Water Limited	27	0	(1,430)	0
Onyx Internet	2	0	0	0
Osprey Communications Limited	36	0	0	0
RTC North Limited	1,081	295	0	403
Sunderland City Council	5,453	0	(173)	331
Tees Valley Unlimited	10,718	284	(148)	1,733
The Centre of Excellence for Life Sciences Limited	696	0	0	0
The Entrepreneurs Forum Limited	1,037	0	0	133
UK Land Estates (Partnership) Limited	0	0	(210)	1
UK Land Estates (Services) Limited	67	0	0	0
UK Land Estates Limited	0	0	(51)	2
UKLES LLP	1,666	0	0	2
University of Durham	2,302	0	(158)	1,188
University of Northumbria	441	250	(8)	54
University of Sunderland	4,960	577	(81)	494
University of Teesside	1,392	1,030	(13)	3
Young Enterprise North East	272	0	0	82

The amounts above are shown rounded upward to the nearest £1,000. Therefore, any amount less than £1,000 appears as 1 in the table.

The transactions with North West Development Agency are between that body and the Agency and relate to the mutual support for The Northern Way. The amounts receivable relate to accruals made in periods prior to the current year.

## Notes to The Financial Statements

for the Year Ended 31 March 2011

### 26. Related Party Transactions (continued)

A list of companies related to the group companies through individuals who could have influence over both the company and the related company with which the group companies had transactions during the period follows.

#### Chairman of One North East Paul Callaghan from 16 August 2010 is:

a Director of Business Enterprise North East (Business Link) (until 1 December 2010)  
Chairman of University of Sunderland  
Chairman/Director of RTC North Limited (until 7 September 2010)  
a Director and Shareholder of The Leighton Group, which is a corporate member of Codeworks  
a Director of The Entrepreneurs Forum Limited (until 25 June 2010)

#### Chairman of One North East up to 15 August 2010 Margaret Fay CBE is:

a Director of North Music Trust (from 13 March 2010)  
a Director of Northumbrian Water Group plc (from 1 June 2010)

#### Deputy Chair Ruth Thompson OBE from 1 October 2010 is:

Chair and Non Executive Director of National Energy Action  
a Non Executive Director of Enterprise Development North East Limited  
a Governor of University of Northumbria  
a Non Executive Director of National Renewable Energy Centre Limited  
a Non Executive Director of North East Strategic Health Authority

#### Board Member Alison Thain OBE is:

a Board Member for Tees Valley Unlimited  
a Governor of University of Teesside

#### Board Member Ian Brown is:

Advisory Committee Chair for The Environment Agency  
a Director of Fresh Element Limited  
a Trustee of Groundworks (Northumberland)

#### Board Member Lord John Shipley OBE is:

a Councillor of Newcastle City Council  
a Director of 1NG Limited (until 1 September 2010)  
a Director of Newcastle Science Company Limited (until 1 September 2010)

#### Board Member Kate Welch OBE is:

a Member of Learning & Skills Regional Council

#### Board Member Councillor Peter Jackson is:

a Member of the Association of North East Councils  
a Director of Enterprise Development North East Limited  
a Councillor for Northumberland County Council

#### Board Member Ian Dormer is:

a Director of 1NG Limited as a representative of One North East  
a Director of Enterprise Development North East Limited as a representative of One North East

#### Board Member Professor Christopher Higgins is:

Vice Chancellor of the University of Durham  
a Director of The Centre of Excellence for Life Sciences Limited

#### Board Member Graham Thrower is:

a Director of Generator North East Limited  
a Director of Newcastle Science Company Limited  
a Director of North East Access to Finance Limited, which wholly owns North East Finance (Holdco) Limited

#### Chief Executive, Alan Clarke CBE is:

a Director of Newcastle Science Company Limited

#### Deputy Chief Executive, Ian Williams from 1st January 2011 is:

a Director of Enterprise Development North East  
a Director of Newcastle Science Company Limited

## Notes to the Financial Statements

for the Year Ended 31 March 2011

### 26. Related Party Transactions (continued)

**Director of Legal and Procurement, Charles Peter Judge (from 1 January 2011) is:**

a Director of Hadrian's Wall Heritage Limited  
a Director of One North East General Partner Limited, which owns 50% of Onsite North East General Partner Limited

**Director of Finance, Trevor Waggett from (1 January 2011) is:**

a Director of North East Property Partnership Limited  
a Director of Onsite North East General Partner Limited (from 27 January 2011)

**Deputy Chief Executive, Malcolm Page (until 31 December 2010) was:**

a Director of North East Property Partnership Limited  
a Director of Young Enterprise North East (until 26 July 2010)  
a Director of Onsite North East General Partner Limited (until 31 December 2010)

**Director of Capital Development, David Cramond (until 3 December 2010) was:**

a Director of North East Property Partnership Limited  
a Director of Tees Valley Regeneration Limited  
a Director of the Land Restoration Trust (until 1 June 2010)  
a Director of Onsite North East General Partner Limited (until 3 December 2010)  
a Director of Sunderland ARC Limited (until 3 December 2010)  
a Director of 1NG Limited (until 3 December 2010)

**Director of Communications and Tourism, Stacy Hall (until 15 September 2010) was:**

a Director of Hadrian's Wall Heritage Limited

**Board Member of Hadrian's Wall Heritage Limited, Eric Robson is:**

a Director of Osprey Communications Limited

**Board Member of Hadrian's Wall Heritage Limited, Nick Brooks-Sykes (resigned 31 March 2011) was:**

Director of Tourism for North West Development Agency

**Board Member of Hadrian's Wall Heritage Limited, Humphrey Welfare is:**

Planning and Development Director for English Heritage

**Chief Executive of Hadrian's Wall Heritage Limited, Linda Tuttiert is:**

a Director of Gravity Consulting Limited

**Chairman of the Centre for eBusiness Division of Enterprise Development North East Limited, Christopher Fleetwood is:**

a Director and Shareholder of Onyx Group Limited (Onyx Internet)  
a Governor of University of Teesside

**Director of Onsite North East General Partner Limited, Malcom William Jackson is:**

a Director of Langtree (Property Development & Management Services) Limited

**Director of Onsite North General Partner Limited, John Alfred Downes is:**

a Director of Langtree (Property Development & Management Services) Limited

**Director of North East Property Partnership LP, Christopher Whitfield is:**

a Director of UK Land Estates Limited  
a Director of UK Land Estates (Services) Limited  
a Director of UKLEP (2003) Limited  
a Director of UK Land Estates (Partnership) Limited  
a Director of UKLES (2003) Limited  
a Director of Ad Idem Limited

**Director of North East Property Partnership LP, Michael Spriggs is:**

a Director of UK Land Estates (Services) Limited  
a Director of UK Land Estates (Partnership) Limited  
a Director of UK Land Estates Limited  
a Director of UKLEP (2003) Limited  
a Director of UKLES (2003) Limited  
a Director of Ad Idem Properties Limited

## Notes to the Financial Statements

for the Year Ended 31 March 2011

### 26. Related Party Transactions (continued)

The following Companies are associated with the Agency through its Subsidiaries or Joint Ventures:

Homes and Communities Agency is a Joint Venturer in Sunderland Arc Limited  
Sunderland City Council is a Joint Venturer in Sunderland Arc Limited  
UKLEP (2003) Limited is a partner in North East Property Partnership LP  
UK Land Estates (Partnership) Limited wholly owns UKLEP (2003) Limited

The Founder Members of 1NG are One North East and Gateshead and Newcastle Councils. The company exists to assist, promote, encourage, develop and secure regeneration in their city areas. As such all the transactions of the company are related to the founder members. The directors who are councillors and officers in Gateshead and Newcastle are also related to the Founder Members by virtue of their office.

### 27. Events After the Reporting Period

As part of the closure process for the Agency, permission is being sought from BIS to divest the Agency of its interest in the Jointly Controlled Entities detailed in Note 13. The Board of the North East Regional Aggregation Body LLP has decided that it will cease trading on 31st May 2011.

As outlined in the remuneration report, the decision to uprate public service pensions using the Consumer Prices Index rather than the Retail Prices Index has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The Government is robustly defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the government have not been assessed.

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

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

The transfer is expected to take effect on 19 September 2011. The transfer order includes a number of One North East's assets that are currently included in these accounts under the heading of Inventories – note 7. Details of the assets intended for transfer will be announced when the transfer order is agreed. The transfers will be at the current carrying value of the relevant assets and no gain or loss on transfer will arise.

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



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