South East England Development Agency

Annual Report and Accounts

2010-11

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CONTENTS

South East England Development Agency

Part One

Annual Report 2010-11

1. Chairman's Introduction

This was a year of extraordinary achievement and change for SEEDA. We entered this period in a good shape having repositioned the Agency to be a much smaller, more strongly business-focused agency, delivering the five key drivers of productivity and competitiveness, focused solely on supporting industries in the South East to grow strong out of recession. It is evident that the economy is still struggling and that the jobs market has contracted, so our particular emphasis has been on helping the high growth and innovative businesses that will make a real difference to England's economy in a global marketplace.

Our situation changed radically with the general election in May 2010. The Government announced on 22nd June 2010 that Regional Development Agencies would be abolished. It was not initially clear what functions would transfer and to whom, but significant work has been done with the Government, and I am pleased that a significant proportion of the Agency's work and staff will transfer to national organisations. By the beginning of July 2011 a number of our programmes had been taken on by others, along with the 29 staff involved, thereby ensuring that the deep skills and experience they have gained will be used to help further England's and the South East's economy. Other activities are due to transfer in September including our innovation programmes.

A further challenge we faced was to identify £28m in-year savings from our budget, a 26% reduction, to support national deficit reduction. Nevertheless, we held fast to our commitment to continue to support the South East economy and we have worked with our partners and stakeholders to make the necessary changes in a way that minimised disruption to businesses and continued to support economic growth. Our aim has been to ensure that we close the Agency in a totally professional way that achieves the best possible outcome for the South East whilst delivering value for the public purse.

Delivering such significant cuts and seeing the associated impact on many valued and trusted delivery partners has not been easy, and we know this has been very challenging for everyone involved. Business Link for example, despite the enormous task of merging seven organisations into one; managing an overall budget reduction of 68% and dealing with the announcement to close the regional Business Link service, continued nonetheless to provide support to over 9,700 businesses and maintain customer satisfaction levels in excess of 90%. I would like to pay tribute to all our partners for the huge contribution they have made to continuing to deliver for businesses in the South East, as well as for the understanding they have shown to SEEDA and its staff in these difficult circumstances.

Coming from the private sector I understand only too well the need for companies to take action to remain competitive and increase productivity, and we have championed initiatives that make a significant impact on economic growth whilst benefiting the environment. In April 2011, I saw the culmination of more than five years' work with the launch of a new railway upgrade from the Port of Southampton to the West Midlands, enabling larger freight containers to travel by rail rather than road. This was the result of our work bringing local businesses, Network Rail, the Port of Southampton, and Advantage West Midlands together to bid for this £60m project. The upgrade is expected to provide a £374m boost for the economy and remove up to 50,000 container lorries a year from the roads, easing traffic jams and helping reduce the billions of pounds road congestion costs annually. This kind of investment is critical in the face of global competition where trade could so easily move overseas.

We have celebrated the opening of the Turner Contemporary at Margate, the largest exhibition space for art in the South East outside of London. As an international venue, it will create new opportunities for the people of Margate and the local economy. We are proud of our £4m investment to support its creation and the work that has been done to regenerate the town centre as part of driving economic growth through the cultural sector. The project, which we have worked on with Kent partners for around seven years, is a great example of how the arts and culture can start to stimulate new economic growth and vitality into our towns and cities.

Having invested a great deal of expertise, collaborative working and funding in the South East, we are naturally keen to see our successors build on the value of these efforts and investment. The last six months of the financial year has been dominated particularly with looking at how best to secure a future for our significant development assets in a way that ensures local economies benefit from this investment. I am delighted to say that, having worked hand in hand with local partners, Government, and the Homes and Community Agency (HCA) over many months, the Government has announced a way forward that includes the principles of local economic development and local decision-making, and will allow the HCA and local partners to work together on the future development of those assets. In September we will transfer this physical infrastructure work, so critical to local as well as global businesses.

As SEEDA works towards operational closure in March 2012, with ever fewer programmes and activities to deliver, we need fewer people. During 2010/11 we reduced numbers of permanent employees from 251 to 213, largely through voluntary release schemes, and SEEDA's Board took the decision to put all SEEDA staff at risk of redundancy on 5 April 2011. Following consultation the Agency's numbers will reduce rapidly leaving a very small number to manage the Agency in the final quarter of 2011/12. Whilst it is of course sad to see so many valued colleagues depart, I am nonetheless, deeply proud of what they have achieved during SEEDA's eleven years and I wish each of them every success as they move onto new ventures and opportunities.

Moving to a small closure team means a smaller leadership team too. Two of our Executive Directors left during the financial year and 5 July 2011 also marks the point at which Pam Alexander, SEEDA's Chief Executive for the last seven years, chose to move on. Over the past seven years Pam has led an innovation and enterprise agenda, championing new approaches in ventures that range from Computer Clubs for Girls to the hugely successful International Space Innovation Centre at Harwell, awarded an additional £10m in the 2011 Budget. Pam brought her passion for regeneration to our partnerships across the region; these have created new opportunities for areas of deprivation, now being taken forward by the new local enterprise partnerships. I would like to take this opportunity to acknowledge Pam's valued contribution to the Agency's work and to wish her well in the future.

Oona Muirhead, formerly SEEDA's Group Executive Director Strategy & Resources, has been appointed SEEDA's new Chief Executive from July. Oona will now lead the Agency over the following months to deliver our remaining commitments. In particular, she will focus on the transfer and closure of all functions and assets; delivering planned outputs; supporting the remaining staff; and - last but not least - acting as the London 2012 Nations & Regions Member for the South East as we build up to what will undoubtedly be an exciting period for the South East up to and during the 2012 Games.

Finally, my Board and I would like to put on record the outstandingly professional manner in which SEEDA's Executive team and staff more widely have approached the closure of the organisation. Many among them have served in SEEDA for a number of years and are intellectually and emotionally passionate about the work they do for the South East. All have risen to the challenge of turning their energy and enthusiasm to transition and closure, and have worked hard to maintain motivation and morale. I pay tribute to them and I thank them.

Rob Douglas, CBE
Chairman

Date: 2 September 2011

2. Chief Executive's Review

Continuity and Change: Last Year, Best Year

When the new coalition Government announced that Regional Development Agencies would close by the end of March 2012, SEEDA's leadership and staff pledged to deliver the best possible year for the economy of the South East, while moving to closure in a way that would achieve value for money and a legacy of which we could all be proud. It is with satisfaction and pride in our work, people and partnerships that I can reflect on the year and confirm that this pledge has been and continues to be delivered.

Against the backdrop of an economy barely in recovery; a very significant in-year cut of 26%, which - on top of a £40m prior-year reduction - meant our business plan for the year had to be based on a core budget of £79m not £148m; and the prospect of huge uncertainty for staff during the year; SEEDA in 2010/11 delivered transformational results for the South East's economy.

In a time of depressed growth, one of the fastest ways of recovery is to attract big and growing companies from abroad. Using the expertise of our staff here and overseas, we surpassed prior year results by attracting 86 foreign companies to invest in the region with 54% of Foreign Direct Investments and 79% of jobs coming from high value projects. For example, working closely with our partners Sea Space, we helped to attract SAGA to the coastal town of Hastings, an area potentially highly vulnerable to job reductions in the public sector. Initially creating 134 jobs, SAGA's investment in the town has opened the potential for creating up to a further 700 over the next few years.

The South East already has the largest share of manufacturing companies in England, and SEEDA's aim throughout has been to build on this foundation to increase the UK's market share. In 2010/11 more than ever we focused on those industries of the future which have the potential to bring significant numbers of high-value manufacturing jobs. Our leadership work to raise the profile of the space sector in the region, and provide support to high-growth small and medium sized companies to exploit the massive downstream opportunities such as smart-phone applications, culminated in the establishment of the International Space Innovation Centre at Harwell in Oxfordshire; its first hub at Surrey; and the allocation of £10m in the 2011 Budget to further grow this highly innovative industry with huge export potential. Over the years SEEDA has invested some £15m in space – a sector that is growing around 10% per annum and draws in around £7bn a year to the national economy.

We continued to focus on developing the low-carbon sector. Our work with Vestas Technology over many years bore fruit in 2010/11 with the establishment of a world-class R&D centre on the Isle of Wight and the first stage in our vision of creating significant numbers of manufacturing jobs in north Kent, building on the potential available at Sheerness port. The signing by Vestas Offshore and Peel Ports in May 2011 of an options agreement to develop an integrated offshore manufacturing centre at Sheerness creating 2000 jobs, took our vision a step closer.

We continued to invest in our delivery partners: Business Link; the Manufacturing Advisory Service; Innovation and Growth Teams; Sector Consortia, Tourism South East and Skills South East amongst others. Together, they delivered 27 business support programmes across the South East ranging from expert advice on innovation and growth to providing finance for businesses and defining tailored assistance to manufacturers. In total, with SEEDA funding they supported 17,900 businesses; helped over 17,100 people improve their skills; and awarded equity and loan funding to 69 businesses. Our top 15 business support projects alone brought in over £55m private sector investment to the region.

SEEDA's investment in localities to deliver employment and regeneration saw both the culmination of many years of work, and the initiation of new transformational projects. In July 2010 the official launch of the £500m Centenary Quay development took place at Woolston Riverside. This will provide a Marine Employment Quarter and create up to 1,000 permanent new jobs and 1,620 new homes. In Kent, the retail developer LXB Retail Properties was secured to develop a mixed use scheme at Neats Court on the Isle of Sheppey, including a 55,000sq ft Morrisons Superstore, creating 650 local jobs.

In 2010/11 SEEDA continued to lead and manage our significant portfolio of European programmes (including the European Regional Development Fund and Rural Development Programme for England) and to develop innovative funding models for driving growth in the low-carbon economy. We continued our work to secure £100m loan funding from the European Investment Bank for local authorities to draw on for retrofit of public buildings, and saw the Greening Campaign – a grass-roots campaign that, thanks to SEEDA's support, is rolling out across the South East - recognised in a Parliamentary launch in June 2011.

Internally, we developed a clear path to closure supported by a workforce plan that – while reducing the Agency significantly in size – will keep the skills needed to secure a legacy for the South East whilst closing effectively. All of SEEDA's staff have been focused throughout the year on the twin objectives of closing professionally and doing their best for the region, with their personal fears and worries coming second to those objectives. I am hugely proud of their focus and professionalism; and pleased by the many positive comments from partners which prove that their efforts have been noticed, and appreciated. Thank you all.

Oona Muirhead, CBE
Chief Executive

Date: 2 September 2011

3. Management Commentary

Continuity & Change: Focusing on Growth Sectors and Places while preparing for Closure

SEEDA's focus during 2010/11 was to continue key activities to support economic growth in priority sectors and places, while at the same time to get every aspect of our business organised for an orderly closure. These twin aims might have appeared to conflict. The Agency was determined, however, to deliver the final year of our three year corporate plan to 2011 as our best year ever for local economies and the South East as a whole.

Our ambitions for the year were reflected in our twin aims set out in our Mission Statement for closure of ***Delivering what is important for the South East economy while planning and implementing a professional transition to SEEDA's closure***. The functions that will survive beyond SEEDA, albeit not necessarily to the same business model or level of intensity, include: support for high growth companies; attracting inward investment; driving innovation; developing key sectors; and facilitating the creation of globally competitive localities through physical infrastructure development. Importantly, we have taken all opportunities to transfer to other bodies SEEDA's key economic development functions and activities together with our staff, whose skills and expertise will help avoid a hiatus in taking forward economic development interventions.

The Agency's significant achievements in 2010/11 need to be set against the background of a highly uncertain time for all staff and the leadership: the organisation has worked hard to put these uncertainties to one side, and focus on adding value to the region's businesses and communities.

Growing out of the Recession: Keeping England's Engine-Room Running

Surviving the Recession - Responding to Economic Shocks

In late 2008 SEEDA launched Rapid Response Taskforces led by SEEDA and involving Jobcentre Plus, Local Authorities, the Learning & Skills Council, and the business community. We continued to lead this work in 2010/11, providing support to nine major companies that downsized significantly in that year. In 2010/11 the multi-agency task forces supported around 5,800 employees in various companies to find alternative employment, including in Linde and Lloyds TSB. Recognising the value placed on this approach by employers and partners, we developed a toolkit for successor bodies, including the Local Enterprise Partnerships, to use to co-ordinate public sector responses to any future major redundancies so as to minimise their impact on local economies. This toolkit is also being adopted by Jobcentre Plus on a national basis as part of SEEDA's lead work on employment and skills on behalf of the RDA network. Other work supporting skills and employment that will be handed over and which will help companies survive the recession includes the work SEEDA carried out to develop an evidence base of the skills required to support economic growth. This evidence was included in the South East's Strategic Skills Priority Statement and has been shared with the new Local Enterprise Partnership network.

Growing out of Recession - Economic Research and Intelligence

Economic research and intelligence is at the heart of delivering effective growth interventions and SEEDA's Economic Research & Intelligence team has continued to provide this critical service to the Agency and partners. The team's expert research and analysis of economic data tells us the state of the South East economy within a UK and global context; shows what are the underlying economic trends and the implications; and how to make sense of major economic issues and respond to them.

The Agency has, over the last ten years, built up a very comprehensive picture of how the South East's economy is performing; what the region's economic priorities are at this point in time and should be for the future; and has used this intelligence to shape and target our programmes and activities in the most effective way.

Our partners - the sub-regional partnerships, local authorities and business networks - have played an important part in helping us capture a current and accurate economic picture at the local as well as regional level. As well as informing our monthly economic updates and 'dashboards', SEEDA has provided the region with specific reports on the continuing impact of the recession. For example, when it became clear that large scale public sector redundancies would be a feature across the region, we carried out focused research on the potential impact of public sector cuts and a series of regional and sub-regional economy reviews, to help partners prepare and respond.

These reports, alongside regular presentations on the state of regional and sub-regional economies, have been valued by partners such as the South East Business Development Advisory Group (BDAG) and South East England Councils (SEEC), and have been used as a source of robust and relevant economic intelligence. As a consequence, we have transferred our research and economic analysis database and assets to SEEC. SEEC will act as the central repository for SEEDA research and economic database and assets and will continue to produce some reports, such as economic dashboards, to enable businesses and local authorities to understand the latest developments in the sub-regional economies.

Business Innovation and Growth: Driving England's Economy

Innovation – the greatest source of growth

The last ten years has seen a massive shift towards a global economy driven by innovation. SEEDA's refocusing of activities on innovation as an essential ingredient for achieving high growth is based on clear evidence of the importance of improving the South East's capacity and capability to innovate. In October 2009 a report on high-growth firms by the National Endowment for Science, Technology and the Arts (NESTA) concluded that a small minority of high-growth businesses hold the key to job creation and wider prosperity. The report proved how innovation drives employment and sales: 10% sales growth from 2004 to 2007 compared with less than 6% for non-innovators. Focusing on the 6% of UK high-growth businesses that generated half the increase in employment is critical if England is to improve its global competitiveness. For this reason, as our programme budget has been reduced to help with national deficit reduction, SEEDA has nonetheless continued to invest smartly in innovation.

SEEDA over the last ten years built a strategic and broad-based innovation programme which engages large numbers of businesses and 'innovation assets', including the region's universities, world-class research, development centres, and science parks. With around 25% of the UK R&D workforce (45,000) based in the South East undertaking around 23% of the UK's R&D expenditure (worth over £4.5bn); and with more than 70% of the UK's manufacturing industry; the South East is well placed to compete and lead in developing new technologies and innovative processes and products.

After analysing the global market potential alongside the capabilities on offer in the South East, the Agency identified six priority sectors – advanced engineering; aerospace and defence; environmental technologies; financial services; ICT and digital media; life sciences and healthcare. During 2010/11 SEEDA continued to focus on those sectors that in the South East have the greatest capacity for innovation and growth, ensuring that we protected investment in these sectors despite our in-year budget reductions.

Innovation and Growth Teams

The eight locally based Innovation and Growth Teams (IGTs) that were established in 2009/10 continued to work jointly with local partners to engage and support over 580 businesses and collectively secure over £77m in investment, despite the difficult economic climate. The IGTs bring together expertise at a local level to help companies develop new products, technologies, services and business models or processes with the aim of unlocking and driving forward businesses with the greatest potential to innovate, grow and launch internationally.

Innovation Vouchers

Our Innovation Voucher Scheme has awarded over 86 vouchers to local small businesses to utilise the expertise and facilities in around 20 universities and public research establishments in the South East. The vouchers allow small companies to receive help with projects for which they themselves do not have the expertise or technology. A further innovation voucher scheme was launched in February 2011, open to all industry sectors.

> Telecare solutions company Inmezzo used the voucher to team up with the University of Kent School of Engineering to explore the use of face and voice recognition for authentication of users of remote telecare applications. The voucher has led on to a successful bid by Inmezzo and the University of Kent to the Technology Strategy Board to take their collaborative venture to the next level.

The Space Sector

The Space sector continued its rapid 10% annual growth trajectory in 2010/11 with SEEDA continuing to actively support businesses in the South East to take advantage of the expertise and economic opportunities in this expanding, high-tech, and high value industry.

In 2010/11 we invested £1m with the Technology Strategy Board to support 32 Innovation Feasibility Studies to help small businesses stimulate innovation and growth in a range of space-related technology applications. The grants supported the businesses to access the facilities and expertise available through the International Space Innovation Centre (ISIC) at Harwell, and its first hub at the University of Surrey. SEEDA also provided an additional

£900,000 to develop the new commercial opportunities needed to create the jobs and drive the UK to the forefront of the global space technology industry.

A further £500,000 of our funding will support the TechDemoSat project, the only UK-planned Space mission to provide an in-orbit demonstration satellite for a number of small businesses testing innovative products and technologies. The project – which for the first time allows small businesses to gain access to satellite testing - will be controlled from Harwell and Surrey Space Centre; demonstrating ISIC's developing capabilities and enabling the UK to bid for future European Space Agency and EU programmes.

Influencing Government policy on innovation

During 2010/11 SEEDA continued to lead for the RDA network on innovation and skills policy, working closely with BIS to help the department develop its thinking on how to develop the skills needed to drive innovation in the UK economy. SEEDA led the RDAs' input to the Commons Science and Technology Select Committee inquiry on Technology and Innovation Centres. As well as submitting written evidence, Pam Alexander attended the Committee session on 20th December 2010. The RDAs' advice was reflected in the Committee's report, and helped secure the future of RDA-funded centres in the future landscape of Technology and Innovation Centres.

Supporting High Growth Companies

Manufacturing Growth through Productivity Improvement* - *The Manufacturing Advisory Service South East (MAS South East)

The Manufacturing Advisory Service is a leading advisor on manufacturing and provides practical, hands-on support to businesses focused on improving productivity and profit margins. The shift in Government policy to focus on advanced manufacturing and growth companies, which chimed with SEEDA's own corporate plan refresh in 2009, resulted in the service focusing a greater proportion of its support and growth work onto the Low Carbon and Advanced Manufacturing sectors.

A good example of where this has made a difference is H+H UK, a manufacturer of 'aircrete' – aerated masonry blocks for the construction industry - that worked with MAS-SE to become "leaner and greener" both to reduce its environmental impact and increase productivity. The company was named 2010 Kent Environment Business of the Year and is currently in the process of developing a new energy management system and has agreed to have their energy usage validated by the British Standards Institute.

Dr Colin Cook, Chief Scientist at H+H, said: "*Working with MAS South East has been invaluable towards our on-going long-term green commitments. The MAS South East Resource Efficiency Club has provided us with a wealth of sustainable recommendations to implement into our existing operations, many of which we have acted upon following informative presentations on Water and Energy Management, Carbon Reduction and Waste Minimisation*."

Advice and Support to High Growth Businesses - Business Link South East

Business Link provides information, diagnosis and brokerage to a broad base of customers providing access to Solutions for Business products including access to finance and high-growth coaching. In April 2010, Serco was awarded the contract to deliver the Business Link service in the South East, with a reduction in back-offices aimed at shifting capacity to the front-line. As part of the agenda for growth, the services in the South East focused down on supporting growth-oriented businesses. By 2012-13, the aim was to help over 215,000 customers per annum, 24,000 of which would be intensively assisted (with expected GVA per employee of 8% per annum), and over 8,300 business created per year.

SEEDA's strategy was disrupted by the cuts to our budget, inevitably impacting heavily on Business Link which accounted for a significant proportion of our business programmes budget. Some services had to be withdrawn, although we sought to protect those in-depth support services which businesses told us they particularly valued and which drive growth. Notwithstanding the budget reductions, Business Link helped over 98,000 customers, 8,700 of which were intensively assisted, and over 2,500 new businesses were created. While understandably lower than the 2009/10 figures of 150,000 customers and 19,000 intensively assisted businesses, this was a significant achievement in a difficult year. Importantly, customer satisfaction remained high at over 90%. The service will continue to reduce in size until November 2011 when a national Contact Centre will be established. In 2012 Government intends to launch its Business Coaching for Growth service as one of the Solutions for Business products going forward.

Importing New High-Growth Companies from Abroad - Foreign Direct Investment

Foreign Direct Investment (FDI) is the fastest way of increasing employment and growth, by attracting new investment or re-investment from overseas based companies. Such investment is typically high value, even though it might start from a small base. Hand-in-hand with supporting growth within indigenous UK based companies, FDI is focused on attracting, retaining and growing high value sectors and employment opportunities.

2010/11 was a highly successful year for SEEDA, reaping dividends from a targeted industry sector strategy and high growth investment focus. This resulted in 86 foreign companies investing in the South East region which created and safeguarded nearly 2,800 jobs, surpassing the previous year's results of 65 investments by foreign companies.

The jobs created by or through attracting new companies from overseas will not stop here: we anticipate that more than 4,000 additional new jobs will be created or safeguarded over the next three years from the businesses that SEEDA assisted throughout 2010/11.

In 2010/11 SEEDA's focus was on particular sectors, reflecting the greatest payback to be achieved from carefully researching and segmenting the market. We exceeded all of our FDI targets during 2010-11, with 54% of FDI investments and 79% of jobs coming from high value projects. Much of this work is testimony to the importance of representatives overseas: they delivered over half of all high value projects and two thirds of all high value new and safeguarded jobs. UK Trade and Industry has appointed PA Consulting as its private sector partner to support FDI from 1 April 2011; although Government funding is significantly reduced a number of SEEDA staff have transferred into PA Consulting taking their wealth of experience and contacts with them.

Growth through loans and equity for growth companies - Finance South East (FSE)

Finance South East (FSE) delivered loan and equity support to 69 businesses with growth potential in 2010/11. Over 350 companies have benefited from FSE's funding over the last 8 years. Funding provided by FSE is a critical way of filling the gap in bank lending, and SEEDA has been working with the Government and Capital for Enterprise Limited (CfEL) to secure a future for capital investment for Small and Medium sized Enterprises with the potential to grow. We are delighted that CfEL will be the successor body ensuring that critical capital investment remains available to those businesses that have the potential exponentially to grow and create jobs.

In 2010/11 FSE has managed a number of grant programmes on behalf of SEEDA: the Grant for Research & Development and the Grant for Business Investment programmes.

> One particular success was Eykona Technologies Ltd which was awarded an R&D grant to develop a 3D wound imaging device. The company was subsequently very successful in raising equity of £1.19m. Eykona completed the grant funded programme in December 2010 and – albeit a micro-sized start-up company - has already created five new jobs in 2010, with plans to create at least three more later in 2011. Several leading clinicians are confident that the product will be transformative to the treatment area, directly assisting patient care and generating a strong health economic benefit. The commercial product was launched, for evaluation trials, in the UK in August 2011 with a US launch planned by the beginning of 2012.

These two grant programmes will transfer to the Technology Strategy Board (Grants for R&D) and to the Department for Business, Innovation and Skills (Grants for Business Investment) on 1 September 2011.

Bringing additional funding to support Growth - European Programmes and Projects

Attracting European funding to the region to support business growth continued to be one of SEEDA's strategic priorities. It helps to make the UK's Government's money go much further, often to deliver catalytic projects that we could not otherwise afford. In 2010/11 European projects and programmes managed and led by SEEDA, both domestic and pan-European, have brought in around £34m on top of SEEDA's grant from Government (our Single Pot). These non-Single Pot funds are a combination of EU, private sector, and central Government funding. The overall SEEDA investment of around £710,000 in trans-national European projects drew in around £8M of EU funding in 2010/11, showing a return on investment of £11 for every £1 that SEEDA invested. We have used these European funds to invest in projects that help the region prosper, and have channeled that investment into areas such as the rural economy and social and biotechnology development.

In 2010/11 through bid-for European funding SEEDA safeguarded nearly 200 jobs; contributed to the creation of approximately 142 new businesses; helped improve the performance of around 2,000 businesses; engaged nearly 500 businesses in new collaborations with the knowledge base; and developed the skills of around some 8,650 people.

The **European Regional Development Fund (ERDF)** programme was used for a third round of applications for funding, resulting in four projects receiving approximately £2.5m. The fourth round for the programme was launched in March 2011, and offers £6.5m of ERDF funding to applicants. It will fund a limited number of large projects in the fields of Renewable Energy and Sustainable Transport. The round is now being concluded after transition of the programme to the Department for Communities and Local Government in July.

> C2C (Connect to Compete) was granted over £4.4million ERDF to fund small scale investments and transport advancement schemes in the ports of Southampton, Portsmouth, Dover, Ramsgate and Shoreham. The project aimed to ensure sustainable distribution of commodities, the shift of freight transport from road to rail (such as through the creation of an inter-modal railhead at Fratton Goods Yard) and the development of a network of reliably performing and resilient logistics links between harbours and their hinterlands.

Through the **Rural Development Programme for England (RDPE)**, SEEDA invested nearly £10m in 148 projects. Around two thirds of the funding – some £6.4m – was delivered through local partnerships – the so-called Leader partnerships. The remaining funding went into strategic projects including two major pan-regional tourism initiatives which have been awarded a total of £1.2m. These two initiatives alone will benefit more than 500 tourism businesses, to generate over 98,400 overnight stays, create 46 new and safeguard 187 jobs. So far a total of £572,000 has been awarded to successful projects under this programme.

The **European Social Fund (ESF)** programme has provided over £7.5m to seven strategic projects since 2008. The projects have engaged over 6,200 ESF participants and delivered around 4,500 training activities, which included coaching for hard-to-reach participants with business potential to train in the sustainable construction industry – a key area of growth when the UK economy comes through the downturn.

Business Critical Infrastructure funding has supported the Solent to Midlands Advancement of Rail Transport project (SMART) to provide access for larger containers on the Southampton to Midlands line. The scheme will provide a £374m boost for the economy and remove up to 50,000 container lorries a year from the roads, easing traffic jams and helping reduce the billions of pounds that road congestion costs annually.

POWER (INTERREG IVC) is a €5.8m programme aimed at driving Low Carbon Economies across Europe. Involving seven European regions, the programme funded 9 sub-projects working jointly on the following areas: Energy Efficiency; Renewable Energies; Eco-innovation and Environmental Technologies; Sustainable Transport; and Behaviour Change. Policy experts from across the regions will analyse the results of the sub-projects and capitalise on the best results to improve their regional strategies and policies. As a result, the regions are expected to be better placed to meet the EU 2020 targets.

SEEDA is also the UK Regional Partner for the €4m **INTERREG IVC – PEOPLE** programme aimed at exploring opportunities for new forms of employment, and for improving well-being and cohesion during the significant demographic and societal changes faced by the South East. Throughout the year SEEDA worked with regional partners delivering innovative pilot projects and research, including supporting older workers into self-employment through mentoring and coaching; developing telecare technologies and policy; new Social Impact Measurement tools for social enterprises; and looking into the use of social media to improve interaction between local authorities and local communities to empower the civil society.

During 2010/11 SEEDA built on the successful **Pathway to Zero Waste in the South East programme** that the Agency had initiated in 2008. In partnership with the Environment Agency SEEDA delivered three key work streams of the **European Pathway to Zero Waste (EP0W)** project. Looking ahead to SEEDA's closure, we arranged for these work streams to be transferred to the Waste and Resources Action Programme (WRAP) from the 1st April 2011.

Innovative partnerships and finance to drive the Low-Carbon Economy

The Government recognises the challenge of creating a low-carbon future and the need to deliver it through a managed industrial transformation. A number of new national initiatives, including the Green Investment Bank and a £200m programme to establish up to six Technology & Innovation Centres, will support this transformation. In particular, the Government accepts the vital need to invest in renewable energy now to maximise future benefits – which include billions of pounds for the economy and thousands of new jobs.

Learning from the German example where its economy and citizens have benefited significantly from their government's focus on investing in Low Carbon, SEEDA has been working with the European Investment Bank to develop financial mechanisms to assist companies and public sector bodies to save money through improving the energy efficiency of their buildings. For example, the Building Energy Efficiency Programme will use £500,000 to provide free expert advice to property owners and occupiers to develop 'energy performance contracts' that could see reductions in energy costs and carbon emissions by 25% on an annual basis. SEEDA has handed over its leadership of this programme to Improvement and Efficiency South East.

SEEDA's investment into electric vehicle infrastructure saw the installation of 20 electric vehicle charging points at key sites across Buckinghamshire and Oxfordshire. The programme complemented the Milton Keynes 'Plugged in Places' programme by providing the necessary infrastructure needed to develop the market for electric vehicles. Private sector partners in the project included Chilterns Railways, First Great Western Railways, Waitrose, Silverstone and the National Trust, working closely with Local Authority partners. SEEDA's investment also stimulated the creation of a private sector-led electric vehicle group bringing together key regional parties to address the barriers to further market development across the region.

The Community Generation Fund designed by SEEDA and operated by Finance South East secured its first investor. The Esmee Fairbairn Foundation has committed £500,000 to the Fund, which will provide early stage finance to community-based companies developing local renewable energy projects. This fund has a pipeline of local community projects which will create revenue streams both through the generation of 'clean energy' and from the Feed in Tariff and Renewable Heat incentive (Government-backed measures which guarantee payments for the generation of energy and heat generated from renewable sources). Profits will be recycled into local retrofitting programmes increasing the energy efficiency of community homes and buildings.

Growth opportunities from the London 2012 Games

SEEDA has continued to lead the South East Partnership for the 2012 Olympic and Paralympics Games, to help the region's economy benefit from both the Games themselves and the Games' legacy. Following the budget cuts, we worked with Tourism South East to focus work on ensuring a strong legacy for the tourism industry, and to help Local Authorities secure and support Pre-Games Training Camps.

Over 20,000 small and medium sized businesses have now also registered on **CompeteFor**, a portal we developed specifically to open up the London 2012 supply chain to local businesses, with the number expected to increase over the coming year. In total, including through CompeteFor, almost 1,000 contracts have already been won worth more than £1bn. Some of these contracts have been for the provision of products and services directly to support the London 2012 Games.

Icon Live, a concession retail model operator, is one of many companies in the South East that has won a significant 2012 Games contract. As the official Souvenirs Licensee for the London 2012 Olympic and Paralympics Games provider, it has experienced a staggering 20% growth through expansion into new product areas.

SEEDA has continued to support and promote the economic opportunities of the London 2012 Games for small and medium sized businesses. Local businesses have been engaged in events and workshops to help them understand and profit from procurement opportunities generated by the Games. More than 8,500 small and medium sized businesses have taken part in the workshops since the programme was first established in 2007.

Economic Growth through Transforming Places

Even in a global, highly-networked world, businesses and high-growth companies connect and cluster together in places that have the right infrastructure to allow them to develop and grow. SEEDA has, over its lifetime, invested heavily in specific places across the South East to unlock the potential of local economies and attract clusters of businesses.

Such investment takes time: it can take several years to start seeing the impact of our intervention. In 2010/11, SEEDA continued to focus on strategic locations with a capacity to support transformational change, and we saw the culmination of our investment and expertise over prior years.

Supporting the high-growth Marine Sector

The marine sector in the South East contributes almost 5% of the region's Gross Domestic Product (GDP) and the marine sector in the Solent area alone is estimated to be worth £5bn to the local economy. This significant geographic cluster of marine businesses includes commercial port and naval activities; maritime services; high technology marine electronics; and a large number of marine leisure firms.

The Solent Waterfront Strategy developed with partners showed that the marine industry is worth nearly 20% of the Solent economy, and provides 25,000 jobs directly (48,000 indirectly). A modest annual growth rate of 1% up to 2026 would create an additional 10,500 jobs. SEEDA's work in 2010/11 has continued to draw on the Strategy and thereby harness that potential in the Solent area and more widely in the South East.

Woolston Riverside, Southampton

July 2010 saw the official launch of Centenary Quay, Woolston Riverside, a major regeneration project in which SEEDA has worked closely for many years with local partners. The aim has been to transform the former Vosper Thornycroft shipyard, a substantial brownfield site, to attract marine-related businesses in a Marine Employment Quarter, creating up to 1000 local jobs and providing 1,620 new homes. Since the launch, SEEDA has been working with partners to ensure the development is handed over to private sector companies to realise the potential of the development. A new Maritime and Marine Innovation Quarter on the site will provide marine businesses with unique manufacturing facilities and access to research expertise to develop innovative products and services – a major boost to Southampton's national reputation and potential as a hub of marine innovation.

Medway Superhub – a major strategic manufacturing hub for off-shore wind

SEEDA has led partners in the South East to identify and take advantage of the potential of offshore wind to create high-value jobs. As well as attracting the Danish Vestas Technology to invest in a £100m global R&D centre on the Isle of Wight, SEEDA has encouraged and supported partners to take advantage of the opportunity offered in North Kent.

Sheerness, with its deep water facilities and readily available port side land and hinterland, is one of only a few locations in Great Britain that can meet the stringent demands of the offshore wind industry. With good access to the UK's newly awarded off-shore wind-farm sites and offshore sites in Dutch, French and Belgian waters, the port is also perfectly positioned. SEEDA brought together partners such as Peel Ports and the Local Authorities, and used its reach into the global foreign direct investment marketplace to develop the concept of a major strategic manufacturing hub for the offshore wind industry, to serve growing demand from UK and continental wind farm programmes.

SEEDA's work over the past three years came to fruition with the signing by Vestas Offshore of an options agreement with Peel Ports to develop a new integrated offshore manufacturing facility at the Port of Sheerness in North Kent.

The proposed plant will be operational in early 2015 and will create a large number of construction jobs as well as 2,000 new high-tech jobs in wind manufacturing. A large number of supply chain jobs could also be created. Set to become the largest offshore wind manufacturing facility in Europe, it will give a much-needed boost to the local economy and firmly place Medway Superhub as the leading global centre of excellence for the offshore wind turbine industry.

Hythe Marine Park, New Forest

Since 2007, SEEDA has worked to transform a former US Army base located in Hythe into a centre for the marine industry in the South East – the Hythe Marine Park. The Park has benefited from extensive works to improve the site's infrastructure and enable the re-use of some of its specialist facilities. This has drawn a number of expanding marine companies to the site to take advantage of those facilities which are not readily available elsewhere in the region.

This year has seen the completion of an extensive refurbishment of one of the main industrial buildings on the site and some outlying offices. Together with strategic support provided by SEEDA, this has enabled Lymington-based composite yacht builder, Green Marine (recently acquired by Dutch firm Vitters) to relocate its entire operation to The Marine Park. The site is now home to a multi-million pound specialist high-tech composite marine production facility, and the workforce is expected to double in size to 120 people. The move has given the company flexibility to increase its production and secure new boat building and refit contracts.

SEEDA has also adapted the unique facilities on the site, including extensive pontoons and a heavy ship lift, to enable the launch of 'Solent Refit', an independent superyacht refit and repair facility available for hire for large yacht refit and repair. The facility is available for local companies to use to service vessels which are either too large for their own yards, or where the contract might otherwise go overseas.

Isle of Wight – A major centre of composite technology and tourism

Throughout 2010/11 SEEDA's key development projects on the Isle of Wight have taken significant steps forward, with many completing. In other cases construction works have started, providing a much-needed boost for the local economy.

The **Vestas Technology Centre at West Medina Mills**, enabled by SEEDA's strategic support and through constructing a new link road at Stag Lane, completed in May 2011. The Centre will create 400 new high-tech jobs on the Island. The creation of this impressive 'state of the art' building for the development of 'next-generation' (upwards of 70-metres long) offshore wind turbine blades is important for the Isle of Wight. It has helped to consolidate the Island's small but important grouping of high-tech companies, many of which (e.g. GKN, Gurit, as well as Vestas) are involved in the development and use of Composite materials. Vestas has helped to anchor jobs on the Island during the recession, and this centre of excellence can act as a springboard for manufacture and supply chain development from the major commercial opportunities provided by offshore Round 3 wind farms.

SEEDA has also continued working with partners on the redevelopment of **East Cowes**. The work in both the town centre and the marina will enhance the worldwide image and potential of Cowes as a sailing venue, as well as create new businesses and jobs within the marine and tourism sectors. Key milestones in 2010/11 included the completion of the new Waitrose store in November, enabled by a new link road completed by SEEDA and investment in remediation and extensive masterplanning, which has created 160 new jobs on the Island. The store will be home to an innovative new Energy Centre, reusing the excess heat generated within the store. Work has also started on the construction of a new Medical Centre and pharmacy for East Cowes, set to complete in early 2012, and the development of 180 new homes by David Wilson Homes in partnership with Spectrum Housing and the HCA.

Major regeneration projects in areas of high development potential

Unlocking the potential of Thames Gateway - Neats Court, Isle of Sheppey

The Queenborough and Rushenden site is a major regeneration programme in Kent linked to the huge development potential across the Thames Gateway. SEEDA has been working with The Crown Estate on a comprehensive approach to the employment area, known as Neats Court, within the Queenborough and Rushenden Masterplan. On completion, the project will deliver over one million sq ft of employment space; education, health and community facilities; a new 180 berth marina; and up to 2,000 new homes.

This year we took a major step forward when The Crown Estate and SEEDA secured LXB Retail Properties Plc to develop a mixed-use scheme on the Neats Court site. The new development is set to provide a 55,000 sq ft new Morrisons food-store; 35,000 sq ft of non-food retail warehousing; approximately 70,000 sq ft of employment space; a drive-through restaurant; and a family public house. In total this development will create 650 local jobs.

St. Mary's Island, Chatham – housing for future generations

St Mary's Island is a unique part of Chatham Maritime, an award-winning, mixed-use regeneration scheme where £140m of public sector investment has attracted £700m of private sector investment over the life of the project. The building programme on St. Mary's Island is the result of a joint venture between Countryside Properties plc and SEEDA, through Countryside Maritime Limited. This year construction re-started on two further sectors on the Island, adding a further 136 units, made up of apartments and family homes, towards to the planned total of 1,700.

Hastings & Bexhill – Education-led Regeneration

Since 2003, SEEDA has worked with local partners and through Hastings and Bexhill Renaissance Limited (HBRL), trading as Sea Space, to transform Hastings and Bexhill from an area of poor economic development into an attractive business location with a skilled workforce.

Strategic planning and partnership working over the last 10 years has contributed to a rise in average earnings from 68% of the regional average to 82% over that period. It has also brought the first private sector investment in over three decades in the area. At the end of 2010, SEEDA and Sea Space worked closely with local partners to attract The Saga Group to Hastings. The company, which specialises in products and services for the nation's over-50s, has become the largest private sector employer in the town by creating 800 jobs in the area and purchasing One Priory Square, Sea Space's Priory Quarter development in the new business district in Hastings' town centre.

> Roger Ramsden, Chief Executive of Saga Insurance said: *"Hastings is an ideal location. Priory Square is in the town centre and has good public transport links and the building will provide a great working environment. We aim to attract, train and keep the best talent that Hastings has to offer."*

SEEDA also brought a big boost to the higher education sector in the area with some £3m investment towards the construction works for phase 2 of the University of Brighton's University Centre Hastings (UCH). The second UCH facility will be an impressive, twenty-first century learning environment, which will more than double the capacity of the University Centre, whose existing premises are now full, to over 1,000 student places. Over 800 of these places are already confirmed and funded.

Margate, Kent – Culture-led Regeneration

After many years of close working to revitalise its cultural offer and enhance its regeneration prospects, SEEDA and local partners in Margate celebrated the outcome of a shared vision and determination to reposition the town in the minds of investors and visitors.

The Turner Contemporary Gallery, one of the largest and most important spaces for art outside London, completed in April 2011. The Gallery received huge international media interest in the run up to its opening and is already having a positive impact on the town's profile as an attractive tourism and business destination. SEEDA invested £4m in the 2,900m^2 development, which is an ideal example of how the arts and culture can start to stimulate regeneration. The Turner Contemporary has been announced as one of the finalists for the Regeneration and Renewals Awards 2011, for the award category of best use of arts and culture in regeneration.

PROGRESS AGAINST CORE OUTPUT TARGETS

SEEDA had to revise all of its output targets twice for 2010/11. First, a redirection of RDA funding to contribute to the Government's measures to support businesses out of the recession in 2009 impacted on what we were able to do and deliver. Secondly, after the 2010 General Election SEEDA's in-year budget was reduced further by 26%: this required us to both re-negotiate a large number of contracts, and reassess with delivery partners a revised and realistic scale of outputs that we could achieve.

We set conservative targets to reflect our revised budget, but were determined to exceed those targets where possible. We are pleased that we have done so in all cases. The number of jobs created and safeguarded was less than the previous year, however, the amount of public and private sector money we were able to draw in as a result of our own investment exceeded the 2009/10 figure by 30%.

- **Jobs created/Safeguarded (Output 1) -** Actual jobs achieved were just under 3,500 against a revised target figure of 2,815.
- **Employment Support (Output 2) -** Actual number assisted into a new job were just under 8,700 against a target of 5,000. The primary contributor to the output measure was over 7,100 from the Continuing Employment Support Service (CESS). However the early transfer of the CESS programme to Jobcentre Plus in September 2010 meant SEEDA could not claim any employment support outputs from September 2010 onwards. If the programme had continued with SEEDA, we judge that CESS outputs would have equalled or exceeded the 2009/10 figures of 244 companies and 11,250 individuals supported.
- **Business Creation and Growth (Output 3) -** The number of new businesses created was 2,660 against a target of 1,400. The significant reduction from the previous year was due to the necessary cuts in the Business Link managed Enterprise Gateway Service. As BL funding was focussed on high-growth support to provide the greatest return on investment, the Enterprise Gateway Service was terminated from October 2010.
- **Business Support (Output 4) –** The number of businesses assisted to improve performance was 17,898 against a target of 13,700. Business Link is the single biggest contributor and the restrictions on marketing and cuts to the programme curtailed the offer and heavily impacted service delivery. The service was refocused onto the Business Link offer to support growth businesses.
- **Businesses in new collaborations with UK knowledge base (Output 4a) –** The actual number achieved was 716 against a target of 320. During the year, there was a significant reduction in new and pipeline R&D projects, but the Knowledge Networks Programme (09-11) achieved greater than expected numbers and there was a strengthening of business/university collaboration with significantly more participants than expected during the second half of the year.
- **Regeneration, public and private sector leverage (Output 5) –** Total public and private sector leverage was £230m against a target of £220m. The overachievement was due to five pre-existing capital investment projects (Brighton Community Stadium; West Medina Mills; part of the Chatham Maritime development; Turner Contemporary and Vestas Technology) which all completed in 2010/11 as forecast – this was a good achievement given the state of the economy.

- **Regeneration, private sector leverage (Output 5a) –** Total private sector leverage was £146m, exceeding the revised target of £135m. The top four major infrastructure projects delivered total leverage of £98m and all completed on site as contracted and forecast.

- **Skills Development (Output 6) –** The number assisted with Skills Development was 17,131 against a target of 4,400. The actual figure achieved includes delivery of outputs resulting from prior year spend: Engaging Employers Enhancing Education for Physics; the National Enterprise Academy; Tourism South East; MAS; and Egerton Park in Hastings.

Output Indicator	Target	Actual	Variance
1. Job Creation - Jobs created/safeguarded	2,815	3,489	674
2. Employment Support - People helped into employment	5,000	8,681	3,681
3. Business Creation - New created/grown/attracted	1,400	2,660	1,260
4. Business Support - Assisted to improve performance	13,700	17,898	4,198
4a. Businesses - Knowledge Base Collaborations	320	716	396
5. Regeneration - Public and Private Sector Leverage (£M)	£220m	£230m	£9.5m
5a. Regeneration - Private Sector Leverage (£M private)	£135m	£146m	£10.45m
6. Skills - No people assisted in skills development	4,400	17,131	12,731

Notes:

1. Output 1 actuals include 134 jobs created already from SAGA's investment in Hastings (of the 800 in total which will result from this investment).

2. Outputs achieved in 2010/11 have been dependent on funding levels, with reductions reflecting midyear budget cuts and the resulting transition to closure or transfer of SEEDA's activities. This was particularly true for outputs delivered through partner organisations faced with closure.

4. DIRECTORS' REPORT

4.1 Introduction

The South East England Development Agency was established under the provisions of the Regional Development Agencies Act 1998. The Agency is a Non-Departmental Public Body sponsored by the Department for Business, Innovation and Skills. It came into existence on 14th December 1998, following Parliamentary approval of the Regional Development Agencies Act 1998 and the appointment of Board Members. The Agency became fully operational on 1st April 1999. On 22nd June 2010 the Government announced its plans to close the Agency by the end of March 2012, along with all other RDAs.

Principal Activities

The Agency's principal activities as set out in the 1998 RDA Act are as follows:

- to further the economic development and the regeneration of the South East;
- to promote business efficiency, investment and competitiveness;
- to promote employment;
- to enhance the development and application of skills relevant to employment;
- to contribute to the achievement of sustainable development

Audit Services

The Comptroller and Auditor General is appointed by statute to audit the South East England Development Agency, and reports to Parliament on the truth and fairness of the annual financial statements and the regularity of income and expenditure. The costs incurred in relation to services provided by the Comptroller and Auditor General in 2010/11, were £66,000. The Comptroller and Auditor General also has statutory powers to report on the economy, efficiency and effectiveness with which the Agency has used its resources.

4.2 SEEDA Board

The SEEDA Board, appointed by the Secretary of State for Business, Innovation and Skills, comprises the Chairman, 13 members and one vacancy as at 31st March 2011. The Board is responsible for setting the strategic direction of the Agency and for establishing its policies. With the Chief Executive, the Board ensures that the public funds with which the Agency is trusted are used appropriately to the benefit of the region and deliver value for money in meeting our objectives.

Accountability of the Board and Agency

The Board is accountable to the Government and to Parliament. Since the South East Regional Assembly was abolished on 31st March 2009, scrutiny of SEEDA has taken a number of different forms. During 2009/10, Parliamentary scrutiny was undertaken by the South East Regional Select Committee of Parliament, allowing Ministers to examine regional strategies and the work of regional bodies. This Committee ceased to exist upon the dissolution of Parliament on 12th April 2010.

In addition, the new regional governance arrangements that came in place in April 2009 in the form of the South East England Partnership Board, and its associated Committees, were abolished in July 2010. SEEDA's Board had played a significant role in these structures, including chairmanship of the Board itself. One of the Sub Committees has continued to meet, the Business Development Advisory Group (chaired by SEEDA Board Member, Alex Pratt OBE) to provide advice and guidance as SEEDA transitions and closes its Business Programmes in light of the Agency's closure, which was announced in June 2010. The Business Development Advisory Group itself elected to close as a group in June 2011 having fulfilled its primary purpose. The abolition of these governance arrangements also removed an opportunity for stakeholder scrutiny of SEEDA's work.

SEEDA (like the other seven Regional Development Agencies outside London) was subject to an Independent Supplementary Review carried out by the National Audit Office at the start of the financial year, which provided scrutiny of SEEDA's processes, priorities and stakeholder engagement. The results of this review were published in July 2010, in time for the lessons to be taken into SEEDA's Closure programme.

Our parent Department, the Department for Business, Innovation and Skills (BIS), has also taken a hands-on approach to the scrutiny of SEEDA's operations. For example, SEEDA's Accounting Officer has on a quarterly basis made a report to the Department on the Agency's operations, spend, and forecasts, in relation to both SEEDA's 2010/11 Business Plan and the Agency's closure programme.

Members of Parliament are able to raise Parliamentary Questions regarding SEEDA's activities. In 2010/11 SEEDA provided responses to 33 individual requests for information made via Parliamentary Questions.

Furthermore, SEEDA has been subject to external scrutiny in relation to our Closure Programme. In November 2010 SEEDA presented its closure programme to the RDA National Transition Programme Board, and in March 2011 received a Peer Review led by BIS to evaluate progress of individual RDA Closure Programmes, including the examination of risks, key performance indicators and issues.

SEEDA itself has subjected its Closure programme to internal, independent scrutiny through a "mini" OGC Gateway Review of Phase One of the Programme begun in late October. This Review set out clear recommendations and actions to be addressed in Phase two, all of which were implemented. A further mini-OGC Review of the Closure Programme has been undertaken, focusing on phase two, and SEEDA is currently implementing the recommendations. A further review is planned for the autumn.

SEEDA maintains a Register of Board Member's Interests, which is available on the SEEDA website and on request from: Board Manager, SEEDA Headquarters, Cross Lanes, Guildford GU1 1YA. In addition, Members declare their interests to the Board in any transaction involving the relevant organisations and may be withdrawn from participating in any discussions or vote on any related matters. SEEDA complies with the standard RDA Code of Best Practice for Board members.

SEEDA Board Members

The SEEDA Board members during 2010/2011 were:

Robert Douglas CBE	Chairman	
Keith Riley	Deputy Chairman	
Richard Ascough	Cllr Jeremy Birch	Dr. Dolores Byrne OBE
Pamela Charlwood	Prof. Julian Crampton	Les Dawson OBE
Imtiaz Farookhi	Cllr Andrew Finney	Robert Goldfield
Cllr Keith House	Cllr Keith Mitchell CBE	Alex Pratt OBE

SEEDA Non Executive Board Members at 31st March 2011

Rob Douglas CBE, appointed in 2009, is the SEEDA Chairman. He is a business consultant with wide experience in both the public and private sectors. Prior to his consultancy, Rob was a senior executive with Royal Dutch Shell where he held a number of senior general management positions. Rob was Chairman of the South East England Partnership Board, until its abolition in July 2010, and is a member of SEEDA's Remuneration Committee. He is a Board Member of the Higher Education Funding Council for England. He was a non-executive Director of SEEDA from 2001 to 2007, becoming a Deputy Chair in 2003. Since 2004 he has been on various advisory boards at the Department for Business, Innovation and Skills and its predecessor bodies, DTI and BERR. Rob's full biography can be found on SEEDA's website.

Keith Riley, appointed 2007**,** is SEEDA's Deputy Chair. As Managing Director, Group Technical Services of Veolia Environmental Services plc, he has a wide experience in recycling & waste management, particularly working with local authorities. Keith chairs the Major Projects Committee (MPC) and the Remuneration Committee, and was a member of the Transition Sub Committee (July – Dec 2010). He is also a Board member of the Institute for Sustainability.

Richard Ascough, appointed 2009, is Regional Secretary of the GMB Southern Region. Richard is the Trade Union representative on the Board. He is a member of SEEDA's Remuneration Committee and was a member of the Transition Sub Committee (July – Dec 2010).

Cllr Jeremy Birch, appointed 2008**,** is Leader of Hastings Borough Council and is a member of East Sussex County Council. He also serves on the regional council of the Arts Council for the South East and is a non-executive director of Hastings and Rother Primary Care Trust. Jeremy is a member of SEEDA's Audit Committee.

Dr. Dolores Byrne OBE, appointed 2007, recently retired as MD Innovation for QinetiQ, an international defence and technology company. A former Board member of the Association of Independent Research and Technology Organisations, she was Chair of the Science, Engineering and Technology Advisory Council (SESETAC) of SEEDA until it disbanded in May 2011, and is a member of the Major Projects Committee and of the Audit Committee.

Pamela Charlwood, appointed 2006, brings to the Board the perspective of the voluntary and community sector. She is also a non executive director and Vice Chair on the Board of the Southern Health Partnership NHS Trust, and a governor of Treloar school and college for disabled young people. Pamela chairs the Audit Committee and was a member of the Transition Sub Committee (July – Dec 2010).

Prof. Julian Crampton, appointed 2009, is the Vice-Chancellor of the University of Brighton and has a special interest in molecular biology and biotechnology. He is Chairman of Hastings and Bexhill Renaissance Limited; Chairman of Higher Education South East; and the CBI's Innovation, Science and Technology Committee. Julian was a member of the Transition Sub Committee (July – Dec 2010) and also a member of SESETAC.

Les Dawson OBE, appointed 2008, retired in July 2010 as CEO of Southern Water, the largest supplier of water and waste water services in the South of England. Les is a member of the Major Projects Committee and chaired the Transition Sub Committee (July – December 2010).

Imtiaz Farookhi, appointed 2004, is Chief Executive of the National House Building Council, which provides warranty, risk management and regulatory services to the UK house building and construction industry. Imtiaz is a member of the Major Projects Committee; is a Board Member of London Thames Gateway Development Corporation; and sat on the "Gateway to SusCon" Steering Group, which supported the development of a Sustainable Construction Skills Academy (SusCon) based at Dartford in Kent.

Cllr Andrew Finney, appointed 2009, is Conservative Leader of Basingstoke and Dean Borough Council. Andrew is currently Vice Chair of the Local Strategic Partnership; a Board member for Thames Valley Investment & Growth Ltd; was previously Chair of the South East Diamonds for Investment and Growth Board (which is now disbanded); and Trustee Queen Mary's Foundation Trust and education charity. Andrew is a member of the Audit Committee.

Bob Goldfield, appointed 2006**,** is Chief Executive of Dover Harbour Board and represents the business sector. Bob is a member of the Major Projects Committee.

Cllr Keith House, appointed 2009, is the Liberal Democrat Leader of Eastleigh Borough Council as well as a Hampshire County Councillor. Keith was a SEEDA Board Member from 2002-2008. Keith is a member of the Major Projects Committee and was a member of the Transition Sub Committee (July – Dec 2010).

Cllr Keith Mitchell CBE, appointed 2008, is a qualified Chartered Accountant. He has served as a County Councillor for the Bloxham Division comprising the villages of Adderbury, Bloxham, Bodicote, Milcombe and Milton and has been the Conservative Leader of Oxfordshire County Council since 2001. Keith is a member of the Remuneration Committee and the Audit Committee.

Alex Pratt OBE, appointed 2006, is founder of Serious Brands Ltd, which manufactures high-grade reading and task lights. He has worked in a number of areas including global innovation, exports, and business support for BIS and represents the business sector. He was Chair of the Business Development Advisory Group (BDAG) until it elected to close in June 2011, and was Chair of the regional Economic Development and Skills Board until it was disbanded in July 2010. Alex was also a member of the Transition Sub Committee from July to December 2010.

4.3 Board Committees

The Board Committees assist in informing and monitoring the implementation of the Regional Economic Strategy and SEEDA's Corporate Plan. Latterly, the Board and its Committee have played a significant role in providing strategic direction to the delivery of SEEDA's closure programme. A distinction is set out below between the 'Advisory' SEEDA Board Committees and those Committees that assist in the management of the Agency, including its closure. During 2010/11 the Board Committee structure was as follows:

Advisory Committees

Business Development Advisory Group (*BDAG*)***:*** This was a sub Committee of the South East England Partnership Board initially (until the Partnership was abolished); and then an advisory

Committee to SEEDA's Board through the Chairmanship of Board Member Alex Pratt OBE. BDAG has had strategic oversight of the publicly funded business support offer in the South East, and provided advice on the effectiveness and relevance of business support in the South East to the needs of business. BDAG's membership was made up of senior leaders from the region's six Business Membership Organisations, Local Authorities, and the then Government Office for the South East (on behalf of BIS) and SEEDA. Its focus over 2010/11 was advice and guidance on the transition or closure of SEEDA's business support programmes. BDAG disbanded voluntarily at the end of June 2011.

South East Science Engineering and Technology Advisory Council *(SESETAC)****:*** The members of the Council were representative of small business, industry, academic leaders and the public sector who contributed from their personal knowledge and experience to advancing the South East's ambition for economic growth underpinned by support for innovation. The Council continued to meet during 2010/11, under the chairmanship of SEEDA Board Member Dr. Dolores Byrne but, with the planned abolition of SEEDA, the Council disbanded voluntarily in May 2011.

The Skills Working Group: The Skills Working Group was established in April 2010 as a key component of the South East Partnership structure, with a focus on work to grow the economy of the South East through the identification of skills needs and ensuring a match between skills demand and supply. The Group's key functions were to oversee the strategic development of skills within the context of an integrated Regional Strategy. The Group's membership included education, business and local authority representatives under the chairmanship of Professor Van Gore, Vice Chancellor of Southampton Solent University. In light of the Government's revoking the need to prepare regional skills strategies, the Group disbanded voluntarily in May 2011.

Management Committees

Transition Sub Committee: Members were: Les Dawson OBE (Chair), Cllr Keith House, Keith Riley, Pamela Charlwood, Alex Pratt OBE, Prof. Julian Crampton, Richard Ascough. Following the Budget announcement in 2010 that RDAs were to be abolished by 31st March 2012, SEEDA's Board established in July 2010 a Transition Sub Committee to the main Board to focus on SEEDA's Transition to Closure. The new committee's purpose was specifically to steer SEEDA's closure programme and monitor progress against closure targets. In particular, it provided advice on: ensuring value for money and minimum loss of benefit to the economy of the South East; governance matters, including any that should be addressed by the Audit Committee or Board or any of the other Board Committees; managing the interests of internal and external stakeholders; and providing assurance of the totality of the closure progamme. The Committee met between July and December 2010, and having ensured SEEDA's closure programme was well on course, concluded its activity and disbanded. SEEDA's Board has since, from January 2011, overseen all closure responsibilities and activities.

Major Projects Committee (MPC): Members as at 31st March 2011 are Keith Riley (Chair), Imtiaz Farookhi, Les Dawson OBE, Bob Goldfield, Cllr Keith House and Dr. Dolores Byrne. As SEEDA's budget has reduced over 2010/11, MPC's role in the consideration and, if appropriate, the endorsement of new project investments has decreased. However the Committee has taken an increasing role, with the delegated authority of the Board, in steering the development of SEEDA's Assets and Liabilities Plan over 2010/11. In light of this re-focused role, this Committee was re-named from May 2011 the "Assets and Liabilities Committee" and had its Terms of Reference re-drafted to focus its role on supporting and directing the delivery of SEEDA's Assets and Liabilities Plan, in particular relating to land and property.

***Remuneration Committee**:* Members as at 31st March 2011 are Keith Riley (Chair), Rob Douglas CBE, Cllr Keith Mitchell CBE and Richard Ascough. Alongside the Remuneration Committee's Terms of Reference, the Committee extended its remit to include scrutiny of proposals for SEEDA's Workforce Plan over the period to closure, including the size and shape of the leadership team. This provided both a critical friend to the structure to deliver the 2011/12 Business Plan, and also assurance to the Board on the staffing levels required, taking account of a 50% reduction in Administration budget allocation in 2011/12 by comparison with 2010/11. The Chair of the Audit Committee has been invited to meetings of the Remuneration Committee to provide assurance that the workforce plan will deliver a robust structure and framework to manage the Agency to closure in good order.

4.4 Audit Committee

Role of the Audit Committee

The main purpose of the Committee is to give advice to the Accounting Officer and the Board on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk, control and governance. The Committee acts in an advisory capacity only on audit matters and has no executive powers. The Committee reviewed its Terms of Reference in May 2011 and made some amendments to ensure they provided robust assurance on a number of audit and governance matters relating to SEEDA's closure. Its objectives are to advise the Accounting Officer on:

- the strategic processes for risk, control and governance;
- the accounting policies and accounts of the organisation;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity;
- assurances relating to the corporate governance requirements of the organisation.

Members of the Committee are appointed by the Board for fixed terms not exceeding three years in the first instance. During 2010/11 the membership was expanded to reflect the increased importance of assurance, regularity and propriety during the period to closure. Members as at 31 March 2011 were as follows:

- Pamela Charlwood (Chair)
- Richard Ascough
- Cllr Andrew Finney
- Cllr Keith Mitchell CBE
- Dr. Dolores Byrne from 29th October 2010
- Cllr Jeremy Birch from 29th October 2010

Delivery of Formal Responsibilities

During 2010/11 the Audit Committee met on six occasions to perform its functions in accordance with HM Treasury's Audit Committee Handbook. The minutes of these meetings and an annual report on the Audit Committee's activities were presented to the full Board.

Key Performance Indicators

Key performance indicators relevant to the Audit Committee are the grading given in internal audit reports and the number of outstanding internal audit recommendations. In addition, the Committee has a particular interest in the KPIs of the Finance, Assurance and Performance Management work stream of SEEDA's Closure Programme.

Stakeholder Relationships

Effective working arrangements are in place with the National Audit Office, and – until its abolition in March 2011 – with the Government Office for the South East, whose representatives attend Audit Committee meetings on a regular basis. The National Audit Office particularly values the insight it gets into SEEDA's operations from Audit Committee attendance, and SEEDA values the advice provided by NAO representatives.

Internal Financial Control and Risk Management Systems

Audit Committee reviewed the Audit reports covering these areas presented to it by the Internal Audit, and by the Group Executive Director Strategy & Resources and by the Finance and Performance Director.

Internal Audit Function

During 2010/11 the internal audit function was undertaken by South Coast Audit, a consortium hosted by the South Downs NHS Trust.

Internal Audit reviewed critically the Internal Audit Strategy and Plan in the light of SEEDA's closure to ensure it adequately focussed on the risks associated with closure. The Internal Audit Strategy and Plan, the executive summaries of individual Internal Audit assignments, reports on the implementation of recommendations, progress reports and the Internal Audit Annual Report and Assurance Statement were reviewed by the Audit Committee.

4.5 Senior Executive

The Executive Directors are responsible for: driving forward the implementation of the Corporate Plan; relevant elements of the Regional Economic Strategy until it was revoked; for delivering the programmes through which the Agency delivers economic development outcomes for the South East; for managing and delivering SEEDA's Closure Programme; and for taking corporate responsibility with the Chief Executive for the running of the Agency.

Members of the SEEDA senior executive including functional and geographic responsibilities during 2010/11 were:

Pam Alexander	Chief Executive and Accounting Officer
Lee Amor	Executive Director, Enabling Infrastructure and Development
Robert Crawford*	Group Executive Director, Operations, with area responsibility for Hampshire, East Sussex, West Sussex and Brighton and Hove
Oona Muirhead CBE	Group Executive Director, Strategy and Resources, with area responsibility for Milton Keynes, Oxfordshire and Buckinghamshire, and the Isle of Wight; Senior Information Risk Owner for the Agency and Senior Responsible Owner for SEEDA's Closure Programme
Paul Lovejoy**	Executive Director, Strategy – with area responsibility for Sussex

Dr. Susan Priest	Executive Director, Strategy, with area responsibility for Kent and Medway, Berkshire and Surrey.

* Robert Crawford left SEEDA on 31st March 2011

** Paul Lovejoy left SEEDA on 21st October 2010

The size and shape of the senior leadership team was reviewed during 2010/11 in the light of the Government's decision to close the Regional Development Agencies and the consequential downsizing of the Agency. The team reduced from 6 to 4 during 2010/11.

In addition, as part of reducing the size of the leadership team along with the downsizing of the Agency, the Board agreed in March 2011 that Pam Alexander should step down as Chief Executive on 5th July 2011 when a significant number of staff departed SEEDA. The Board also agreed that at the start of the consultation period on 5th April the role of Accounting Officer and Chief Executive Designate should be taken on by Oona Muirhead, so as to provide clarity over accountability and decision-making. On 5th July Oona assumed the role of Chief Executive, and the executive team thereby reduced further, from four to three. Lee Amor's post is in scope for transfer to the Homes and Communities Agency in September 2011.

4.6 People and Organisational Development

SEEDA's original people and organisational development strategy for 2010/11 was to deliver the objectives of SEEDA's transformational change programme to enhance significantly our potential to effectively and quickly to deliver the new agenda of a more focussed, flexible and agile Agency built firmly around competitiveness and productivity, with a strong business bias.

The Government's decision to abolish SEEDA meant that the strategy changed fundamentally to ensure the delivery of the Transition Closure Programme's key objective:

"Delivering what's important for the South East economy while planning and implementing a professional transition to closure"

Resourcing

The critical focus for resourcing in 2010/11 in SEEDA was to:

- Deliver an effective workforce through this year of transition
- Ensure business and knowledge continuity towards closure
- Make significant efficiencies and cost savings to deliver the in-year budget reduction as well as prepare for an administration budget in 2011/12 reduced by 50%.

In line with reductions in our programme budget and functions, we have reduced the number of staff in the Agency to deliver SEEDA's Business Plan and Closure Plan. Table 4 on Page 69 shows the significant decrease in staff. Our non-permanent workforce was reduced very significantly soon after the start of the financial year 2010/11. Overall, our workforce numbers reduced from 251 permanent staff (242 Full Time Equivalents) and 73 non-permanent workforce on 31st March 2010, to 213 permanent staff (205 Full Time Equivalents) and 10 non-permanent workforce on 31st March 2011.

SEEDA implemented a freeze on new recruitment prior to the start of the 2010/11 financial year, in line with the Public Sector Recruitment Freeze subsequently implemented by the Coalition Government. The Agency has successfully redeployed its workforce within SEEDA to key areas of the business as required by the demands of the Closure programme.

Staff absence due to sickness was 2.45% during 2010/11, 0.3% below SEEDA's target and 0.1% below 2009/10. This was a significant achievement at a time of unsettling change for the Agency's workforce.

Organisational Development

SEEDA's organisational development priorities post-election 2010 were to prepare the Agency for its significant downsizing exercise, whilst keeping staff motivated through the provision of support for their futures post-SEEDA. A significant outplacement programme was put in place in June 2010, working with various partners in the locale, including Guildford College, with over 600 attendances at various workshops throughout the year.

Remuneration and Pension

SEEDA implemented a pay freeze in 2010/11, and used the monies thereby saved towards the Administration savings required out of the Emergency Budget in June 2010.

The treatment of pension liabilities and the relevant pension scheme details are set out in Note 4 to the Annual Accounts and in the Remuneration Report on page 38 of this Annual Report. Bonuses for 2009/10 performance were awarded for all staff in 2010 but not paid. The Chief Executive and Executive Directors declined their contractual entitlement to bonuses and decided that other bonuses should also not be paid, in order to ensure that SEEDA could meet its admin in-year savings target of £2.1m.

Staff consultation

SEEDA's Joint Staff Council met regularly during 2010/11 to discuss a range of employee-related issues, including the impact of the change in focus, the closure of SEEDA and implications on staff, efficiency savings and outplacement programme. SEEDA also maintained a productive working relationship with its recognised union, PCS.

Equality and Diversity

SEEDA wholly supports the principles and practices of equal opportunities in employment and service provision and opposes all forms of unlawful or unfair discrimination on grounds of gender, colour, marital status, race, nationality or ethnic/national origin, religion and belief, sexual orientation, disability, age, membership of a trade union and working arrangements.
At the end of March 2011, 41% of staff who fell within the Agency's senior management pay ranges (Group Executive Director, Executive Director, Director and Head of Department pay bands) were female.

As part of the Equality Impact Assessment, SEEDA recorded the ethnic origin of all staff. This was carried out in February 2010. 2% of staff identified themselves as being Black or Minority Ethnic (BME). This compares to our BME population of 6.95% in the South East region (source: 2005 Census, Office of National Statistics).

The staff profile for 2010/11 was as follows:

- 100% of BME staff participated in learning and development activities;
- 0% of BME staff were the subject of disciplinary procedures;
- four members of BME staff left SEEDA (and none joined SEEDA, due to the recruitment freeze).

SEEDA also recorded during 2010/11 the number of staff registered as disabled. Of those who have informed SEEDA of their disability, 3% of staff identified themselves as registered disabled. This compares to our registered disabled workers population of 7.65% (source: 2007 DWP Working Age Audit).

Health and Safety Policy

The Health and Safety Policy adopted by SEEDA meets the legal requirements to provide and maintain a safe working environment. The policy is approved by the Chief Executive and Executive Management Team and implementation is monitored by the Head of Facilities. The management process involves training and cooperation of all employees to identify hazards that could be a risk, and production of risk assessments including control measures. These control measures are used to assist in implementing standards to consistently improve the workplace. Staff are provided with familiarisation and training programmes through the management process and the increased use of e-learning modules are constantly being developed.

Open Government

In 2010/11 the Agency responded to 68 requests for information made under the Freedom of Information Act 2000. This represents a 43% reduction from 2009/10 level of 119. All responses are publicly available via the Disclosure Log on our website. The Agency also handled a substantial volume of correspondence, much of which concerned requests for information associated with SEEDA's closure.

Better Payment Practice Code

Since April 2010, the average time to pay an invoice has been 4 days, with 95% of undisputed invoices paid within the Government's five day target.

Communications

The Independent Supplementary Review carried out by the National Audit Office and published in July 2010 provided an assessment of how SEEDA engaged with stakeholders and staff on the prioritisation of the Agency's programmes, resources and processes. The report highlighted a number of areas where SEEDA had performed well, and also suggested areas where SEEDA could renew its focus and continue to improve. This included stakeholder engagement. In response we developed a more comprehensive account management system and approach to strengthen our engagement with partners and stakeholders, with a view in particular to getting and responding to partners' feedback on SEEDA's activities and performance. SEEDA's internal communications was tested in a staff survey in March 2011 with over 90% of respondees indicating that they felt they were well informed by management.

4.7 Risk Management

Risk Strategy

SEEDA has in place a well-established strategy for risk management, which was reviewed and refreshed during 2010/11, leading to endorsement by Audit Committee and SEEDA Board. The essential features include the following:

- compliance with the Treasury guidance on risk management (Orange Book) and the guidance for project appraisal (Green Book);
- delegated responsibility to divisions within the agreed strategic framework and procedures;
- risk management concentrated on achievement of business plan objectives, budgets and output performance targets;
- linkage to the ten-year Regional Economic Strategy, the three-year Corporate Plan, and the annual Business Plan;
- risk management framework implemented to include closure specific risks; risk management approach enables common risks across different business areas to be identified by closure programme work streams to assess the cumulative risk impact. Reports are made both via closure work stream leads, for aggregated or specific closure risks, and via Executive Directors for operational risks;
- during the year advice was provided to staff on risk management and the changing risk management practices in light of SEEDA closure and the maintenance of risk management registers;
- risks assessed at project appraisal stage before any commitment is undertaken;
- risk registers list the identified risks, mitigating actions, the accountable and responsible persons;
- the Corporate Risk Register updated monthly and reviewed by the Executive Closure Board, including the Accounting Officer; SEEDA Board reviews movements in the risk profile and the Audit Committee considers the adequacy of risk mitigation at each of their meetings. Where appropriate, risks are escalated to BIS as SEEDA's sponsor department;
- risk registers for each Directorate reviewed monthly and fed into a register of higher corporate;
- legal and other professional advice taken on all significant contractual matters.

At the end of each year the Executive Directors and key Directors must provide a Statement of Assurance to the Chief Executive that risk management has been properly handled during the year. The Statement of Assurance procedure has been reviewed and improved during the year.

Risk Policy and key risks and uncertainties

The transition to closure has resulted in significant changes to the risks facing the organisation, with specific risks arising from closure related issues. These have been fully reflected in our risk registers. Our risk policy is structured around the mitigation of risks falling beyond our defined risk appetite – those risks which are seen as critical/severe and imminent/ highly likely to occur. The principal risks set out in the corporate risk register related to:

- the reduced ability to meet output targets due to the closure of programmes and the distraction of staff and partners by closure issues;
- the loss of key staff impacting SEEDA's ability to meet targets;

- delays in the transfer of ongoing activities to successor bodies;
- loss of key economic development skills across the South East;
- delays in transferring SEEDA's property assets to a successor body;
- capacity to support Olympics 2012 activities in the South East is reduced.

All projects are appraised in accordance with the Government approved GRADE (Guidance for RDAs in Appraisal, Delivery and Evaluation) process.

4.8 Subsidiary companies

A list of subsidiary companies is included in the full financial statements at Note 10.

4.9 Financial Review

The financial results for the year ended 31st March 2011 are set out in the attached financial statements. Most expenditure has been covered by Grant-in-Aid from the Government, which is taken directly to taxpayers' equity. The format of the Accounts conforms to the Government Financial Reporting Manual.

SEEDA was mainly funded by Central Government via the Department for Business, Innovation and Skills. The funding resource for RDAs is indicated in the Treasury's Comprehensive Spending Review. A 'Single Pot funding' formula is applied by BIS, which provides the total allocation of the annual resource – including direct Grant-in-Aid and capital receipts. The BIS resource allocation is provided in a 'Single Pot', including any ring fenced amounts.

Apart from the BIS resource allocation described above, SEEDA acts as accounting body for a number of other funding streams. These include the Kent Coalfields programme, which is administered by SEEDA on behalf of the Homes and Communities Agency; the ERDF Competitiveness Programme; the European Social Fund; EU Interreg Programme; DEFRA Rural Programme; and the CLG Sustainable Communities Fund for growth areas in Kent.

SEEDA carries out its operations in such a manner as to ensure that spending commitments do not exceed the indicative level of funding as laid out in the Treasury Spending Reviews, as notified by BIS. Many of the grant-funded initiatives undertaken by SEEDA are more than a year in duration and commitments entered into by SEEDA are within the level of indicative future funding.

The capital structure of SEEDA is shown by way of taxpayers' equity, mainly funded through the BIS annual Grant-in-Aid allocation. The attached audited Financial Statements provide more information about the specific figures for SEEDA as at 31st March 2011. The value of taxpayers' equity as at 31st March 2011 is £111.3m for SEEDA. By comparison with last year this is a decrease in taxpayers' equity of £18m (2010 £129.3m restated), mainly as a result of the fall in the market value of inventories.

SEEDA's 2010/11 budget

SEEDA's original Single Pot programme budget for 2010/11 had been reduced prior to the start of the year from £148m in the 2007 Comprehensive Spending Review to £107m. In-year cuts reduced this budget to £79m. In addition, SEEDA acted as accounting body for £10.8m funding from the Department of Transport for the Regional Infrastructure Fund: this funding was made available for specific transport projects in Kent.

SEEDA had an administration budget for the year of £18.2m, which is net of a budget reduction of £2.1m, of which it spent £18.1m. During the year ongoing restructuring was undertaken as a follow up to SEEDA's focussing in 2009/10 of activities to get businesses strong out of the recession. In addition, SEEDA began the process of downsizing to closure. As a consequence SEEDA's staff numbers reduced from 251 permanent staff plus 73 non-permanent employees on 31st March 2010 to 213 permanent and 10 non-permanent employees on 31st March 2011. The downsizing required exit costs of around £1.5m in 2010/11.

SEEDA was able to apply the available funds to achieve performance targets and operational requirements as set out in the Regional Economic Strategy, and in SEEDA's Corporate Plan approved by the Government.

Looking to the Future

On 22 June 2010, the coalition Government announced its intention to abolish the Regional Development Agencies by 31 March 2012. This is covered in Note 26 to the Annual Accounts. While SEEDA is working towards the transfer of some functions and closure of others, until the legislation required to abolish the Agency is passed, management have determined it is appropriate to prepare the accounts on a 'going concern' basis.

SEEDA has worked to deliver a legacy to the South East, through the transfer of functions and knowledge. This includes the development of Legacy documents.

Compliance with financial control framework

The overall financial control regulations are contained in the Accountability and Financial Framework which is published by BIS under authority provided in the RDA Act 1998. A revised paper was issued by BIS with effect from October 2008. Under the Act and as stated in the Accountability and Financial Framework, SEEDA must comply with various constraints, including borrowing and lending above given limits without the approval of the Secretary of State. The Agency has complied in all material respects with the terms of this framework during 2010/11, including where necessary taking action as part of the thorough reconciliation of past actions as part of closure.

The accounting policies followed by SEEDA are in accordance with the "Managing Public Money" guidance and the Government Financial Reporting Manual. Financial Procedures are in operation, which include strict financial and accountability delegations that are regularly reviewed and updated.

5. REMUNERATION REPORT

5.1 Remuneration Committee

The SEEDA Remuneration Committee comprises four Board members: Rob Douglas CBE, (SEEDA Chairman), Cllr Keith Mitchell CBE, Richard Ascough, and Keith Riley, the Chairman of this committee. During 2010/11 the Chair of the Audit Committee also attended relevant meetings of the Remuneration Committee. The duties of the Committee are to:

- consider proposals for the Chief Executive's and Executive Directors' salary scales and terms and conditions;
- consider the performance and remuneration of the Chief Executive and, if they wish, the performance and remuneration of the Executive Directors;
- to comment/advise on Agency-wide remuneration strategy and policy and issues which SEEDA's executive feel it is appropriate to bring to the Committee's attention.

Remuneration of the Chief Executive and Executive Directors is set by the Board and agreed by the Department for Business, Innovation and Skills and takes into account recommendations of the Senior Salaries Review Body. Senior staff are on permanent contracts and subject to six months notice for Chief Executive and three months notice for Executive Directors.

No significant awards, or compensation or payments to third parties for services of past senior staff were made in the last year.

Alongside the Remuneration Committee's Terms of Reference, the Committee extended its remit in the light of the closure of the Agency, to include scrutiny and advice on the preparation and delivery of the SEEDA Workforce Plan. This provided both a critical friend to the Agency's structure and shape to deliver the 2011/12 Business Plan, and also assurance to the Board on the staffing levels required to deliver effective and professional closure, taking account of a 50% reduction in Administration allocation in 2011/12 by comparison with 2010/11.

5.2 Emoluments of Board Members (Audited)

Name	Position	Date of Appointment	Contract Expiry Date	Salary £	Pension Contribution £	Total inc. pension contributions 2010/11 £	Total inc. pension contributions 2009/10 £
Rob Douglas CBE*	Chairman from 2/11/09	2.11.09	13.12.12	54,479	5,143	59,622	35,243
Keith Riley	Board Member and Deputy Chair from 4/12/09	14.12.07	13.12.12	17,331	0	17,331	17,331
Richard Ascough**	Board Member	14.12.09	13.12.12	8,666	0	8,666	2,527
Cllr Jeremy Birch	Board Member	15.12.08	14.12.11	8,666	0	8,666	8,666
Dr. Dolores Byrne OBE	Board Member	14.12.07	13.12.12	8,666	0	8,666	8,666
Pamela Charlwood	Board Member	14.12.06	13.12.12	8,666	0	8,666	8,666
Prof. Julian Crampton**	Board Member	14.12.09	13.12.12	8,666	0	8,666	2,527
Les Dawson OBE	Board Member	15.12.08	14.12.12	8,666	0	8,666	8,666
Imtiaz Farookhi	Board Member	14.12.04	13.12.12	8,666	0	8,666	8,666
Cllr Andrew Finney**	Board Member	14.12.09	13.12.12	8,666	0	8,666	2,527
Robert Goldfield	Board Member	14.12.06	13.12.11	8,666	0	8,666	8,666
Cllr Keith House**	Board Member	14.12.09	13.12.12	8,666	0	8,666	2,527
Cllr Keith Mitchell CBE	Board Member	15.12.08	14.12.12	8,666	0	8,666	8,666
Alex Pratt OBE	Board Member	14.12.06	13.12.12	8,666	0	8,666	8,666

* Rob Douglas: Chair from 2nd November 2009. 2010/11 is first year of full-year remuneration.
** Richard Ascough; Prof. Julian Crampton; Andrew Finney; Keith House were all appointed 14th December 2009 with 2010/11 being the first year of full-year remuneration.

Board Members are appointed for a fixed term of three years and contracted to carry out two days work per month. The current chairman is contracted to carry out two days work per week. The deputy chairman is contracted to carry out work for one day per week. At the end of their first fixed term period, Board Members may be re-appointed for a further period of up to three years. No Board Members are entitled to receive performance related pay or any other taxable benefit as a result of employment with the Agency.

The Chairman is entitled to receive pension contributions. In 2010/11 Rob Douglas' pension contribution was £5,143.

5.3 Emoluments of Chief Executive and Executive Directors (Audited)

Name	Salary £	Bonus* £	Sub Total £	Car Benefit £	Pension Contribution £	Total 2010/11 Including Pension Contribution and Other Benefits £	Total 2009/10 Including Pension Contribution and Other Benefits £
Pam Alexander Chief Executive	149,775	0	149,775	0	41,787	191,719	219,386
Lee Amor Executive Director - Enabling Infrastructure and Development	115,589	0	115,589	0	28,088	143,677	153,308
Robert Crawford ** Group Executive Director – Business Programmes	126,212	0	126,212	£5058	30,669	161,939	168,009
Paul Lovejoy *** Executive Director - Strategy	56,383	0	56,383	0	13,701	70,084	136,189
Oona Muirhead CBE **** Group Executive Director – Strategy & Resources	123,010	0	123,010	0	29,891	152,901	160,049
Dr. Susan Priest ***** Executive Director – Business Development	95,153	0	95,153	£4350	23,122	122,675	51,744

***** Contractual bonuses for 2009/10 performance were awarded in 2010, but not paid as the Chief Executive and Executive Directors declined them.
****** First full year at new grade of Group Executive Director. Left under Voluntary Exit terms on 31st March 2011 and received an exit package of £50,851.73 which includes compensation and other entitlements, in accordance with the Principal Civil Service Compensation Scheme.
*** Left under Approved Early Retirement on 21st October 2010. The capitalised cost of his exit package is £145,911.33 which includes compensation, other entitlements, all early pension payments including the future cost of the annual pension up to the age of 60 and any lump sum payable under the particular pension scheme. These payments are all in accordance with the Principal Civil Service Compensation and Pension Schemes.
**** First full year at new grade of Group Executive Director.
***** In post at Executive Director level from 16th November 2009: first full year as Executive Director.

SEEDA's Executive scaled down from six Executive Directors in 2010/11 to four at 1st April 2011 in line with the downsizing of the Agency to closure, with Pam Alexander stepping down as Chief Executive on 5th July, leaving three Executive Directors, identified in bold in the table above, remaining beyond 5th July 2011. One of the Executive Directors, Oona Muirhead, was appointed as Chief Executive from 5th July 2011, having assumed the role of Accounting Officer from 5th April 2011. The Executive Director Enabling Infrastructure and Development post will transfer to the HCA in September 2011.

The Chief Executive and Executive Directors are on permanent contracts; there are no senior managers on fixed term contracts. The Chief Executive's pay is agreed by the Secretary of State and Executive Directors are covered by the annual pay remit approved by BIS and the

Treasury. Bonuses are determined following reviews based on the individual's performance against agreed objectives and competencies for the previous year. The main element within "Other Benefits" relates to the taxable charge of using a lease car or other travel entitlement.

The Chief Executive bonus, which is contractual to a maximum of 20%, is determined by the Chairman in consultation with the Remuneration Committee, and is subject to approval by the Secretary of State. Executive Directors have contractual entitlements, subject to performance, to a bonus up to 15% as determined by the Chief Executive in consultation with the Remuneration Committee. Contractual bonuses for 2009/10 performance were awarded in 2010 but not paid as the Chief Executive and Executive Directors declined them in the circumstances of a pay freeze for all staff.

5.4 Pension of Chief Executive and Executive Directors (Audited)

All senior managers and the Chief Executive are members of the Principal Civil Service Pension Scheme. Oona Muirhead and Susan Priest are members of the Classic scheme. Pam Alexander, Paul Lovejoy and Lee Amor are members of the Premium Scheme. Robert Crawford is a member of the Nuvos scheme.

The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31st March 2010 and 31st March 2011 have both been calculated using the new factors for consistency. The CETV at 31st March 2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

Pension Information

Name	Real increase In projected pension (£k ranges)	Real increase in projected lump sum (£k ranges)	Projected Pension at 31/03/11 (£k ranges)	Projected Lump sum at 31/03/11 (£k ranges)	Cash Equivalent Transfer Value at 31/3/10 (nearest £k)	CETV at 31/3/11 (nearest £k)	Employee contributions and Transfers in (£)	Real increase in CETV Funded by Employer (nearest £k)
Pam Alexander Chief Executive	0-5	0	80-85	0	1,279	1,404	19,456	0
Lee Amor Executive Director - Enabling Infrastructure and Development	0-5	0	5-10	0	84	115	4,046	20
Robert Crawford * Group Executive Director – Business Programmes	0-5	0	10-15	0	113	163	4,417	37
Paul Lovejoy ** Executive Director - Strategy	0-5	0	15-20	0	232	252	1,973	10
Oona Muirhead CBE *** Group Executive Director – Strategy & Resources	0-5	5-7.5	45-50	145-150	847	959	1,845	44
Dr. Susan Priest **** Executive Director – Business Development	0-5	2.5-5	10-15	40-45	133	154	1,427	8

Notes to Pension Information

* Left on 31/03/2011 due to departure under Voluntary Exit Terms

** Part year to 21/10/2010 due to departure under Approved Early Retirement terms.

*** First full year at new grade of Group Executive Director.

**** In post at Executive Director level from 16th November 2009: first full year as Executive Director.

Cash Equivalent Transfer Value

Columns 5 & 6 of the preceding table show the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. Column 8 reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the 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 service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Civil Service Pension Scheme

Although not 'civil servants', SEEDA staff are able to take part in the Civil Service pension arrangements. From October 2002, SEEDA staff may be in one of four statutory based 'final salary' defined benefit schemes (Classic, Premium, Classic Plus and Nuvos). The schemes 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 to the Consumer Price Index. Entrants to the scheme after 30 July 2007 may choose between membership of Nuvos or a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).
The Principal Civil Service Pension Scheme is an unfunded multi-employer defined scheme. The scheme actuary, Hewitt Bacon & Woodrow, valued the scheme as at 31st March 2007. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. Members pay contributions of 1.5% of pensionable salary. On death, pensions are payable to the surviving spouse at a rate of 50% of the late member's pension. On death in service, the scheme pays a lump sum of twice the pensionable pay and also a service enhancement on calculating the spouse pension. The enhancement depends on length of service to a maximum of 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are paid immediately without actuarial reduction and with service enhanced as for the 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. Members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times the pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purpose of pensions disclosures the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the members pension (before any commutation).

On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on calculating the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them under taking any gainful employment, service is enhanced to what they would have accrued at age 60.

Classic Plus Scheme

This is essentially a variation of premium, but with benefits in respect of service before 1st October 2002 calculated broadly as per Classic. Pensions payable under Classic, Premium and Classic Plus are increased in line with the Consumer Prices Index.

Nuvos Scheme

Benefits accrue at the rate of 2.3% of pensionable salary for each year of service. The maximum that Nuvos will provide is 75% of pensionable earnings. As with the Premium scheme, there is no automatic lump sum but members may commute part of their pension for a lump sum up to a maximum of 7/30th of their pension. Unlike the other schemes, which have a pension age of 60, Nuvos has a pension age of 65. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are paid to the surviving spouse, civil partner or eligible partner at the rate of 37.5% of the member's pension (before any commutation) for the rest of their life. Children's pensions are paid to children up to the age of 18 (or up to age 23, if they are in full-time education).

On death in service the scheme pays a lump-sum benefit of twice your pay and also provides a service enhancement on calculating the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them under taking any gainful employment, service may be enhanced to what they would have accrued at age 65.

Partnership Pension Account

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (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 ill health retirement). The member may retire at any time between the ages 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25% of the fund as a lump sum.

Further details about the Civil Service pension arrangements can be found at the website www.civilservice.gov.uk

Robert Douglas CBE
Chairman

Date: 2 September 2011

Oona Muirhead CBE
Chief Executive and Accounting Officer

Date: 2 September 2011

6. Statement of the Board's and Accounting Officer's Responsibilities

Under section 14 of the Regional Development Agencies Act 1998, the Board is required to prepare statements of account for each financial year in the form and on the basis determined by the Secretary of State, with the consent of Treasury. The Accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year-end; of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the Accounts the Board and Accounting Officer are required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards 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 a going concern basis, unless it is inappropriate to assume that the Agency will continue in operation.

The Accounting Officer for the Department for Business, Innovation and Skills has designated the Chief Executive as the Accounting Officer of the South East England Development Agency. Her duties include responsibility for the propriety and regularity of the public finances and for the keeping of proper records and are set out in the 'Non-Departmental Public Bodies Accounting Officer's memorandum' issued by the Treasury and published in Managing Public Money.

The Agency and the Chief Executive are 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 forms.

As far as the Chief Executive is aware, there is no relevant audit information of which SEEDA's auditors are unaware, and the Chief Executive has taken all the steps she ought to have taken to make herself aware of any relevant information and to establish that the Agency's auditors are aware of that information.

7. Statement on Internal Control

7.1 Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of SEEDA's policies, aims and objectives, while safeguarding the public funds and 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. The Board and I use a common set of mechanisms for obtaining assurance on the adequacy, effectiveness and efficiency of SEEDA's risk management, control, governance, and delivery processes.

On 22 June 2010, the Coalition Government confirmed the intention to abolish Regional Development Agencies, including SEEDA, through the Public Bodies Bill. The mechanisms used across SEEDA for providing me and the Board with assurance have been reviewed, adjusted and strengthened in the light of the decision to close SEEDA.

SEEDA has a number of subsidiary and joint venture undertakings which come within the Agency's scope of responsibility.

7.2 The purpose of the system of internal control

SEEDA's system of internal control has continued to be in place for the year ended 31st March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. It is designed to manage risk actively, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of Agency's polices, aims and objectives;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- manage them efficiently, effectively and economically.

The closure of the Agency over a period of almost two years between 2010 and 2012 presents a substantial challenge to maintain an effective control environment throughout the closure period. During this time the Agency faces both operational delivery risks as in prior years, and in addition risks arising from the closure process. Both these sets of risks need to be managed actively. SEEDA's system of internal control has been augmented, in relation to closure risks, by the framework provided by the Agency's Closure Plan. SEEDA's Closure Plan sets out how the Agency will manage the process of transferring and/or closing functions by 31 March 2012. The plan has been reviewed by our sponsor department (BIS); their judgement is that our approach provides an appropriate framework for the closure process.

7.3 Capacity to handle risk

As a public body SEEDA is accountable to Parliament, the taxpayer, and the people of the South East, and operates 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 for SEEDA to be able to account in detail for decisions and actions.

As a result of the Government's decision to abolish RDAs by March 2012, the Agency's priorities changed significantly. The Agency adopted a Mission Statement of *Delivering what is important for the South East economy while planning and implementing a professional transition to SEEDA's closure*, with two key complementary aims:

- Effective, smooth and professional closure of the Agency
- Economic value for the South East retained through closure and into successor bodies.

To achieve these two aims, as well as continuing to meet day to day business requirements, the internal governance structure was changed. Early in 2010/11 governance was strengthened for closure through the establishment of a Transition Programme Board, chaired by the Chief Executive, to provide leadership and oversight of the transition and closure process, and supported by five programme work streams.

The Audit Committee membership was expanded and the Committee assumed responsibility for overview of assurance and risks relating to the closure process. A new sub-committee of the Board, the Board Transition Sub-Committee, was created for the first half of the financial year to steer the development of the closure programme. In addition, the Remuneration Committee has expanded its remit: it has challenged and tested proposals for SEEDA's staff structure and numbers to provide additional assurance about the capacity of the Agency during the difficult period up to closure.

In the second half of the financial year the main Board decided that as the closure programme was by that stage the main focus of the Agency, it would itself provide the strategic leadership and assurance. Similarly, at executive level an Executive Closure Board was established which subsumed both the Transition Programme Board and the long-standing Executive Board.

Internal Audit has re-focused activity on Closure and Corporate risks aligned with the Corporate Risk Register, and on auditing the risk management process and its application, taking account of specific closure risks. The Internal Audit Plan is approved by the Audit Committee.

7.4 The risk and control framework

Our management of risk has been embedded in policymaking, planning and delivery; with risk considered and addressed by the Executive team in establishing strategy and in managing operational activities.

As part of the establishment of SEEDA's closure programme, the Agency implemented a new framework for managing risks in relation to Transition and Closure. This brought the Agency's Corporate risks (those risks considered to represent a risk to the Agency's ability to function and deliver its statutory purpose) and Closure risks together into a single Corporate Risk Register, which also therefore acts as the Closure Programme level register. In consequence, the Board, Audit Committee and Executive Closure Board are all focussed on the same corporate level risks.

As Senior Responsible Owner of the Closure Programme, I hold responsibility for the Corporate risk register and for agreeing appropriate mitigation strategies for each of the identified risks. The risk management approach SEEDA has developed enables common risks across the different work streams to be identified to assess the cumulative risk impact. Risk relating to operational delivery work also continues to be addressed through the line management, led by Executive Directors. Each Executive Director and each Closure work stream regularly reviews and inputs to the Corporate Risk Register. Risk Managers have been identified whose role it is to ensure mitigation strategies are implemented in a timely manner. Reports are made both via work stream leads, for aggregated or specific closure risks, and via Executive Directors for operational risks. In both cases the reporting line is to the Executive Closure Board.

During the year advice was provided to staff on risk management and the changing risk management practices in light of SEEDA closure and the maintenance of risk management registers.

The Corporate Risk Register is updated on a monthly basis and reviewed by the Executive Closure Board; the SEEDA Board reviews movements in the risk profile; and the Audit Committee considers the adequacy of risk mitigation at each of their meetings. Where appropriate, risks are escalated to BIS as SEEDA's sponsor department.

Internal Audit submits regular reports on the adequacy and effectiveness of the Agency's systems of internal control and the management of risks together with recommendations for improvement. I review these reports together with the management responses, assisted and guided by the Audit Committee. Management has responded positively and action plans have been put in place.

The Agency's internal control and assurance mechanisms also address SEEDA's withdrawal from our subsidiary and joint venture undertakings. This aspect of SEEDA's closure programme has been a particular area of focus during the year in terms of risk, assurance and propriety. In the light of SEEDA's closure and the potential for conflicting objectives with SPEs seeking to continue beyond the Agency's closure, the role of SEEDA Directors on the Boards of SPEs has been considered regularly by the Executive and the Audit Committee. While SEEDA has retained Directors on these undertakings as part of providing assurance over the transition period, detailed guidance has been provided to SEEDA staff to help avoid and manage potential conflicts of interest.

SEEDA's plan for withdrawal from Hastings and Bexhill Renaissance Ltd (HBRL) has been a particular focus of attention by the Executive, the Audit Committee, and the main Board. SEEDA has sought to help HBRL develop a transition plan to maximise the on-going benefit to Hastings from past investments. However, delays in this transition work and in the associated compilation of the HBRL accounts for 2010/11 has in turn delayed the consolidation of SEEDA's Group accounts beyond the start of the summer Parliamentary recess.

7.5 Financial Planning and Operational Programme Monitoring

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

During 2010/11 the Agency managed a significant reduction in its budget which required the prioritisation of legally committed spend in consultation with our partners and stakeholders. Although spend on new programmes was not permitted, the Agency retained its robust framework for the scrutiny of programmes and spend, and of the outputs delivered through programmes.

7.6 Fraud

The level of change the Agency has experienced during 2010/11 and the depressed state of the economy increases the level of fraud risk the Agency faces. SEEDA has reviewed the processes for managing the risk of fraud, and the Internal Audit Plan was refocused accordingly.

7.7 Closure Risk Priorities

Successful delivery of the Closure programme is dependent on a range of decisions by the Government, including clarity on accountability issues in relation to functions transferring, to ensure that Boards and Accounting Officers are not held accountable for decisions and actions over which they no longer have control. As the number and scale of external dependencies present a significant risk to transition and closure, the Agency has - where possible and appropriate - sought to make reasonable assumptions on how to proceed based on guidance and evidence extant at the time that decisions are required.

The Agency reduced its workforce size during 2010/11 as part of the run-down to closure, including a reduction in the Executive team from six to four. The downsizing was carefully managed to minimise the risk of losing corporate knowledge. The Agency developed a closure checklist to be completed by each departing member of staff which includes the transfer of knowledge and information to remaining colleagues: this has provided welcome discipline alongside the incentive of pay in lieu of notice.

The Agency owns a significant and large land and property portfolio and a number of headquarters office assets. During 2010/11 SEEDA prepared an Assets and Liabilities Plan which includes our plans for the Agency's property, contingent and equipment assets to mitigate against the risk of loss of assets and to ensure value for money is maintained for the public purse. This Plan was approved by our sponsor department (BIS) and provides an overall assurance framework for disposals including of office IT.

7.8 Information Risk

At SEEDA we manage, maintain and protect all information according to legislative requirements and Information Commissioner's Office (ICO) best practices. During 2010/11, 97% of staff completed the relevant level of training. The Agency also holds a range of data on South East businesses, including sensitive personal data. During 2010/11 SEEDA reviewed existing Information Security policies and procedures in line with changes to the Cabinet Office Security Policy Framework and to take into account the closure of the Agency. We have security measures in place to maintain and safeguard the confidentiality, integrity and availability of SEEDA's systems and data, while at the same time to allow staff leaving the Agency to benefit from taking relevant and appropriate corporate knowledge with them to new jobs. Additional measures have been put in place to provide assurance around the protection of information held by our delivery partners, although this action cannot remove entirely the risks involved.

7.9 Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review has been informed by: the Audit Committee's review of controls, risk and audit reports; the work of the Internal Auditors; the reports that the Executive Directors have made to me on the adequacy of controls in their area and action plans for continuous improvement; and by comments made by the External Auditors in their management letter and other reports. My review has also been informed by BIS's reviews of SEEDA's closure programme; reports from the Closure programme work stream Senior Responsible Owners (SROs); and, in particular, by reports from the SRO for work stream 4 which covers Finance, Assurance and Performance Management. The very process of moving the Agency to closure has and continues to provide a thorough review of the effectiveness and probity of SEEDA's current and past processes.

Following completion of the planned work for 2010/11, an independent and objective Internal Audit Opinion and Statement of Assurance has been undertaken on the adequacy and effectiveness of the Agency's system of internal control. This concluded, based on the audit work completed during the year that a 'satisfactory' level of assurance can be given on the overall adequacy and effectiveness of SEEDA's risk management, control and governance processes.

It is worthy of note that this 'satisfactory' level of assurance has been achieved in a year of major uncertainty and change characterised by in-year budget cuts and the Government's intention to close all RDAs by 31st March 2012.

I conclude that the key risks faced by the Agency in this very challenging year have been managed effectively. For that achievement I express my gratitude to, and pay tribute to SEEDA Board members and to all staff.

Oona Muirhead CBE
Chief Executive and Accounting Officer

Date: 2 September 2011

8. Report of the Comptroller and Auditor General

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

Respective responsibilities of the Board, Accounting Officer and auditor

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

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the South East England Development Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the South East England Development Agency; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

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

Emphasis of Matter - Going Concern Uncertainty

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in note 26 to the financial statements concerning the application of the going concern principle in light of the announcement to abolish the South East England Development Agency, which is subject to legislation. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on the ability of the South East England Development Agency to continue as a going concern. The financial statements do not include the adjustments that would result if the South East England Development Agency was unable to continue as a going concern.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

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

Date: 8 September 2011

South East England Development Agency

Part Two

Financial Statements 2010-11

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

Expenditure	Notes	2010/11 £000's	2009/10 £000's Restated
Programme expenditure	3	(98,189)	(133,008)
European funded programme expenditure		(11,317)	(9,788)
Staff costs including costs of severance	4	(15,687)	(22,702)
Other administration expenditure	5	(4,763)	(5,629)
Depreciation	9	(301)	(676)
Impairments and other losses	5	(34,052)	(23,930)
Book value of inventories sold	13	(2,450)	(327)
Book value of PPE sold	9	0	(12)
Total Expenditure	2	(166,759)	(196,072)
Income			
European funded income	6	10,717	9,788
Other income	6	33,034	26,735
Proceeds from sale of inventories		6,059	344
Proceeds from sale of PPE		0	12
Total income	2	49,810	36,879
Net expenditure		(116,949)	(159,193)
Interest receivable	6	176	532
Surplus from share in Joint Ventures / Associates		(209)	(190)
Net expenditure before tax		(116,982)	(158,851)
Taxation	7	52	9
Net expenditure after tax		(116,930)	(158,842)
Minority Interest	10	(36)	(3)
Net expenditure after tax and Minority Interests		(116,966)	(158,845)
Other Comprehensive Expenditure for the year			
Net gain / (loss) on revaluation of inventories		(1,669)	(3,083)
Net gain / (loss) on revaluation of Property Plant and Equipment		(80)	262
Net gain / (loss) on revaluation of Utility Loan		324	124
Total comprehensive expenditure for the year		(118,391)	(161,542)

Total expenditure in 2010/11 includes £36.42m (2009/10: £26.11m) in respect of impairments of inventories. The impairments are the result of reductions in the value of our stock of development sites determined by our independent valuers Drivers Jonas. Their valuations reflect the prevailing market condition at the time of valuation.

Severance costs in 2009/10 relate to a major restructuring of the Agency, aimed at increasing SEEDA's impact while reducing running costs by £3.4m per annum, and in 2010/11 to final stages of this restructuring as well as to the Agency's downsizing as part of transition to closure.

The accounts have been restated to reflect that the FReM no longer requires the notional cost of capital to be calculated; please refer to the statement of accounting policies for further explanation.

The Notes on pages 64 to 94 form part of these financial statements

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

Expenditure	Notes	2010/11 £000's	2009/10 £000's Restated
Programme expenditure	3	(98,189)	(133,008)
European funded programme expenditure		(11,317)	(9,788)
Staff costs including costs of severance	4	(15,687)	(22,702)
Other administration expenditure	5	(4,106)	(5,328)
Depreciation	9	(301)	(626)
Impairments and other losses	5	(34,052)	(23,981)
Book value of inventories sold	13	(2,450)	(327)
Book value of PPE sold	9	0	(12)
Total Expenditure		(166,102)	(195,772)
Income			
European funded income	6	10,717	9,788
Other income	6	32,343	26,433
Proceeds from sale of inventories		6,059	344
Proceeds from sale of PPE		0	12
Total income		49,119	36,577
Net expenditure		(116,983)	(159,195)
Interest receivable	6	168	528
Net expenditure before tax		(116,815)	(158,667)
Taxation	7	0	0
Net expenditure after tax		(116,815)	(158,667)
Other Comprehensive Expenditure for the year			
Net gain / (loss) on revaluation of inventories		(1,669)	(3,083)
Net gain / (loss) on revaluation of Property Plant and Equipment		(80)	262
Total comprehensive expenditure for the year		(118,564)	(161,488)

The accounts have been restated to reflect that the FReM no longer requires the notional cost of capital to be calculated; please refer to the statement of accounting policies for further explanation.

The Notes on pages 64 to 94 form part of these financial statements

GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Notes	31-March-11 £000's	£000's	31-March-10 £000's Restated	£000's Restated
Non-current Assets					
Property , Plant & Equipment	9	12,980		12,820	
Financial Assets					
- Investments in associates	10	646		1,803	
- Investments in joint ventures	10	257		246	
- Utility Loans	12	6,396		5,858	
Trade and other receivables due > 1 year	11	8,195		1,376	
Total non-current assets			28,474		22,103
Current Assets					
Utility Loans	12	0		1,625	
Inventories	13	73,908		97,406	
Trade & Other Receivables due < 1 year	14	26,107		15,887	
Cash & Cash Equivalents	15	19,520		24,538	
Total Current Assets			119,535		139,456
Total assets			148,009		161,559
Current liabilities					
Trade & Other Payables due < 1 year	16	(28,845)		(25,248)	
Provisions for Liabilities and Charges	18	(1,922)		(263)	
Total Current Liabilities			(30,767)		(25,511)
Non current assets plus Net current assets			117,242		136,048
Non current liabilities					
Provisions for Liabilities and Charges	18	(1,477)		(3,793)	
Trade & Other Payables due > 1 yr	17	(349)		0	
Total Non Current Liabilities			(1,826)		(3,793)
Assets less liabilities			115,416		132,255
Reserves					
Government Grant Reserve		(33,469)		(37,450)	
Revaluation Reserve		(5,379)		(7,128)	
General Reserve		(72,492)		(84,751)	
Minority Interest		(4,076)		(2,926)	
			(115,416)		(132,255)

The Notes and financial statements on pages 54 to 94 were approved and authorised for issue by the Board on 12 July 2011 and were signed on its behalf by:

Robert Douglas CBE
Chairman

Date 2/9/11

Oona Muirhead CBE
Chief Executive and Accounting Officer

Date 2nd September 2011

The Notes on pages 64 to 94 form part of these financial statements

AGENCY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	Notes	31-March-11 £000's	£000's	31-March-10 £000's Restated	£000's Restated
Non-current Assets					
Property , Plant & Equipment	9	11,180		11,301	
Financial Assets					
- Investment in Subsidiary undertakings	10	6,799		7,309	
- Investments in Associates	10	646		1,803	
- Investments in Joint Ventures	10	257		246	
Trade and Other Receivables due > 1 year	11	8,045		1,376	
Total non-current assets			26,927		22,035
Current Assets					
Inventories	13	73,908		97,406	
Trade & Other Receivables due < 1 year	14	25,973		15,543	
Cash & Cash Equivalents	15	16,922		23,313	
Total Current Assets			116,803		136,262
Total assets			143,730		158,297
Current liabilities					
Trade & Other Payables due < 1 year	16	(28,642)		(24,913)	
Provisions for Liabilities and Charges	18	(1,922)		(263)	
Total Current Liabilities			(30,564)		(25,176)
Non current assets plus Net current assets			113,166		133,121
Non current liabilities					
Provisions for Liabilities and Charges	18	(1,477)		(3,793)	
Trade & Other Payables due > 1 yr	17	(349)		0	
			(1,826)		(3,793)
Assets less liabilities			111,340		129,328
Reserves					
Government Grant Reserve		(33,306)		(36,297)	
Revaluation Reserve		(5,379)		(7,128)	
General Reserve		(72,655)		(85,903)	
			(111,340)		(129,328)

The Notes and financial statements on pages 54 to 94 were approved and authorised for issue by the Board on 12 July 2011 and were signed on its behalf by:

Robert Douglas CBE
Chairman

Date 2/9/11

Oona Muirhead CBE
Chief Executive and Accounting Officer

Date 2 September 2011

The Notes on pages 64 to 94 form part of these financial statements

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

	Note	2010/11 £000	2009/10 £000
Net expenditure after tax		**(116,966)**	**(158,845)**
Depreciation		301	676
Write (up) / off on revaluation of PPE		(382)	(493)
(Profit)/ Loss on sale of PPE		0	(17)
(Increase)/ Decrease in trade & other receivables		(17,039)	(2,551)
(Increase)/ Decrease in inventories		23,498	5,492
Increase/ (Decrease) in trade & other payables		3,946	(2,065)
Increase/ (Decrease) in provisions		(657)	1,268
Change in other financial assets		2,233	15
Transfer from revaluation reserve on revaluation of inventory		(1,669)	(3,083)
Share in results of subsidiaries / associates / Joint Ventures		(937)	0
Transfer from Government Grant Reserve		(8,715)	(5,821)
Movement on receivables not passed through SOCNE		514	222
Minority Interest		36	3
Net Cash Outflow From Operating Activities		**(115,837)**	**(165,199)**
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	9	(160)	(2,485)
Net Cash Outflow From Investing Activities		**(160)**	**(2,485)**
Cash Flows From Financing Activities			
Proceeds from sale of property, plant and equipment		-	12
Grants HCA		5,724	1,938
Grants EKSDC		27	1,209
Grant in Aid received		105,228	159,961
Net Financing		**110,979**	**163,120**
Net Increase In Cash and Cash Equivalents In The Period		**(5,018)**	**(4,564)**
Cash and Cash Equivalents At The Beginning Of The Period	15	24,538	29,102
Cash And Cash Equivalents At The End Of The Period	15	19,520	24,538

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

	Note	2010/11 £000	2009/10 £000
Net expenditure after tax		**(116,815)**	**(158,667)**
Depreciation		301	626
Write (up) / off on revaluation of PPE		(100)	(442)
(Profit)/ Loss on sale of PPE		0	(17)
(Increase)/ Decrease in trade & other receivables		(17,099)	(2,344)
(Increase)/ Decrease in inventories		23,498	5,492
Increase/ (Decrease) in trade & other payables		4,078	(1,405)
Increase/ (Decrease) in provisions		(657)	1,268
Transfer from revaluation reserve on revaluation of inventory		(1,669)	(3,083)
Transfer from Government Grant Reserve		(8,715)	(5,821)
Movement on receivables not passed through SOCNE		(5)	48
Net Cash Outflow From Operating Activities		**(117,183)**	**(164,345)**
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	9	(160)	(968)
Net Cash Outflow From Investing Activities		**(160)**	**(968)**
Cash Flows From Financing Activities			
Proceeds from sale of property, plant and equipment		-	12
Grants HCA		5,724	1,938
Grant in Aid received		105,228	159,961
Net Financing		**110,952**	**161,911**
Net Increase In Cash and Cash Equivalents In The Period		**(6,391)**	**(3,402)**
Cash and Cash Equivalents At The Beginning Of The Period	15	23,313	26,715
Cash And Cash Equivalents At The End Of The Period	15	16,922	23,313

GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31ST MARCH 2011

2010/11	Govt.Grant Reserve £000's	Reval Reserve £000's	General Reserve £000's	Minority Interest £000's	Total Reserves £000's
Balance at 01/04/10	37,450	7,128	84,751	2,926	132,255
Changes in Taxpayers' Equity 2010 - 2011					
Grant in aid from Parent			105,228		105,228
Total Comprehensive Expenditure for the year		(1,749)	(116,642)		(118,391)
Movements In Reserves					
Reversal of discounting			(5)		(5)
Decrease in investment in Joint Ventures and Associates			(937)		(937)
Change in Minority interest				239	239
Change in EKSD Control	(1,008)		97	911	
Funding re East Kent Spatial Dev Co	18				18
HCA funding	5,724				5,724
Released to Statement of Comprehensive Net Expenditure	(8,715)				(8,715)
Balance at 31/03/11	33,469	5,379	72,492	4,076	115,416

AGENCY STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31ST MARCH 2011

2010/11	Govt.Grant Reserve £000's	Reval Reserve £000's	General Reserve £000's	Total Reserves £000's
Balance at 01/04/10	36,297	7,128	85,903	129,328
Changes in Taxpayers' Equity 2010 - 2011				
Grant in aid from Parent			105,228	105,228
Total Comprehensive Expenditure for the year		(1,749)	(116,815)	(118,564)
Movements In Reserves				
Reversal of discounting			(5)	(5)
Decrease in investment in Subsidiaries, Joint Ventures and Associates			(1,656)	(1,656)
HCA funding	5,724			5,724
Released to Statement of Comprehensive Net Expenditure	(8,715)			(8,715)
Balance at 31/03/11	33,306	5,379	72,655	111,340

GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31ST MARCH 2010

2009/10	Govt.Grant Reserve £000's Restated	Reval Reserve £000's	General Reserve £000's Restated	Minority Interest £000's Restated	Total Reserves £000's Restated
Balance at 01/04/09	40,470	9,949	85,464	2,527	138,410
Prior year adjustment correction of FSE error			(1,983)		(1,983)
Restated balance at 01/04/09	40,470	9,949	83,481	2,527	136,427
Changes in Taxpayers' Equity 2009 - 2010					
Grants in aid from Parent			159,961		159,961
Total Comprehensive Expenditure for the year		(2,821)	(158,721)		(161,542)
Movements In Reserves					
Reversal of discounting			30		30
Prior year adjustment correction of FSE error			(430)		(430)
Increase in investment in Joint Ventures and Associates			430		430
Change in Minority interest				399	399
Funding re East Kent Spatial Dev Co	863				863
HCA funding	1,938				1,938
Released to Statement of Comprehensive Net Expenditure	(5,821)				(5,821)
Balance at 31/03/10	37,450	7,128	84,751	2,926	132,255

AGENCY STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31ST MARCH 2010

2009/10	Govt.Grant Reserve £000's Restated	Reval Reserve £000's	General Reserve £000's Restated	Total Reserves £000's Restated
Balance at 01/04/09	40,180	9,949	85,755	135,884
Prior year adjustment correction of FSE error			(1,983)	(1,983)
Restated balance at 01/04/10	40,180	9,949	83,772	133,901
Changes in Taxpayers' Equity 2009 - 2010				
Grant in aid from Parent			159,961	159,961
Total Comprehensive Expenditure for the year		(2,821)	(158,667)	(161,488)
Movements In Reserves				
Reversal of discounting			30	30
Prior year adjustment correction of FSE error			(430)	(430)
Increase in investment in Subsidiaries, Joint Ventures and Associates			1,237	1,237
HCA funding	1,938			1,938
Released to Statement of Comprehensive Net Expenditure	(5,821)			(5,821)
Balance at 31/03/10	36,297	7,128	85,903	129,328

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2010/11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. SEEDA first adopted IFRS in 2009/10 and the statement of financial position and Note 10 on investments, associates, and joint ventures included two years of comparative figures. This is not required in the 2010/11 annual report and accounts; and only one year of comparative figures has been included as required. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of SEEDA for the purpose of giving a true and fair view has been selected. The particular policies adopted by SEEDA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 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.

1.2 Basis of consolidation

The group financial statements incorporate those of the Agency and its subsidiary undertakings, Ryde Business Park Management Company Ltd and East Kent Spatial Development Company Ltd.

The group’s joint ventures and associate undertakings are all incorporated entities in which the group has 20% or more of the equity voting rights and over which it has either joint control or significant influence. In the group financial statements investments in joint ventures and associates are accounted for using the equity method.

The share of net assets and profit or loss of the associates is based on audited financial statements as at 31 March 2011.

Adjustments have been undertaken in respect of East Kent Spatial Development Company Ltd and Hastings and Bexhill Renaissance Ltd to align the accounting policies with those of SEEDA. Adjustments have also been made in relation to Hastings and Bexhill Renaissance Ltd to reflect the monies owing to SEEDA.

1.3 Property, plant and equipment

Information technology and fixtures and fittings are recognised at depreciated historic cost as they are all assets with a short life or low value. Items of property, plant and equipment costing over £1,000 are capitalised.

Land and Buildings are carried at fair value with upward revaluations being credited to the Revaluation Reserve and downward revaluations being charged to the Statement of Comprehensive Net Expenditure to the extent there is no credit on the Revaluation Reserve.

The value of Land and Buildings is based on an independent valuation as at 31st March 2011 by Drivers Jonas, Chartered Surveyors.

NOTES TO THE ACCOUNTS

1.4 Depreciation

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

Information Technology - 3 years
Fixtures and Fittings - 5 years
Buildings - 30 years

Land is not depreciated as it is considered to have an unlimited useful life.

1.5 Investments

The Agency holds investments in a number of subsidiaries, associates and joint ventures. The investments comply with section 5 of the Regional Development Agencies Act 1998 and enable the Agency to undertake activities with partners in specific areas. Investments are valued at fair value (represented by net assets) rather than cost.

1.6 Inventories

Inventories represent land and property which is currently under development and is held for the short term. The Agency's policy is to revalue each year to current cost (fair value). A valuation of the whole portfolio was carried out as at 31st March 2011 by Drivas Jonas, Chartered Surveyors.

The net gain or loss following revaluation is calculated for each asset on an individual basis.

Increases in the carrying value of development assets as a result of a revaluation are credited to the revaluation reserve, unless they reverse an earlier revaluation decrease which was recognised in the Statement of Comprehensive Net Expenditure.

Decreases in the carrying value of assets as a result of a revaluation are written off against the revaluation reserve up to the value of any credit balance in that reserve, and are shown in the Statement of Comprehensive Net Expenditure thereafter.

Disposals and purchases are accounted for on the date of legal exchange.

1.7 Government grants received

The Agency's activities are funded primarily by the Grant-in-Aid provided by the Department for Business, Innovation and Skills for specified types of expenditure. Grant-in-Aid received to finance activities and expenditure is treated as financing and credited to the General Reserve because it is regarded as contributions from a controlling party.

Grants to finance assets are credited to the Government Grant Reserve.

1.8 Third party assets

The Agency holds deposits on behalf of tenants to ensure that rental obligations are fulfilled. These are assets for which the Agency acts as custodian but in which the Agency has no direct beneficial interest. Third party assets are not recognised in the financial statements, but are disclosed by way of note.

NOTES TO THE ACCOUNTS

1.9 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a defined benefit scheme; further information is included in the Remuneration Report within the Annual Report.

The Agency recognises the expected cost of providing pension benefits of a systematic and rational basis over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. The Agency's contributions to the Scheme are charged to the Statement of Comprehensive Net Expenditure. Liability for payment of future benefits is a charge on the PCSPS.

1.10 Revenue recognition

Following IAS 18 any revenue is accounted for only when it is due.

1.11 Reserves

Government Grant Reserve
The Government Grant Reserve represents grants received in advance from UK and EU funding sources for the purchase of assets.

General Reserve
Grant-in-Aid is credited directly to the General Reserve as it is regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest in the Agency.

Revaluation Reserve
The Revaluation Reserve reflects any upward valuation of development assets and property, plant
and equipment. Downward valuations are charged directly to the Statement of Comprehensive Net Expenditure to the extent that there is no credit on the Revaluation Reserve against which such losses can be charged.

Minority Interest
This deduction in reserves represents the external interest in the ownership of East Kent Spatial Development Company Ltd and so does not form part of the group position.

1.12 Financial instruments

The Agency has no borrowings; it relies primarily on Grant in Aid for its cash requirements, and is therefore not exposed to liquidity risk. All material assets and liabilities are denominated in sterling, so it is not exposed to currency risk.

1.13 Operating leases

Operating lease rentals are spread over the period of the lease term. There are no finance leases.

NOTES TO THE ACCOUNTS

1.14 Foreign currency transactions

Transactions in foreign currencies are recorded in sterling at the rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currency are translated into sterling at the rate prevailing at year end. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure.

1.15 Provisions

Provisions for future liabilities are recognised when there is a present obligation arising from past events, the settlement of which is expected to result in a probable outflow of resources and the amount of which can be reliably estimated.

1.16 Value Added Tax

The financial statements are prepared net of recoverable VAT.

1.17 Impact of future accounting policy changes

SEEDA has considered, in accordance with IAS 8, whether there have been any changes to accounting policies (either voluntary or arising from IFRS and the FReM) which have an impact on the current or prior period, or may have an effect on future periods. SEEDA has also reviewed new or amended standards issued by the IASB but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRS that are or will be applicable (references to 'new IFRS' includes new interpretations and any new amendments to IFRS and Interpretations). As a result, there have been no changes in accounting policies in the current period.

1.18 Cost of Capital Charge

Previously a charge reflecting the cost of capital utilised by the Agency was included in the Statement of Comprehensive Net Expenditure.

The decision to remove the cost of capital charge was driven by changes to the 2011/12 Supplementary Estimates process; the removal of the cost of capital charge from budgets, Estimates and accounts was made in order to improve the consistency of financial reporting.

As the cost of capital was included in net expenditure before tax then subsequently reversed before arriving at the total comprehensive net expenditure which is taken to reserves; the effect of removing this charge on the Statement of Comprehensive Net Expenditure is nil. There is therefore no impact on the other primary statements.

NOTES TO THE ACCOUNTS

2. ANALYSIS OF GROUP NET EXPENDITURE BY SEGMENT

2010/11	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
Business Operations	59,487	(14,625)	44,862
Sectors & Cluster	18,707	(1,662)	17,045
Transition	724		724
Hastings and Bexhill	663		663
Infrastructure	72,119	(28,770)	43,349
Strategy & Communications	5,310	(3,094)	2,216
Resources	9,087	(967)	8,120
Other & Subsidiaries	662	(692)	(30)
	166,759	(49,810)	116,949

The classification of business segments was changed by the start of the financial year, to reflect the Agency's revised structure following the major restructuring of the Agency in 2009/10 to focus the Agency on helping businesses survive and grow out of the recession alongside making annual running cost savings of £3.4m. Consequently, the classifications are very different to those included in the financial statements for 2009/10 and are not comparable; figures have not therefore been included.

3. EXPENDITURE

	2010/11 £000's	2009/10 £000's
Programme expenditure		
Programme costs	14,408	19,274
Public sector grants	21,093	16,694
Private sector grants	62,688	97,040
	98,189	133,008

NOTES TO THE ACCOUNTS

4. STAFF NUMBERS AND RELATED COSTS

Staff costs comprise	2010/11			2009/10
	Total	Permanent Staff	Others	Total
	£000's	£000's	£000's	£000's
Wages and salaries	11,225	10,435	790	14,768
Wages and salaries severance	892	892		2,915
Sub Total	12,117	11,327	790	17,683
Social security	970	970	0	1,161
Other pension costs	2,093	2,093	0	2,548
Other pension costs severance	580	580		1,439
Sub Total	2,673	2,673	0	3,987
Sub Total	15,760	14,970	790	22,831
Less recoveries in respect of outward secondments	(73)	(73)	0	(129)
Total Net Costs	15,687	14,897	790	22,702

The average number of full-time equivalent employees employed during the year was as follows:-

	2010/11	2009/10
	Total	Total
Permanent staff	227	286
Non permanent employees	18	50 *
Total	245	336

* Note: The figure for non-permanent staff included in 2009/10 accounts showed the number of non-permanent employees as at 31st March 2010 rather than a full-year average. To allow full comparison with 2010/11, average figures are given above for non-permanent as well as permanent staff.

The number of non-permanent staff was reduced as part of the Agency's major restructuring in 2009/10 which was to focus on getting businesses strong through the recession as well as saving £3.4m per annum with a payback period of 1.3 years. The full benefits of the restructuring into 2010/11 were impacted by the new Government's decision to abolish the Regional Development Agencies. The number of staff was also reduced during 2010/11 as part of the Agency's transition to closure. SEEDA ran two Voluntary Redundancy schemes that saw 32 employees leave the Agency. These schemes were run with and in full compliance of the Principal Civil Service Compensation Scheme.

NOTES TO THE ACCOUNTS

Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed	
	2009/2010	2010/2011	2009/2010	2010/2011
<£10,000	0	0	8	6
£10,000 - £25,000	0	0	35	13
£25,000 - £50,000	0	0	17 (2)	8 (1)
£50,000 - £100,000	0	0	5 (1)	4
£100,000 - £150,000	0	0	4 (2)	3 (2)
£150,000 - £200,000	0	0	2 (2)	
£200,000 - £250,000	0	0	1 (1)	
£250,000 - £300,000	0	0	1 (1)	
£300,000 - £350,000	0	0	1 (1)	1 (1)
£350,000 - £400,000	0	0	1 (1)	
£400,000 - £450,000	0	0	0	
£450,000 - £500,000	0	0	1 (1)	
Total number of exit packages	0	0	76 (12)	35 (4)
Total cost	0	0	£ 4,194,522	£ 1,517,678

The exit costs listed relate to reductions in headcount required under the Agency's major operational downsizing in 2009/10 which was to save £3.4m per annum and had a pay-back period of 1.3 years; and in 2010/11 to reductions as part of the Agency's transition to closure, which increased our annual savings over the 2009/10 £3.4m target.

Exit costs are accounted for in full in the year departure is agreed. Each cost band therefore includes, as a capitalised single sum, all payments made or to be made. In particular, the exit cost includes – where individuals opt for early retirement in accordance with the Principal Civil Service Compensation and Pension Schemes - any annual pension to be received by the individual up to the age of 60 and any lump sum payable under the particular pension scheme. The numbers shown in brackets are the numbers of staff in that band who opted for early retirement and for whom the exit package cost band therefore includes all relevant pension payments up to the age of 60. Redundancy and other departure costs have been paid in accordance with the provisions of the Principal Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act. Where SEEDA has agreed early retirements, the additional costs are met by SEEDA and not by the Principal Civil Service pension scheme and are covered in the costs set out in the table. Ill-health retirement costs are met by the pension scheme and are not included in the table.

NOTES TO THE ACCOUNTS

Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined scheme. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010/11, employers contribution of £2,032,502 were payable to the PCSPS (2009/10 £2,497,737) at one of four rates in the range of 16.7% to 24.3% (2009/10: 16.7% to 24.3%) of pensionable pay, based on salary bands. The Scheme Actuary reviews the employer contributions every four years following a full valuation. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred and they reflect past experience of the scheme.

Employer contributions of £61,019 (2009/10: £33,615) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2009/10: 3% - 12.5%) of pensionable pay. Employers also match employee contributions of up to 3% (2009/10: 3%) of pensionable pay. In addition, employer contributions of £3,414 (2009/10: £2,195), 0.8% (2009/10: 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were no contributions due or prepaid to the partnership pension providers at the date of the Statement of Financial Position.

NOTES TO THE ACCOUNTS

5. OTHER EXPENDITURE

	2010/11 £000's	2009/10 £000's
Other administration expenditure		
Travel and subsistence	248	492
Other staff costs (recruitment, training etc.)	226	395
Office and rent expenses	2,396	2,697
Operating lease rentals (excluding Office Leases)	83	138
Publications, events and media	134	221
Professional fees	383	560
IT and communication	426	613
Auditors' remuneration - statutory	68	68
Auditors' remuneration - Other	31	
Auditors' remuneration - IFRS compliance		4
Auditors' remuneration - ISR	10	77
Auditors' remuneration - Internal audit (SCA)	96	56
Irrecoverable VAT	5	7
Total Agency	4,106	5,328
Subsidiary company expenditure	657	301
Total Group	4,763	5,629
Impairments & Other losses		
Movement in provisions	(1,194)	(34)
Write down of Inventories	36,421	26,110
Reversal of previous write downs - Inventories	(1,330)	(2,155)
Write down of PPE	3	0
Reversal of previous write downs - PPE	(103)	(442)
Non-cash costs bad debt provision	(558)	404
Non-cash costs bad debt written off	698	0
Non-cash costs net exchange losses	115	98
Total Agency	34,052	23,981
Reversal of previous write downs - PPE in Subsidiary	0	(51)
Total Group	34,052	23,930

Bad debts written off relate to rental income generated by the Agency's property assets shown in Note 9.

NOTES TO THE ACCOUNTS

6. INCOME

	2010/11 £000's	2009/10 £000's
European grant funding		
European Regional Development Fund	6,653	6,600
European Social Fund	3,024	3,188
European Commission (7th Framework Programme)	1,040	
	10,717	9,788
Other Income		
Rental Income	5,142	6,712
Clawback from grants	3,729	3
Skills Funding Agency	4,884	4,909
HCA (CLG) growth areas	3,089	5,579
Department for Transport	4,255	0
The Crown Estate	651	1,290
Release from Government Grant Reserve	8,715	5,821
Other contributions	1,878	2,119
Total Agency	32,343	26,433
Subsidiary company income	691	302
Total Group	33,034	26,735
Interest receivable		
Bank Interest	168	528
Total Agency	168	528
Share of Interest Receivable by Subsidiaries	8	4
Total Group	176	532

7. TAXATION

The Group taxation charge based on a Group taxable profits for the year.

	2010/11 £000's	2009/10 £000's
Current year taxation charges in subsidiaries	52	9
	52	9

There is no deferred tax liability for 2010/11

8. IMPAIRMENTS

	2010/11 £000's	2009/10 £000's
Charged to the Statement Of Comprehensive Net Expenditure	36,421	26,110
Charge/(Credit) to the Revaluation Reserve	1,669	3,083
Reversal of previous write down	(1,330)	(2,155)
Total	36,760	27,038

The above represents impairments incurred as a result of the reduction in market valuation of inventories due to the fall in land and property prices.

NOTES TO THE ACCOUNTS

9. PROPERTY PLANT & EQUIPMENT

2010/11

Group

	Land	Buildings	Information Technology	Fixtures and fittings	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	2,740	9,823	2,178	2,747	17,488
Additions in year	0	160	0	0	160
Revaluation	(70)	372	0	0	302
Disposals	0	0	(8)	0	(8)
At 31 March 2011	2,670	10,355	2,170	2,747	17,942
Depreciation					
	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	0	556	2,013	2,100	4,669
Depreciation in year	0	327	104	197	628
Backlog depreciation		(327)			(327)
Disposals	0	0	(8)	0	(8)
At 31 March 2011	0	556	2,109	2,297	4,962
Net book value at 31 March 2011	2,670	9,799	61	450	12,980
Net book value at 31 March 2010	2,740	9,267	165	648	12,820
Asset Financing - owned	2,670	9,799	61	450	12,980

2010/11

Agency

	Land	Buildings	Information Technology	Fixtures and fittings	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	2,740	8,255	2,178	2,745	15,918
Additions in year	0	160	0	0	160
Revaluation	(70)	90	0	0	20
Disposals	0	0	(8)	0	(8)
At 31 March 2011	2,670	8,505	2,170	2,745	16,090
Depreciation					
	£'000	£'000	£'000	£'000	£'000
At 1 April 2010	0	505	2,013	2,099	4,617
Depreciation in year	0	267	104	197	568
Backlog depreciation		(267)			(267)
Disposals	0	0	(8)	0	(8)
At 31 March 2011	0	505	2,109	2,296	4,910
Net book value at 31 March 2011	2,670	8,000	61	449	11,180
Net book value at 31 March 2010	2,740	7,750	165	646	11,301
Asset Financing - owned	2,670	8,000	61	449	11,180

NOTES TO THE ACCOUNTS

PROPERTY PLANT & EQUIPMENT (Contd)

2009/10

Group

	Land	Buildings	Information Technology	Fixtures and fittings	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	2,180	7,647	2,271	2,435	14,533
Additions in year	0	1,993	180	312	2,485
Revaluation	572	183	0	0	755
Disposals	(12)	0	(273)	0	(285)
At 31 March 2010	2,740	9,823	2,178	2,747	17,488
Depreciation					
	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	0	247	2,136	1,881	4,264
Depreciation in year	0	309	149	218	676
Disposals	0	0	(272)	0	(272)
At 31 March 2010	0	556	2,013	2,099	4,668
Net book value at 31 March 2010	2,740	9,267	165	648	12,820
Net book value at 31 March 2009	2,180	7,400	135	554	10,269
Asset Financing - owned	2,740	9,267	165	648	12,820

2009/10

Agency

	Land	Buildings	Information Technology	Fixtures and fittings	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	2,180	7,647	2,271	2,433	14,531
Additions in year	0	476	180	312	968
Revaluation	572	132	0	0	704
Disposals	(12)	0	(273)	0	(285)
At 31 March 2010	2,740	8,255	2,178	2,745	15,918
Depreciation					
	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	0	247	2,136	1,880	4,263
Depreciation in year	0	258	149	219	626
Disposals	0	0	(272)	0	(272)
At 31 March 2010	0	505	2,013	2,099	4,617
Net book value at 31 March 2010	2,740	7,750	165	646	11,301
Net book value at 31 March 2009	2,180	7,400	135	553	10,268

10. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Name of Undertaking	Interest	Class of shares	Value	Nature of Business	SEEDA Share of net assets (£000) 2010/11	2009/10 Restated
Subsidiaries						
Ryde Business Park Management Co. Ltd	100%	Ordinary Share £1	£2	Property Management	5	6
East Kent Spatial Development Co Ltd	62.5 % (10/11) 71.4% (09/10)	Nil Limited by Guarantee	0	Regeneration of Thanet and Dover	6,794	7,303
South East England Properties Ltd	100%	Ordinary Share £1	£100	Dormant	0	0
Total Investment in Subsidiaries					6,799	7,309
Associates						
Finance South East Group	50%	Nil Limited by Guarantee	0	Venture Capital Management	(675)	(853)
Hastings and Bexhill Renaissance Group	20%	Nil Limited by Guarantee	0	Regeneration of Hasting & Bexhill	1,278	2,618
Aylesbury Vale Advantage Ltd	20%	Nil Limited by Guarantee	0	Regeneration of Aylesbury Vale	43	38
Brownfield Land Assembly Co Ltd	20%	Nil Limited by Guarantee	0	Land Assembly	0	0
Total Investment in Associaties					646	1,803
Joint Ventures						
Countryside Maritime Ltd	50%	Ordinary Share £1	£ 4,950	Property Development	257	302
	75%	Income Share 5p	£74		0	0
Ashford's Future Company Ltd	25%	Nil Limited by Guarantee	0	Regeneration of Ashford	0	(56)
Total Investment in Joint Ventures					257	246

INVESTMENT IN SUBSIDIARIES ASSOCIATES AND JOINT VENTURES (Contd)

South East England Properties Ltd is a dormant company.

Ryde Business Park Management Co Ltd is a subsidiary undertaking. It has no fixed assets and collects rental and service income from tenants of the business park.

East Kent Spatial Development Co Ltd is a subsidiary undertaking. The other participants are five Kent Local Authorities and the Homes and Communities Agency. The reduction in interest from 2009/10 is due to an increase in the number of directors.

Finance South East Group is a joint venture with the Finance South East Executive. The management structure of the company allows for it to be considered as an associate undertaking.

Hastings and Bexhill Renaissance Ltd (HBRL) is a regeneration company with the East Sussex County Council, Rother District Council, Hastings Borough Council, Sussex Enterprise, the University of Brighton and several private sector companies. HBRL has two joint ventures Coastal Innovation Limited and Coastal Land Sussex Limited: these two joint ventures have been consolidated into SEEDA's 2010/11 Group Accounts, as set out above in Note 10, for the first time. Figures for HBRL are not therefore fully comparable with figures set out in SEEDA's 2009/10 Group Accounts.

Aylesbury Vale Advantage Ltd is a regeneration management company for the Aylesbury Vale area. In addition to SEEDA, members of the company include Buckinghamshire County Council, Aylesbury Vale District Council, Homes and Communities Agency and the Vale of Aylesbury Primary Care Trust (NHS).

The Brownfield Land Assembly Company Ltd's principal activity was to acquire, carry out remedial works, service and develop brown field sites in the South East with the intention of providing new and affordable homes. In December 2010 the Board took the decision to cease trading and intends to liquidate the company.

Countryside Maritime Ltd is a joint venture with Countryside Properties PLC to build houses on St Mary's Island, Chatham.

Ashford's Future Company Ltd's principal activity is to undertake transformation in Ashford. Other members are Kent County Council, Ashford Borough Council and the Homes and Communities Agency. As of 31st March 2011, the company is being wound up with the agreement of all the partners.

NOTES TO THE ACCOUNTS

AGENCY INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are calculated on the basis of the Agency's share in net assets/(liabilities). Details of the Subsidiaries income, expenditure, assets and liabilities are shown below.

East Kent Spatial Development Company Ltd

	2010/11 £'000	2009/10 £'000
Turnover	684	293
Operating Profit (Loss)	35	0
Interest receivable	8	2
Profit (Loss) before tax	43	2
Taxation	53	9
Profit (Loss) after taxation	96	11

	2010/11 £'000	2009/10 £'000
Non Current Assets	1,800	7,375
Current assets	9,272	3,187
Current Liabilities	(202)	(333)
Non Current Liabilities	0	0
Reserves	10,870	10,229

Ryde Business Park Management Company Ltd

	2010/11 £'000	2009/10 £'000
Turnover	7	10
Operating Profit (Loss)	(1)	1
Interest receivable	0	0
Profit (Loss) before tax	(1)	1
Taxation	0	0
Profit (Loss) after taxation	(1)	1

	2010/11 £'000	2009/10 £'000
Non Current Assets	0	0
Current assets	6	7
Current Liabilities	(1)	(1)
Non Current Liabilities	0	0
Reserves	5	6

Minority Interest's share of the operating profit of subsidiary companies

	2010/11 £'000	2009/10 £'000
Non-controlling Interest of 37.5% (28.6%, 09/10) East Kent Spatial Development Company:	36	3

Minority Interest in the net assets of subsidiary companies as at 31st March 2011

	2010/11 £'000	2009/10 £'000
Non-controlling interest of 37.5% (28.6%, 9/10) in East Kent Spatial Development Company - Net assets of £10,870K, (£10,229K, 2009/10) The change in non controlling interest is the result of an increase in the number of directors.	4,076	2,926

Group Interest in joint ventures

	2010/11 £'000	2009/10 £'000
Share of gross operating income of joint ventures	4,663	2,304
Share of gross expenditure of joint ventures	(4,705)	(2,528)
Share of operating (deficit) in joint ventures	(42)	(224)

AGENCY INVESTMENTS IN JOINT VENTURES

The following are SEEDA's share of the audited results for 2010/11 of the joint ventures Countryside Maritime Ltd and Ashford's Future Company Ltd. These figures are based on the agreed control:sharing ratio which is, in respect of Countryside Maritime Ltd, 50% for turnover, assets and net borrowing, while taxation and profit/loss is 66.7%, and the project management fees are split on an actual basis. The Agency share of Ashford's Future Company is 25% for all aspects.

Countryside Maritime Ltd

	£'000	£'000		£'000	£'000
	2010/11	2009/10		2010/11	2009/10
Turnover	3,788	1,622	Non Current Assets	0	0
Operating Profit (Loss)	(42)	(167)	Current Assets	7,654	5,000
Interest receivable	0	0	Current Liabilities	(1,007)	4
Profit (Loss) before taxation	(42)	(167)			
Taxation	(9)	46	Non Current Liabilities	(6,390)	(4,702)
Profit (Loss) after taxation	(51)	(121)	Reserves	257	302

Ashford's Future Company Ltd

	£'000	£'000		£'000	£'000
	2010/11	2009/10		2010/11	2009/10
Turnover	875	682	Non Current Assets	0	9
Operating Profit (Loss)	0	0	Current Assets	321	377
Interest receivable	8	0	Current Liabilities	(321)	(393)
Profit (Loss) before taxation	8	(2)			
Taxation	0	0	Non Current Liabilities	0	(49)
Profit (Loss) after taxation	8	(2)	Reserves	0	(56)

Group Interest in Associates

	2010/11	2009/10
	£'000	£'000
Group share of operating profit after tax	(166)	(13)

SEEDA'S SHARE OF THE RESULTS OF ASSOCIATE COMPANIES

The following are SEEDA's share of the audited results for 2010/11 of the Special Purpose Vehicles Hastings and Bexhill Renaissance (including, this year, HBRL's two joint ventures); Brownfield Land Assembly Company; Finance South East; and Aylesbury Vale Advantage. In relation to HBRL, the company owes SEEDA £1,000,000 which is due to be re-paid by December 2011. This year, for the first time, HBRL's figures include their two subsidiary joint ventures; figures are not therefore comparable with 2009/10.

Hastings and Bexhill Renaissance Ltd (HBRL) (20% SEEDA)

	2010/11	2009/10		2010/11	2009/10
	£'000	£'000		£'000	£'000
Turnover	1,719	2,440	Non Current Assets	895	2,109
Operating Profit (Loss)	(229)	59	Current assets	951	2,371
Interest receivable	2	4	Current Liabilities	(380)	(1,863)
Interest payable	(111)	0			
Profit (Loss) before tax	(338)	63			
Taxation	(11)	(8)	Non Current Liabilities	(188)	0
Profit (Loss) after taxation	(349)	56	Reserves	1,278	2,618

Brownfield Land Assembly Company Ltd (20% SEEDA)

	2010/11	2009/10		2010/11	2009/10
	£'000	£'000		£'000	£'000
Turnover	136	0	Non Current Assets	0	0
Operating Profit (Loss)	0	(7)	Current assets	138	531
Interest receivable	0	0	Current Liabilities	(138)	(207)
Profit (Loss) before tax	0	(6)			
Taxation	0	0	Non Current Liabilities	0	(323)
Profit (Loss) after taxation	0	(6)	Reserves	0	0

Finance South East Group (50% SEEDA)

	2010/11	2009/10		2010/11	2009/10
	£'000	£'000		£'000	£'000
		Restated			Restated
Turnover	1,720	1,466	Non Current Assets	2,192	2,295
Operating Profit (Loss)	174	(91)	Current assets	1,413	986
Interest receivable	4	3	Current Liabilities	(796)	(605)
Profit (Loss) before tax	178	(88)			
Taxation	0	0	Non Current Liabilities	(3,484)	(3,529)
Profit (Loss) after taxation	178	(88)	Reserves	(675)	(853)

Aylesbury Vale Advantage (20% SEEDA)

	2010/11	2009/10		2010/11	2009/10
	£'000	£'000		£'000	£'000
Turnover	156	205	Non Current Assets	1	1
Operating Profit (Loss)	5	26	Current assets	51	44
Interest receivable	0	0	Current Liabilities	(9)	(7)
Profit (Loss) before tax	5	26			
Taxation	0	0	Non Current Liabilities	0	0
Profit (Loss) after taxation	5	26	Reserves	43	38

11. TRADE RECEIVABLES AND OTHER CURRENT ASSETS DUE AFTER MORE THAN ONE YEAR

	2010/11 £000's	2009/10 £000's
Amounts falling due after more than one year		
Trade receivables	3,052	1,317
Deposits and advances	674	59
Deferred Income	4,319	
Agency Debtors	8,045	1,376
Subsidiary Deferred Tax	150	
Group Debtors	8,195	1,376

Receivables – Intra Government balances

Receivables - Intra Government balances

Receivables due after more than one year	2010/11 £'000	2009/10 £'000
Balances with other central Government bodies	150	0
Balances with local authorities	0	0
Sub total: intra-Government balances	150	0
Balances with bodies external to Government	8,045	1,376
	8,195	1,376

12. UTILITY LOANS

	2010/11 £000's	2009/10 £000's
Current financial assets available for sale	0	1,625
	0	1,625
Non current financial assets available for sale	6,396	5,858
	6,396	5,858

Financial assets available for sale held by the East Kent Spatial Development Ltd comprise loans made to a utility provider to finance new infrastructure networks in East Kent. The loans (utility loans) are index linked to the Retail Price Index and are repayable as and when third parties pay the utility provider to connect the new utility infrastructure. The amount of utility loan repayable is proportionate to the capacity connected as a percentage of the total capacity of the new utility network.

UTILITY LOANS (Contd)

The utility loans were funded by grants from the Single Regeneration Budget administered through Thanet District Council, the Homes and Community Agency and The European Regional Development Fund.

The utility loans are treated as an available for sale financial asset and are measured at fair value. Fair value is taken as the directors' best estimate of the discounted future income stream arising from the repayment of the utility loans, based on advice from independent consultants. The directors do not envisage 100% connection to the network and therefore they have reduced the value of the utility loans to their estimated fair value. The estimate of fair value is based on assumptions of a maximum 78 percent connectivity over 20 years, discounted at the Retail Price Index. The value of utility loans reported within other receivables is £6,396,215 split between current (2009/10: £1,624,981) and non-current £6,396,215, (2009/10: £5,857,896). These amounts reflect the fair value adjustment and this increased the reported value by £329,338 (2009/10: £173,603). The fair value adjustments are reported as movements within the General Fund.

As an indicator of the sensitivity of these figures, it would require an error of the magnitude of around 13% in the estimate of the discounted future income streams to give rise to a material difference in the value of the utility loans.

Management do not consider the uncertainty over the timing and connectivity to the utility network gives rise to material uncertainty to the group accounts.

13. INVENTORIES

	2010/11 £000's	2009/10 £000's
Opening balance	97,406	102,898
Additions	15,712	21,872
Disposals	(2,450)	(327)
Revaluation	(36,760)	(27,037)
Closing balance	73,908	97,406

Inventories are property assets held for development. It is intended that these assets will be sold and their value realised after further development work. Property assets are revalued annually to current cost (fair value) and were last revalued on 31st March 2011.

14. TRADE RECEIVABLES AND OTHER CURRENT ASSETS DUE WITHIN ONE YEAR

	2010/11 £000's		2009/10 £000's
Amounts falling due within 1 year			
Trade receivables	9,533		4,107
Deposits and advances	3,778		774
Other receivables	1		9
Prepayments and accrued income	11,693	*	9,049
Value added tax	956		1,593
Income Tax	12		11
Agency Debtors	25,973		15,543
Subsidiary trade receivables	134		344
Group Debtors	26,107		15,887

* Accrued income includes £2.846m in respect of European Regional Development Fund programmes and £3.443m in respect of European Social Fund programmes.

Receivables – Intra Government balances

Receivables due within one year	2010/11 £'000	2009/10 £'000
Balances with other central Government bodies	12,000	8,176
Balances with local authorities	4,440	97
Sub total: intra-Government balances	16,440	8,273
Balances with bodies external to Government	9,667	7,614
	26,107	15,887

NOTES TO THE ACCOUNTS

15. CASH AND CASH EQUIVALENTS

Group position	2010/11 £000's	2009/10 £000's
Balance at 1st April	24,538	29,102
Net change in cash and cash equivalent balances	(5,018)	(4,564)
Balance at 31st March	19,520	24,538

Agency position	2010/11 £000's	2009/10 £000's
Balance at 1st April	23,313	26,715
Net change in cash and cash equivalent balances	(6,391)	(3,402)
Balance at 31st March	16,922	23,313

All cash balances shown above, were held in commercial banks.

16. TRADE PAYABLES AND OTHER CURRENT LIABILITIES DUE WITHIN ONE YEAR

	2010/11 £000's	2009/10 £000's
Amounts falling due within 1 year		
Other taxation and social security	325	304
Trade payables	18	485
Other payables	852	1,285
Accruals and deferred income	27,447	22,839
Agency Payables	28,642	24,913
Subsidiary Trade payables	18	47
Subsidiary Other payables	185	288
Group Payables	28,845	25,248

Payables - Intra Government balances

Payables due within one year	2010/11 £'000	2009/10 £'000
Balance with other central Government bodies	1,528	932
Balances with local authorities	9,101	2,393
Sub total: intra-Government balances	10,629	3,325
Balances with bodies external to Government	18,216	21,923
	28,845	25,248

NOTES TO THE ACCOUNTS

17. TRADE PAYABLES AND NON CURRENT LIABILITIES

	2010/11 £000's	2009/10 £000's
Amounts falling due after more than one year		
Other Payables	349	0
Agency Payables	349	0
Subsidiary Payables	0	0
Group Payables	349	0

Payables - Intra Government balances

Payables due after more than one year	2010/11 £'000	2009/10 £'000
Balance with other central Government bodies	0	0
Balances with local authorities	0	0
Sub total: intra-Government balances	0	0
Balances with bodies external to Government	349	0
	349	0

18. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions < 1 year

2010/11	As at 1st April 2010 £000's	Provision in year £000's	Amount written back not required £000's	Provisions utilised in year £000's	Transfer from Provisions > 1 year £000's	As at 31st March 2011 £000's
Former GKN site, East Cowes	0	0	0	0	1,560	1,560
Future Pension Costs	263	71	0	(356)	384	362
Total	263	71	0	(356)	1,944	1,922

2009/10	As at 1st April 2009 £000's	Provision in year £000's	Amount written back not required £000's	Provisions utilised in year £000's	Transfer from Provisions > 1 year £000's	As at 31st March 2010 £000's
Future Pension Costs	0	263	0	0	0	263
Total	0	263	0	0	0	263

Provisions > 1 year

2010/11	As at 1st April 2010 £000's	Provision in year £000's	Amount written back not required £000's	Provisions utilised in year £000's	Transfer to Provisions < 1 year £000's	As at 31st March 2011 £000's
Former GKN site, East Cowes	2,754	0	(1,194)	0	(1,560)	0
Future Pension Costs	1,039	822	0	0	(384)	1,477
Total	3,793	822	(1,194)	0	(1,944)	1,477

2009/10	As at 1st April 2009 £000's	Provision in year £000's	Amount written back not required £000's	Provisions utilised in year	Transfer to Provisions < 1 year	As at 31st March 2010 £000's
Former GKN site, East Cowes	2,788	0	(34)	0	0	2,754
Future Pension Costs	0	1,039	0	0	0	1,039
Total	2,788	1,039	(34)	0	0	3,793

NOTES TO THE ACCOUNTS

Former GKN Site
The acquisition of the former GKN Isle of Wight site at East Cowes in 2004 included an option for English Partnerships (now HCA) to acquire part of the land. If invoked, this option involves a land transfer by SEEDA to HCA, as a return for a grant awarded by HCA of £4.5m. HCA has indicated that they will invoke this option and SEEDA has made provision for £1.56m which reflects the land value as at 31st March 2011. Previous years provisions were made at higher levels. This reflects the fall in land values since 1st April 2008.

Future Pension Costs
The provision for future pension costs relate to the future pension payments due to employees who took early retirement as part of a total restructuring of SEEDA which led to a reduction in staff numbers. These represent pension payments due to employees from the date of termination of employment until they reach the age of 60.

19. CAPITAL COMMITMENTS

	2010/11 £000's	2009/10 £000's
Property, plant and equipment	1,250	5,433

20. COMMITMENTS UNDER LEASES

Obligations under operating leases comprise:	2010/11 £000's	2009/10 £000's
Buildings		
Not later than 1 year	1,420	1,420
Later than 1 year and not later than 5 years	4,129	5,549
Later than 5 years	0	0
	5,549	6,969
Cars	£000's	£000's
Not later than 1 year	51	109
Later than 1 year and not later than 5 years	0	29
Later than 5 years	0	0
	51	138
Office equipment	£000's	£000's
Not later than 1 year	10	19
Later than 1 year and not later than 5 years	4	10
Later than 5 years	0	0
	14	29

21. CONTINGENT LIABILITIES

The Department for Communities and Local Government (DCLG) has provided £5m, as collateral security, in order to increase the rate of house building by the Joint Venture Company, Countryside Maritime Ltd (CML). This amount will be used as working capital for the CML building activity. A matching amount will be provided by the JV partner, Countryside Properties PLC, in accordance with the signed utilisation agreement. The level of potential liability reduces as properties are sold.

22. RELATED PARTY TRANSACTIONS

SEEDA is an Executive Non Departmental Public Body sponsored by the Department for Business, Innovation and Skills. BIS is regarded as a related party with which, during the year, the Agency has had significant number of material transactions. Other Regional Development Agencies are also sponsored by BIS and so are regarded as related parties.

The Agency also received growth area funding from the Homes and Communities Agency; ERDF funding via the Department for Communities and Local Government (DCLG); and European Social Fund (ESF) grants were received via the Department for Work and Pensions (DWP). All these bodies are regarded as related parties of SEEDA.

SEEDA has had a number of material transactions with other Government Departments and other central Government bodies. In addition, SEEDA has financial dealings with a large number of public and private sector organisations including Business Link, Skills Funding Agency, Local Authorities, Economic Partnerships, voluntary groups and private companies.

The Agency had a number of related transactions with the undertakings it has an interest in: Finance South East Ltd, Hastings and Bexhill Renaissance Ltd (HBRL), Countryside Maritime Ltd (CML) and Brownfield Land Assembly Co Ltd. SEEDA made grant payments to Finance South East Ltd of £981,000 and made a loan in April 2010 to HBRL for £1,000,000. At 31st March 2011 CML owed £3,057,189 and HBRL owed £1,000,000 to SEEDA.

Board members are required to consider each item on the Board agenda and declare any interest at each Board meeting. All declarations are recorded in the Board minutes. In addition, a register is maintained of financial and other interests of Board Members. SEEDA staff are required to declare related party transactions if applicable and a central register is kept.

The list below covers all transactions with third party organisations in which SEEDA Board members have an interest. The payments are made to the third party organisation not the individual and it is SEEDA policy that where a conflict of interest exists the Board member would take no part in the decision to contract with that third party.

Rob Douglas CBE – SEEDA provided £4,082 of secretarial support to the chairman relating to non-SEEDA business for which he reimbursed SEEDA by formal agreement. Former Chair of the South East England Partnership Board, (that received £126,152 in grants) received £30,749 for an employee seconded to SEEDA.

Cllr Jeremy Birch – Leader of Hastings Borough Council, which is a member of Hastings and Bexhill Renaissance Ltd (HBRL); HBRL is in receipt of a £1,000,000 loan from SEEDA in 2010/11, to be repaid by December 2011.

Dr. Dolores Byrne OBE – former M.D. Innovation QuinetiQ Ltd, which received £1,417,334 consisting of grants of £667,533 as part of a consortia of businesses in respect of a next generation wing project, £9,104 as part of a second consortia of businesses dealing with the "Health Map" programme, £141,978 in grants as part of a consortia working on the development of the Unmanned Aircraft Systems in the UK and £598,717 in grants for the Monitoring of Aircraft Components. Former Member of the South East England Partnership Board, (that received £126,152 in grants) received £30,749 for an employee seconded to SEEDA.

NOTES TO THE ACCOUNTS

Prof. Julian Crampton – Vice Chancellor, University of Brighton which received £334,342 for grants. Chairman, Hastings and Bexhill Renaissance Ltd (HBRL), which was in receipt of a £1,000,000 loan from SEEDA in 2010/11, to be repaid by December 2011. Supported in HBRL Chairman role by staff paid for and seconded by SEEDA. Member, Brighton and Hove Economic Development and Enterprise Board which received £60,135 for grants. The University of Brighton was also the end beneficiary of funding of £2,975,000 from SEEDA to HBRL in 2009/10 for the University Centre Hastings, with the buildings and contract being transferred to the University of Brighton in March 2011. Former Member of the South East England Partnership Board, (that received £126,152 in grants) received £30,749 for an employee seconded to SEEDA.

Les Dawson OBE – former CEO Southern Water which received £40,143 for the supply of water to various sites. Member, Institute of Directors which received £325 in subscriptions.

Imtiaz Farookhi – Member of Milton Keynes Economic and Learning Partnership, which received £75,000 in grants. Member of former "Gateway to SusCon Steering Group" - the SusCon project was in receipt of £1,900,000 from SEEDA; SusCon was also in receipt of £1,603,950 of European Social Fund (ESF) funding via SEEDA

Cllr Andrew Finney – (Board Member) Thames Valley Innovation and Growth Ltd, which received £827,979 for grants. Previously Chair of the South East Diamonds for Investment and Growth - now disbanded – which received £50,000 in 2009/10 for economic research activity to be delivered over 18 months up to September 2010.

Bob Goldfield – Member, Kent Economic Board, which received £90,000 for grants. Former Member of the South East England Partnership Board, (that received £126,152 in grants) received £30,749 for an employee seconded to SEEDA.

Cllr Keith House - Member of Partnership for Urban South Hampshire (PUSH) which received £99,000 for grants.

Cllr Keith Mitchell CBE – Council leader, Oxfordshire County Council which received £225,000 for grants. Member of Court, Oxford Brookes University which received £9,543 for grants. In addition £60,538 was received from Oxford Brookes in respect of interest earned on the South East Seed Fund which they administer on behalf of Finance South East.

Alex Pratt OBE - Chairman, Buckinghamshire Economic and Learning Partnership, which received £102,000 for grants. Member, Institute of Directors, which received £325 in subscriptions. Former Board Director, ngage solutions Ltd which received £195,020 in grants. Non Executive Director, Finance South East which received £981,114 for grants; in addition £92,778 was received from Finance South in respect of claw back of funding for Distress Support Package.

Keith Riley – Director, Veolia Environmental Services (UK) Ltd which received £9,527 in respect of cleaning, building maintenance & repairs. Board Member, Institute of Sustainability which received £125,000 for grants. Former Member of the South East England Partnership Board, (that received £126,152 in grants) received £30,749 for an employee seconded to SEEDA.

The following SEEDA staff were also Directors of SEEDA subsidiaries, joint ventures and associates at 31 March 2011, as detailed in Note 10, but receive no additional remuneration.

Pam Alexander	Countryside Maritime Ltd
	South East England Properties Ltd

Lee Amor	Countryside Maritime Ltd Hastings and Bexhill Renaissance Ltd Ashford's Future Company Ltd
Peter Cusdin	Ryde Business Park Management Ltd East Kent Spatial Development Ltd
Chris Moore	East Kent Spatial Development Ltd Brownfield Land Assembly Company Ltd
Oona Muirhead CBE	Aylesbury Vale Advantage Ltd South East England Properties Ltd
Dr. Susan Priest	Finance South East Ltd
Jonathan Sadler	Countryside Maritime Ltd East Kent Spatial Developments Ltd
John Shaw	Hastings and Bexhill Renaissance Ltd Coastal Innovation Ltd
David Tucker	Countryside Maritime Ltd East Kent Spatial Development Ltd Hastings and Bexhill Renaissance Ltd
Dr. Katharine Harvey	East Kent Spatial Development Ltd

23. EVENTS AFTER THE REPORTING PERIOD

Authorisation for Issue

The South East England Development Agency's financial statements are laid before the Houses of Parliament by the Secretary of State of the Department for Business, Innovation and Skills, formerly the Department for Business, Enterprise and Regulatory Reform. IAS10 requires the Agency to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date the accounts are signed by the Comptroller and Auditor General.

Transfer of Land and Property Assets to Homes and Communities Agency

As indicated under our Going Concern disclosures (Note 26 on page 93), should Parliament agree to the abolition of the RDAs, there will be a series of transfers in 2011 to other parts of Government in order to effect the orderly transition to closure of the RDAs. As part of this process, on 6th July 2011 the Government announced the transfer of certain land and property assets from Regional Development Agencies to the Homes and Communities Agency for management under their stewardship. The Transfer Order, signed on 25th August 2011, will take effect on 19th September 2011. The assets in the Transfer Order are included in these accounts (under the heading of Inventories and Property, Plant and Equipment) and represent 67 assets at a book value of £84.4m; one asset having been sold prior to the transfer.

NOTES TO THE ACCOUNTS

Transfer of Inward Investment Activities to PA Consulting

On 1 May 2011, responsibility for inward investment activities in South East England were transferred from SEEDA to PA Consulting, a company selected by bid process organised by UK Trade and Investment (UKTI). Twelve staff were transferred. SEEDA's expenditure in inward investment in 2010/2011 was £1.024m.

Transfer of Rural Development Programme for England (RDPE) to DEFRA

On 30 June 2011, responsibility for the administration of payments under the Rural Development Programme for England (RDPE) in South East England was transferred from SEEDA to the Department for Food and Rural Affairs (DERFA). Seven staff transferred from SEEDA to DEFRA. RDPE funds administered by SEEDA in 2010/11 were £16.8m but these are not reflected in the Statement of Comprehensive Net Expenditure.

Transfer of European Regional Development Fund to the Department for Communities and Local Government

On 30 June 2011, responsibility for the European Regional Development Fund (ERDF) in South East England was transferred to the Department for Communities and Local Government (DCLG). Seven staff transferred. ERDF expenditure in 2010/11 was £6.729m.

Transfer of Grants for Business Investment and Research and Development to Technology Strategy Board

On 1 September 2011 responsibility for the oversight of the following programmes transferred:

- Grant for Business Investment (GBI) transferred to BIS; and
- Grant for Research and Development (GRD) transferred to the Technology Strategy Board (TSB).

Expenditure in 2010/11 for GBI and GRD respectively was £0.94m and £0.89m. No staff transferred with the programmes.

Transfer of Other Innovation Products

The Knowledge Transfer Projects (KTPs), and all but one of the Collaborative Research and Development (CRD) projects (including NATS projects), will be novated to the TSB on 1 September 2011. No staff transferred to the TSB in relation to these projects. The remaining CRD project, ISIC Surrey Space, will novate to STFC. The final Designing Demand contracts, Innovation Voucher and Knowledge Network programmes close by December 2011. Total expenditure in 2010/11 on other innovation products was £0.065 m.

Transfer of Business Finance

By 30 September 2011 responsibility for SEEDA's Venture Capital Loan Funds, managed by Finance South East, will be novated to BIS who will delegate responsibility for oversight to Capital for Enterprise Ltd.

These transfers form part of the proposed transition to closure of SEEDA (see Note 26).

24. FINANCIAL INSTRUMENTS

The Financial Assets of the Agency consist of cash, assets available for sale, deposits, trade and other receivables. These have fixed and determinable payments which are not quoted in an active market.

The Financial Liabilities of the Agency consist of short term trade and other payables.

SEEDA's treasury policy is to use cash to make grant payments and to pay for goods and services. Generally it does not make use of any other financial instruments. SEEDA has no borrowings and relies primarily on departmental funding for its cash requirements so is not exposed to liquidity risks.

SEEDA leads a number of European projects and manages the risk from exposure to foreign currency fluctuations between the Euro and the Pound by holding in Euro bank accounts the required level of cash to fund project activities on an ongoing basis. The value held in Euro at the Balance Sheet date is 4.5m Euro. The value of the Euro denominated cash held at the Balance Sheet date has been translated into Pounds sterling and included in the balance sheet value of cash. The Sterling value of Euro-denominated cash was £4.0m.

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

25. THIRD PARTY ASSETS

	2010/11 £000's	2009/10 £000's
Tenant's rental deposits	28	41

The above relates to closing bank balances held in client bank accounts. These amounts are not recorded in the financial statements but simply shown by way of note.

26. GOING CONCERN

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

Ministers have confirmed that there will be an orderly transition to closure and that some Regional Development Agency activities will transfer to other parts of Government. These have already begun: inward investment activity transferred to UKTI on 1 May 2011; the ERDF programme transferred to the Department for Communities and Local Government and the RDPE programme transferred to the Department of the Environment, Food and Rural Affairs,

NOTES TO THE ACCOUNTS

both with effect from 1 July 2011. A transfer of land and property assets and related staff will take place in September 2011 to the Homes and Communities Agency (HCA). A series of further transfers to other parts of Government are planned throughout 2011-12. As abolition arrangements have yet to be confirmed there is a material uncertainty that casts significant doubt upon South East England's Agency's ability to operate in its current form and fulfil its current powers under the Regional Development Agencies Act 1998.

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

27. PRIOR PERIOD ADJUSTMENTS

Finance South East

An error occurred in the treatment, in SEEDA's Group accounts; of subordinated loans in the balance sheet of Finance South East. The subordinated loans were not deducted in calculating the net assets of Finance South East that were consolidated using the net investment method. This led to SEEDA's investment in associated companies being overstated:

2009/10 Group

	Previously Reported £000's	FSE Error £000's	Restated £000's
Non - Current Assets			
Investments in associates	4,216	(2,413)	1,803
Reserves			
General Reserve	(4,216)	2,413	(1,803)

2009/10 Agency

	Previously Reported £000's	FSE Error £000's	Restated £000's
Non - Current Assets			
Investments in associates	4,216	(2,413)	1,803
Reserves			
General Reserve	(4,216)	2,413	(1,803)

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