

# Annual Report and Accounts 2009 - 2010





## **East Midlands Development Agency (*emda*)**

### **Annual Report and Accounts 2009-2010**

Annual Report and Accounts presented to Parliament pursuant to paragraphs 15 (2) and 17 (3) of Part 1 of the Regional Development Agencies Act 1998

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## Chairman's foreword

Pictured: Bryan Jackson  
*emda* Chairman



**The East Midlands has faced a further year of economic challenges in 2009-2010. East Midlands Development Agency (*emda*) has continued to work closely with partners to support our businesses through the difficulties of the recession, and to help them prepare to compete successfully in the future.**

As we look forward, the long term vision of the Regional Economic Strategy (RES) – to make the East Midlands ‘A Flourishing Region’ – continues to reflect our ambitions for the region, as *emda* works with partners to bring the East Midlands out of recession and focus on investing in growth.

*emda* worked closely with the former Government throughout the past year and will continue to work closely with the new coalition Government going forward. Our lead Regional Development Agency (RDA) role with the Department for Business, Innovation and Skills (BIS), in particular, has seen us inputting to national plans for Britain's economic growth.

April 2009 saw the launch of the then Government's New Industry, New Jobs strategy at Loughborough University to support the country's economic future in a rapidly changing and highly competitive global economy. A year on, despite the changing political climate, the priorities highlighted in this strategy remain relevant and I believe RDAs must continue to have a pivotal role in Britain's economic and industrial future. We are already supporting key sectors such as healthcare and life

sciences, manufacturing, creative industries, digital, low carbon and engineering construction, and we look forward to building on this investment, alongside all our partners, to ensure the UK economy recovers quickly from the recession and is globally competitive in future.

Manufacturing remains a key sector in the East Midlands economy and a significant investment in future manufacturing was announced in 2009-2010 with the establishment of a Manufacturing Technology Centre (MTC) at Ansty in Coventry. A new model of collaborative partnership between industry, universities and research and technology organisations, the MTC reflects the need for manufacturers to move away from competing simply on cost and to compete more on knowledge. Led by four academic partners – the Universities of Nottingham, Loughborough and Birmingham together with the Welding Institute – the MTC has three prime industrial partners – Rolls-Royce, Airbus and Aero Engine Controls.

*emda* and the other Midlands RDA, Advantage West Midlands, are working together to support the building of the MTC and the provision of initial capital equipment. Our collective financial input is £40m, with *emda* investing a total of £15m. In total, £130m of public and private sector investments will be made in the centre over the next 10 years.

The MTC is an excellent example of RDAs using their funds in partnership with business to ensure that UK manufacturing retains a competitive advantage. By bridging the gap between academic research and commercial production the MTC will meet the needs and requirements of industry and ensure both the UK and the Midlands stay at the forefront of manufacturing technology and innovation over the coming years.

We have also worked with partners in the region to urge the Government to invest in electrification of the Midland Main Line and high speed rail links in the East Midlands to boost the economy, tackle congestion and protect the environment. The case for investing in rail services to this region is strong. It would not only benefit the East Midlands, which is projected to have the fastest growing population of any region in England over the next 25 years, but also support business growth and profitability.

At the end of November 2009 my position as Chairman of *emda* was extended until December 2011. I'm delighted to



Picture: Lab at Systems Engineering Innovation Centre (SEIC), Leicester.

be able to work closely with *emda's* dedicated staff and the Agency's strong business led Board for another year, and would like to take this opportunity to thank my Board and all the *emda* team for their continued dedication and commitment to the job in hand over the past 12 months.

At the time of printing this Annual Report, *emda* was awaiting publication of the results of a recent Independent Supplementary Review of RDAs' performance. Conducted for BIS by the National Audit Office, *emda* was assessed in three areas – prioritisation, improvement plans and performance management. We anticipate *emda* will achieve a rating of strong in each area. When considered alongside the previous Independent Performance Assessment carried out by the NAO in 2007 this reinforces our position as a top performing RDA. I'd like to take this opportunity to thank the Agency's staff for their continued professionalism during these demanding and uncertain times.

I'd also like to thank all the partners who have continued to work with *emda* throughout the challenges of the past year. Together, we will continue to do our very best for the people living and working in the region. I am committed to ensuring that *emda* continues to be vigilant to the changing needs of the economy and responds strategically for the long term, demonstrating flexibility for today and tomorrow.

From 1st April 2009 *emda* undertook a transformation of its Sub-regional Strategic Partnerships (SSPs), which has seen

the Agency enter into new sub-regional partnerships with East Midlands unitary and county authorities. In the following pages of this report you will find case study examples of the important activity we have continued to undertake at a sub-regional level through these developing partnerships.

Key to supporting growth going forward is the continued development of a skilled workforce. *emda* already works hard to drive the delivery of skills provision across the region. Since the formation of the coalition Government the arrangements for delivery of skills activity is subject to change. *emda* will continue to work closely with partners to set out priorities for skills for innovation and growth, and for bringing together investment needs and plans across education and business infrastructure.

Looking forward, the formation of a new Government in 2010 will undoubtedly see changes and new challenges ahead. I believe *emda* continues to have a vital role in ensuring economic development in our region and we stand ready to work with the new Government and are prepared for change.



Bryan Jackson  
*emda* Chairman



Picture: Compin Group, an example of manufacturing in the East Midlands.

## Chief Executive's review

Pictured: Jeff Moore  
*emda* Chief Executive



**This Annual Report provides detail of *emda*'s key achievements over the past year, highlighting examples of the work undertaken by both *emda* and its sub-regional partners (SRPs) to help deliver the RES. It also covers activity undertaken through *emda*'s management and delivery of the National Coalfields Programme, European Regional Development Fund and Rural Development Programme for England in the East Midlands.**

I'd like to take the opportunity here to highlight some of the projects undertaken in 2009-2010 in a number of key areas:

**Jobs:** Despite the tough economic climate, *emda* has again exceeded its target for job creation this year, creating or safeguarding a total of 13,011 jobs in 2009-2010. As well as creating new employment opportunities and safeguarding existing jobs, through the Career Chain programme *emda* has worked with both individuals and businesses in the engineering and construction sectors over the past year to ensure these skilled trades can continue to play an essential role in the East Midlands economy as the up turn comes. You can find more information on this programme on page 17 of this Annual Report.

**New business creation:** In the past year 2,854 new businesses have been created or attracted to the region, and have survived 12 months – a sign that despite the recession businesses are continuing to develop and grow. In addition, *emda* has also continued to encourage inward investment, with 38 companies encouraged to invest in the East Midlands in 2009-2010, creating or safeguarding some 2,996 jobs.

As we come out of recession and look to the long term future, it is vitally important that *emda* continues to support and nurture new businesses. As well as providing financial and mentoring support for individual businesses, *emda* has invested in a number of facilities for start-up and young businesses in 2009-2010. For example, you'll find further information in the following pages about the Portfolio Innovation Centre at Northampton University and Phoenix Square in Leicester, with its workspaces and incubation units for creative business.

**Business assistance:** A total of 32,420 businesses in the East Midlands were assisted to improve their performance during the past year. The portfolio of Solutions for Business products plays a key role in this support, providing grants, mentoring and vital support to businesses at every stage of their development. There is more information on the Solutions for Business support provided through Business

Link on page 18 of this Annual Report. The four innovation networks (iNets) also play an important role in *emda*'s business support activity. Funded by *emda* and the European Regional Development Fund, the iNets have supported over 1,000 businesses in the region since they were created two years ago, in the priority sectors of healthcare and bioscience, transport, construction and food and drink.

**Skills:** 40,346 people were assisted with their skills development as a result of *emda* programmes in 2009-2010. This includes the Agency's £9 million STEM (science, technology, engineering and maths) Programme, which is continuing to develop STEM skills among young people and increase levels of STEM literacy through, for example, the opening of the Caunton Academy in Nottinghamshire to support 14 - 19 year olds taking the national diploma in engineering; the first ever Science in the Peak Festival in Derbyshire to inspire and excite young people about potential STEM careers; and the opening of Lab 13 science lab facilities at schools in Leicester, Nottingham and Lincolnshire, which sees students taking on responsibility for a science space in their schools.

**Cross-regional collaboration:** *emda* has been involved in a number of formal and informal collaborative arrangements with other RDAs as well as across the whole network. *emda* has worked collaboratively with the other Midlands RDA, Advantage West Midlands (AWM), on two significant initiatives in 2009-2010. The establishment of a Manufacturing Technology Centre (MTC) on the border between the East and West Midlands, with a total of £40m investment from the two RDAs, is one of the largest public sector investments in manufacturing for many years, and will ensure the Midlands stays at the forefront of manufacturing and innovation for years to come. The creation of a Low Carbon Economic Area (LCEA) for Advanced Automotive Engineering for the Midlands will also see *emda* working alongside AWM. Further detail of the LCEA can be found on page 21 of this Annual Report.

**Carbon reduction:** The creation of a LCEA for Advanced Automotive Engineering in the Midlands will also make a significant contribution to carbon reduction, encouraging research and technology organisations based in the Midlands to develop and produce low carbon vehicles and related technologies.

Carbon reduction activity undertaken by *emda* in 2009-2010 has included piloting an approach to help companies



identify the most suitable energy efficiency technologies to save on energy costs. A series of low carbon events also took place as part of this year's annual iFestival (Innovation Festival) and the Agency has supported workshops to disseminate the findings of a joint *emda*/RIBA study into low carbon building design.

A key focus for *emda* again this year has been continued support for businesses, both through the economic downturn and to help them to prepare for growth going forward. To ensure that banks are responsive to business every bank in our region now has a personal relationship with Business Link, facilitating access to wider business support where it is most needed. We have provided access to enhanced finance provision through initiatives such as the Transition Loan Fund, as well as practical, hands on support for businesses. Via Business Link, businesses have been able to access free health checks to assess their financial strategy, opportunities and tactics to boost sales and potential action plans to achieve their business goals. During 2009 the Business Link service in the East Midlands undertook around 260 health checks per week. This equates to 450 checks per 10,000 businesses – the highest rate of any region in England.

During the last year AstraZeneca announced that, following a global review of their operations, they would be closing their facility in Loughborough, a decision which will affect 1,200 staff. *emda* moved quickly to establish a taskforce, co-ordinating a multi-agency response to the proposed closure. With *emda* working alongside local authorities, Job Centreplus and the company itself, the taskforce will put targeted support into place to help AstraZeneca employees and others affected by the announcement, as well as identifying new uses for the site and new investment, enterprise and employment opportunities which could utilise the skills of the AstraZeneca workforce.

In October 2009 we were able to announce that Taiwanese TV manufacturer, Kenmark, would be making a significant investment in the region. Over three years in the making and involving considerable work by our International Investment team, the deal has resulted in the company agreeing to set up a base in Corby, creating up to 500 jobs. This announcement is a great example of what *emda* can do to help bring investment into the East Midlands. The job prospects this will bring for the local population, particularly at this difficult time for the economy, is proof that manufacturing is alive and kicking in the region.

Global swimwear brand, Speedo, also reinforced its long term commitment to the East Midlands, safeguarding high quality jobs for the region, with the announcement that it will move its international headquarters to new premises at Nottingham's Ng2 business park. *emda* has worked closely with Speedo on the project and we continue to support the company with funding for research and development as well as training, enabling the move to forge ahead.

The London 2012 Games continues to present opportunities for the region's businesses, with more than 100 East Midlands businesses already having won contracts for the Games. The East Midlands is also set to play a central role in elite athlete preparations for the 2012

Olympic and Paralympic Games, thanks to the world class facilities *emda* has helped to develop at Loughborough University. In June 2009, the Japanese Olympic team announced it would be using the campus as its pre-Games training camp, which has been followed by the announcement by the British Olympic Association (BOA) that Loughborough is to be the official preparation camp headquarters for Team GB. Not only will this help to inspire young athletes, but it will bring tremendous economic benefits to the region.

Sporting events such as the 2012 Games present a huge opportunity to welcome more international visitors to the East Midlands. *emda*'s tourism arm – East Midlands Tourism (EMT) – has commissioned 10 images of current and aspiring Olympians and Paralympians taking part in their chosen sport at leading tourism attractions around the region. The images, which are on display at East Midlands Airport, showcase the East Midlands as a region of sporting excellence and a great place to visit in the run up to the 2012 Games and beyond.

In addition, to ensure the region continues to improve its welcome to international visitors, EMT launched Think Smile in July 2009, an online guide specifically designed to provide tourism businesses with valuable advice, delivered by organisations with an established track record in catering for overseas guests.

International visitors were also drawn to the region in June 2009 when the ICC World Twenty20 was hosted at Nottingham's Trent Bridge, which demonstrated that hosting major sporting events in the East Midlands can provide a tangible boost to the region's economy. Alongside Nottinghamshire County Cricket Club, *emda* commissioned independent research into the economic impact of the event, which showed that during the period of the tournament almost 100,000 additional visitors came into Nottingham, with a majority coming from outside the East Midlands and many from overseas. The research calculated that from the £6.4m gained by hosting the World Twenty20, £5.9m of this spending was made by visitors from outside the region.

Over the following pages of this Annual Report you'll find further examples of the types of projects *emda* and its sub-regional partners have supported over the past 12 months. These case studies can only offer a snapshot of the complete range of activity being delivered across the East Midlands against the strategic priorities of the RES. However I hope these give you an indication of how *emda* – working in partnership with public, private and voluntary organisations – can continue to ensure that the vision for 'A Flourishing Region' set out in the RES can be achieved.



Jeff Moore  
*emda* Chief Executive

## Management commentary

### Economic context 2009-2010

The recession experienced by the UK in 2008-2009 was the most severe in more than 30 years. The UK economy contracted by -4.8% in 2009 and by a total of -6% over the course of the recession. However, the UK started to grow again at the end of 2009, growing by 0.4% in the final quarter and by 0.3% in the first quarter of 2010<sup>1</sup>. The consensus of forecasts is for growth in the UK of 1.3% in 2010, rising to 2.1% in 2011<sup>2</sup>.

Despite its origins in the financial services sector, the most significant impacts of the recession have been in the construction and manufacturing sectors. In the East Midlands, the construction sector has contracted as the commercial and residential property markets have slowed. Within the manufacturing sector, the automotive industry and its supply chain in the region has been particularly affected by a fall in the demand for cars. As

**Despite the recession, labour market performance in the East Midlands remains relatively resilient, with an above average employment rate.**

with the UK, there are indications that the East Midlands economy is now growing again.

Levels of output per head remain below the UK average (at 88% in 2008) but, despite an increase in unemployment as a result of the recession, labour market performance compares well with the UK. In February

2010 the employment rate in the region was 73.4%, which is above the UK average of 72.1%. The East Midlands continues to be the only one of the five northern and midlands regions with an above average employment rate. The unemployment rate has increased during the last year, and now stands at 8.0%, just below the national average.

	East Midlands	UK
<b>Gross Value Added (GVA)</b> (2008, £bn)	80.0	1,259.6
<b>Employment rate</b> (Feb 2010, %)	73.4	72.1
<b>Unemployment rate</b> (Feb 2010, %)	8.0	8.2



Picture: QUAD, Derby.

<sup>1</sup> This is the initial estimate published on 23rd April 2010 and is subject to change.

<sup>2</sup> Forecasts for the UK Economy, HM Treasury, April 2010.

## Finance and operating review

During 2009-2010 *emda* has collected outputs as set out in the 2008-2011 Corporate Plan, achieved by the projects and programmes undertaken during the year.

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

Headline performance targets 2009-2010		
Output name	Target for 2009-10	Actual for 2009-10
<b>Job creation:</b> The number of jobs created or safeguarded	10,000	13,011
<b>Business creation:</b> The number of new businesses created and surviving 12 months, and businesses attracted to the region	2,500	2,854
<b>Business support:</b> the number of businesses assisted to improve their performance	29,000	32,420
<b>Skills:</b> The number of people assisted in their skills development as a result of RDA programmes	27,900	40,346

### Job creation

Despite the tough economic climate, *emda* has again exceeded its target for job creation this year, creating or safeguarding 13,011 jobs in 2009-2010. The major contributors to this output are the Business Start-Up project and Investor Development – the former supports new businesses and the latter assists some of the major employers in the East Midlands.

### Business creation

The Business Start-Up programme assisted companies across the region, with a total of 2,459 surviving at least 12 months, this being the threshold for inclusion in the figure above.

### Business support

The Business Link service assisted over 1,500 businesses in March 2010, bringing the total for the year to 21,579. This is significantly over the 17,300 forecast at the beginning of the year and reflects the increased activity in response to the recession.

### Skills

*emda* collects a number of skills output measures, ranging from basic assistance, to Level 3 NVQ or equivalent qualifications. In total over 40,000 people were assisted to develop skills in support of our current and future economy.

The table overleaf shows *emda*'s performance against the full output targets framework, as set out in the 2008-2011 Corporate Plan. The nationally agreed suite of output indicators was withdrawn at the end of 2007-2008. However, *emda* closely aligned the Agency's output definitions for 2008-2011 with the former tasking framework definitions. In year two of this Corporate Plan *emda* reported the tasking framework skills outputs for the last time. These are now replaced for the first time by the new higher level skills outputs on the supplementary table below.

All output targets were achieved for the year. Business support targets were exceeded, reflecting the continued focus on supporting the region's small and medium sized businesses (SMEs) through the economic downturn.

## Finance and operating review

2009-2010		
Output name	Target for 2009-10	Actual for 2009-10
<b>1. Job creation:</b> The number of jobs created or safeguarded	<b>10,000</b>	<b>13,011</b>
<b>2. Employment support:</b> The number of people assisted to get a job	<b>5,200</b>	<b>6,222</b>
<b>3. Business creation:</b> The number of new businesses created and surviving 12 months, and businesses attracted to the region	<b>2,500</b>	<b>2,854</b>
<b>4. Business support:</b> The number of businesses assisted to improve their performance	<b>29,000</b>	<b>32,420</b>
4a. Number of businesses within the region engaged in new collaborations with the UK knowledge base (HE/business collaboration projects)	<b>600</b>	<b>726</b>
<b>5. Regeneration:</b> Hectares of brownfield land remediated	<b>95</b>	<b>96</b>
<b>6. Skills:</b> The number of people assisted in their skills development as a result of RDA programmes	<b>26,000</b>	<b>34,643</b>
6a. Number of adults gaining basic skills as part of the Skills for Life strategy that count towards the skills PSA target	<b>500</b>	<b>1,728</b>
6b. Number of adults in the workforce who are supported in achieving at least a full Level 2 qualification or equivalent	<b>1,400</b>	<b>1,442</b>
<b>7. Financial leverage:</b> Public and private investment levered (£m)	<b>160</b>	<b>258</b>

2009-2010 New skills outputs	
Output name	Actual for 2009-10
<b>E6a</b> Number of adults in work undertaking vocational skills development equivalent to Level 3 or above as a result of RDA programmes	<b>257</b>
<b>E6b</b> Number of people undertaking an additional 12 hours of STEM or enterprise capability based learning as a result of RDA programmes	<b>2,276</b>

### Funding

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

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

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

The 2009-2010 Business Plan underwent a number of changes during the year, *emda*'s net budget was reduced by BIS, and the Agency's capital receipts remained low, due to the depressed commercial and industrial property values as a result of the economic downturn. The table on the next page shows expenditure compared to the 2009-2010 revised Business Plan.

# Finance and operating review

Expenditure	Revised Business Plan 2009-10 £m	Actual 2009-10 £m	Difference 2009-10 £m
<b>Expenditure</b>			
Total regional expenditure	102.3	102.3	0.0
Sub-regional Strategic Partnerships	40.4	40.4	0.0
<b>Total programme expenditure</b>	<b>142.7</b>	<b>142.7</b>	<b>0.0</b>
Baseline administration	16.4	16.4	0.0
European programmes' administration	0.7	0.7	0.0
<b>Total single programme expenditure</b>	<b>159.8</b>	<b>159.8</b>	<b>0.0</b>
<b>Income</b>			
Receipts	(2.2)	(2.2)	0.0
<b>Net single programme expenditure</b>	<b>157.6</b>	<b>157.6</b>	<b>0.0</b>
<b>Grant in Aid cash allocation</b>	<b>157.6</b>	<b>157.6</b>	<b>0.0</b>
(Overspend)underspend	0.1	0.0	0.0
<b>Non cash</b>			
<b>Non cash costs</b>	4.7	3.4	(1.3)
<i>Non cash costs allocation</i>	4.7	4.7	0.0
<i>Underspend</i>	0.0	(1.3)	(1.3)

## Single Programme funding

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

Administration costs for 2009-2010 reduced from the prior year, by £0.4 million, as a result of managing unfilled vacancies by redirecting resources during the year.

The Grant in Aid allocation is now recognised in the statutory accounts as financing on a 'cash received' basis in the accounts. It is therefore recorded at £133m in the Statement of changes in taxpayers' equity for the year ended 31st March 2010 on page 46.

## Structural themes and strategic priorities

The 2008-2011 Corporate Plan was based on the Regional Economic Strategy (RES) developed in 2006-

2007, 'A Flourishing Region', with the priorities of the Agency being refreshed to reflect this new Strategy.

2009-2010 was the third year *emda's* delivery was based on the priorities set out in the Strategy, which were outlined in the 2008-2011 Corporate Plan and the 2009-2010 Business Plan.

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

## Regional and sub-regional funding

The Corporate Plan allocated a significant part of *emda's* funding to Sub-regional Strategic Partnerships. In 2009-2010 £40.4m (30%) of the Agency's single programme funding was deployed sub-regionally.

# Finance and operating review

	Revised Business Plan 2009-10 £m	Actual 2009-10 £m	Difference 2009-10 £m
Employment, learning and skills	5.3	5.3	0.0
Enterprise and business support	37.8	37.8	0.0
International trade and inward investment	5.8	5.8	0.0
Tourism	3.3	3.3	0.0
Innovation	15.1	15.1	0.0
Transport and logistics	0.6	0.6	0.0
Energy and resources	1.3	1.3	0.0
Environmental protection	1.4	1.4	0.0
Land and development	26.1	26.1	0.0
Achieving equality	3.5	3.5	0.0
Strategic programme activity	2.1	2.1	0.0
<b>Total regional expenditure</b>	<b>102.3</b>	<b>102.3</b>	<b>0.0</b>
<b>Sub-regional expenditure</b>	<b>40.4</b>	<b>40.4</b>	<b>0.0</b>
<b>Total programme expenditure</b>	<b>142.7</b>	<b>142.7</b>	<b>0.0</b>

During 2009-2010 £3m of the Agency's 2010-2011 budget was accelerated to support capital projects in the region. These sites supported a number of construction jobs in the region. A full time equivalent of 39 construction jobs were supported by undertaking these projects.

## Corporate objectives

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

Each corporate objective is detailed in the strategic priority review section starting on page 15.

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

## Operational objectives

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

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

On 1st November 2009 the outstanding agreement with Derbyshire County Council was finalised, and the transfer was undertaken smoothly. Agreement with Nottingham City Council was not achieved, and delivery by the one remaining Sub-regional Partnership, Greater Nottingham Partnership (GNP), will continue until March 2011. The planned transfer of responsibilities for other sub-regional bodies, such as Urban Regeneration Companies,

to the local authorities is progressing towards completion across the region.

**ERDF Competitiveness Programme objective:** To effectively manage the implementation of the 2007-2013 ERDF Competitiveness Programme in order to ensure that activity brought forward meets the strategic objectives of the Operational Programme (including a contribution to regional productivity) and, through effective partnership working, that the region meets its first N+2 spend target at the end of 2009.

**Progress:** *emda* moved into the delivery phase of the ERDF programme, achieving the first N+2 target in December 2009. The target was overachieved by £5.4m. The forecasts towards the next original N+2 target, in December 2010, also show an overachievement.

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

**Progress:** The change of Government following the general election has led to change in policy in this area. Therefore, despite the progress made in establishing the structures required to deliver a Regional Strategy from April 2010, there is now significant uncertainty. At present, whilst *emda* is awaiting formal guidance from the Government regarding next steps, no work is being taken forward on the Regional Strategy and any work to review the Regional Spatial Strategy has also been withdrawn.

However, to ensure readiness for future decision making the RES evidence base was updated during 2009-2010. Titled *The East Midlands in 2010*, the document presents a statistical portrait of the East Midlands that identifies key challenges and issues that any future sub-national strategy must consider and address.

# Finance and operating review

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

**Progress:** The 2008-2011 Efficiency Plan was submitted to the Department for Business, Enterprise and Regulatory Reform (BERR) in July 2008 (from June 2009 BERR became the Department for Business Innovation and Skills – BIS). The efficiency target for year two of the plan was £8.4m, with a cumulative target for the first two years of £12.4m. The actual efficiencies reported in 2009-2010 were £9.2m (9% above the target), and a total of £14.5m (16% ahead of the cumulative target) for the three year plan.

Significant savings have been made in staff costs, where some posts have remained vacant and will not be recruited. The lower costs per output achieved in business support, innovation and skills programmes ensured that the full year target was achieved.

## Corporate governance

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

The governance of *emda* is managed by the Board, which met 10 times during 2009-2010. The Board delegates responsibility for decision making to three sub committees as follows:

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

Details of decisions reserved for the Board and the Terms of Reference for each group are contained within the Corporate Governance Manual which is published on the *emda* website at [www.emda.org.uk](http://www.emda.org.uk)

Corporate governance arrangements are reviewed annually, or as new guidance is issued. The Board receives a report at each meeting outlining *emda's* financial position. The Board and the Audit and Risk Management Committee review the financial information and key risks to gain assurance that the Agency is controlling its funds effectively.

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

- Apex Court, City Link, Nottingham, NG2 4LA

## Investing in people

Investing in people is a critical element of *emda's* business continuity strategy and commitment to excellence. A comprehensive Employee Learning and Development Programme helps employees maintain the

competences and skills required to carry out their role. This is continually evaluated to ensure its effectiveness. Specific focus is placed on ensuring appropriate leadership and management skills are in place to meet the challenging and constantly changing agenda. As such the Agency continues to meet its commitments as an Investor in People, first achieved in 2002 and reaccredited in February 2008.

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

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

Note 4 in the accounts details the staff numbers and costs for 2009-2010. The average number of posts during the year decreased from 277 to 272. The reduction follows an ongoing realignment of work throughout the year to ensure the most efficient use of resources.

## Corporate responsibility

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

*emda* wants to be the best Regional Development Agency and was rated as 'performing strongly' scoring 22 out of 24 in the Independent Performance Assessment conducted in 2007 by the National Audit Office.

During 2009-2010 *emda* underwent a further independent performance review, known as the Independent Supplementary Review (ISR), also conducted by the National Audit Office. The Agency was assessed against three key performance areas. At the time of printing *emda* was awaiting publication of the results, which it anticipates will result in an overall rating of strong. *emda* will continue to strive to exceed the expectations of employees, partners, businesses, Government and the people of the East Midlands.

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

- Blueprint – a socially and environmentally responsible property investment fund delivering quality commercial property for regional businesses, which deliver social and environmental best practice in relation to the built environment.
- A procurement process that is actively encouraging companies supplying *emda* to adopt sound equality, diversity and environmental impact measures.

## Finance and operating review

- Considerable investment to support businesses to improve their resource efficiency, including a free service via Business Link Advisers trained to diagnose resource inefficiencies, and *emda* grants to support actions leading to resource efficiency gains.
- A commitment to realising the opportunities of a diverse and inclusive regional economy. As a public body *emda* is required to demonstrate how its actions positively promote equality of opportunity for different groups in society.
- An explicit commitment in the RES to support projects and initiatives that promote community cohesion – working with local authorities, sub-regional partnerships and voluntary and community sector bodies to deliver Local Area Agreements and promoting social enterprises.

### Sustainability performance

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

### Summary of performance 2009-2010

Developed in 2008-2009, the Agency's Sustainable Development Framework (SDF) sets out *emda*'s strategic

approach to sustainability and lies at the heart of the Agency's work, underpinning the development of regional strategies, programmes and projects, partnership working and management of our internal operations. Notable achievements in 2009-2010 include:

- The development of a corporate Environmental Management System (EMS) to help minimise environmental impacts and continuously improve our internal practices
- Integration of sustainability clauses within the project application and appraisal process (governing our investment practices)
- Progress against the Government's sustainable procurement requirements, and launch of the Agency's sustainable physical development guidance (for built environment projects).

Looking ahead to 2010-2011, the Agency is on track to meet and exceed its Corporate Plan 2008-2011 environmental performance targets (aligned to the Sustainable Operations on the Government Estate framework), with preparations underway for the introduction of the new Sustainable Development in Government (SDiG) targets (from April 2011).

Target	2009-2010 performance	
Carbon dioxide emissions	371 tonnes	On target to reduce CO <sub>2</sub> emissions by 95 tonnes by 2010-2011. Most of the reductions to date have been achieved by manual intervention to the heating and cooling systems, and reducing the amount of time that the system is running. Reductions in both business mileage and water consumption have also contributed to the carbon savings.
Residual office waste	12.5 tonnes	On target to achieve a 10% reduction in total waste arising by 2010-2011.
Total waste expenditure	£ 7,042	43% of the waste expenditure is attributable to recycling costs.
Water consumption	1,805 m <sup>3</sup>	On target to reduce water consumption by 5% by 2010-2011. Reductions have been achieved through a range of measures that significantly reduce water usage in the building.
Water expenditure	£ 7,545	No target.
Total energy consumption	1,725,275 kWh	On target for a 5% improvement in energy efficiency by 2010-2011.
Buildings energy consumption	kWh as above	On target for a 5% improvement in energy efficiency by 2010-2011.
Total energy expenditure	£ 68,553	No target.

### Evaluation

In 2008-2009 the results of the pioneering long term economic impact study undertaken by Ecotec were announced, the first comprehensive impact evaluation to be completed by any RDA. During 2009-2010 *emda*'s evaluation activity has focused on using this and other impact evaluation evidence to inform future investment planning, improve organisational effectiveness and embed learning from evaluation into the Agency's day to day operations.

It is critical that future evaluation focuses on determining which types of intervention work best, as well as being able to demonstrate value for money and the return on investment of activity undertaken. *emda* is implementing a Forward Evaluation Strategy which builds on the Ecotec report and has

initiated a series of programme evaluations that will update the impact evaluation study by assessing the Agency's impact over the period from 2007-2008 to 2009-2010.

*emda* also continues to lead the way in RDA evaluation practice, making major contributions to the development of revised technical guidance on impact evaluation for both BIS and the RDA network. *emda* has worked closely with BIS to develop revised Impact Evaluation Framework (IEF) guidance for RDAs, ensuring consistency between *emda*'s approach and evolving national guidance. A number of metrics developed as part of *emda*'s evaluation work have been included in national guidelines. As Chair of the cross-RDA Evaluation Practitioners Group, *emda* has also coordinated contributions from other RDAs to this process.



# Strategic programme activity and progress against the strategic priorities of the Regional Economic Strategy: A Flourishing Region

**Working in partnership with public, private and voluntary organisations, *emda* has continued to support activity over the past year that helps deliver the priorities outlined in the Regional Economic Strategy (RES).**

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

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

This Annual Report provides case study examples of activity undertaken during 2009-2010, which help support delivery against each of these strategic priorities, both by *emda* across the region and through the Agency’s Sub-Regional Partners (SRPs). In addition to activity directly funded through *emda* and the SRPs, the Agency continues to deliver significant funding for the East Midlands through the management and regional delivery of national and European funding schemes. These include the National Coalfields Programme, the European Regional Development Fund (ERDF) and Rural Development Programme for England (RDPE).

## National Coalfields Programme (NCP)

*emda* is working to reclaim and redevelop former colliery sites across the region to create thriving new communities and better job opportunities. During the past 12 months this has included:

- The remediation and redevelopment of the derelict *emda*-owned Steetley Colliery site in Worksop. The work is being carried out by Laing O’Rourke, supported by a £6.3m Land Remediation Scheme grant from *emda*. Phase one has created a state-of-the-art 29,406m<sup>2</sup> pre-cast concrete construction material production facility for Laing O’Rourke, which will create 270 new jobs.

- *emda* has submitted a revised planning application for the redevelopment of the Cotgrave Colliery site in Nottinghamshire. *emda* has been working closely with Rushcliffe Borough Council and other partners to develop a town centre masterplan that complements the colliery redevelopment, creating more than 500 jobs and up to 470 new homes, plus additional classrooms in the existing school in the village and recreational space. Approval of the plans is expected by September 2010.
- Work to remediate the former Avenue Coking Works at Wingerworth near Chesterfield is continuing with VSD Avenue – a consortium of specialist contractors appointed by *emda* – using innovative methods to clean up the site. *emda* and the Homes and Communities Agency (HCA) are investing £172.3m to clean up the site and redevelop it, which is expected to take around four to five years. Once complete, the site will provide mixed use housing and commercial property development. There will also be a nature reserve and recreational facilities that will benefit the local community.

## European Regional Development Fund (ERDF)

*emda* is responsible for the management and delivery of the region’s 2007-2013 ERDF Competitiveness Programme. The Programme aims to increase productivity through innovation, improve resource efficiency in businesses, and boost sustainable economic and enterprise activity in less advantaged communities. At the end of March 2010, the Programme was worth around £236 million over the seven year period.

The Programme continues to operate through a set of bespoke governance arrangements, with a Programme Monitoring Committee responsible for its strategic management and oversight, and delivers ERDF funding through two main Priority Axes:

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

Since the Programme was launched in March 2008, 111 projects have received financial backing, totalling approximately £100 million of ERDF funding. Grants have been awarded to a variety of projects that are supporting innovation, business growth, competitiveness and the creation of jobs as well as boosting economic development in disadvantaged areas. For example:

- £2.7m has been awarded to The University of Nottingham for its **Accelerating a Low Carbon Economy** project, which aims to increase business innovation in sustainable energy technologies. Businesses in the region will be supported in adopting and commercialising low carbon technologies through enhanced interaction with the University and increased research, design and development capacity. The ERDF funding will also provide more focused postgraduate training to raise the region's knowledge and skills base.
- A grant of £778,000 for the Framework Housing Association's **Bridging the Gap** project in Sutton-in-Ashfield will help fund a new skills, employment and enterprise resource centre. The new facility will feature a cyber café, training and advisory space, plus supported accommodation units for homeless and vulnerable young people and incubator units to help local entrepreneurs become established.

At the end of 2009-2010 negotiations were already well advanced with a further 13 schemes with applicants requesting over £10 million of ERDF investment, and sufficient claims were submitted to Government by the December 2009 deadline in order to achieve the Programme's first N+2 (spend) target. Indeed, the target was exceeded by some £5.4m.

#### East Midlands Urban Development Fund

*emda* has established a £20m East Midlands Urban Development (EMUDF) during 2009-2010, which includes £10m ERDF under the Programme's Priority Axis 1. The East Midlands is the first region in England to take advantage of new ERDF flexibilities to get an Urban Development Fund (UDF) up and running.

The EMUDF allows *emda* to make funding work harder for the region and generate a greater return on investment for the taxpayer. Investment will take the form of equity, loans or guarantees rather than traditional grants, supporting projects with the potential for financial return. These returns, along with the original capital investment, can then be reinvested into further schemes to bring real economic benefits to the region over the long term.

This will ensure that the capital base of the fund continues to grow and generate a return on investment over the next 10 years. The fund will support regionally significant projects that will create the right physical environment to help stimulate innovation. Property and finance specialists, King Sturge Financial Services, will

manage the fund and engage with public and private sector partners to identify development opportunities.

### Rural Development Programme for England (RDPE)

Working in partnership with Natural England and the Forestry Commission, *emda* is delivering the RDPE in the East Midlands region. Funded by the European Union (EU) and the Department for Environment, Food and Rural Affairs (Defra), a total budget of £3.9 billion is available in England to support and promote sustainable farming, forestry and food sectors and also bring wider benefits for the economy, the environment and rural communities.

*emda* is delivering the business development and socio-economic elements of RDPE in the region, with a budget of almost £61 million, available until 2013. Launched in January 2008, *emda*'s programme is delivered directly to farmers, foresters, growers and the food sector. The Agency's priority is to allocate grants to support businesses to improve their competitiveness, productivity and sustainability.

During 2009, a review was undertaken of the Regional Implementation Plan for the RDPE, resulting in a proposal to reallocate approximately £4m of RDPE funding (plus a further £400,000 allocated by the EU from the European Economic Recovery Plan) to support rural broadband projects. The proposed re-allocation was endorsed by the region's RDPE stakeholders and awaits ministerial confirmation.

The following are just a few examples of projects that have received RDPE support during 2009-2010:

- **Branston Ltd** was offered a £568,884 RDPE grant to support the company's development of an advanced anaerobic digestion plant and water recycling system. This is the first project of its kind in the East Midlands and will showcase the environmental benefits of anaerobic digestion technology to food and farming businesses. It will be highly effective in reducing the Lincolnshire based business' carbon and water footprint.
- An RDPE grant of £178,230 has helped create a purpose built 60 berth inland marina at **Thrupp Wharf** on farmland adjacent to the Grand Union Canal in south Northamptonshire. It will attract tourism to the area and make a significant contribution to the local economy in an environmentally friendly way. By capitalising on the popularity of canal holidays, the marina will provide new income to boost the owner's existing farming business.
- **Long Clawson Dairy Ltd** in Leicestershire – the largest producer of Stilton in the UK – has received £2.5m RDPE support to extend its existing buildings and facilities, enabling a 25% increase in production capacity. Working with over 40 local dairy farmers, the investment will add value to, and increase demand for liquid milk, while improving the competitiveness of the business and creating new jobs at the dairy.

## Employment, learning and skills

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

*emda*'s support for learning and skills development in 2009-2010 has included continued activity through the £9 million STEM (science, technology, engineering and maths) Programme. Work has also continued to retain key skills in the region, particularly where these were at threat as a result of the economic recession.



Picture: Construction at Coney Green Industrial Estate.

### Career Chain

To respond swiftly and effectively to the downturn Career Chain was expanded to the construction sector.

Career Chain helps workers facing redundancy in hard hit sectors prepare job applications and secure new employment. An additional £250,000 investment from *emda* in 2009-2010 brings *emda*'s total investment in Career Chain to date to £2.2m.

The scheme was initially set up to support the engineering sector. The additional funding has extended support to the construction sector – one which has been particularly hard hit by the recession – to help retain and enhance skills and productivity in the region. *emda*'s additional funding for the scheme will help more people and businesses access the support they need. The aim is to prevent the loss of a skilled workforce that will be so essential as the East Midlands prepares for the economic upturn.

As well as helping individuals to find new jobs, Career Chain supports companies facing the prospect of laying off staff, with tailored programmes to enhance business performance and minimise the impact of redundancy. Career Chain has helped around 1,200 individuals and 82 businesses since it was launched in early 2009. Almost half of those helped have gone on to secure new employment.

During 2009-2010, Career Chain supported around 1,200 individuals and 82 businesses across the region.

- Derbyshire: 134 individuals, 17 businesses
- Leicestershire: 205 individuals, 13 businesses
- Lincolnshire: 151 individuals, 23 businesses
- Northamptonshire: 126 individuals, 4 businesses
- Nottinghamshire: 497 individuals, 25 businesses

### Celebration of science and technology at Snibston

School children from across the region took part in an exciting celebration of science and technology at Snibston Discovery Museum in Leicestershire to coincide with the National Science and Engineering Week from 12th to 21st March 2010.

Funded through Leicestershire County Council, the event aimed to help the region's future workforce to embrace science and hopefully choose it as a future career, which will help the region to flourish over the long term.

Working with a range of partners including Loughborough University, the East Midlands Science Learning Centre and the Leicestershire Education Business Company, Snibston put together a programme of free activities to inspire young people to continue with or choose science, technology, engineering and maths (STEM) subjects at school. The events programme was supported by the Leicester and Leicestershire Leadership Board.

**As part of the programme Snibston also worked with the Aim Higher network to target individual students who would not normally consider a STEM career in higher or further education.**

## Enterprise and business support

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

Enterprise and business support activity over the past year has continued to have a strong focus on both helping businesses survive the economic downturn and preparing them to thrive when the upturn comes, as we look to bring the East Midlands out of recession and focus on investing in growth, both to speed recovery and prepare businesses to compete successfully in the future.



Picture: Business Link is the primary gateway to access Solutions for Business products.

### Solutions for Business

Every type of business needs support at some stage in its development. The right advice, funding or support – delivered at the right time – can make the difference between success and failure.

During 2009-2010 *emda* has been working to simplify the products and services offered to businesses throughout the region, delivering a range of essential ‘Solutions for Business’ products and services. These easy to access services provide expert assistance for all stages of a company’s development.

Solutions for Business is a package of publicly funded business support products and services designed to help businesses start, grow and succeed.

Over the last two years, *emda* has been working to simplify its suite of products to ensure a smooth transition into the Solutions for Business portfolio.

In addition to the regional products available, *emda* has also been instrumental in developing national pilot schemes for Solutions for Business, including selling to the public sector, transformational ICT and business mentoring.

Solutions for Business products that were available in the East Midlands by 31st March 2010 included support under the themes of Starting a Business, Finance for Business, Grow your Business, Building on Success and Exploit your Ideas.

### Lincolnshire Leadership and Management Centre

A state-of-the-art management training centre will be created at the University of Lincoln to bolster the skills of the region's business leaders.

The University has secured a grant of £900,000 from *emda* through Lincolnshire County Council to develop the new Lincolnshire Leadership and Management Centre (LLMC).

The LLMC will be based at the Faculty of Business and Law's new faculty building, currently under construction on the edge of the University's main Brayford Pool campus and due to open later in 2010.

The centre will provide the facilities needed to develop higher level management and leadership skills in companies within the East Midlands, particularly small and medium-sized enterprises (SMEs) in the Lincolnshire and Rutland area.

Economic indicators for Lincolnshire lend support to the rationale for the centre: to increase higher level skills, qualifications and productivity in the county. Lincolnshire has a low Gross Domestic Product (GDP – the measure of economic growth) compared to the UK average and almost a third of adults in the county have no qualification at Level 3 (NVQ Level 3, AS and A Level).

This latest investment builds on work the University of Lincoln is already undertaking with small businesses across the region via the School of Engineering and the soon to be developed Engineering Hub, which has also received *emda* funding. Together these facilities will help to address the skills deficit in Lincolnshire by boosting leadership and management capability and therefore business performance.

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#### The LLMC will feature:

- A 60-seat lecture theatre
  - Seminar and meeting rooms
  - Break-out space for clients
  - Office space for the University's Lincoln Business School
  - A multi-media facility for companies who are unable to come to Lincoln
  - Wireless internet and state-of-the-art audio visual equipment in all rooms.
-

# Innovation

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

*emda* is working closely with universities and other partners to prioritise support for innovation. Both *emda* and ERDF funding is being used for business and university research and development. During 2009-2010 the second Regional Innovation Strategy – RIS2 – was launched and a further investment of £22 million over the next three years was announced to continue the work of the four innovation networks – or iNets. Funded through both *emda* and ERDF investment, the iNets operate in the four priority sectors which are likely to have the greatest impact on the region’s future prosperity – healthcare and bioscience, sustainable construction, transport, and food and drink.

## £22m investment in iNets

In February 2009 *emda* announced £22m additional funding will be made available through *emda* and the European Regional Development Fund over the next three years to help regional businesses to develop and exploit innovative ideas.

The new funding builds on the last three years’ work establishing an innovation strategy for the East Midlands. The money is being used to continue support for businesses through the four iNets and represents a five fold increase in the amount of grant support available to companies in all of the iNet sectors, which will improve productivity and create jobs.

**Supporting a new generation of innovators to further establish the East Midlands reputation as an innovative region.**

The further £22m investment in the iNets also forms part of the second Regional Innovation Strategy, and supports key technologies, such as advanced manufacturing and low carbon.

The iNets consist of teams of specialists who work closely with businesses, providing guidance, mentoring and advice about how to work more innovatively. The additional money will also be used to provide grants to businesses for research and development and to undertake collaborative projects with universities.

In addition to the £22m, it is anticipated that a further £20m will be levered in to invest in innovative projects, helping hundreds of businesses to develop and grow – creating a significant number of new jobs across the region.

Since their creation in 2008 the iNets have supported over 1,000 businesses in the East Midlands and more than 150 innovation support grants have been provided, enabling businesses to develop and commercialise their ideas. Over 180 businesses have been linked with regional universities, enhancing collaborative innovation in the region.

## Portfolio Innovation Centre at Northampton University

In Northamptonshire, the County Council is now delivering economic development activity, working in conjunction with Northamptonshire Enterprise Limited (NEL). Following the success of the initial pilot project, this year NEL – along with West Northamptonshire Development Company (WNDC) – have funded the expansion of the Portfolio Innovation Centre at the University of Northampton.

Within its first year the Centre was at full capacity and had a growing waiting list. Based on this high occupancy and level of demand, an expansion to the Centre was agreed. NEL provided the original £600,000 funding for scheme and an additional £1.5m has now been invested to fund the recent expansion.

Based at the University of Northampton’s Avenue Campus, the expansion is now complete and the new look centre was successfully launched on 24th April 2009.

The expanded Portfolio Innovation Centre will continue to work in partnership with a wide range of public sector organisations and schemes, including Business Link, The Prince’s Trust, Creative Connections, Connect, the regional Arts Partnerships, the East Midlands Incubation Network and *emda*’s Business Champions.



Picture: The Portfolio Innovation Centre, which provides 46 units for start-up and young businesses.

# Transport and logistics

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

*emda* continues to work with partners to influence the prioritisation of investment in transport and to ensure transport plays a positive role in enhancing the economic development of the region. In 2009-2010 this has included work alongside Derby City Council and Derbyshire & Nottinghamshire Chamber of Commerce to fund a Planes, Trains and Automobiles report, examining the impact of the railway, automotive and aerospace industries in Derby and looking at potential future developments in each of these sectors.

## Planes, Trains and Automobiles

Published in January 2010, the Planes, Trains and Automobiles report suggests that there could be a significant increase in the number of people employed in the railway, automotive and aerospace industries in Derby by 2019.

The report emphasises the scale and importance of the aerospace, automotive and railway industries to Derby and the wider region. It forecasts, in a best case scenario, an additional 15,700 jobs could be created across these sectors.

The aim of the report was to identify in detail the specific strengths and weaknesses, opportunities and threats in the railway, automotive and aerospace sectors and to assess the interrelationships between them. This will help businesses in each sector to become more aware of the issues that they need to address, as well as identifying new opportunities to develop and grow their markets.

The publication suggests that between them these three sectors directly employ over 32,000 people through major employers such as Rolls-Royce, Bombardier, Toyota and others. When employment through the supply chain serving these industries is included, the total number of people employed is 46,000, accounting for over £10.3bn of economic output and over 36% of Derby's employment.

The research report advises that complacency about the presence of these sectors or their future growth could be dangerous. In a worst case scenario, employment and productivity in these sectors could decline in adverse market conditions. However, in a best case scenario the research forecasts that there could be a growth in employment and economic output by 2019, particularly in the railway sector where growth of up to 66% is predicted. Growth of up to 34.4% is predicted in the aerospace sector and 22% in the automotive sector.

## Spalding Railfreight Hub

Britain's economy has become increasingly dependent on road haulage to distribute goods for long distance and local deliveries. The sustainability of this approach is now being

challenged, not only by road congestion and the wider operational and commercial pressures on road-based distribution, but also by concerns from business and society about climate change.

As a result *emda* has been supporting a unique project in Spalding in Lincolnshire, which is seeking to increase the use of rail freight within the retail supply chain. Working closely with South Holland District Council and Lincolnshire County Council, the project is exploring the scope for developing a food based rail freight hub, which would combine the two established concepts of 'food clusters' and 'freight villages' and would be the first of its type in the UK.

The impetus for the project has been the upgrading of the railway line for freight traffic by Network Rail. *emda* has contributed £17,500 towards a detailed assessment of the feasibility of connecting a site to the rail network. The *emda*-backed study has looked at the technical and engineering aspects of connecting to the main railway line through Spalding, identifying where the best connection points might be and what impact this would have on the capacity of the network.

The development of a rail freight facility could attract over £200m investment into the local economy, which is highly dependent on agriculture and food processing. A hub could create up to 4,400 jobs on site and indirect benefits in the surrounding area, which has a large group of food importers, packers, processors and agricultural businesses who could benefit from the introduction of an inter-modal hub to allow them to gain access to the rail network for part of their distribution systems. A public consultation is helping determine the best location for the facility and a decision is due to be made by the local authority in June 2010.



Picture: Oakham Station – the impacts of rail industry has far reaching implications for the wider region.

## Energy and resources

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

*emda* continues to encourage new ways of generating and using energy to reduce our region's contribution to climate change and to help businesses adopt low carbon technologies and new approaches to sustainable construction.

### Low Carbon Economic Area for Advanced Automotive Engineering

In February 2009, the then Business Secretary Lord Mandelson announced the creation of a Low Carbon Economic Area (LCEA) for Advanced Automotive Engineering in the Midlands.

The world leading automotive innovation, research and technological expertise located across the Midlands will be harnessed to establish a market lead in the global development and production of low carbon vehicles. The status will act as a signpost to companies around the world that the world class businesses, research and technology organisations based in the Midlands are the first people to visit to develop and produce low carbon vehicles and related technologies.

Through the LCEA, *emda* will work alongside the RDA for the West Midlands – Advantage West Midlands – to deliver a programme of projects, partnering with industry and universities to develop low carbon solutions for key technologies such as motors and aerodynamics. The LCEA will enable greater collaborations between industrial and academic partners across the Midlands regions, and allow for the cross fertilisation of low carbon technology solutions across different transport mediums.

- Automotive manufacturing is vitally important to the Midlands' economy
- In the East Midlands, the LCEA will link with the work *emda* is already doing through the transport iNet



Picture: Loughborough based Intelligent Energy have developed the first hydrogen fuelled hybrid street-ready vehicle in partnership with Suzuki.

### Green business study

The University of Nottingham is carrying out a green business study for Nottinghamshire County Council, funded by both *emda* and the University.

The study is looking at how the Council could encourage businesses to develop 'clean' coal, carbon capture, carbon storage, renewable energy, anaerobic digestion or similar technologies.

It has involved meetings and telephone conversations with businesses, as well as a review of existing reports and data and a comparison of Nottinghamshire and national data.

The resulting report will help the Council decide where and how money could be invested in these technologies in future, both to create employment opportunities and enable the move towards a low carbon economy. The results of this study will help *emda*'s partners understand what's needed to enable new and existing local businesses to embrace the opportunities that a green future holds.

**This project will show how businesses could be supported to develop cutting edge 'green' technologies.**

# Environmental protection

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

A good quality environment is critical for the region's wellbeing. It not only enhances the quality of life for residents but also improves the attractiveness of the region for inward investors, adds to our tourism offer and creates new enterprise and job opportunities. *emda* has funded a number of green infrastructure projects during 2009-2010 to preserve and enhance the region's natural resources to ensure sustainable regeneration.



Picture: Trent River Park opening, November 2009.

## Green infrastructure and buildings

On completion in 2010, a three year *emda*-funded Green Infrastructure Programme will have invested an estimated of £2.6m into 'green' projects across the region.

Launched in 2007, the Green Infrastructure Programme is supporting eight diverse projects, ranging from improving public access to green space to the creation of a wetland habitat and nature reserve.

With *emda* working alongside partners, including Derby City Council, the National Forest Company, the RSPB and the Grantham Canal Partnership, the scheme has been credited with promoting good health, attracting visitors, and enhancing green infrastructure within the region.

By contributing to more sustainable communities *emda* is looking to enhance the quality of life of people. During 2009-2010 *emda* has also supported a series of events to highlight the benefits of refurbishing buildings in a sustainable and environmentally friendly way.

The 'Green futures for existing buildings' project was launched in January 2010. *emda* provided £100,000 for the scheme, which involved a series of events aimed at local authority representatives, planners, funders, policymakers, developers, contractors and their supply chains.

Run by specialists EC Harris and the Building Research Establishment (BRE), the events demonstrated the

commercial business case for refurbishing old buildings in a way that makes them more resource efficient and, ultimately, saves money. EC Harris and BRE have also offered company visits to provide individual, focused support on sustainable development issues.

Projects funded as part of the Green Infrastructure Programme include:

- **Great Northern Greenway** – a multi-user trail linking Derby to Leicester
- **Frampton Marsh** – a multi-functional green space at the RSPB's nature reserve alongside The Wash
- **Trent River Park** – improving accessibility to the waterways as part of the overall Trent River Park Masterplan
- **Charnwood Forest** – a baseline study has informed the development of a Regional Park in NW Leicestershire
- **National Forest** – *emda* investment in land has contributed to the development of the National Forest
- **River Trent to Cotgrave study** – a feasibility study and masterplan has been completed for a multi-functional green infrastructure corridor
- **Towcester Mill Stream Walk** – supporting the restoration of Bury Mount and its surroundings, including the adjacent Mill Stream, in this Northamptonshire market town

## Nottingham City Centre Urban Design Guide

Sustainable building design is also being promoted through the Nottingham City Centre Urban Design Guide. Greater Nottingham Partnership (GNP) sponsored the launch of the guide, in May 2009, where keynote speaker Wayne Hemingway challenged the public sector to find new ways of procuring major housing schemes along European lines, which introduce more competition between house builders and drive up design and living standards.

The event also saw the launch of Design 09, aiming to regenerate smaller derelict and unused sites in Nottingham. These sites include boarded up pubs and closed down factories. Although small compared to larger development schemes such as Eastside and Southside in the city, such areas are local eyesores and bringing them back into productive use will improve the quality of life of the people who live near them as well as making the city a more attractive proposition for investment.



## Land and development

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

Investment in regeneration activity in 2009-2010 continued to focus on developing the economic value of the region's environment and attracting businesses to the East Midlands. This included the first major cultural and creative industries project by Blueprint – a unique private-public company set up by *emda* with a remit to deliver sustainable regeneration and provide innovative solutions to the region's more complex regeneration challenges.

### Phoenix Square

The £21.5m Phoenix Square development in Leicester officially opened to the public on 19th November 2009. Alongside two cinema screens, a café bar and digital art space it provides 63 homes, as well as offices, work space and incubation units for creative businesses.

Phoenix Square is part of the development of a new creative community in the heart of the city's Cultural Quarter, which already features the *emda*-funded Curve theatre and the LCB Depot, which has provided start-up units for creative businesses since 2004. Phoenix Square also forms part of the wider regeneration of Leicester, which includes major new retail investment in the city.

Phoenix Square has recruited eight new full time members of staff – ranging from projectionists to ushers and technicians to box office staff – and will also employ more than 40 people on a casual or part time basis. With the 12 full time staff who were transferred from the former operation at the Phoenix Arts Centre, Phoenix Square has created or safeguarded the equivalent of 34 full time posts.

Phoenix Square is a partnership between Leicester City Council, Blueprint, *emda*, Phoenix Arts and De Montfort University, with additional support from the European Regional Development Fund, EM Media and Arts Council England through National Lottery funds.

Designed by architects Marsh:Grochowski and constructed by Willmott Dixon, Phoenix Square also incorporates the very best in energy efficient technology – such as ground source heat pumps and solar supplemented heating and hot water to help reduce fuel bills.

### Nottingham Contemporary

*emda* committed almost £20 million in previous financial years to fund the development of new or refurbished arts facilities across the East Midlands. Following the opening of a number of these facilities in 2008-2009 – including



Picture: Nottingham Contemporary. Photograph Copyright Andy Taylor Smith.

QUAD in Derby, the Level Centre in Rowsley near Matlock, and Curve in Leicester – Nottingham Contemporary opened its doors to the public in November 2009.

One of the largest contemporary galleries in the country, Nottingham Contemporary opened with a major exhibition of over 60 works by iconic artist David Hockney – the largest Hockney exhibition in 40 years.

Designed by award winning architects Caruso St John, *emda* and its sub-regional partner GNP joined funding partners Nottingham City Council and the Arts Council in supporting the gallery.

Nottingham Contemporary aims to encourage excellence in the arts, support the region's growing creative economy and help put Nottingham on the map as a 'destination' city.

As well as four contemporary gallery spaces, Nottingham Contemporary houses education and study areas, a performance space, a café-bar and shop.

**Almost  
£20m  
invested in arts  
venues across the  
region to facilitate  
long term economic,  
social and cultural  
benefits.**

# Cohesive communities

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

## Minority Supplier Diversity UK

Leicester's Minority Supplier Diversity UK (MSDUK) has received support from *emda* for its work to develop strong supply chains involving ethnic minority businesses from the region.

MSDUK works with a number of large corporations, such as PepsiCo UK. PepsiCo UK have awarded four sizeable contracts to ethnic minority businesses in the last 12 months, as a result of their initiatives with MSDUK – significant business opportunities which went to ethnic minority businesses that may otherwise not have.

For the last two years PepsiCo UK has been holding annual planning days with MSDUK on an open book basis, reviewing past performance and discussing future procurement needs with a view to MSDUK

recommending potential suppliers from its growing database. As a result of this, last year, PepsiCo UK issued 65 questionnaires to ethnic minority business suppliers identified by MSDUK, followed up for responses, made subsequent site visits to selected respondents and championed a number of them to internal clients. All

**Suppliers have grown real experience and knowledge with a world class organisation, which they can use to target similar opportunities or organisations with a significantly higher chance of success.**

the major new ethnic minority business awarded contracts have come about as a result of this proactive work with MSDUK.

## Workshop Community Hub

Through *emda*'s Sub-Regional Partnership with Nottinghamshire County Council, funding has been provided for the construction of a new community facility in Worksop.

A modern, purpose-built facility, Workshop Community Hub will provide a number of key services for the local community. Housing a library, adult day services, youth drop-in facilities, registration services and a ceremony room, the Workshop Community Hub will be a real focal point for local people. Alongside this will be flexible space for community and cultural events, interview and meeting rooms for conferences, learning and cultural activities, and a café. The Community Hub will also be equipped with IT for public use, as well as for use in training opportunities.

The sustainably designed building will also provide a positive and attractive public space and a link to the town centre.

The Community Hub will build on the tradition of libraries as public spaces which are valued by people because they are open to everyone and impose no criteria for entry or usage. The attractive and usable building will result in an increase in facilities available to local people, promotion of lifelong learning, and improved accessibility of services.

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### Services housed in the Community Hub include:

- A modern library
  - Adult day centre provision for people with learning disabilities and people with mental health problems
  - Youth drop-in facilities
  - A registration service and ceremony room.
- 



Picture: Minority Supplier Diversity UK Awards 2009.

## Economic renewal

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

During 2009-2010 *emda* has continued to work with partners to encourage sustainable economic development that will benefit both specific communities and sectors of the economy across the East Midlands. For example, the Manufacturing Technology Centre has the backing of some of the UK's major global manufacturers and will support UK manufacturing companies, and their supply chains, to bring about major improvements in their manufacturing competitiveness.



Picture: Breadmakers at the School of Artisan Food in Welbeck, North Nottinghamshire.

### School of Artisan Food

As one of the four priority sectors supported through the iNets, the food and drink industry plays an important part in the East Midlands economy.

Located on the Welbeck Estate in North Nottinghamshire, the School of Artisan Food is UK's most ambitious learning facility related to the skills of artisan food manufacture.

*emda* awarded the School a grant of £890,000, supporting the region's rural economy through the specialist refurbishment of the historic building that the School occupies – bringing back to life a redundant grade 2 listed building and transforming 1,300 square metres of floorspace.

Providing expert tuition from some of the most skilled and experienced artisan producers in the UK, Europe and beyond, the School offers a wide range of short courses and accredited diplomas in bread making, cheese,

brewing, pickling and preserving, butchery and charcuterie – the preparation of meat. The School also offers a two year diploma programme accredited by Nottingham and Derby Universities, which is the UK's only diploma qualification in artisan food.

As well as food production techniques, students are taught business management skills, ensuring that local people have the skills needed to successfully gain employment in the food and hospitality industries. It is also expected that the School will encourage enterprise, with some students going on to set up their own businesses.

**Creating 11 full-time jobs, the School of Artisan Food is the first of its kind in the UK.**

### Ashwell Business Units

Funding from *emda* has helped to transform a former county council owned depot in Oakham into a complex of broadband enabled, well connected business premises.

*emda* provided £120,000 through Rutland County Council to help fund the refurbishment of the former office building, garage, warehouse and shuttered units on the site in to the new Ashwell Road Business Units.

The units will help local businesses mitigate the impact of the recession by making available start-up accommodation with easy-in/easy-out leases. The new units will be marketed to existing businesses that have outgrown their premises and to new start-ups. The redevelopment was completed in February 2010, and has been managed by Rutland County Council's property team.

The site occupies a prime location, easily accessible from Oakham town centre and close to the Oakham by-pass, with the Rutland Village retail park close by. It is hoped that these affordable new premises will encourage the creation of new businesses and jobs in the area.

Housed in two blocks, the units will provide:

- 4 workshops
- 6 offices
- Adjoining storage and distribution space
- A kitchen, reception area and meeting room for local businesses.

# Economic inclusion

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

*emda*’s activity to encourage economic inclusion continues to include work with a range of partners – from work with Jobcentre Plus and the Learning and Skills Council as part of the Employment Skills and Productivity Partnership (esp) to work with Social Enterprise East Midlands (SEEM) to increase the number and contribution of social enterprises across the region.

## Working with social enterprises

Following a successful pilot in 2007-2009, Business Link and SEEM (the regional social enterprise champion) have received funding from *emda* to ensure that social enterprises get the support they need to start up and grow.

Supported by the former Office of the Third Sector this service will allow social enterprises to get the business support they need to do what they do best: address social and environmental challenges through entrepreneurial approaches.

The East Midlands is already recognised as one of the leading social enterprise regions and our previous business support project was heralded as a model of national best practice. With this additional funding Business Link, working with SEEM, will be able to encourage and support more start-ups and growth in this thriving sector.

Social enterprises are active in a number of different regional markets including health and social care, the creative industries and increasingly, environmental services. The support available from Business Link will enable social enterprises to maintain and grow their presence in these markets, providing goods and services to the public and private sectors as well as individual consumers.

- There are over 2,000 social enterprises in the East Midlands with a combined turnover of £1bn
- More than 20,000 people are employed by social enterprises in the East Midlands
- Key social enterprise sectors in the region include health and social care, creative industries, community development and training provision.

## Peak District Live & Work Rural

A new support package tailored to meet the needs of the Peak District’s rural firms and communities has been launched – worth £1.25m.

With a major contribution from *emda*, the three-year Live & Work Rural programme will provide advice to local entrepreneurs on how to start a business, help existing small enterprises to apply for grants from local and regional funding bodies, and provide support for community-based projects.

**The Peak District plays an important role in contributing to the East Midlands economy, and this funding will help maximise its future potential.**

In addition, guidance on how local firms can use the Peak District's unique conditions in order to grow, cut their carbon footprint and improve their green credentials will be available, complementing advice offered through Business Link. The key aim of Live & Work Rural is to create new jobs, safeguard existing ones and enable communities to carry out further projects of benefit to local people.

Funding for the programme has come from *emda* and its Derbyshire Sub-Regional Partner, as well as the Peak District National Park Authority and other partners.

Independent, *emda*-commissioned research unveiled at the Live & Work Rural launch confirmed that the Peak District National Park contributed around £155m to the region in economic output (or Gross Value Added – GVA) in 2007. According to the report, the Park supports over 14,000 jobs across 2,800 businesses and is home to 38,000 people.



Picture: Big Fernyford Farm, Peak Park, Derbyshire.

# Directors' report

## The Directors present at the Annual Report and Accounts for the period ended 31st March 2010.

### Non-Executive Directors (The Board)

Membership of the *emda* Board during the financial year 2009-2010 is as follows:

Name	Position	Appointment/ reappointment date	End of appointment	Length of appointment
Dr Bryan Jackson OBE	Chair	December 2007		4 years*
Steve Brown	Deputy Chair	December 2007		3 years
Cllr Gary Hunt	Board Member	December 2007		3 years
Cllr Jon Collins	Board Member	December 2007		3 years
Cllr Geoff Stevens	Board Member	December 2007		3 years
Prof Philip Tasker	Board Member	December 2007		3 years
Haydn Biddle	Board Member	April 2007		3 years
Tricia Pedlar	Board Member	April 2007		3 years
Ann Cartwright	Board Member	December 2007		3 years
Michael Seals MBE	Board Member	December 2007		3 years
Parvin Ali OBE	Board Member	December 2008		3 years
Stan Crawford OBE	Board Member	December 2008		3 years
Elizabeth Donnelly	Board Member	December 2008		3 years
Cllr Jim Harker	Board Member	December 2008		3 years
Michael Bryant	Board Member	May 2009		3 years

\*The Chairman's appointment has been extended by the department for Business, Innovation and Skills (BIS) for a period of one year. The termination date is now 13th December 2011.

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

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

### Executive Directors

The Board appointed the following individuals during 2009-2010 to manage the activities of the Agency:

Chief Executive	Jeffrey P Moore
Executive Director of Regeneration	Diana Gilhespy
Executive Director of Business Services	Michael Carr
Executive Director of Corporate Services	Glenn Harris
Executive Director of Strategy (1st April 2009 to 27th September 2009)	Anthony Payne
Executive Director of Strategy (1st September 2009 to 31st March 2010)	Emma Corbett

*emda*'s Deputy Chief Executive, Abby Johnson Brennan, was seconded to Government Office East Midlands for the entire accounting period. The duties of the Deputy Chief Executive were undertaken by Michael Carr and Glenn Harris during 2009-2010.

# Directors' report

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

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

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

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

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

The Agency and the Chief Executive are also responsible for ensuring that there are appropriate controls over any publication of the financial statements, including the publication of the National Audit Office audit report on the Agency's website and in other electronic form.

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

### Accountability and financial framework

The Secretary of State issued the Agency with an accountability and financial framework on 1st October 2008. The Agency has complied in all material respects with the terms of this framework during the course of 2009-2010.

### Principal activities

*emda* was established under the provisions of the Regional Development Agencies Act 1998 and came into existence on 14th December 1998. The Agency is a Non Departmental Public Body (NDPB) sponsored by the Department for Business, Innovation and Skills. The principal activity of the Agency is to support improvement of the economy in the East Midlands by delivering a competitive region and at the same time ensuring that the region has sustainable communities. Our deliverables are measured against output targets over a range of activities identified in *emda*'s output framework outlined in the 2008-11 Corporate Plan.

### Going concern

Following the general election on 6th May 2010, the new coalition Government has outlined a series of proposed changes to how local economic development will be delivered in the future, including the creation of Local Enterprise Partnerships to replace Regional Development Agencies. The June 2010 budget confirmed that the Government intends to abolish Regional Development Agencies through the Public Bodies Bill, and that it will issue a White Paper in summer 2010, which will set out details of these proposals.

Whilst management have concluded there is a material uncertainty over the Agency's ability to continue as a going concern, the accounts have been prepared on a going concern basis, as explained in note 28 to the accounts.

## Financial results and review

### Financial summary

During the 2009-2010 financial year *emda* was primarily funded by Grant in Aid from the Department for Business, Innovation and Skills. An allocation of £157.6 million was given in respect of the 2009-2010 financial year, of which £133m was received in cash during the year. Other funding sources amounted to £29.5 million. The Agency has continued to maximise the efficient use of programme budgets.

### Results

The results for the year ended 31st March 2010 are set out in the financial statements on pages 41 to 74.

# Directors' report

## Review of activities – financial performance 2009-2010

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

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

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

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

## Freedom of Information enquiries

During the period April 2009 to 31st March 2010 the Agency received 115 requests for information under the Freedom of Information Act. All enquires were answered within the prescribed period required by the Act.

## Employment of disabled persons

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

## Employee relations

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

## Employee absence

Staff absenteeism for the year was 2.61%, the total days of absence were 1,807, from a possible 69,126 days.

## Loss of personal data

One laptop was stolen during 2009-2010. There was no personal information data on the laptop, and all of the data held was fully encrypted. There were no other losses of data during 2009-2010.

## Better Payment Practice Code

The Agency is committed to the Better Payment Practice Code (previously the CBI Prompt Payment Code) and aims to pay all undisputed invoices and claims within 30 days. In 2009-2010 the Agency paid 98% of invoices and claims against this target.

During 2009-2010 the Agency also committed to support SME businesses by aiming to achieve payment of undisputed supplier invoices within 10 days. Against this measure the Agency paid 91% (2008-2009 65%) of invoices on time.

## The Agency's environmental policy for operation

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

## Audit and Risk Management Committee

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

	Position	Membership term
Stan Crawford OBE	Member/ Chair	Chairman, Full year
Prof Philip Tasker	Member	Full year
Ann Cartwright	Member	Full year
Cllr Jon Collins	Member	Full year
Elizabeth Donnelly	Member	Full year

## Directors' report/Remuneration report

### Audit Services

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

Audit services	£59,500
IFRS accounts restatement	£6,500
Independent Supplementary Review	£77,375*

\*This invoice amount is shown net of irrecoverable VAT.

The Comptroller and Auditor General also has statutory powers to report on the economy, efficiency and effectiveness with which *emda* has used its resources. In November 2003 the Comptroller and Auditor General

published the 'Success in the Regions' report on how the agencies and the departments work together. In February 2007 the NAO published an Independent Performance Assessment (IPA) on East Midlands Development Agency.

This and other reports issued by the Comptroller and Auditor General can be found on the National Audit Office website at [www.nao.org.uk](http://www.nao.org.uk).

### Political and charitable donations

No political or charitable donations were made during the year.

### Annual Public Meeting

The Annual Public Meeting will be held on 12th November 2010.

## Remuneration report

This report for the year ended 31st March 2010 is produced by the Board on the recommendation of the Remuneration and Human Resources Committee and deals with the remuneration of the Chair, Chief Executive, Board Members and Executive Directors who have influence over the decisions of the Agency as a whole.

### Remuneration and Human Resources Committee

#### Membership

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

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

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

#### Role of the committee

The role of the Remuneration and Human Resources Committee is:

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



# Remuneration report

## Remuneration policy

The remuneration of the Chief Executive Officer is decided by the Remuneration and HR Committee on recommendation from the Chairman of the Board. Progression through the nationally approved RDA Chief Executives pay scale (reviewed nationally on an annual basis) is set at a maximum of 5% of the maximum of the pay scale, plus the appropriate cost of living increase.

There is also a non consolidated performance related bonus of up to 20% of salary, based on performance against objectives that have been agreed by the Remuneration and Human Resources Committee and reviewed by the Executive Director of Government Office for the East Midlands (GOEM). Both elements are ratified by the Secretary of State for Business, Innovation and Skills.

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

## Service contracts

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

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

Board Members appointments are made in accordance with the Commission of Public Appointments Code. For Board Members there is no provision in place for early termination of appointment. A table of Board Appointments is shown on page 27.

## Audited section of remuneration report

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

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

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

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

**Table one – Board Members emoluments**

	Salary 2009-10 £	Taxable benefits 2009-10 £	Total salary 2009-10 £	Total salary 2008-09 £
Dr Bryan Jackson OBE	81,718	1,368	83,086	82,021
Steve Brown	17,332	352	17,684	26,488
Cllr Neville Jackson	-	-	-	6,587
Cllr Ross Willmott	-	-	-	6,587
Valerie Dwyer	-	-	-	6,454
Cllr Gary Hunt	8,666	102	8,768	8,840
Cllr Jon Collins	8,666	-	8,666	8,604
Cllr Geoff Stevens	8,666	264	8,930	9,221
Prof Phillip Tasker	8,666	-	8,666	8,538
Parvin Ali OBE	8,666	293	8,959	9,020
Stan Crawford OBE	8,666	160	8,826	8,618
Haydn Biddle	8,666	454	9,120	9,237
Tricia Pedlar	8,666	227	8,893	8,976
Ann Cartwright	8,666	140	8,806	8,780
Michael Seals MBE	8,666	273	8,939	9,034
Elizabeth Donnelly	8,666	119	8,785	2,886
Cllr Jim Harker	8,666	352	9,018	3,022
Martin Bryant	7,944	160	8,104	-

# Remuneration report

## Chief Executive and Executive Directors

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

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

**Table two – Chief Executive and Executive Directors' salaries**

	2009-10 Salary band including performance pay £'000	2009-10 Benefits in kind £ nearest £100	2009-10 Full year salary equivalent £'000	2008-09 Total salary £'000
<b>Jeffrey P Moore</b> Chief Executive	160-165	5,800	170-175	165-170
<b>Abby Johnson Brennan</b> Deputy Chief Executive (seconded to GOEM from 19th March 2009 for 15 months)	110-115	4,300	115-120	110-115
<b>Michael Carr</b> Executive Director of Business Services	105-110	-	105-110	95-100
<b>Glenn Harris</b> Executive Director of Corporate Services	105-110	-	105-110	95-100
<b>Diana Gilhespy</b> Executive Director of Regeneration	100-105	-	100-105	95-100
<b>Anthony Payne</b> Executive Director of Strategy and Communications (1st April 2009 to 27th September 2009)	45-50	-	80-85	n/a
<b>Emma Corbett</b> Executive Director of Strategy and Communications (appointed 1st September 2009 to 31st March 2010)	45-50	-	75-80	n/a

## Salary

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

## Benefits in kind

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

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

## Pension benefits

### Pension benefits of Board Members

With the approval of BIS, a pension scheme has been put in place for the Chairman with contribution rates and benefits which are identical to the Principal Civil Service Pension Scheme but which is funded directly by the

Agency. The Agency is not permitted to pay these contributions to a personal pension plan provider. On retirement, payment of the Chairman's pension will be the responsibility of the Agency, underwritten by BIS. No other Board Members are eligible for pension contributions, performance related pay, or any other taxable benefit as a result of their appointment with the Agency. Full disclosure of the assets and liabilities of the scheme are provided in note 5 to the accounts.

### Pension benefits of Chief Executive and Executive Directors

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

### Cash Equivalent Transfer Values (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment

# Remuneration report

made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension

benefit accrued to the member as a result of their purchasing additional years of pension at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

## Real increase in CETV

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

**Table Three – Chairman's pension**

	Real increase in pension and related lump sum at retirement age £'000	Total accrued pension at retirement age at 31/03/09 and related lump sum £'000	CETV at 31/03/09 £'000	CETV at 31/03/10 £'000	Real increase in CETV after adjustment for inflation and changes in market investment factors £'000	Length of relevant service Years
<b>Dr Bryan Jackson OBE</b> Chairman	0 - 2.5	5 - 10	111	138	25	5

**Table Four – Chief Executive and Executive Directors' pensions**

	Real increase in pension and related lump sum at retirement age £'000	Total accrued pension at retirement age at 31/03/09 and related lump sum £'000	CETV at 31/03/09 £'000	CETV at 31/03/10 £'000	Employee contributions and transfers in £'000	Real increase in CETV after adjustment for inflation and changes in market investment factors £'000	Length of relevant service Years
<b>Jeffrey P Moore</b> Chief Executive	2.5 - 5.0 plus 7.5 -10.0 lump sum	60 - 65 plus 185 - 190 lump sum	1,200	1,336	0 - 2.5	69	37
<b>Abby Johnson Brennan</b> Deputy Chief Executive (seconded to GOEM from 19th March 2009 for 15 months)	0 - 2.5 plus 0 - 2.5 lump sum	15 - 20 plus 5 - 10 lump sum	161	196	5 - 7.5	19	11
<b>Michael Carr</b> Executive Director of Business Services	0 - 2.5	5 - 10	80	109	2.5 - 5	21	4
<b>Glenn Harris</b> Executive Director of Corporate Services	0 - 2.5	20 - 25	227	262	2.5 - 5	18	16
<b>Diana Gilhespy</b> Executive Director of Regeneration	2.5 - 5	40 - 45	685	800	12.5 - 15	41	27
<b>Anthony Payne</b> Executive Director of Strategy and Communications (1st April 2009 to 27th September 2009)	0 - 2.5	10 - 15	187	199	0 - 2.5	2	13
<b>Emma Corbet</b> Executive Director of Strategy and Communications (appointed 1st September 2009 to 31st March 2010)	0 - 2.5	5 - 10	71	81	0 - 2.5	5	7

# Remuneration report

## Non cash remuneration

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

## Compensation paid, significant awards to former directors

There were no payments during the financial year (2008-2009 nil).

## Amounts payable to third party for services as a senior manager

No payments were made to third parties.

## Payments made for loss of office

Payments made during the financial year amounted to £21,000 (2008-2009 £58,805).

## Civil Service Pensions

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

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

with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

## Classic scheme

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

## Premium scheme

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

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

# Remuneration report

## Classic Plus scheme

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

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

## Nuvos

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

## Partnership Pension Account scheme

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

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

Further details about the CSP arrangements can be found in note 5(b) and at the website

[www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

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

No members of staff took early retirement due to ill health during the financial period (2008-2009 nil).



**J P Moore**  
Chief Executive



**Bryan Jackson**  
Chairman

Date: 29th June 2010

# Statement of internal control

## Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of *emda*'s policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money, the Government's Financial Reporting Manual and Government Accounting. I also share responsibility with the Board for ensuring that *emda* continues to operate within the framework specified by the Secretary of State and the Department for Business, Innovation and Skills (BIS) in *emda*'s Accountability and Financial Framework.

The Board and I use a common mechanism for obtaining assurance on the adequacy, effectiveness and efficiency of *emda*'s risk management, control and governance process. The Chairman and I are therefore making a joint statement on the effectiveness of internal control.

## The purpose of the system of internal control

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

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

The system of internal control has been in place in *emda* for the year ended 31st March 2010 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

## Capacity to handle risk

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

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

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

## Risk awareness

In *emda*, corporate risk owners are identified as members of the Executive Team, and the Directors Group. These groups are involved in the annual review of the risk management policy and strategy. As part of this process an update of best practise and new developments in risk management are communicated, refreshing the knowledge of risk owners in the areas of risk identification, analysis, evaluation and control.

## Working with partners

*emda* manages the risks involved in working with partners through performance management frameworks. As part of this management, the key partners provide annual statements of assurance to *emda*, detailing their own governance arrangements and control framework.

## The risk and control framework

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

### 1. Risk Management Policy and Strategy

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

# Statement of internal control

## 2. Risk profiles

### • Corporate

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

### • Directorate

Each directorate has a risk profile. Each risk profile sets out identified risks, the risk priority and outlines a control strategy for managing the risk, and the sources of assurance used by the Agency to ascertain the effectiveness of the controls. Where further action is needed to strengthen the control environment, an action plan is put in place. Risks are challenged by Corporate Services on a quarterly basis as part of the review process. The Audit Committee reviews each Directorate Risk Profile in detail annually.

### • Fraud

The Agency has implemented a separate Fraud Risk Register during 2009-2010, complemented by workshops for staff to raise fraud awareness. This risk crosses all areas of activity, and has increased in the public sector during the current economic environment.

### • Information security

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

## 3. Project risk profiles

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

### Risk priorities

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

#### **Risk of failure to achieve the N+2 target in December 2009 for the East Midlands 2007-13 ERDF Competitiveness Programme**

The programme formally transferred to *emda* in January

2008. The December 2009 target was the first programme delivery target *emda* was required to achieve. In order to minimise the risk of failure, management and resources were reviewed and amended throughout the summer and autumn of 2009 to ensure delivery of the programme. Having successfully delivered the year one target the risk has reduced, but will remain throughout the life of the programme. The delivery risks are managed through *emda's* governance framework.

### Engaging with partners

A key mechanism for the delivery of the Corporate Plan is through partners such as local authorities (LAs), Sub-Regional Strategic Partnerships (SSPs), Destination Management Partnerships (DMPs) delivering the tourism programme and Urban Regeneration Companies (URCs). We have continued to develop our management arrangements with all of these bodies and each partner is subject to a periodic review by our internal auditors. We agree delivery plans with our partners to ensure expectations are aligned, and we undertake regular formal performance reviews in order to identify and manage performance risks. The transfer of sub-regional delivery from SSPs to local authorities has taken place in all but one area. The arrangement in Nottingham City, through the Board of Greater Nottingham Partnership, will continue to the end of March 2011. The move from delivery through URCs to other arrangements is at various developmental stages around the region; *emda* is working closely with local authorities and the Homes & Communities Agency (HCA) to support this change.

### Transfer of skills responsibilities

From 1st April 2010 *emda* has been charged with producing a five year Regional Skills Strategy and being responsible for determining skills requirements of the regional economy, gathering evidence of demand, producing a Regional Priorities Statement, and being a champion and advocate for skills for employers and individuals in the region. This new responsibility will be delivered by a team seconded from the Skills Funding Agency (SFA). *emda* has received an additional resource settlement from BIS to fund these posts which will not be funded from *emda* budgets. *emda* has been working closely with BIS, The Learning and Skills Council (LSC) and other RDAs to ensure that the transfer happens smoothly.

### Regional Strategy – new responsibilities

From 1st April 2010 *emda* will have a joint statutory responsibility with the region's local authorities for the development, implementation and monitoring of an integrated Regional Strategy (that brings together the

# Statement of internal control

current Regional Economic Strategy and Regional Spatial Strategy). These new arrangements are prescribed in the Local Democracy Economic Development and Construction (LDEDC) Act. However, the new coalition Government has committed to revoking the Regional Strategies, but a detailed timescale and process for this has not yet been issued. Until this revocation takes place, *emda* is still classed as a “Responsible Regional Authority” under the LDEDC Act and steps are being taken to ensure that this does not result in any ongoing responsibilities or liabilities for the Agency.

## National Coalfields Programme

The Coalfields Programme, delivered by *emda* on behalf of the HCA, includes 27 sites and forecast investment in excess of £300m. All projects, with full costings are reviewed and approved jointly with the HCA. During the last year remediation at The Avenue commenced after the approval of a full funding application by HM Treasury and BIS. At Gedling £8m of funding has been approved to progress this scheme, at Cotgrave a planning submission acceptable to all parties is being prepared, and at Steetley, a funding application is being finalised following the successful completion of a significant manufacturing facility on an adjoining site.

## Financial planning and control

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

### Financial planning

We accelerated Business Planning for 2010-2011 to ensure the Agency could plan and prioritise activity within a tighter fiscal environment. Planning for periods beyond April 2011 has been considered at a strategic level by a Long Term Planning Group, and measures have been implemented to manage contractual liabilities beyond this date.

### Financial management

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

## Project appraisal and monitoring

The Agency manages project risk by adopting the guidance offered by BIS under the Single Programme. As part of project appraisal, an assessment of potential challenges and risks is undertaken and alternative options for delivery are considered. Our Shared Resource Centre (SRC) provides a specialist appraisal service to our key partners and also covers *emda*'s own internal projects. The results of project and programme evaluation completed in prior years is now built into the appraisal process, and informs investment decisions.

The SRC has also commenced a new compliance role during 2009-2010 to further enhance the project monitoring governance framework in the region. In addition, we have also created legal and procurement functions to provide guidance in those areas. Monitoring is undertaken by all delivery teams on a risk basis, to provide evidence of expenditure and outputs during delivery and completion.

## Programme management

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

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

## Business failure

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

## Information security

During 2009-2010 *emda* reviewed existing information security policies and procedures, in line with guidance issued by the Cabinet Office. The Chair of the Audit Committee is the Senior Information Risk Officer, with the Committee overseeing all developments. This is supported by the Information Security Forum, chaired by the Executive Director of Corporate Services, and is responsible for drafting policy in this area and managing any compliance related issues. During 2009-2010, all



## Statement of internal control

*emda* staff have been informed about their role in managing information security, and a revised Acceptable Use Policy has been introduced that places a duty of care on all staff to protect data and information.

We have identified all the Information Asset Owners (IAO) during 2009-2010 and they have confirmed that a review of all information within their areas is subject to appropriate controls to minimise risk of disclosure.

During the year, *emda* has suffered the loss of a single laptop which was encrypted to cabinet office standards, and as such no sensitive or personal information was lost.

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

### Significant internal control problems

There are no significant internal control issues to report.

### Review of effectiveness

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

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

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

Clear responsibility for managing risk lies with the Board, Directors and staff of *emda*. Internal Audit plays a crucial

role in the risk management process by:

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

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

Following completion of the planned work for 2009-2010, the Head of Internal Audit issued an independent and objective Statement of Assurance on the adequacy and effectiveness of the Agency's system of internal control, which stated that:

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



**Jeffrey P Moore**  
Chief Executive

Date: 29th June 2010

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

I certify that I have audited the financial statements of East Midlands Development Agency for the year ended 31st March 2010 under the Regional Development Agencies Act 1998. These comprise the net expenditure account, the statement of financial position, the statement of cash flows, the statement of changes in taxpayers' equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the remuneration report that is described in that report as having been audited.

## Respective responsibilities of the Chief Executive/Accounting Officer and auditor

As explained more fully in the statement of the Agency's and Chief Executive's responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

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

## Opinion on regularity

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

## Opinion on financial statements

In my opinion:

- The financial statements give a true and fair view of the state of the East Midlands Development Agency's affairs as at 31st March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended
- The financial statements have been properly prepared in

accordance with the Regional Development Agencies Act 1998 and directions issued thereunder by the Secretary of State.

## Emphasis of matter – going concern

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in note 28 to the financial statements concerning the application of the going concern principle. This is in light of the Government's announcement in the June 2010 budget that it intends to abolish the Regional Development Agencies through the Public Bodies Bill, and that it will issue a White Paper in summer 2010 setting out details of these proposals. These circumstances indicate the existence of a material uncertainty which may cast doubt upon the ability of East Midlands Development Agency to continue as a going concern. The financial statements do not include the adjustments that would result if East Midlands Development Agency was unable to continue as a going concern.

## Opinion on other matters

In my opinion:

- The part of the remuneration report to be audited has been properly prepared in accordance with directions issued by the Secretary of State under the Regional Development Agencies Act 1998
- 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 are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- The statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

Date: 9th July 2010

### Amyas C E Morse

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

## Net expenditure account for the year ended 31st March 2010

	Notes	2009-10 £'000	2008-09 £'000
<b>Expenditure</b>			
Programme expenditure	Note 3	146,640	139,635
European funding expenditure	Note 3	24,972	4,102
Staff costs	Note 3 & 4	12,136	12,086
Depreciation and amortisation	Note 6	661	666
Inventory write down	Note 6 & 16	1,638	9,196
Increase/ (reduction) in provision for environmental liabilities	Note 6 & 21	(1,593)	48,901
Other expenditure	Note 6	8,003	9,007
<b>Total expenditure</b>	Note 3	<b>192,457</b>	<b>223,593</b>
<b>Income</b>			
European funding	Note 7	25,989	4,102
Coalfield and other government grants	Note 7	3,611	(31)
Reimbursement/ (reduction) of provision for environmental liabilities	Note 7 & 23	(1,343)	48,901
Transfer from reserves	Note 7	1,421	5,804
Book value of inventories written back	Note 7 & 16	208	347
Self generated income	Note 7	4,540	6,778
<b>Total income</b>	Note 3	<b>34,426</b>	<b>65,901</b>
<b>Net expenditure</b>		<b>158,031</b>	<b>157,692</b>
Interest receivable	Note 7	(474)	(661)
Interest payable	Note 6	447	421
Notional cost of capital	Note 6	891	1,153
(Surplus)/ loss from share in joint ventures	Note 12	(280)	247
(Surplus)/ loss from share in associates	Note 12	(31)	1,164
<b>Net expenditure after cost of capital charge and interest</b>	Note 3	<b>158,584</b>	<b>160,016</b>
Income tax	Note 8	(88)	1,472
Reverse notional cost of capital		(891)	(1,153)
<b>Net expenditure taken to reserves</b>		<b>157,605</b>	<b>160,335</b>
Net expenditure taken to Grant In Aid reserve		157,916	158,924
Net expenditure taken to general reserve		(311)	1,411
		<b>157,605</b>	<b>160,335</b>

Of the net expenditure for the period of £157,605,000, the Agency contributed net expenditure of £157,916,000. Net expenditure of the Agency is financed by Grant in Aid.

The notes on pages 45 to 74 form part of these accounts.

All activities are from continuing operations, unless otherwise stated.

## Statement of financial position as at 31st March 2010

	Notes	31st March 2010 £'000	31st March 2009 £'000	1st April 2008 £'000
<b>Non current assets</b>				
Property plant and equipment	Note 9	644	772	974
Intangible assets	Note 10	686	751	748
Investment in subsidiary undertakings		-	-	1,734
Share of gross assets in joint ventures	Note 12	220	1,595	2,114
Share of gross liabilities in joint ventures	Note 12	(80)	(1,899)	(2,169)
Investments in associates	Note 12	47	182	1,345
Financial assets – long term loans	Note 13	20,057	21,473	16,409
Other non financial assets – receivables	Note 14	500	910	-
Tax assets (deferred tax)	Note 15	272	371	882
Reimbursement in respect of provisions	Note 23	<u>74,519</u>	<u>80,695</u>	<u>35,160</u>
<b>Total non current assets</b>		96,865	104,850	57,197
<b>Current assets</b>				
Inventories	Note 16	18,463	19,679	25,163
Trade and other receivables	Note 18	5,031	6,422	12,136
Cash and cash equivalents	Note 19	35,095	33,741	9,187
Tax assets (income tax)		<u>323</u>	<u>-</u>	<u>-</u>
<b>Total current assets</b>		58,912	59,842	46,486
<b>Total assets</b>		<u>155,777</u>	<u>164,692</u>	<u>103,683</u>
<b>Current liabilities</b>				
Trade and other payables	Note 20	(47,524)	(24,201)	(19,094)
Tax liabilities (income tax)		<u>-</u>	<u>(644)</u>	<u>(667)</u>
<b>Total current liabilities</b>		<u>(47,524)</u>	<u>(24,845)</u>	<u>(19,761)</u>
<b>Total assets less current liabilities</b>		108,253	139,847	83,922
<b>Non current liabilities</b>				
Provisions	Note 21	(95,628)	(101,560)	(56,796)
<b>Assets less liabilities</b>		<u>12,625</u>	<u>38,287</u>	<u>27,126</u>
<b>Reserves</b>				
Grant in Aid reserve		2,535	27,451	11,375
General reserve		9,845	10,506	15,215
Revaluation reserve		<u>245</u>	<u>330</u>	<u>536</u>
		<u>12,625</u>	<u>38,287</u>	<u>27,126</u>

The notes on pages 45 to 74 form part of these accounts.

The financial statements on pages 41 to 74 were approved by the Board on 16th June 2010 and were signed on its behalf by:

Chief Executive

Chairman

Date:

29th June 2010

## Statement of cash flows for the year ended 31st March 2010

	Notes	2009-10 £'000	2008-09 £'000
<b>Cash flows from operating activities</b>			
Net surplus/ (deficit) after cost of capital charge and interest		(158,584)	(160,016)
Less notional cost of capital charge		891	1,153
(Increase) / decrease in trade and other receivables		3,298	3,302
(Increase) / decrease in inventories	Note 16	1,216	5,484
Increase / (decrease) in trade and other payables	Note 20	23,323	5,107
Transfer from general reserve to net expenditure account	Note 7	(1,266)	(5,454)
Transfer from general reserve to reimbursement of provision	Note 23	(6,603)	(4,138)
Transfer to/ (from) general reserve		(23)	9
Transfer from revaluation reserve	Note 7 and 16	(85)	(206)
Depreciation, amortisation and impairment	Note 6	661	610
Loss from disposal of investments		-	469
Profit from disposal of intangible assets	Note 7	-	(10)
(Profit)/ loss from disposal of property, plant and equipment	Note 7	14	(3)
(Surplus)/ loss from share in associates and joint ventures	Note 12	(311)	1,411
Environmental liability provision increase / (decrease)	Note 22	(1,593)	48,901
Reimbursement of environmental liabilities provision (increase)/ decrease	Note 23	1,343	(48,901)
Unwinding of provisions/ debtors	Note 6	440	405
Other provisions increase / (decrease)		1,962	(247)
UK corporation tax (paid)/ received		(773)	(982)
<b>Net cash outflow from operating activities</b>		<b>(136,090)</b>	<b>(153,106)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	Note 9	(95)	(100)
Purchase of intangible assets	Note 10	(387)	(425)
Proceeds on disposal of property, plant and equipment and intangibles		-	70
Proceeds on disposal of investments		-	1,320
Loans to other bodies	Note 13	(2,000)	(6,000)
Loan repayments from other bodies		6	1,508
<b>Net cash outflow from investing activities</b>		<b>(2,476)</b>	<b>(3,627)</b>
<b>Cash flows from financing activities</b>			
Grant in Aid from parent department		133,000	175,000
Coal grant received for capital expenditure	Note 7	7,405	6,130
European retrospective funding		(485)	155
<b>Net cash inflow from financing activities</b>		<b>139,920</b>	<b>181,285</b>
<b>Net (decrease)/ increase in cash and cash equivalents in the period</b>		<b>1,354</b>	<b>24,552</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>33,741</b>	<b>9,189</b>
<b>Cash and cash equivalents at the end of the period</b>	Note 19	<b>35,095</b>	<b>33,741</b>

## Statement of changes in taxpayers' equity for the year ended 31st March 2010

2008-2009		Revaluation reserve	Grant in Aid reserve		General reserve		
	Notes	£'000	£'000	European funding £'000	Coal grant £'000	Pensions £'000	JVs and associates £'000
<b>Balance at 1st April 2008</b>		536	11,375	1,372	12,558	(3)	1,288
<b>Change in taxpayers' equity for 2008-2009</b>							
Net gain / (loss) on revaluation of inventories	Note 16	144					
Transfer of reserves to net expenditure account	Note 7	(350)			(5,454)		
Transfer of reserves to reimbursement in respect of Avenue funding					(4,138)		
Additions to the reserve in the period				159	6,130	9	
Repayment of funding				(4)			
<b>Total recognised income and expense for 2008-2009</b>							
Grant in Aid received from parent			175,000				
Retained deficit transferred from net expenditure account			(158,924)				(1,411)
<b>Balance at 31st March 2009</b>		330	27,451	1,527	9,096	6	(123)
<b>Summary of total reserves</b>		<b>2008-09</b>					
		<b>£'000</b>					
Revaluation reserve		330					
Grant in Aid reserve		27,451					
General reserve		10,506					
		<u>38,287</u>					
2009-2010		Revaluation reserve	Grant in Aid reserve		General Reserve		
	Notes	£'000	£'000	European funding £'000	Coal grant £'000	Pensions £'000	JVs and associates £'000
<b>Balance at 1st April 2009</b>		330	27,451	1,527	9,096	6	(123)
<b>Change in taxpayers' equity for 2009-2010</b>							
Net gain / (loss) on revaluation of inventories	Note 16	70					
Transfer of reserves to net expenditure account	Note 7	(155)		(489)	(1,266)		
Transfer of reserves to reimbursement in respect of Avenue funding	Note 23				(6,603)		
Additions / (reductions) to the reserve in the period				4	7,405	(23)	
<b>Total recognised income and expense for 2009-2010</b>							
Grant in Aid received from parent			133,000				
Retained deficit/surplus transferred from net expenditure account			(157,916)				311
<b>Balance at 31st March 2010</b>		245	2,535	1,042	8,632	(17)	188
<b>Summary of total reserves</b>		<b>2009-10</b>					
		<b>£'000</b>					
Revaluation reserve		245					
Grant in Aid reserve		2,535					
General reserve		9,845					
		<u>12,625</u>					

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

## Notes to the financial statements for the year ended 31st March 2010

### 1. Accounting policies

#### (1) Statement of accounting policies

The financial statements of East Midlands Development Agency (the Agency) have been prepared in a form directed by the Secretary of State for the Department for Business, Innovation and Skills, with the consent of H M Treasury, in accordance with the Regional Development Agencies Act 1998 and with the 2009-2010 Government International Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Agency, for the purposes of giving a true and fair view, have been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### (2) Accounting convention

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

#### (3) Basis of consolidation

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

Associates are operations over which the Agency has the power to exercise significant influence, but not control. Investments in associate undertakings relating to Blueprint Limited Partnership, BioCity Nottingham Limited, Regeneration East Midlands Limited, North Northamptonshire Development Company, Midlands Aerospace Alliance and Meden Valley Making Places have been calculated on an equity accounting basis.

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

#### (4) Cost of capital charge

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

#### (5) Inventories

Land and buildings held are shown in the statement of financial position at open market value.

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

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

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

The assets were valued by Innes England at 31st March 2010.

#### (6) Property, plant and equipment

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

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

Depreciation is provided to write off the cost of property plant and equipment over their anticipated useful lives on a straight-line basis at the following annual rates:

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

#### (7) Intangible assets

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

Software licences	4 years
Computer software	4 years

## Notes to the financial statements for the year ended 31st March 2010

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

### (8) Fixed asset investments

Investments in joint venture and associate undertakings are valued at cost, less any impairments, on the Agency's statement of financial position. Details of the investments are given in note 12 to the accounts.

### (9) Loans

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

### (10) Pension costs

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

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

### (11) Government grants receivable

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

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

### (12) Revenue recognition

Revenue primarily consists of proceeds from the sale of inventories, rental income and other sundry income. Rental income and other sundry income are recognised when it is

probable that future economic benefits will flow to the Agency and these benefits can be measured reliably.

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

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

### (13) Deferred taxation

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

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

### (14) Foreign currency transactions

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

### (15) Operating leases

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

### (16) Provisions

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

### (17) Financial instruments

#### Recognition

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

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



## Notes to the financial statements for the year ended 31st March 2010

### De-recognition

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

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

### Classification and measurement

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

### Loans and receivables

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

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

### Available for sale

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

### Financial liabilities

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

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

### Impairment of financial assets

At the statement of financial position date, the Agency assesses whether any financial assets, other than those held at ‘fair value through profit or loss’ are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred

after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset.

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

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

### (18) Future IFRS amendments and early adoption

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

As at 31st March 2010 the following IFRSs or future amendments to the FReM, identified as having an impact on the Agency, had been issued but were not yet effective:

#### Impairment of assets – amendment to the FReM

The 2010-2011 FReM, effective for accounting periods beginning after 1st April 2010, has been amended. This now requires all of the impairment, caused by a clear consumption in economic benefit, to be charged to the net expenditure account, regardless of whether the asset has been revalued upwards in the past.

This change will be implemented by the Agency in the 2010-11 accounts. The main implication for the Agency concerns an impairment that arises on an asset previously re-valued. On impairment the balance on the revaluation reserve, up to the level of impairment, should now be transferred to the government grant reserve. Under the existing version of the FReM the release from the revaluation reserve would have been netted off the impairment in the net expenditure account.

#### Cost of capital charge – amendment to the FReM

The 2010-2011 FReM also removes the requirement to charge a cost of capital amount to the net expenditure account. As such the 2010-11 accounts will not contain a cost of capital charge.

In addition the following IFRS changes have been adopted early:

#### IFRS 8 Segmental reporting – early adoption

The 2009-2010 FReM has been amended to implement changes to IFRS 8. The effective date of adoption of the IFRS is 1st January 2010 and this therefore constitutes early adoption. The main change to the standard is that segmental information for total assets is only required if such amounts are regularly reported to the operating decision maker.

## Notes to the financial statements for the year ended 31st March 2010

### 2. First time adoption of IFRS

In line with all government departments and public sector bodies, the Agency has moved to International Financial Reporting Standards (IFRS) with effect from 1st April 2009. The table below explains the accounting impact, of the transition to IFRS, together with a description of these changes.

	Revaluation reserve £'000	Grant in Aid reserve £'000	General reserve £'000
Taxpayers' equity at 31st March 2009 under UK GAAP	330	27,840	10,506
Adjustments for:			
IAS 19 – employee benefits (note 1)		(169)	
IAS 12 – income taxes (note 2)		(220)	
Taxpayers' equity at 1st April 2009 under IFRS	330	27,451	10,506
			<b>£'000</b>
Net expenditure taken to reserves for the year to 31st March 2009 under UK GAAP			159,545
Adjustments for:			
IAS 19 – employee benefits (note 1)			60
IAS 12 – income taxes for subsidiary company (note 3)			436
IAS 12 – income taxes for Agency (note 2)			294
Net expenditure taken to reserves for the year to 31st March 2009 under IFRS			160,335

Note 1 = IAS 19 requires the cost of providing employee benefits to be recognised in the period in which the benefit is earned, rather than when it is paid. As at 31st March 2009, *emda* staff had accrued holiday entitlement, amounting to a cost of £169,000. As such, under IFRS an accrual has been made for this amount, increasing the balance of trade and other payables. Under the same requirements, a balance of £109,000 would have been required as at 31st March 2008, hence there is an overall effect on net expenditure taken to reserves for the year ended 31st March 2009 of £60,000.

Note 2 = Under IFRS deferred tax is governed by IAS 12 – income taxes, and the accounting treatment differs substantially from UK GAAP. Under IFRS deferred tax is recognised on the basis of all temporary differences between the carrying value of assets or liabilities in the statement of financial position and its tax base. For these purposes the tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Following a recalculation of deferred tax, an increase in a deferred tax asset of £55,000 arises under IFRS. In addition, the impact of all other IFRS changes, is to increase the estimated current year tax charge by £239,000. Of these adjustments, £74,000 of the deferred tax asset, would have been recognised in the year to 31st March 2008, and as such only £220,000 has been charged to reserves in the year to 31st March 2009.

Note 3 = As a subsidiary company of *emda*, until 23rd March 2009, Silverstone Innovation Centre Limited has also undertaken an IFRS restatement exercise. Under IAS 12 'income taxes' the company has increased a deferred tax asset by £484,000 of which *emda's* share is £425,000. Under UK GAAP FRS 19 provides for deferred tax to be calculated in respect of past obligating events only. By contrast IAS 12 provides that any tax payable on the recovery of an asset must be provided for in full at the statement of financial position date. Following the revaluation of an investment asset, under IAS 12, an increase is required to the deferred tax asset. Since *emda's* investment in Silverstone Innovation Centre was disposed of in the year, under IFRS this has resulted in an increased loss on disposal of £425,000, together with a reduction in the book value of investments written off of £11,000.

Note 4 = Under IAS 38 'intangible assets', any computer software should be treated as an intangible asset if it is purchased. Under UK GAAP all software was recognised as a tangible asset. The adoption of IFRS has therefore resulted in a transfer of software, with a net book value of £565,000, to an intangible asset, as at 31st March 2009.

## Notes to the financial statements for the year ended 31st March 2010

### 3. Segmental reporting

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

The Single Programme is further allocated between 10 strategic priorities, which were identified following the 2006 Regional Economic Strategy, as the key priorities for the region. In addition, the Single Programme budget is allocated between programme expenditure, administration costs, receipts and non cash costs. Expenditure under each of the priorities, together with expenditure under each programme and budget category, is reported to *emda*'s Board at each meeting.

All material operations are carried out in the UK.

Segmental results, are highlighted below:

Expenditure	Single Programme £'000	ERDF £'000	National Coalfields Programme £'000	Non Single Programme £'000	Total £'000
<b>Strategic priority</b>					
Enterprise and business support	37,433				
International trade/ inward investment	5,749				
Tourism	3,281				
Energy and resources	1,292				
Innovation	15,059				
Employment, learning and skills	5,302				
Environmental	1,387				
Land and development	26,121				
Achieving equality	3,556				
Transport and logistics	559				
Strategic programme activity	2,087				
Sub-regional expenditure	40,465				
<b>Total programme expenditure</b>	<b>142,291</b>	<b>-</b>	<b>8,163</b>	<b>2,754</b>	<b>153,208</b>
Less programme expenditure on capitalised items	(2,582)	-	(7,405)	-	(9,987)
Add income received towards programme expenditure	3,419	-	-	-	3,419
<b>Total programme expenditure per net expenditure account</b>	<b>143,128</b>	<b>-</b>	<b>758</b>	<b>2,754</b>	<b>146,640</b>
Total European funding expenditure per net expenditure account	-	24,972	-	-	24,972
Administration cost - Staff costs	11,328	350	-	-	11,678
- Staff costs (programme secondees)*	458	-	-	-	458
- Other administration costs	5,349	108	-	27	5,484
Non cash costs** - DEL budget	722	-	892	(27)	1,587
- AME budget (impairment loss)	1,638	-	-	-	1,638
<b>Total expenditure per net expenditure account</b>	<b>162,623</b>	<b>25,430</b>	<b>1,650</b>	<b>2,754</b>	<b>192,457</b>

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

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

## Notes to the financial statements for the year ended 31st March 2010

### 3. Segmental reporting continued...

	Single Programme £'000	ERDF £'000	National Coalfields Programme £'000	Non Single Programme £'000	Total £'000
<b>Income</b>					
Grant income	-	(25,989)	1,208	(4,819)	<b>(29,600)</b>
Receipts – programme	(1,332)	-	(1,965)	2,523	<b>(774)</b>
Receipts – administration	(346)	-	-	-	<b>(346)</b>
Less income received towards programme expenditure	(3,419)	-	-	-	<b>(3,419)</b>
Non cash cost credits - DEL budget	1,343	-	(1,422)	-	<b>(79)</b>
- AME budget	(208)	-	-	-	<b>(208)</b>
<b>Total income per net expenditure account</b>	<b>(3,962)</b>	<b>(25,989)</b>	<b>(2,179)</b>	<b>(2,296)</b>	<b>(34,426)</b>
<b>Other net expenditure account items</b>					
Receipts	(474)	-	-	-	<b>(474)</b>
Non cash costs - DEL budget	1,338	-	-	(311)	<b>1,027</b>
<b>Total other items</b>	<b>864</b>	<b>-</b>	<b>-</b>	<b>(311)</b>	<b>553</b>
<b>Net expenditure after cost of capital charge and interest</b>	<b>159,525</b>	<b>(559)</b>	<b>(529)</b>	<b>147</b>	<b>158,584</b>

Of total expenditure per the net expenditure account, £42,819,579 has been provided to other government agencies with the balance of £149,637,421 being provided to the private sector.

## Notes to the financial statements for the year ended 31st March 2010

### 4. Staff numbers and related costs

	2009-10 £'000	2008-09 £'000
<b>(a) Staff costs comprise:</b>		
<b>Board Members</b>		
Board Members' fees	211	214
Pension costs	18	18
Social Security costs	15	17
	<u>244</u>	<u>249</u>
<b>Staff</b>		
Salaries and wages of permanent staff including overtime	9,108	8,894
Other staff	467	424
Pension costs	1,763	1,798
Social Security costs	740	726
Staff holiday pay accrual movement	15	61
Redundancy costs	21	58
Total costs before recoveries from outward secondments	<u>12,114</u>	<u>11,961</u>
Less recoveries in respect of outward secondments	(222)	(124)
Total UK <i>emda</i> staff salaries and wages	<u>12,136</u>	<u>12,086</u>
Add Brussels office salaries and wages*	207	176
<b>Total staff salaries and wages</b>	<b><u>12,343</u></b>	<b><u>12,262</u></b>

\* Brussels office salaries and wages are included as grant expenditure within the net expenditure account.

### (b) Staff numbers

The average number of full time equivalent staff employed by the Agency during the period (including all agency and seconded staff) was 272. The full time equivalent of staff classed as civil service staff during the period was 263. Staff, including temporary and seconded staff, were distributed within the following departments and directorates:

	2009-10 Staff nos.	2008-09 Staff nos.
Chief Executive Department	6	7
Corporate Services	59	63
Regeneration Development Directorate	66	58
Strategy and Communications Directorate	55	65
Business Services Directorate	86	84
	<u>272</u>	<u>277</u>

## Notes to the financial statements for the year ended 31st March 2010

### 4. Staff numbers and related costs continued

	2009-10 Staff nos.	2008-09 Staff nos.
Senior management roles	12	12
Other	260	265
	<u>272</u>	<u>277</u>

#### (c) Seconded staff

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

Name of organisation	2009-10 Staff nos.	2009-10 £'000	2008-09 Staff nos.	2008-09 £'000
GOEM	1	107	-	-
EMB Limited	2	156	1	7
Turner & Townsend	1	7	1	74
BIS	1	41	3	89
Derbys & Notts Chamber of Commerce	1	27	-	-
Swedish Board of Agriculture	1	6	-	-
	<u>7</u>	<u>344</u>	<u>5</u>	<u>170</u>

#### (d) Temporary and agency staff

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

	2009-10 Staff nos.	2008-09 Staff nos.
Chief Executive Department	0.88	0.22
Corporate Services	0.78	3.25
Regeneration Development Directorate	2.61	2.40
Strategy and Communications Directorate	0.00	1.68
Business Services Directorate	5.09	0.72
	<u>9.36</u>	<u>8.27</u>

## Notes to the financial statements for the year ended 31st March 2010

### 5. Retirement benefits

#### PCSPS

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

For 2009-2010 employers' contributions of £1,752,538 were payable to the PCSPS (2008-2009 £1,796,294) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (the rates in 2008-2009 were between 17.1 and 25.5%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. At the statement of financial position date there were no prepaid / outstanding contributions to the scheme.

#### Homes and Communities Agency Pension Scheme

The Homes and Communities Pension Scheme is a multi-employer defined benefit scheme and East Midlands Development Agency is unable to identify its share of the underlying assets and liabilities. An actuarial valuation was carried out at 31st March 2007 and more details can be found in the separate scheme statement of the Homes and Communities Pension Scheme. For 2009-2010 employer contributions of £18,579.48 were payable to the Homes and Communities Pension Scheme (2008-2009 £13,498) at the rate of 23.8% of pensionable pay from 1st January 2003. It has been agreed that contributions will be reviewed on an annual basis although the Actuary conducts a full revaluation of the fund every three years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme. At the statement of financial position date there were no prepaid / outstanding contributions to the scheme.

#### Partnership Pension Account

Employees joining after 1st October 2002 could opt to open a Partnership Pension Account, a stakeholder pension arrangement with an employer contribution. Employers' contributions of £12,832.68 (2008-2009 £8,112) were paid to one or more of a panel of four appointed stakeholder pension providers during the financial year. The employer makes a basic contribution of between 3 to 12.5 percent (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions the employer will match employee contributions up to 3% of pensionable salary (in addition to the employers' basic contribution). Employers also contribute a further 0.8% of pensionable salary being £56.70 (2008-09 £52.27), payable to the PCSPS to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement) of these employees. At the statement of financial position date there were no prepaid / outstanding contributions to the scheme.

#### By-Analogy Pension Scheme

*emda* operates a defined benefit scheme on behalf of its Chairman with contribution and benefit rates identical to those provided by the PCSPS scheme. The contribution rate for the period beginning 1st April 2010 will be 25.5% (2009-2010 25.5%). A full actuarial valuation was carried out as at 31st March 2010 by a qualified independent actuary.

The major assumptions of the actuary were:

	31/03/2010	31/03/2009	31/03/2008	31/03/2007
The rate of increase in salaries	4.29%	4.29%	4.30%	4.30%
The rate of increase for pensions in payment and deferred pension	2.75%	2.75%	2.75%	2.75%
The rate used to discount the scheme liabilities	4.60%	6.04%	5.30%	4.60%
The inflation assumptions	2.75%	2.75%	2.75%	2.75%

## Notes to the financial statements for the year ended 31st March 2010

### 5. Retirement benefits continued

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

	Value as at 31st March 2010 £'000s	Value as at 31st March 2009 £'000s	Value as at 31st March 2008 £'000s	Value as at 31st March 2007 £'000s
Total market value of the assets	-	-	-	-
Present value of the scheme liabilities	(164)	(110)	(86)	(65)
(Deficit) / surplus of the scheme	(164)	(110)	(86)	(65)
<b>Net pension (liability) / asset</b>	<b>(164)</b>	<b>(110)</b>	<b>(86)</b>	<b>(65)</b>

	2009-10 £'000s	2008-09 £'000s	2007-08 £'000s	2006-07 £'000s
<b>Amounts charged to operating profit</b>				
Current service cost (net of employee contributions)	21	25	25	21
Past service cost	-	-	-	-
<b>Total operating charge</b>	<b>21</b>	<b>25</b>	<b>25</b>	<b>21</b>
<b>Amounts included as other finance costs</b>				
Expected return on pension scheme assets	-	-	-	-
Interest on pension scheme liabilities	(7)	(5)	(4)	(2)
<b>Net return</b>	<b>(7)</b>	<b>(5)</b>	<b>(4)</b>	<b>(2)</b>
<b>Amounts recognised in the statement of changes in taxpayers' equity</b>				
Actual return less expected return on scheme assets	-	-	-	-
Experience gains / (losses) arising on the schemes liabilities	(8)	3	7	-
Change in the assumptions underlying the present value of the scheme liabilities	31	(12)	3	(10)
<b>Actuarial gain / (loss)</b>	<b>23</b>	<b>(9)</b>	<b>10</b>	<b>(10)</b>

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

The total accumulated actuarial loss since the inception of the scheme has been £17,000.

	2009-10	2008-09	2007-08	2006-07
<b>History of experience gains and losses</b>				
Difference between expected and actual return on scheme assets:				
Amount (£000)	-	-	-	-
Percentage of scheme assets	0%	0%	0%	0%
Experience gains and losses on scheme liabilities:				
Amount (£000)	(8)	3	7	-
Percentage of scheme liabilities	(4.9%)	2.7%	(8.1%)	0.0%

Estimated contributions expected to be paid into the scheme over the year 1st April 2010 to 31st March 2011 are as follows:

Employer contributions £18,020.88

Employee contributions £2,595.59



## Notes to the financial statements for the year ended 31st March 2010

### 6. Other expenditure

		2009-10 £'000	2008-09 £'000
<b>Depreciation and amortisation</b>		661	666
<b>Inventory write down</b>	Note 16	1,638	9,196
<b>Increase/ (reduction) in provision for environmental liabilities</b>	Note 22	(1,593)	48,901
<b>Other expenditure</b>			
<b>Administration costs</b>			
Travel and subsistence		424	430
Staff recruitment and training costs		252	451
Office costs		359	456
Estate management		703	742
Marketing and PR		611	684
Professional costs		1,570	1,348
IT and communication		406	559
Auditors' remuneration for statutory audit		60	57
Auditors' remuneration for restated 2008-2009 IFRS accounts		7	6
Auditors' remuneration for ISR		77	-
Operating lease rentals		614	644
Irrecoverable VAT		376	524
Exchange losses / (gains)		24	(90)
Interest payable		1	-
		5,484	5,811
<b>Other non cash items</b>			
Bad debts written off and movements in provisions for bad and doubtful debts		1,627	2,667
Movement in provision for joint profit share arrangement		-	(701)
Book value of investments written up		-	(56)
Book value of inventories sold	Note 16	892	817
Loss from disposal of investments		-	469
		2,519	3,196
<b>Interest payable</b>			
Unwinding of provision	Note 22	2,210	1,177
Unwinding of debtor	Note 23	(1,770)	(772)
Other		7	16
		447	421
<b>Notional cost of capital charge</b>		891	1,153
<b>Total other expenditure</b>		<b>10,047</b>	<b>69,344</b>

## Notes to the financial statements for the year ended 31st March 2010

### 7. Income

		2009-10 £'000	2008-09 £'000	
<b>European funding</b>				
Retrospective ERDF		489	-	
Technical assistance to fund operating costs		458	495	
ERDF 2007-2013		24,484	468	
ERDF 2000-2006		558	3,139	
		<u>25,989</u>	<u>3,139</u>	4,102
<b>Coalfield and other government grants</b>				
Coal grant received from Homes and Communities Agency		9,624	6,133	
Opening coal grant creditor/ (debtor)		239	(409)	
Closing coal grant (creditor)/ debtor	Note 20	(1,776)	(239)	
Coalfield receipts to fund future development on sites		(1,890)	-	
Coal grant applied to capital expenditure		(7,405)	(6,130)	
Coal grant credited/ (debited) to the net expenditure account		(1,208)	(645)	
Other grants		4,819	614	
		<u>3,611</u>	<u>614</u>	(31)
<b>Reimbursement of provision for environmental liabilities</b>	Note 23	(1,343)		48,901
<b>Transfers from reserves</b>				
Transfer from general reserve – Coal grant		1,266	5,454	
Transfer from revaluation reserve		155	350	
		<u>1,421</u>	<u>5,804</u>	
<b>Book value of inventories written back</b>	Note 16	208		347
<b>Self generated income</b>				
Proceeds from sale of inventories	Note 16	1,890	785	
Profit from disposal of intangible assets		-	10	
Profit/ (loss) from disposal of property, plant and equipment		(14)	3	
Clawback income		1,257	1,470	
Partner contributions		604	3,314	
Recharges		45	231	
Miscellaneous income		85	68	
Rents and maintenance income		673	897	
		<u>4,540</u>	<u>6,778</u>	
<b>Interest receivable</b>				
Bank deposit		40	221	
Other		434	440	
		<u>474</u>	<u>661</u>	
		<u><b>34,900</b></u>	<u><b>66,562</b></u>	

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

In addition the Agency receives Coal Grant funding from the Homes and Communities Agency in order to fund the reclamation and development of specific former coalfield sites. Any proceeds on the subsequent sale of sites are either transferred to the Homes and Communities Agency to fund future reclamation projects or are maintained by *emda* to fund specific sites. Any grant received by *emda*, that is used to fund capital spend, is transferred directly to the general reserve, only being released to the net expenditure account as the asset falls in value or is sold. Any grant received to fund revenue expenditure is released directly to the net expenditure account. Any income generated by the coalfield sites, is transferred from the net expenditure account to the general reserve.

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

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

## Notes to the financial statements for the year ended 31st March 2010

### 8. Taxation

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

Analysis of the tax (credit)/ charge for the year	2009-10 £'000	2008-09 £'000
<b>Corporation tax</b>		
UK Corporation tax charge on (deficit)/ surplus for the year	80	965
Adjustment in respect of previous periods	(267)	(4)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	99	511
<b>Agency tax charge/ (credit) on the surplus for the period</b>	<b>(88)</b>	<b>1,472</b>

Factors affecting the tax (credit) / charge of the year	2009-08 £'000	2008-09 £'000
Net expenditure after cost of capital charge and interest	(158,584)	(160,016)
Less amounts related to grant funding activities	158,584	160,016
(Deficit)/ surplus before tax multiplied by the standard rate of corporation tax	-	-
Effects of:		
Expenses not deductible for tax purposes	54	48
Depreciation on non qualifying assets	21	21
Net expenditure of Silverstone Innovation Centre	-	3
Loss on disposal of subsidiary	-	131
Restriction of losses of associate (Blueprint LP)	75	718
Movement in deferred tax of joint ventures and associates	7	9
Adjustment in respect of previous periods	(245)	542
<b>Current year tax charge / (credit)</b>	<b>(88)</b>	<b>1,472</b>

## Notes to the financial statements for the year ended 31st March 2010

### 9. Property, plant and equipment

2009-2010	Fit out cost of leasehold properties £'000	Equipment, fixtures & fittings and vehicles £'000	Total 2009-10 £'000
<b>Cost or valuation</b>			
At 1st April 2009	1,805	1,190	2,995
Additions in year	-	95	95
Disposals	-	(223)	(223)
At 31st March 2010	<b>1,805</b>	<b>1,062</b>	<b>2,867</b>
<b>Depreciation</b>			
At 1st April 2009	1,158	1,065	2,223
Depreciation in the year	132	77	209
On disposals	-	(209)	(209)
At 31st March 2010	<b>1,290</b>	<b>933</b>	<b>2,223</b>
<b>Net book value</b>			
At 31st March 2010	<b>515</b>	<b>129</b>	<b>644</b>
2008-2009	Fit out cost of leasehold properties £'000	Equipment, fixtures & fittings and vehicles £'000	Total 2008-09 £'000
<b>Cost or valuation</b>			
At 1st April 2008	1,802	1,113	2,915
Additions in year	3	97	100
Disposals	-	(20)	(20)
At 31st March 2009	<b>1,805</b>	<b>1,190</b>	<b>2,995</b>
<b>Depreciation</b>			
At 1st April 2008	1,026	915	1,941
Depreciation in the year	132	169	301
On disposals	-	(19)	(19)
At 31st March 2009	<b>1,158</b>	<b>1,065</b>	<b>2,223</b>
<b>Net book value</b>			
At 31st March 2009	<b>647</b>	<b>125</b>	<b>772</b>

Property, plant and equipment is carried at depreciated historic cost, as a proxy for fair value, at the following depreciation rates:

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

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

## Notes to the financial statements for the year ended 31st March 2010

### 10. Intangible assets

2009-2010	Software licences £'000	Computer software £'000	Total £'000
<b>Cost or valuation</b>			
At 1st April 2009	633	1,925	2,558
Additions in year	6	381	387
Disposals	-	-	-
<b>At 31st March 2010</b>	<b>639</b>	<b>2,306</b>	<b>2,945</b>
<b>Amortisation</b>			
At 1st April 2009	447	1,360	1,807
Charged in the year	102	350	452
On disposals	-	-	-
<b>At 31st March 2010</b>	<b>549</b>	<b>1,710</b>	<b>2,259</b>
<b>Net book value</b>			
At 31st March 2010	<b>90</b>	<b>596</b>	<b>686</b>
2008-2009	Software licences £'000	Computer software £'000	Total £'000
<b>Cost or valuation</b>			
At 1st April 2008	602	1,612	2,214
Additions in year	69	356	425
Disposals	(38)	(43)	(81)
<b>At 31st March 2009</b>	<b>633</b>	<b>1,925</b>	<b>2,558</b>
<b>Amortisation</b>			
At 1st April 2008	354	1,112	1,466
Charged in the year	103	263	366
On disposals	(10)	(15)	(25)
<b>At 31st March 2009</b>	<b>447</b>	<b>1,360</b>	<b>1,807</b>
<b>Net book value</b>			
At 31st March 2009	<b>186</b>	<b>565</b>	<b>751</b>

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

Both software licences and computer software are depreciated straight line over four years, which reflects the commercial life of the asset.

## Notes to the financial statements for the year ended 31st March 2010

### 11. Financial instruments

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

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

There is no material difference between the book value and fair value of *emda's* assets and liabilities as at 31st March 2010.

Categories of financial instrument	2009-10 Loans and receivables	2008-09 Loans and receivables
<b>Financial assets</b>		
Trade and other receivables	5,031	6,422
Financial assets – long term loans	5,176	6,684
Cash and cash equivalents	35,095	33,741
Other non current – receivables	500	910
Reimbursement in respect of provisions	74,519	80,695
Total	<u>120,321</u>	<u>128,452</u>

	Available for sale £'000	Available for sale £'000
Financial assets – long term loans	<u>14,881</u>	<u>14,789</u>

Financial liabilities	Other financial liabilities £'000	Other financial liabilities £'000
Trade and other payables	47,524	24,201
Tax liabilities	(323)	644
Total	<u>47,201</u>	<u>24,845</u>

#### Embedded derivatives

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

## Notes to the financial statements for the year ended 31st March 2010

### 12. Joint ventures and associated undertakings

Joint ventures Name of undertaking	Interest at year end	Year end	Nature of business	Address of principal place of business
British Midlands Development Corporation (US not for profit Corporation)	50% (Principal Associate Advantage West Midlands) The Corporation ceased trading on 28th February 2009	31st March	To promote investment in and trade with the British Midlands by US Corporations	N/A
emEP Limited (Limited Company)	50% (Principal Associate Homes and Communities Agency)	31st March	Holding company of Blueprint General Partner Limited	Apex Court, City Link, Nottingham, NG2 4LA
Derby Cityscape Limited (Company Limited by Guarantee)	25% - Reported as a Joint Venture by virtue of right of veto of all members	31st March	Regeneration of the City of Derby area	Peat House, 5 Stuart Street, Derby
East Midlands Early Growth Fund Limited (Limited Company)	50% (Principal Associate E-Synergy Limited)	31st December	Holding investments in small emerging companies	15 Clarendon Street, Nottingham, NG1 5HR
Leicester Regeneration Company Limited (Company Limited by Guarantee)	25% - Reported as a Joint Venture by virtue of right of veto of all members ( <i>emda</i> ceased being a member on 31 March 2009)	31st March	Regeneration of the City of Leicester area	N/A

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

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

\*In the prior year *emda* held a 25% joint interest in North Northamptonshire Development Company and as such it had been disclosed as a joint venture company. *emda*'s interest is now 14.28% and is considered an associate company, due to the right to joint veto certain decisions made by the Board.

The only joint venture or associate organisation in which *emda* holds share capital is emEP. *emda* holds 500 of the 1000 issued ordinary shares of £1 each.

## Notes to the financial statements for the year ended 31st March 2010

### 12. Joint ventures and associated undertakings continued

Key financial results of joint ventures	Profit (loss) after tax for the year	Agency share of net profit / (loss)	Gross assets	Gross liabilities	Agency share of gross assets	Agency share gross liabilities	Agency share of net assets / (liabilities)
2009-2010	£	£	£	£	£	£	£
British Midlands Development Corporation	(81,655)	(40,828)	116,591	(9,916)	58,296	(4,958)	53,338
Derby Cityscape Limited	(238,153)	(59,538)	644,063	(298,332)	161,016	(74,583)	86,433
emEP Limited	-	-	1,000	-	500	-	500
East Midlands Early Growth Fund Limited*	(360,056)	380,354	2,896,507	(4,017,272)	-	-	-
	<u>(679,864)</u>	<u>279,988</u>	<u>3,658,161</u>	<u>(4,325,520)</u>	<u>219,812</u>	<u>(79,541)</u>	<u>140,271</u>
<hr/>							
2008-2009	£	£	£	£	£	£	£
<i>British Midlands Development Corporation</i>	(1,465)	(733)	219,664	(34,865)	109,832	(17,433)	92,399
North Northamptonshire Development Company Limited	(1,796)	(449)	456,525	(1,112,509)	114,131	(278,127)	(163,996)
<i>Derby Cityscape Limited</i>	(84,703)	(21,176)	986,325	(398,379)	246,581	(99,595)	146,986
<i>Leicester Regeneration Company Limited</i>	-	-	515,881	(515,881)	-	-	-
<i>emEP Limited</i>	-	-	1,000	-	500	-	500
<i>East Midlands Early Growth Fund Limited</i>	(487,654)	(243,827)	2,247,579	(3,008,288)	1,123,790	(1,504,144)	(380,354)
	<u>(575,618)</u>	<u>(266,185)</u>	<u>4,426,974</u>	<u>(5,069,922)</u>	<u>1,594,834</u>	<u>(1,899,299)</u>	<u>(304,465)</u>

\*As at 31st March 2010, *emda* were due a balance of £5,000,000 on an outstanding loan to the East Midlands Early Growth Fund (note 13). As such a bad debt provision has been made to reflect the net liabilities of £1,120,765, as disclosed above. Any liability on the winding up of the fund will be met by a reduction in the loan repayment. As such *emda*'s share of the net liabilities of £1,120,765, together with the share of the loss of £360,056 have been excluded from the statement of financial position and net expenditure account, respectively. The share of profit of £380,354, represents the write back of a share of net liabilities previously provided for, when no bad debt provision had been made.



## Notes to the financial statements for the year ended 31st March 2010

### 12. Joint ventures and associated undertakings continued

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

  

2008-2009	£	£	£	£	£	£	£
Meden Valley Making Places Limited	87,461	21,865	3,743,564	(3,132,312)	935,891	(783,078)	152,813
BioCity Nottingham Limited	180,483	60,101	11,136,783	(11,097,293)	3,708,549	(3,695,399)	13,150
Regeneration East Midlands Limited	4,508	902	600,767	(522,401)	120,153	(104,480)	15,673
Midlands Aerospace Alliance	Not trading	-	-	Not trading	-	-	-
Blueprint Limited Partnership	(8,712,000)	(2,178,000)	48,689,000	(52,412,000)	12,172,250	(13,103,000)	-
	<u>(8,439,548)</u>	<u>(2,095,132)</u>	<u>64,170,114</u>	<u>(67,164,006)</u>	<u>16,936,843</u>	<u>(17,685,957)</u>	<u>181,636</u>

\* As Regeneration East Midlands Limited ceased trading on 31st March 2010 and all remaining assets are to be transferred to cover a pension fund deficit, no share of the company's assets have been recognised in *emda's* statement of financial position. The Agency's share of a net loss of £15,673, represents the write off of a prior year asset held by the Agency.

\*\* *emda's* share in North Northamptonshire Development Company reduced from 25% to 14% in the year. As such *emda's* share of the current year loss of £481,591, has been amended to reflect the previous over provision of losses held in reserves.

\*\*\* As at 31st March 2010, *emda* were due a balance of £14,884,260 on an outstanding loan to Blueprint Limited Partnership (note 13). As such a bad debt provision has been made to reflect the Agency's share of the net liabilities of £1,716,750, as disclosed above. Any liability on the winding up of the Partnership will be met by a reduction in the loan repayment. As such *emda's* share of the net liabilities of £6,867,000, together with the share of the loss of £3,144,000 have been excluded from the statement of financial position and net expenditure account, respectively.

	Debtor/ (creditor) at year end 2009-10	Debtor/ (creditor) at year end 2008-09
Regeneration East Midlands Limited	2,960.00	-
British Midlands Development Corporation	144,207.29	159,933.39
Blueprint Limited Partnership	14,912,571.00	14,884,260.00
East Midlands Early Growth Fund Limited	5,000,000.00	3,000,000.00

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

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

	2009-10 £	2008-09 £
Turnover	1,524,000	1,260,250
• Fixed assets	-	-
• Current assets	11,692,000	12,172,250
• Liabilities due within one year	(758,000)	(523,500)
• Liabilities due after one year or more	(12,650,000)	(12,579,500)

## Notes to the financial statements for the year ended 31st March 2010

### 13. Financial assets – long term loans

		2009-10 £'000	2008-09 £'000
<b>Loan capital</b>			
Balance at 1st April		23,904	16,409
Advances in year – East Midlands Early Growth Fund		2,000	-
Advances in year – Transitional Loan Fund		-	6,000
Delay in repayments expected in year against long term loans		-	1,500
		<u>25,904</u>	<u>23,909</u>
<b>Balance due to be repaid within one year</b>			
Loan notes B	Note 18	(1,500)	-
RDC loans	Note 18	(9)	(5)
		<u>24,395</u>	<u>23,904</u>
<b>Less bad debt provisions</b>			
Provision for bad debts – Blueprint loan notes		(1,717)	(931)
Provision for bad debts – Transitional Loan Fund		(1,500)	(1,500)
Provision for bad debts – East Midlands Early Growth Fund		(1,121)	-
<b>Total financial assets</b>		<u><u>20,057</u></u>	<u><u>21,473</u></u>

From 1st October 2008, through to 1st October 2010, *emda* granted Blueprint Limited Partnership a two year capital repayment holiday from the issued loan notes B. As at 31st March 2010 there remained an outstanding balance of £6,664,195 on which interest of 6% p.a. is charged. In addition, *emda* also holds loan notes A, with an outstanding balance of £8,220,065. A bad debt provision has been made in *emda's* accounts, for the net liabilities shown in Blueprint Limited Partnership's balance sheet (note 12).

During the year ended 31st March 2009 *emda* established a Transitional Loan Fund to support businesses through the economic downturn, offering loans ranging from £50,000 to £500,000 for a maximum loan period of up to three years, on commercial terms. To 31st March 2010 £6,000,000 has been committed into the fund for which a bad debt provision of £1,500,000 has been established.

*emda* established the East Midlands Early Growth Fund during the year ended 31st March 2007, with the purpose of the fund to provide financial support to start up companies. As at 31st March 2010 an outstanding loan of £5,000,000 had been made into the fund. A bad debt provision of £1,121,000 has been made to reflect the net liabilities of the fund (note 12).

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

The loans are included at historic cost less any impairment.

#### The loans are repayable as follows:

	2009-10 £'000	2008-09 £'000
Within one year or less	1,507	5
In more than one year but not more than two years	3,008	1,508
In more than two years but not more than five years	8,169	9,676
In more than five years	13,220	12,720
	<u><u>25,904</u></u>	<u><u>23,909</u></u>

## Notes to the financial statements for the year ended 31st March 2010

### 14. Other non current non financial assets – receivables

	2009-10 £'000	2008-09 £'000
Disposal proceeds on inventories	500	500
Disposal proceeds on sale of investments	-	-
	<u>500</u>	<u>910</u>

Disposal proceeds on the sale of inventories relate to the final instalment due for the sale of a development site. Proceeds are not expected to be received until after 31st March 2011.

Disposal proceeds on the sale of investments relate to amounts owed for the sale of shares in Silverstone Innovation Centre Limited, the disposal of which took place on 23rd March 2009. The amount was settled early and had been fully received by 31st March 2010.

### 15. Deferred tax

A deferred tax asset has been fully recognised, with the exception of trading losses in respect of Blueprint Limited Partnership of £780,500, at a corporation tax rate of 28%. This is on the basis that it is regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. In the financial year to 31st March 2009 a deferred tax asset had been fully recognised, with the exception of trading losses in Blueprint Limited Partnership.

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

	Balance b/fwd £'000	Adjustment in respect of previous periods £'000	Credited / charged to net expenditure account £'000	Balance c/fwd £'000
Accelerated capital allowances	348	(21)	(25)	302
Temporary differences	69	-	(46)	23
Deferred tax in respect of joint ventures and associates	(46)	-	(7)	(53)
	<u>371</u>	<u>(21)</u>	<u>(78)</u>	<u>272</u>

## Notes to the financial statements for the year ended 31st March 2010

### 16. Inventories

	2009-10 £'000	2009-10 £'000	2008-09 £'000	2008-09 £'000
Balance at 1st April		19,679		25,163
Additions in year		6,753		7,413
		<u>26,432</u>		<u>32,576</u>
Profit/ (loss) on disposal of assets	998		(32)	
Proceeds on disposal of assets	<u>(1,890)</u>		<u>(785)</u>	
Book value on disposal of assets		(892)		(817)
Amounts written off		(1,638)		(9,196)
Amounts written back		208		347
Amounts written up to revaluation reserve		70		144
Expenditure covered by environmental provision		(5,717)		(3,375)
<b>Valuation at 31st March</b>		<b><u>18,463</u></b>		<b><u>19,679</u></b>

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

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

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

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

Expenditure covered by an environmental provision represents capital spend on the Avenue site, for which an environmental provision was created in prior years (note 23).

Inventories with a book value of £891,822 (2008-2009 £817,000) have been disposed in the year which are charged to the net expenditure account.

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

### 17. Impairments

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

	2009-10 £'000	2008-09 £'000
Impairment of inventories charged directly to the net expenditure account	1,638	9,196
Impairment of inventories covered by release from revaluation reserve	(11)	(173)
Net impairment	<u>1,627</u>	<u>9,023</u>

## Notes to the financial statements for the year ended 31st March 2010

### 18. Trade and other receivables

Amounts receivable within one year:	2009-10 £'000	2008-09 £'000
Trade receivables	1,006	1,166
RDC loan receivables	8	5
Prepayments and accrued income	1,225	2,558
Loan note B repayments	1,500	-
Other receivables	-	447
Sub-regional Strategic Partnership receivables – cash floats	934	1,727
Amounts due from British Midlands Development Corporation	144	160
Value Added Tax	214	359
	<b>5,031</b>	<b>6,422</b>

Analysis of debtors – intra-government balance	2009-10 £'000	2008-09 £'000
Balances with other central government bodies	819	2,454
Balances with local authorities	197	180
Balances with bodies external to Government	4,015	3,788
	<b>5,031</b>	<b>6,422</b>

### 19. Cash and cash equivalents

	2009-10 £'000	2008-09 £'000
Balance at 1st April	33,741	9,189
Net change in cash and cash equivalent	1,354	24,552
Balance at 31st March	<b>35,095</b>	<b>33,741</b>

The balances above were all held at commercial banks and as cash in hand.

## Notes to the financial statements for the year ended 31st March 2010

### 20. Trade and other payables

Amounts payable within one year:	Agency	
	2009-10 £'000	2008-09 £'000
Trade payables	5,475	2,847
Su-regional local authorities	10,831	-
Accruals	6,672	3,222
Sub-regional local authority accruals	3,053	1,652
Deferred income	19,707	15,957
Grant for coalfield expenditure	1,776	239
Other creditors	10	284
	<b>47,524</b>	<b>24,201</b>

Analysis of creditors – intra-government balances	2009-10 £'000	2008-09 £'000
Balances with other central government bodies	22,810	15,895
Balances with local authorities	16,940	612
Balances with bodies external to Government	7,746	7,694
Balances with NHS bodies	28	-
	<b>47,524</b>	<b>24,201</b>

### 21. Provisions for liabilities and charges

Group and Agency	Environmental provision £'000	Homes and Communities Agency pension provision £'000	By Analogy pension provision £'000	Total £'000
Balance at 1st April 2009	100,690	760	110	101,560
Provided in year	-	-	54	54
Provision not required written back	(1,593)	-	-	(1,593)
Provision utilised in the year	(6,603)	-	-	(6,603)
Unwinding of discount	2,210	-	-	2,210
Balance at 31st March 2010	<b>94,704</b>	<b>760</b>	<b>164</b>	<b>95,628</b>

The timing of cash flows is expected to be as follows:

Within one year	25,689	-	-	25,689
Between two to five years	67,501	760	164	68,425
Between six to 10 years	1,514	-	-	1,514
Thereafter	-	-	-	-
	<b>94,704</b>	<b>760</b>	<b>164</b>	<b>95,628</b>

The provision for environmental liabilities represents the value of remediation work required, as a minimum, to return two sites to a saleable and safe condition. The provision represents the amount, which in the opinion of the valuers, *emda* would have to pay a third party to take on the sites and associated environmental liabilities. The timing of the provision is expected to be utilised over the next six years and as such is discounted using HM Treasury's real discount rate of 2.2%. The provision is to be funded by the Homes and Communities Agency and the Department of Energy and Climate Change and a debtor has been set up to reflect this (note 22).

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

The By Analogy Pension provision represents the actuarial valuation of the scheme as at 31st March 2010.

## Notes to the financial statements for the year ended 31st March 2010

### 22. Provision for environmental liabilities

Site name	Avenue £'000	Pleasley £'000	Total £'000
<b>Provision for environmental liabilities</b>			
Balance at 1st April 2009	100,440	250	<b>100,690</b>
Unwinding of provision	2,210	-	<b>2,210</b>
Provision utilised in year	(6,603)	-	<b>(6,603)</b>
Provision not required written back	(1,343)	(250)	<b>(1,593)</b>
Net movement	<u>(5,736)</u>	<u>(250)</u>	<b><u>(5,986)</u></b>
Balance at 31st March 2010	<u>94,704</u>	<u>-</u>	<b><u>94,704</u></b>

Since the Avenue provision is expected to be utilised over a period of six years, future estimated expenditure is discounted at a rate of 2.2%, to arrive at the required provision of £94,704,000.

### 23. Reimbursement in respect of provisions

Site name	Avenue £'000
<b>Reimbursement of environmental liabilities</b>	
Balance at 1st April 2009	<b>80,695</b>
Unwinding of debtor	<b>1,770</b>
Amount received in year	<b>(6,603)</b>
Debtor not required written back	<b>(1,343)</b>
Balance at 31st March 2010	<b><u>74,519</u></b>

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

## Notes to the financial statements for the year ended 31st March 2010

### 24. Contingent assets

#### Lachesis Venture Capital Fund

In 2004 *emda* granted £3,000,000 to a venture capital fund called 'The Lachesis Fund' in order to support university spin out companies. If the fund undertakes any distribution from their investment portfolio *emda* is entitled to receive a share of the distribution in proportion to the investment *emda* has made into the fund (currently 37.5%), capped at the value of the original funding. It is unlikely that there will be a distribution from the fund before 2014. The net assets of the partnership, as at 31st July 2009 are £8,659,376 (31st July 2008 £9,429,564).

#### Equity share agreements

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

### 25. Contingent liabilities

As at 31st March 2010, the Agency had no contingent liabilities (2008-2009 £nil).

### 26. Capital commitments

	2009-10 £'000	2008-09 £'000
Capital expenditure authorised by the Board and contracted at 31st March 2010	<u>35,273</u>	<u>33,309</u>

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



## Notes to the financial statements for the year ended 31st March 2010

### 27. Commitments under leases

#### Operating leases – lessees

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

	2009-10 £'000	2008-09 £'000
<b>Buildings</b>		
Not later than one year	564	564
Later than one year and not later than five years	2,255	2,255
Later than five years	2,349	2,913
	<u>5,168</u>	<u>5,732</u>
<b>Other</b>		
Not later than one year	23	25
Later than one year and not later than five years	10	18
Later than five years	-	-
	<u>33</u>	<u>43</u>

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

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

The Agency has no commitments under finance leases.

#### Operating leases – lessor

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

As at 31st March 2010, the Agency has commitments to receive future income, during the periods highlighted in the table below:

	2009-10 £'000	2008-09 £'000
<b>Land</b>		
Not later than one year	14	11
Later than one year and not later than five years	26	29
Later than five years	-	-
	<u>40</u>	<u>40</u>
<b>Buildings</b>		
Not later than one year	119	163
Later than one year and not later than five years	242	264
Later than five years	34	89
	<u>395</u>	<u>516</u>

## Notes to the financial statements for the year ended 31st March 2010

### 28. Events after the reporting period

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

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

Nevertheless, after making enquiries and discussing the situation with the sponsor department, management are satisfied that sufficient funding is in place to enable the Agency to continue in operation for the foreseeable future and meet its obligations as they fall due. Ministers have confirmed that there will be an orderly transition to any new arrangements, and there is no reason to believe that future funding will not be forthcoming for the foreseeable future. For these reasons, management continue to adopt the going concern basis in preparing the Annual Report and financial statements.

### 29. Related party transactions

East Midlands Development Agency is an Executive Non-Departmental Public Body sponsored by The Department for Business, Innovation and Skills (BIS). During the year ended 31st March 2010 the Agency received Grant in Aid and grant funding through BIS. No other significant transactions have taken place between the two bodies.

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

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

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

Debtors at the year end include a total of £9,400 due from East of England Development Agency, £9,400 due from London Development Agency, £9,400 due from Northwest Development Agency and £9,400 due from One North East.

Creditors at the year end include a total of £30,179 due to South East of England Development Agency and £9,134.94 to Advantage West Midlands Development Agency.

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

	Amounts paid by <i>emda</i> in 2009-10 £'000	Amounts received by <i>emda</i> in 2009-10 £'000
North Northamptonshire Regeneration Company	250	-
Regeneration East Midlands Limited	847	3
Blueprint Limited Partnership	7	456
Derby Cityscape Limited	275	-
East Midlands Early Growth Fund Limited	2,003	-
BioCity Nottingham Limited	-	5

## Notes to the financial statements for the year ended 31st March 2010

### 29. Related party transactions continued

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

Name	Role	Related party	Position in related party	Total value of receipts 2009-10 £'s	Total value of payments 2009-10 £'s	Nature of payments
Steve Brown	Board Member	North Midlands Construction Plc	Non Executive Director and shareholder	-	3,917.10	Services
Geoff Stevens	Board Member	Derbyshire Dales District Council	Elected Member	-	1,919,860.04	Grants / services
		East Midlands Regional Assembly	Board Member	49,007.65	-	
Jon Collins	Board Member	Nottingham City Council	Leader	203,327.30	2,122,439.57	Grants / services
Philip Tasker	Board Member	De Montfort University	Chief Executive / Vice Chancellor	2,715.15	286,622.00	Grants
Stan Crawford	Board Member	Sherwood Environmental Village Limited	Shareholder/ Director	5,518.34	-	
		Sherwood Energy Limited	Shareholder/ Director	-	165,000.00	Property acquisition
Parvin Ali	Board Member	East Midlands Regional Assembly	Board Member	49,007.65	-	
Gary Hunt	Board Member	Leicester City Council	Councillor	16,399.45	11,999,512.24	Grants / services
Martin Bryant	Board Member	Government Office for the East Midlands	Non Executive Director	178,005.52	146,468.16	Services
Haydn Biddle	Board Member	Prince's Trust – Lincolnshire	Advisory Board Member	88,375.00	485,223.38	Grants
		LSC East Midlands	Board Member	115,037.19	2,500,000.00	Grants
		Lincolnshire Enterprise	Board Member	-	104,436.00	Grants
		East Midlands Urban Development Fund	Board Member	-	13,500,000.00	Grants
Jim Harker	Board Member	Northamptonshire County Council	Councillor	-	4,672,863.00	Grants
		East Midlands Regional Assembly	Board Member	49,007.65	-	
		Northamptonshire Enterprise Limited	Board Member and Vice Chairman	43,743.75	279,803.94	Grants
		North Northamptonshire Development Company Limited	Board Member	-	250,000.00	Grants

## Notes to the financial statements for the year ended 31st March 2010

### 29. Related party transactions continued

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

Name	Role	Related party	Position in related party	Total value of receipts 2009-10 £'s	Total value of payments 2009-10 £'s	Nature of payments
Jeffrey P Moore	Chief Executive	Derby Cityscape Limited	Board Member	-	274,832.00	Grants
		Nottingham Regeneration Limited	Board Member	-	250,000.00	Grants
		Prince's Trust – East Midlands	Member	88,375.00	485,223.38	Grants
		Blueprint Limited Partnership	Chairman	455,802.42	6,737.50	Services
		Nottingham Trent University	Relative with interest	1,624.40	635,218.00	Grants/ services
		National Space Science Centre	Trustee	-	217,371.06	Grants/ services
		Rolls-Royce	Relative with interest	-	200,000.00	Grants
		PERA	Relative with interest	54,853.00	3,049,533.37	Services
		Abby Johnson Brennan	Deputy Chief * Executive	Arts Council England	Board Member	4,346.35
Michael Carr	Director	BioCity Nottingham Limited		5,398.62	396.51	Services
		Loughborough University	Board Member	3,299.99	4,166,780.53	Grants/ services
Glenn Harris	Director	North Northamptonshire Development Company Limited	Director	-	250,000.00	Grants
Diana Gilhespy	Director	West Notts College	Director	-	107,645.00	Grants
Anthony Payne **	Director	Regeneration East Midlands Limited	Board Member	2,960.00	847,083.70	Grants/ services

\* Abby Johnson Brennan has been on secondment at the Government Office for the East Midlands for the full year to 31st March 2010.

\*\* Anthony Payne left the Agency on 27th September and ceased his Directorship of Regeneration East Midlands on the same date.

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

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

As at 31st March 2010, balances owed to or from related parties amounted to:

	Amount owed to <i>emda</i> £'s	Balance of debt provided for £'s	Amount owed by <i>emda</i> £'s
Government Office for the East Midlands	1,116.25	1,116.25	-
East Midlands Regional Assembly	2,000.00	2,000.00	-
Regeneration East Midlands Limited	2,960.00	-	(250.00)
Northamptonshire County Council	4,694.73	4,694.73	(2,053,517.00)
Leicester City Council	13,965.50	5,153.00	(2,901,428.00)
Blueprint Limited Partnership	14,912,571.35	1,716,750.00	-
PERA	46,853.00	-	(213,826.31)
Sherwood Energy Limited	117,500.00	117,500.00	-
Nottingham City Council	186,037.64	3,925.00	-
Derbyshire Dales District Council	-	-	(270,829.00)
Prince's Trust	-	-	(80,035.23)

All balances have arisen in the normal course of the Agency's business, under commercial trading terms, with the exception of £14,884,260 of the balance due from Blueprint Limited Partnership. This balance relates to a loan to the organisation (see note 13). The loan is secured on property holdings held by the Partnership.

A bad debt expense, for balances owed by related parties in the year to 31st March 2010, amounts to £13,385.72.

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

1. This direction applies to East Midlands Development Agency (hereinafter referred to as “the Agency”).
2. The Agency shall prepare accounts for the financial year ended 31st March 2010 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury (“the FReM”)<sup>1</sup>, which is in force for the financial year for which the accounts are being prepared, together with any additional disclosure or other requirements as agreed with the Department.
3. The accounts shall be prepared so as to:
  - (a) give a true and fair view of the state of affairs at 31st March 2010 and subsequent financial year-ends, and of the income and expenditure, total recognised gains and losses and cash flows for the financial year then ended;
  - (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them;
  - (c) include any exception, where agreed with the Treasury, to be described in the notes to the accounts.
4. This direction supersedes the direction dated 26th March 2008.



**Sue Bishop**

Deputy Director, Economic Development Directorate

17th March 2010

<sup>1</sup> <http://www.financial-reporting.gov.uk>





If you require alternative formats of information in this document, please contact the Communications team: 0115 988 8509.

यह जानकारी आपकी भाषा में उपलब्ध है।

कृपया मार्केटिंग डिपार्टमेंट से 0115 988 8509 पर सम्पर्क करें।

یہ معلومات آپ کی اپنی زبان میں بھی دستیاب ہیں، براہ مہربانی  
مارکیٹنگ ڈیپارٹمنٹ سے فون نمبر 0115 988 8509 پر رابطہ کریں۔

આ જાણકારી તમારી ભાષામાં ઉપલબ્ધ છે.

કૃપા કરી માર્કેટીંગ ડીપાર્ટમેન્ટનો ટેલીફોન નંબર  
૦૧૧૫ ૯૮૮ ૮૩૦૦ પર સંપર્ક કરો.

ਇਹ ਜਾਣਕਾਰੀ ਪੰਜਾਬੀ ਦੇ ਵਿੱਚ ਉਪਲੱਬਧ ਹੈ। ਕ੍ਰਿਪਾ ਕਰਕੇ ਮਾਰਕੀਟਿੰਗ ਡੀਪਾਰਟਮੈਂਟ  
ਨਾਲ ਫੋਨ ਨੰਬਰ 0115 988 8509 ਤੇ ਸੰਪਰਕ ਕਰੋ।

## Contact details

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