# East Midlands Development Agency

## Report and Accounts

## for the period 1 April 2012 to 30 June 2012

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Presented to Parliament pursuant to Section 15 (2) and Section 17 (3)
of the Regional Development Agencies Act 1998

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# Contents

# Introduction by the Accounting Officer

These accounts cover the final three month period leading up to the abolition of the East Midlands Development Agency ("the Agency") on 1 July 2012.

The Agency ceased operations on the transfer of all remaining operational activity to the Department for Business, Innovation and Skills (BIS) on 30 March 2012. The results for the last year of operations are set out in the Agency's 2011/12 Annual Report and Accounts which were published in June 2012.

In the final three month period a small number of Agency staff remained in post to complete the Agency's Annual Report and Accounts for 2011/12, to prepare a draft Report and Accounts for the period 1 April to 30 June 2012 for completion by BIS after abolition, and to transfer to BIS all remaining records and residual rights and obligations. The Agency's former Chief Executive and Accounting Officer, Jeffrey Moore, remained in post until 30 June 2012. I became the responsible Accounting Officer for the Agency when the Agency's Chief Executive and Accounting Officer was made redundant and I take full responsibility for the Report and Accounts for the period to 30 June 2012.

At 00.01am on 1 July 2012, all of Agency's residual rights and obligations were legally transferred to BIS. At 00.02am on 1 July 2012 the eight remaining Regional Development Agencies, including the Agency, were abolished by an Order commencing section 30(1) of the Public Bodies Act 2011. The appointments of the Agency's Chair and the other Board members terminated on the Agency's abolition.

On abolition, the Regional Development Act 1998 was repealed save for the provisions concerning the completion of a Report and Statement of Accounts for the accounting period from 1 April 2012 to 30 June 2012.

After the abolition of the Agency, the Report and Accounts have been completed by my staff, using drafts provided by Agency and drawing on additional supporting evidence and information provided by the Agency. The draft Report and Accounts were reviewed and approved in draft by Agency's Audit Committee on 7 June 2012 and Board on 7 June 2012. I have received assurances from the former Accounting Officer about the controls exercised by him, the officers and Board of the Agency during its existence to ensure compliance with the principles of *Managing Public Money* and in particular in relation to governance, decision-making and financial management. I am content that these assurances are sufficiently accurate and robust to allow me to place reliance on them to discharge my role as Accounting Officer and to sign the Report and Accounts for the period ending 30 June 2012.

The Report includes statements by the former Chairman and former Chief Executive to provide additional context. I would like to record my thanks to them and to the Board and the staff for all their work for the Agency and for their work on this document in the final accounting period.

**Martin Donnelly**
**Permanent Secretary and Accounting Officer**
**Department for Business, Innovation & Skills**

# Former Chairman's Foreword

These accounts represent the transactions undertaken during April-June 2012, the three months prior to the abolition of East Midlands Development Agency on 1 July 2012.

The Agency achieved full operational closure on 31 March 2012. All programmes and projects not transferring to other bodies had been brought to an end in the months leading up to March 2012, leaving the transfer of only a small number of interests and ongoing monitoring requirements to the Department for Business Innovation, and Skills.

I will put on record thanks to the Board and all Agency staff for their professionalism, diligence and loyalty during the difficult task of closing the Agency.

**Bryan Jackson**
**Chairman (until 30 June 2012)**

# Former Chief Executive's Review

The Agency's activities were brought to a successful end by 31 March 2012. All assets, liabilities and contracts were brought to a satisfactory conclusion or transferred to public bodies by the deadline of 31 March. Moreover the thorough approach that the Agency had taken towards these tasks has resulted in significant savings to the public purse.

The focus of activity for the period to 30 June 2012 has been solely internal as the Agency moved towards abolition. The key tasks included the completion and certification of the 2011/12 accounts; ensuring all remaining paper and electronic records transferred to BIS; that staff continued to leave the Agency through the voluntary redundancy programme; and that the Agency fulfilled its commitment to the Government's Clear Line of Sight project.

I would like to personally offer my thanks to all of the Agency's staff for their hard work and wish them every luck in their future careers. The focus and dedication of the staff has ensured that the targets and milestones of the closure programme have not only been met, but in many cases exceeded.

**J P Moore**
**Chief Executive (until 30 June 2012)**

# Accounting Officer's Report

The Accounting Officer presents his Report and Accounts for the period 1 April to 30 June 2012.

**Principal activities**
The Agency was established under the provisions of the Regional Development Agencies Act 1998. The Agency was a Non Departmental Public Body (NDPB) sponsored by the Department for Business, Innovation and Skills.

The focus of the Agency's activities in the period to 30 June 2012 was on preparing for closure.

A small team of people were employed between 1 April 2012 and 30 June 2012 to complete the 2011-12 Annual Report and Accounts, and to hand over draft accounts for the three month period to June 2012, for completion by BIS.

**Former Non-Executive Directors (The Board)**
Membership of the Agency Board during period 1 April 2012 to 1 July 2012 was as follows:

| Name | Position | Appointment/ Reappointment Date | End of Appointment | Length of Appointment |
|---|---|---|---|---|
| Dr Bryan Jackson CBE | Chairman | December 2010 | 1 July 2012 | 2 Years |
| Haydn Biddle | Deputy Chairman | December 2009 | 1 July 2012 | 3 Years |
| Cllr Gary Hunt | Member | December 2010 | 1 July 2012 | 2 Years |
| Cllr Jon Collins | Member | December 2010 | 1 July 2012 | 2 Years |
| Cllr Geoff Stevens MBE | Member | December 2010 | 1 July 2012 | 2 Years |
| Prof. Philip Tasker | Member | December 2010 | 1 July 2012 | 2 Years |
| Steve Brown | Member | December 2010 | 1 July 2012 | 2 Years |
| Ann Cartwright | Member | December 2010 | 1 July 2012 | 2 Years |
| Michael Seals MBE | Member | December 2010 | 1 July 2012 | 2 Years |
| Tricia Pedlar | Member | December 2009 | 1 July 2012 | 3 Years |

Board member contracts ended on 1 July 2012, when the Agency was abolished. Board members received no compensation for early termination of their tenure.

A register of Board members' interests is available for inspection at BIS’s offices at 1 Victoria Street, London SW1H 0ET by prior arrangement.

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

**Former Executive Directors**
The Board appointed the following individuals to manage the activities of the Agency:

| | |
|---|---|
| Chief Executive | Jeffrey P Moore |
| Deputy Chief Executive & Executive Director of Corporate Services | Glenn Harris |

These appointments ended on 30 June 2012.

**Going concern**
The Public Bodies Act, which paved the way for the abolition of all Regional Development Agencies (RDAs), received Royal Assent on 14 December 2011.

The Department for Business, Innovation and Skills (BIS) issued two individual Transfer Schemes for each RDA under the Act. The first came in to effect on 1 January 2012, transferring remaining projects and some staff to BIS so that they could be completed. A second Transfer Scheme was made on 30 March 2012 to take away most remaining assets and liabilities so that RDAs achieved operational closure by 31 March 2012. A third Transfer Scheme took effect on 1 July 2012, transferring the Agency’s remaining assets and liabilities to BIS and the Agency was then abolished on 1 July 2012. Accordingly, I concluded that the Agency was no longer a going concern as at 30 June 2012, and these accounts have been prepared on a basis other than that of a going concern.

**Accountability and financial framework**
The Secretary of State issued the Agency with a revised Accountability and Financial Framework on 1 October 2011. The Agency complied in all material respects with the terms of this Framework during the period to 30 June 2012. Additional restrictions were imposed on the Agency regarding spend following the announcement of the future abolition of the Agency. All these restrictions were adhered to during the period.

## Financial results and review

### Financial summary

During the period 1 April 2012 to 30 June 2012 the Agency was funded by grant in aid from the Department for Business, Innovation and Skills. An allocation of £963,000 was given for the period to 30 June 2012 and £nil was received in cash during the period.

### Results

The results for the period 1 April 2012 to 30 June 2012 are set out in the financial statements on pages 23 to 40.

### Events after the reporting period

Information about events after the reporting period is given in Note 13 to the financial statements

### Principal risks and uncertainties

Information about the Agency's principal risks and uncertainties is set out in the Governance Statement.

### Freedom of Information enquiries

During the period 1 April 2012 to 30 June 2012 the Agency received no requests for information under the Freedom of Information Act.

### Employment of disabled persons

The Agency gave full and fair consideration to all applications for employment from disabled persons having regard to their particular aptitudes and abilities.

### Employee relations

The Agency sought to promote and maintain good relations with its staff and considerable emphasis was placed on an open management style with a Staff Consultative Forum and jointly recognised the Public and Commercial Services Union (PCS), GMB and Prospect unions to represent staff interests.

### Employee absence

Staff absenteeism for the period was nil% (2011/12: 3.25%), with no days absence from a possible 562 working days (2011/12: 680 days absence from a possible 20,929 days).

### Loss of personal data

There were no incidents of data loss during the period 1 April to 30 June 2012.

### Better Payment Practice Code

The Agency was committed to the Better Payment Practice Code (previously the CBI Prompt Payment Code) and aimed to pay all undisputed invoices and claims within 30 days. In the period to 30 June 2012 the Agency paid 100% of invoices and claims against this target (2011/12: 96.73%).

A copy of the code can be found at https://payontime.co.uk

**The Agency's environmental policy for operation**
The Agency was committed to using, where possible, 'environmentally friendly' office and hospitality consumables from sustainable or recycled sources. It was also committed to controlling the amount of water and energy consumed in administration buildings, and where possible making use of fuel efficient transport. The Agency was granted an exemption for HM Treasury requirements on sustainability reporting because it fell below the size threshold.

**Audit and Risk Management Committee**
The Agency's Audit and Risk Management Committee met once during the period to 30 June 2012. The following Board Members served on the Committee:

| | **Position** | **Membership Term** |
|---|---|---|
| Ann Cartwright | Chair | April/June2012 |
| Prof. Philip Tasker | Member | April/June2012 |
| Steve Brown | Member | April/June2012 |
| Cllr Jon Collins | Member | April/June2012 |
| Tricia Pedlar | Member | April/June2012 |
| Haydn Biddle | Member | April/June2012 |

Information about the BIS Audit and Risk Committee and its role after 30 June 2012 is set out in the Governance Statement.

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

| | |
|---|---|
| Audit Fee | £12,000 |

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.

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

**Political and Charitable Donations**
No political or charitable donations were made during the period.

# Remuneration Report

This Report deals with the remuneration of the former Chair, former Chief Executive, former Board members and former Executive Directors who had influence over the decisions of the Agency as a whole.

**Remuneration Committee**

**Membership**
The Membership of the Remuneration and Human Resources Committee consisted of the following Board Members during the period to 30 June 2012.

| Board Member | Position | Membership Term |
|---|---|---|
| Dr Bryan Jackson CBE | Member | April/June2012 |
| Michael Seals MBE | Chair and Member | April/June2012 |
| Ann Cartwright | Member | April/June2012 |
| Cllr Gary Hunt | Member | April/June2012 |
| Cllr Geoff Stevens MBE | Member | April/June2012 |

The Remuneration and Human Resources Committee met once during the period. The Committee was chaired by Michael Seals. A minimum of two Board members was required for the Committee to have a quorum. The Committee's main task in the period was to consider and, provided it was satisfied the conditions had been met, to approve the release of retention payments to those staff whose roles had been identified 18 months earlier as critical to an effective closure. In the case of the former Chief Executive and former Deputy Chief Executive and Executive Director of Corporate Resources, retention payments were conditional on certification of the Agency's 2011/12 Annual Report and Accounts and were subject to additional approval by me.

**Remuneration Policy**
No pay increases were awarded to staff in the period. However, in accordance with the Agency's scheme approved by BIS in December 2010, a number of staff were eligible to receive retention payments on exit, provided they remained with the Agency until their work was deemed complete and performed to the standard required. No other performance-related payments were made.

**Board Members' Service Contracts**
The remuneration of the Board was set by the Department for Business, Innovation and Skills. The remuneration figure for the Board was reviewed every year in line with the recommendations of the Senior Salaries Review Board.

Board Members' appointments were made in accordance with the Commission of Public Appointments Code. For Board Members there was no provision in place for early termination of appointment. A table of Board Appointments is shown on page 3, within the Accounting Officer's Report.

**Audited section of Remuneration Report**
The following tables provide details of the remuneration and pension interests of Board Members, the Chief Executive and Executive Directors of the Agency.

Board Members' Taxable Benefits consisted of mileage and hotel bills paid to attend board meetings at the Agency, and were subject to statutory deductions.

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

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

**Table One - Board Members' emoluments for the period**

| | Salary for period to 30 June 2012 £ | Taxable Benefits for period to 30 June 2012 £ | Total Salary for period to 30 June 2012 £ | Total Salary for year to 31 March 2012 £ |
|---|---|---|---|---|
| Dr Bryan Jackson CBE | 20,429 | 207 | 20,636 | 82,557 |
| Haydn Biddle | 4,333 | 123 | 4,456 | 18,013 |
| Steve Brown | 2,167 | 79 | 2,246 | 8,904 |
| Cllr Gary Hunt | 2,167 | 46 | 2,213 | 8,804 |
| Cllr Jon Collins | 2,167 | 0 | 2,167 | 8,666 |
| Cllr Geoff Stevens | 2,167 | 50 | 2,217 | 8,949 |
| Prof. Phillip Tasker | 2,167 | 0 | 2,167 | 8,666 |
| Tricia Pedlar | 2,167 | 36 | 2,203 | 8,756 |
| Ann Cartwright | 2,167 | 372 | 2,539 | 8,878 |
| Michael Seals MBE | 2,167 | 84 | 2,251 | 8,869 |

The full year equivalent salaries for Dr Bryan Jackson CBE and Hayden Biddle were £81,716 and £17,332 respectively, and for all other Board Members £8,666 each.

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

For the Chief Executive and Executive Directors early termination was under the terms of the Principal Civil Service Pension Scheme (PCSPS). The terms of this scheme come under the terms of the Civil Service Compensation Scheme.

### Table Two - Chief Executive and Executive Director Salaries

| | Salary band £000 | Retention pay* £000 | Redundancy pay* £000 | Benefits in kind* £ nearest £100 | Full year equivalent salary 2012-13 £000 | Total salary 2011-12 £000 |
|---|---|---|---|---|---|---|
| Jeffrey P Moore<br>Chief Executive | 35-40 | 90-95 | - | - | 145-150 | 160-165 |
| Glenn Harris<br>Deputy Chief Executive and Executive Director of Corporate Services | 30-35 | 95-100 | - | - | 100-105 | 110-115 |

* for the period 1 April 2012 to 30 June 2012

### Salary

'Salary' includes gross salary and any other allowance to the extent that it is subject to UK taxation.

### Retention Pay

The retention payments relate to a contractual agreement, approved by the Department for Business, Innovation and Skills, in order for specific individuals to remain in employment to undertake the closure of the Agency. Further information is given in Note 12 to the Accounts.

### Redundancy

No redundancy pay has been included in the table as all such costs were accrued for and declared during the year to 31 March 2012.

### Comparison of remuneration of highest paid director and median remuneration of the Agency's workforce

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The annualised remuneration of the highest-paid director of the Agency in the period to 30 June 2012 was £240-245k (2011-12: £160-165k). This was 3.5 times (2011/12: 3.9 times) the median remuneration of the workforce, which was £69,746 (2011/12: £41,102). Remuneration comprises annualised salary, including and benefits-in-kind, and non-consolidated performance related pay (including retention pay). It does not include employer pension contributions and the cash equivalent transfer value of pensions.

In the period to 30 June 2012 no employees received remuneration in excess of the highest-paid director.

## Pension Benefits

### Pension Benefits of Board Members

With the approval of BIS, a pension scheme was put in place for the Chairman with contribution rates and benefits which are identical to the Principal Civil Service Pension Scheme but which was funded directly by the Agency, until 31 March 2012. No other Board Members were eligible for pension contributions, performance related pay, or any other taxable benefit as a result of their appointment with the Agency. The pension liability transferred to BIS on 30 March 2012.

### Pension Benefits of Chief Executive and Executive Directors

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

### Cash Equivalent Transfer Values (CETV)

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

The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

### Real Increase in CETV

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

**Table Three – Chairman's Pension**

With the approval of BIS, a pension scheme was put in place for the Chairman with contribution rates and benefits which are identical to those in the PCSPS funded directly by the Agency until 30 March 2012, when the liability transferred to BIS. The Agency was not permitted to pay these contributions to a personal pension scheme or other pension plan provider. On retirement, payment of the Chairman's pension will be the responsibility of BIS. No other Board Members are eligible for pension contributions, performance related pay or any other taxable benefit as a result of employment with the Agency. The additional disclosures below are provided to show the total value of the Chairman's pension benefits at 30 June 2012.

| | **Real increase in pension at age 60 (£000)** | **Total accrued pension at age 60 at 30/06/12 (£000)** | **CETV at 31/03/12 (£000)** | **CETV at 30/06/12 (£000)** | **Real increase in CETV after adjustment for inflation and changes in market investment factors (£000)** |
|---|---|---|---|---|---|
| Dr Bryan Jackson CBE | 0-5 | 5-10 | 162 | 163 | 1 |

**Table Four - Chief Executive and Executive Directors' Pensions**

| | **Real increase in pension and related lump sum at age 60 (£000)** | **Total accrued pension at age 60 at 30/06/12 and related lump sum (£000)** | **CETV at 31/03/12 (£000)** | **CETV at 30/06/12 (£000)** | **Real increase in CETV after adjustment for inflation and changes in market investment factors (£000)** |
|---|---|---|---|---|---|
| Jeffrey P. Moore | 0 - 2.5 plus 0 – 2.5 lump sum | 65 – 70 plus 200 – 205 lump sum | 1,419 | 1,477 | 15 |
| Glenn Harris | 0 – 2.5 | 25 - 30 | 345 | 352 | 5 |

**Non cash remuneration**

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

**Compensation paid to the former Chief Executive & former Deputy Chief Executive**
During the period, compensation for loss of office was paid to the Chief Executive & the Deputy Chief Executive.

On closure of the Agency, Jeffrey P. Moore (Chief Executive) left on 30 June 2012 and was paid £152,407 redundancy (accrued 2011/12) and received a £93,977 retention payment having satisfactorily met the required conditions. Glenn Harris (Deputy Chief Executive and Executive Director of Corporate Services) also left on 30 June 2012 and was paid £57,916 redundancy (accrued 2011/12) and received a £98,056 retention payment having satisfactorily met the required conditions.

Redundancy payments are repayable, on a sliding scale, if within six months an individual takes up employment with another Civil Service employer.

**Amounts payable to third party for services as a senior manager**
No payments were made to third parties.

**Payments made for loss of office**
The payments made to former Directors during the period 1 April 2012 to 30 June 2012 are detailed above (in 2011-12: £1,350,000 was paid under the Voluntary Redundancy Scheme). Payments for loss of office were not made to the Chairman or to the Board Members of the Agency.

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

Employee contributions are set at rates between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for Premium, Classic Plus and Nuvos. Benefits in classic accrue at a rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as Classic. In Nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31st March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

**Classic scheme**
Benefits accrue at a rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pensionable pay is payable on retirement. Members pay contributions of between 1.5% and 3.9% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half of the member's pension. On death in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement in computing the spouse's pension. The enhancement depends on length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

**Premium scheme**
Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may give up (commute) some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times the pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of between 3.5% and 5.9% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths of the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides service enhancement on computing the spouse's pension. The enhancement depends on the length of service and cannot exceed ten years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction.

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

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

Pensions payable under Classic, Premium, and Classic Plus are increased in line with the Consumer Prices Index (CPI).

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

of 37.5% of the members pension. On death in service the scheme pays a lump sum benefit of twice the pay to a nominated person.

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

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

Further details about the CSP arrangements can be found in Note 4 and at the website www.civilservice-pensions.gov.uk.

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

No members of staff took early retirement due to ill health during the period ending 30 June 2012 (2011-12: nil).

**Martin Donnelly**

**Permanent Secretary and Accounting Officer**
**Department for Business, Innovation & Skills**

**Date** 5 December 2012

# Statement of Accounting Officer's Responsibilities

Under the Regional Development Agencies Act 1998, the Secretary of State with the consent of HM Treasury directed the Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The Accounts Direction for the final accounting period required the statement of accounts to cover the Agency's final accounting period from 1 April 2012 to 30 June 2012. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its income and expenditure, changes in taxpayers' equity and cash flows for the period.

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

- observe the Accounts Direction issued by the Secretary of State for the Department for Business, Innovation and Skills (BIS), 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 as set out in the Government's Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and

- prepare the accounts on a going concern basis, unless it is no longer appropriate to do so.

HM Treasury has appointed the Permanent Secretary of BIS as the Principal Accounting Officer for BIS and, as such, for the Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in Managing Public Money, published by HM Treasury.

# Governance Statement

**Context**
The RDAs were established under the Regional Development Agencies Act 1998. The Government's decision to abolish RDAs, announced in June 2010, was enshrined in statute with the enactment of the Public Bodies Act in December 2011.

Governance of the Agency during the period has been informed by the RDA Accountability and Financial Framework, by Action Notes issued by BIS, and by Managing Public Money.

The former Board kept the Agency's governance arrangements under review during the period ended 30 June 2012 to ensure they remained fit for purpose. As the responsible Accounting Officer, I have received robust assurances from the former Chief Executive and Accounting Officer about the governance, risk management and internal control in the period ending 30 June 2012.

After the transfer of all of the Agency's remaining rights and obligations to BIS and the Agency's abolition on 1 July 2012, the conclusion of the Agency's remaining business was handled by BIS and was subject to BIS's governance framework and systems of risk management and internal control.

**Scope and purpose of the statement**
This Governance Statement sets out the governance structures, risk management and internal control procedures that have operated in the Agency and within BIS during the period from 1 April 2012 to the date of the approval of the Report and Accounts.

**Governance in the period 1 April 2012 to 30 June 2012**

**Governance Framework**
The Agency has maintained a comprehensive governance framework in the period from 1 April to 30 June with the main task being the production of the final 2011/12 Annual Report and Accounts. There has been no programme activity. This comprehensive framework has included:

- Board;
- Audit & Risk Management Committee; and
- Remuneration & HR Committee

The Board Resources Group did not meet during the period to 30 June 2012 as there were no projects to appraise, consider or approve.

The scope of the work of each Committee was significantly reduced, namely to review and recommend that the 2011/12 Annual Report & Accounts go forward for certification by the Comptroller and Auditor General; to confirm that employees have concluded their final closure tasks to a satisfactory standard; to confirm the 'operational closure' of the Agency; and to transfer the finance transactions and reports for the period to 30 June 2012 to BIS for final completion.

In addition to the Board and Committee structure, there were weekly closure meetings with the Agency's remaining staff to oversee accounts preparation and final closure activity.

The Audit & Risk Management Committee has, on behalf of the Board, provided an overview of Assurance arrangements for the final closure tasks. The Audit & Risk Management Committee has been assisted in this by the Agency's Internal Audit contractors, KPMG, who provided two assurance reports. The first of these concerned the final review of the closure of the Business Link contract, which took place in 2011/12. This report was rated 'Good' the highest rating possible under the KPMG internal audit methodology. It confirmed that all reserves had been effectively deployed on legitimate closure costs and that a further saving of £458k had been made against agreed closure cost headings. A further report concentrated on a review of the control and assurance environment operating between April - June 2012, confirming that this was effective and operating as intended.

**Board Meetings**
In the period from 1 April to 30 June 2012 the Board met once to consider and approve the Agency's 2011/12 Accounts; to approve the Agency's draft Accounts for the three month period to 30 June 2012 for handover to BIS; and to confirm operational closure of the Agency and the departure of all staff, including Board Members by 30 June 2012.

The Board was able to make these decisions on the back of recommendations by the Audit & Risk Management Committee and Remuneration & HR Committee, who also met once during this period to consider the final accounting and personnel matters respectively. These two meetings were attended by all of the relevant Board Members. The memberships of the Committees are set out on pages 6 and 7.

During the period the Agency complied, where applicable, with the principles of the *Code of Good Practice for Corporate Governance in Central Government Departments*, issued by HM Treasury, in order to meet the Agency's objectives.

Given that the closure work of the Agency was substantially completed in 2011/12 and the nature of the work in the period, the Board did not undertake a formal review of its own effectiveness between April and June 2012. However, all meetings have been attended by a representative from the BIS transition and closure team and the Agency provided all of the information requested by BIS during the period. BIS was satisfied that the Agency had delivered an effective closure process. The National Audit Office has also attended the Audit & Risk Management Committee.

The Board was at all times informed by detailed assurance work carried out by the Audit & Risk Management Committee, and further assurance was provided independently by the internal audit contractor.

**Risk and Internal Control**

The Agency's approach to risk management remained consistent throughout the closure period and a full register of key risks was maintained and presented to both the Audit & Risk Management Committee and the Board during the period. However, the transfer of assets and liabilities, the cessation of any operational programmes, and the reduction in staff has meant that the number and nature of the risks has substantially reduced.

Whilst the Agency was operating with only a few staff, it maintained a full segregation of duties on key financial transactions. The payroll for example, which constitutes the majority of all expenditure in the period, the same level of control was maintained and final payments approved by the Remuneration & HR Committee.

The recording of financial transactions changed on 1 April with a move away from the core Sun systems, which were used to complete the 2011/12 accounts. The simpler, spreadsheet based recording of transactions was, however, reviewed by internal audit to provide assurance on the effectiveness of the system.

The key issues that the Agency focused on during the period were:

<u>Finance</u>

- Ensuring that the 2011/12 Annual Report and Accounts were completed to the standards required.
- The provision of a set of accounts for the period from April - June 2012 for handover to BIS to be completed following the abolition of the Agency. These were provided in the statutory account format with all notes and backing transactions.
- Ensuring that the control environment for the transactions during the period to 30 June 2012 was subject to rigorous control. Any expenditure required the approval of the former Accounting Officer or former Deputy Chief Executive.

<u>Personnel</u>

- The Agency retained a small number of staff with the requisite skills and experience to enable a successful outcome to the closure and transition project.
- The team was established and agreed with the approval of both BIS and the Cabinet Office, and ensured that the Agency delivered closure with value for money to the taxpayer in terms of how programmes and assets were closed and transferred, and in this final period, that the final accounting transactions and handover of information and records was complete.

<u>Knowledge management</u>

- The Agency has worked closely with BIS to ensure that all information, both paper and electronic was identified and transferred in accordance with the knowledge management strategy. The vast majority of this information was transferred during 2011/12 to other bodies receiving assets and liabilities from the Agency; however the Agency retained key financial records to facilitate the needs of the NAO for audit purposes.

**Information Security**
The Agency suffered no data losses or security breaches in the period from 1 April 2012 to 30 June 2012.

**Internal Audit**
The Agency appointed KPMG as independent Internal Auditors, who operate in accordance with Government Internal Audit Standards and to an Internal Audit Plan approved by the Audit Committee.

Following completion of the planned work for the period April - June 2012 the Head of Internal Audit issued an independent and objective Statement of Assurance on the adequacy and effectiveness of the Agency's system of internal control, which stated that:

*"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of emda's risk management, control and governance processes. In our opinion emda has adequate and effective risk management, control and governance processes to manage the achievement of its objectives."*

**Governance in the period after 30 June 2012**

All the Agency's rights and obligations transferred to BIS on 1 July 2012. The conclusion of the Agency's remaining business after this date was handled by BIS and was subject to BIS's governance framework and systems of internal control.

A key risk in this period concerned the satisfactory completion of the Agency's Report and Accounts. The risk of delay or other obstacles has been mitigated by:

a) the transfer of most of the Agency's assets, liabilities and activities to BIS and other bodies during 2011/12;
b) the production, audit and approval of a draft Report and Accounts for the period, for handover to BIS, with the supporting documents and accounting records, and
c) the close partnership working between staff at BIS and the Agency to achieve an effective handover, including attendance by BIS staff at Agency Board and Audit and Risk Management Committee meetings.

The final adjustments to the Agency's accounts were made by staff in BIS. The BIS Audit and Risk Committee (ARC) met on 3 December 2012 to review and recommend the approval of the final Report and Accounts. The members of the BIS ARC, and their attendance at that meeting, are as follows:

| **BIS Audit and Risk Committee members** | |
|---|---|
| **Name** | **Attendance** |
| Alan Aubrey (chair) | Yes |
| Grenville Hodge | Yes |
| Nigel Johnson | Yes |

The governance structures in BIS are set out in more detail in the BIS Annual Report and Accounts 2011-12.

**Review of Effectiveness**
As Accounting Officer, I have responsibility for reviewing the effectiveness of the governance, risk management and internal control systems in the Agency and in BIS for the period from 1 April 2012 to the date of the approval of the Report and Accounts. This review is informed by the work of senior managers within the Agency, by the internal control frameworks in place, by the past work of the internal auditors and by comments made by the external auditor in their management letter and other reports. The former Chief Executive and Accounting Officer of the Agency has provided me with formal assurances about the effectiveness of systems of governance, risk management and control for the period up to the abolition date. My review also takes account of the governance, risk management and internal control systems within BIS. This Governance Statement represents the end product of the review.

**Conclusion**
I have considered the evidence provided regarding the production of this Governance Statement, including the assurances provided by the Agency's former Board and former Accounting Officer, BIS Audit and Risk Committee and others, and I conclude that both organisations' overall governance and internal control structures have been effective. There are no significant control issues to report.

**Martin Donnelly**

**Permanent Secretary and Accounting Officer**
**Department for Business, Innovation & Skills**

**Date** 5 December 2012

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

I have audited the financial statements of the East Midlands Development Agency for the period ending 30 June 2012 under the Regional Development Agencies Act 1998. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion 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 East Midlands Development Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the East Midlands Development Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report and Accounts 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.

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

### Opinion on regularity

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

**Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the East Midlands Development Agency's affairs as at 30 June 2012 and of the net expenditure after tax for the period 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 – Preparation on a basis other than Going Concern**

Without qualifying my opinion, I draw attention to note 1.3 to the financial statements which discloses that the financial statements have been prepared on a basis other than going concern as the East Midlands Development Agency was abolished on 1 July 2012.

***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 made under the Regional Development Agencies Act 1998; and
- the information given in the Former Chairman's Foreword, Former Chief Executive's Review, Accounting Officer's Report and Remuneration Report for the period 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse
Comptroller and Auditor General

Date 7 December 2012

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

## Statement of Comprehensive Net Expenditure for the period ended 30 June 2012

| | Notes | Period to 30 June 2012 £'000 | Year to 31 March 2012 £'000 |
|---|---|---|---|
| **Expenditure** | | | |
| Programme expenditure | | - | 24,315 |
| European funding expenditure | | - | 6,709 |
| Staff costs | 3 | 792 | 6,007 |
| Depreciation and amortisation | 5 | - | 307 |
| Loss on transfer of assets and liabilities to other government bodies | 5 | - | 4,320 |
| Other expenditure | 5 | 195 | 2,845 |
| **Total expenditure** | | **987** | **44,503** |
| **Income** | | | |
| European funding | 6 | - | (7,205) |
| Coalfield and other government grants | 6 | - | (9,252) |
| Transfer from reserves | 6 | - | (125) |
| Self generated income | 6 | - | (4,770) |
| **Total income** | | **-** | **(21,352)** |
| **Net expenditure** | | **987** | **23,151** |
| Interest receivable | 6 | (7) | (135) |
| Interest payable | 5 | - | 8 |
| (Surplus) from share in associates | | - | (44) |
| Loss from disposal of associates | | - | 44 |
| **Net expenditure after interest** | | **980** | **23,024** |
| Income tax | 7 | 2 | 506 |
| **Total comprehensive expenditure taken to the Statement of Changes in Taxpayers' Equity** | | **982** | **23,530** |
| Total comprehensive expenditure from continuing activities | | - | 363 |
| Total comprehensive expenditure from discontinued activities | | 982 | 23,167 |
| **Total comprehensive expenditure taken to Grant in Aid Reserve** | | **982** | **23,530** |

Total comprehensive expenditure of the Agency is financed by Grant in Aid.

The notes on pages 27 to 40 form part of these accounts.

## Statement of Financial Position as at 30 June 2012

| | Notes | 30 June 2012 £'000 | | 31 March 2012 £'000 | |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Trade and other receivables | 9 | 11 | | 132 | |
| Cash and cash equivalents | 10 | 677 | | 5,635 | |
| **Total current assets** | | | **688** | | **5,767** |
| **Current liabilities** | | | | | |
| Trade and other payables | 11 | (572) | | (1,169) | |
| **Total current liabilities** | | | **(572)** | | **(1,169)** |
| **Total assets less current liabilities** | | | **116** | | **4,598** |
| **Taxpayers' Equity** | | | | | |
| Grant in Aid reserve | | | **116** | | **4,598** |

The notes on pages 27 to 40 form part of these accounts.

The financial statements on pages 23 to 40 were approved by

**Martin Donnelly**
**Accounting Officer**

**Date** 5 December 2012

# Statement of Cash Flows
# for the period ended 30 June 2012

| | Notes | Period to 30 June 2012 £'000 | Year to 31 March 2012 £'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net expenditure after interest | | (982) | (23,024) |
| Decrease in trade and other receivables | 9 | 121 | 10,704 |
| Decrease in inventories | | - | 900 |
| Decrease in trade and other payables | 11 | (597) | (40,760) |
| Transfer from general reserve to Statement of Comprehensive Net Expenditure | | - | (125) |
| Transfer from general reserve | | - | (22) |
| Transfer from general reserve for European retrospective funding | | - | (73) |
| Depreciation and amortisation | | - | 307 |
| Loss from disposal of property, plant and equipment | | - | 343 |
| Reduction from transfer of assets to other government bodies | | - | 4,842 |
| Surplus from share in associates and joint ventures | | - | (44) |
| Loss on disposal of associates and joint ventures | | - | 44 |
| Decrease in other provisions | | - | (4,428) |
| UK corporation tax received | | | 107 |
| **Net cash outflow from operating activities** | | (1,458) | (51,229) |
| **Cash flows from investing activities** | | | |
| Loan repayments from other bodies | | - | 12 |
| **Net cash inflow from investing activities** | | - | 12 |
| **Cash flows from financing activities** | | | |
| Grant in Aid (returned to)/ received from parent Department | | (3,500) | 24,503 |
| **Net cash (outflow)/inflow from financing activities** | | (3,500) | 24,503 |
| **Net decrease in cash and cash equivalents in the period** | | **(4,958)** | **(26,714)** |
| **Cash and cash equivalents at the beginning of the period** | 10 | **5,635** | **32,349** |
| **Cash and cash equivalents at the end of the period** | 10 | **677** | **5,635** |

# Statement of Changes in Taxpayers' Equity for the period ended 30 June 2012

| Period ending 30 June 2012 | Grant in Aid reserve £'000 |
|---|---|
| **Balance at 1 April 2012** | 4,598 |
| **Change in Taxpayers' Equity for 2011-2012** | |
| Grant in Aid returned to parent | (3,500) |
| Comprehensive expenditure for the period | (982) |
| **Balance at 30 June 2012** | 116 |

| Summary of Taxpayers' Equity | Period ending 30 June 2012 £'000 |
|---|---|
| Grant in aid reserve | 116 |
| General reserve | - |
| | 116 |

| Year ending 31 March 2012 | Grant in Aid reserve £'000 | General reserve European funding £'000 | General reserve Coal grant £'000 | General reserve Pensions £'000 |
|---|---|---|---|---|
| **Balance at 1 April 2011** | 3,625 | 73 | 125 | 22 |
| **Change in Taxpayers' Equity for 2011-2012** | | | | |
| Grant in Aid received from parent | 24,503 | - | - | - |
| Transfer of reserves to comprehensive net expenditure account | - | (73) | (125) | (22) |
| Comprehensive expenditure for the year | (23,530) | - | - | - |
| **Balance at 31 March 2012** | 4,598 | - | - | - |

| Summary of Taxpayers' Equity | Year ending 31 March 2012 £'000 |
|---|---|
| Grant in aid reserve | 4,598 |
| General reserve | - |
| | 4,598 |

# Notes to the financial statements

## 1. Accounting policies

### 1.1 Statement of accounting policies

These financial statements are for the period 1 April 2012 to 30 June 2012. The comparative figures are for the year from 1 April 2011 to 31 March 2012.

The financial statements of East Midlands Development Agency (the Agency) have been prepared in accordance with the Regional Development Agencies Act 1998 and with the 2012-2013 Government Financial Reporting Manual (FReM) issued by HM Treasury in a form directed by the Secretary of State for the Department for Business, Innovation and Skills.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Agency for the purposes of giving a true and fair view, has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### 1.2 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. This is relevant to the comparative figures for the year to 31 March 2012 as no non-current assets were held in the period 1 April 2012 to 30 June 2012. As noted below, these accounts have been prepared on a basis other than going concern.

### 1.3 Going concern

The Public Bodies Act, which paved the way for the abolition of all Regional Development Agencies, received Royal Assent on 14 December 2011.

In 2011/12 the Department for Business, Innovation and Skills (BIS) issued two Transfer Schemes for each RDA under the Act. The first came into effect on 1 January 2012, transferring remaining projects and some staff to BIS, so that the remaining projects could be completed. A second transfer scheme was made on 30 March 2012 to take away most remaining assets and liabilities so the Agency achieved operational closure by 31 March 2012. A third transfer scheme took effect on 1 July 2012, transferring the Agency's remaining assets and liabilities to BIS and the Agency was then abolished on 1 July 2012. Accordingly, the Agency was no longer a going concern as at 30 June 2012, and these accounts have, therefore, been prepared on a basis other than going concern.

**1.4 Property, plant and equipment**
Due to the closure of the Agency all property, plant and equipment was fully written off in 2011/12.

In prior years, property, plant and equipment was carried at fair value and depreciation was provided to write off the cost of property, plant and equipment over their anticipated useful lives on a straight line basis at the following annual rates:

| | |
|---|---|
| Fixtures and fittings | 10 years |
| Office furniture and equipment | 4 years |
| Computer equipment | 4 years |

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

**1.6 Government grants receivable**
The Agency's activities were funded primarily by Grant in Aid provided by the Department for Business, Innovation and Skills for specified types of expenditure. Grant in Aid used to finance activities and expenditure, which supported the statutory and other objectives of the Agency, was treated as financing and was credited to the Grant in Aid reserve.

**1.7. Revenue recognition**
In prior years revenue primarily consisted of proceeds from the sale of inventories, rental income and other sundry income. Rental income and other sundry income were recognised when it was probable that future economic benefits would flow to the Agency and these benefits could be measured reliably.

Revenue from the sale of inventories was recognised when the significant risks and rewards of ownership were transferred to the buyer, being the date of legal completion.

Interest income was recognised in the Statement of Comprehensive Net Expenditure for all instruments measured at amortised cost, using the effective interest method.

**1.8 Financial instruments**

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

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

- **De-recognition**
  All financial assets were de-recognised when the rights to receive cash flows from the assets expired, or the entity had transferred substantially all of the risks and rewards of ownership. Financial liabilities were de-recognised when the obligation was discharged, cancelled or expired.

- **Classification and measurement**
  The Agency assessed its assets and liabilities in accordance with IAS 39, where all of its financial assets were categorised as 'loans and receivables'. Financial liabilities were classified as 'other financial liabilities'.

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

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

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

  Interest on financial liabilities carried at amortised cost was calculated using the effective interest rate method and was charged to the Statement of Comprehensive Net Expenditure.

- **Impairment of financial assets**
  At the Statement of Financial Position date, the Agency assessed whether any financial assets, other than those held at 'fair value through profit or loss' were impaired. Financial assets were impaired and impairment losses were recognised if, and only if, there was objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which had an impact on the estimated future cash flows of the asset.

  For financial assets carried at amortised cost, the amount of the impairment loss was measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss was recognised in the Statement of Comprehensive Net Expenditure and the carrying amount of the asset was reduced through impairment.

### 1.9 Future IFRS amendments and early adoption

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

As this is the final accounting period for the Agency, no future IFRSs or amendments to the FReM, were identified as having an impact on the Agency.

### 1.10 VAT

The Agency was registered for VAT and operated within a non-business apportionment methodology agreed with HM Revenue and Customs. Any irrecoverable VAT resulting directly or indirectly from this methodology was charged to the Statement of Comprehensive Net Expenditure.

### 1.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and are subject to an insignificant risk of changes in value. Such balances held are included as a component of cash and cash equivalents in the Statement of Cash Flows.

### 1.12 Critical accounting judgements and sources of estimation uncertainty

In the process of applying the Agency's accounting policies, management did not identify any judgements that have a significant effect on the amounts recognised in the financial statements.

## 2. Segmental reporting

All of the Agency's expenditure in the period to 30 June 2012 was for administration.

## 3. Staff numbers and related costs

| | | Period to 30 June 2012 £'000 | Year to 31 March 2012 £'000 |
|---|---|---|---|
| (a) | **Staff costs comprise:** | | |
| | **Board Members** | | |
| | Board Members' fees | 42 | 190 |
| | Pension costs | - | 20 |
| | Social Security costs | 3 | 14 |
| | | 45 | 224 |
| | **Staff** | | |
| | Salaries and wages of staff with a permanent (UK) employment contract | 144 | 3,218 |
| | Retention payments (note 12) | 484 | 127 |
| | Other staff | - | 155 |
| | Pension costs | 30 | 635 |
| | Social Security costs | 89 | 504 |
| | Staff holiday pay accrual movement | - | (112) |
| | Redundancy costs | - | 1,350 |
| | Total costs before recoveries from outward secondments | 747 | 5,877 |
| | Less recoveries in respect of outward secondments | - | (94) |
| | **Total staff salaries and wages** | **792** | **6,007** |

## Staff numbers and related costs continued

### (b) Staff numbers

The average number of full time equivalent staff employed by the Agency during the period (including all Agency and seconded staff) was 9. Staff including temporary and seconded staff, were distributed within the following departments and directorates:

| | Period to 30June 2012 staff nos | Year to 31 March 2012 staff nos |
|---|---|---|
| Chief Executive Department | 2 | 4 |
| Corporate Services | 7 | 22 |
| Regeneration Development Directorate | - | 8 |
| Strategy and Communications Directorate | - | 4 |
| Business Services Directorate | - | 10 |
| | 9 | 48 |

| | Period to 30 June 2012 staff nos | Year to 31 March 2012 staff nos |
|---|---|---|
| Senior management roles | 3 | 4 |
| Other | 6 | 44 |
| | 9 | 48 |

### (c) Seconded staff

Staff were seconded from the following organisations:

| | Period to 30 June 2012 staff nos. | Period to 30 June 2012 £'000 | Year to 31 March 2012 staff nos. | Year to 31 March 2012 £'000 |
|---|---|---|---|---|
| EMB Limited | - | - | 2 | 96 |
| | - | - | 2 | 96 |

## Staff numbers and related costs continued

### (d) Temporary and agency staff

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

| | Period to 30 June 2012 staff nos. | Year to 31 March 2012 staff nos. |
|---|---|---|
| Corporate Services Department | - | 0.47 |
| | - | 0.47 |

### (e) Reporting of Civil Service and other compensation schemes – exit packages

| Exit package cost band | Period to 30 June 2012 Number of compulsory redundancies | Period to 30 June 2012 Number of other departures agreed | Period to 30 June 2012 Total number of exit packages by cost band | Year to 31 March 2012 Total number of exit packages by cost band |
|---|---|---|---|---|
| < £10,000 | - | - | - | 8 |
| £10,000 - £25,000 | - | 4 | 4 | 73 |
| £25,001 - £50,000 | - | 3 | 3 | 76 |
| £50,001 - £100,000 | - | 3 | 3 | 29 |
| £100,001 - £150,000 | - | - | - | 1 |
| More than £150,000 | - | - | - | 2 |
| **Total number** | **-** | **10** | **10** | **189** |
| **Total resource cost** | **-** | **484** | **484** | **6,458** |

Compulsory redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The staff numbers and costs in the period ending 30 June 2012 are in respect of retention payments agreed and paid in that period (see note 12). All of these staff are also included in the staff numbers for 2011/12 as their redundancies were agreed in that year.

By 30 June 2012, all staff had ceased employment with the Agency either through voluntary redundancy or transfer.

As all redundancy costs for the staff who left between 1 April 2012 and 30 June 2012 were accrued for during the financial year to 31 March 2012 (£1,350,324), there are no redundancy costs charged in the period to 30 June 2012.

## 4. Retirement benefits

The PCSPS is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Associates) 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 the period 1 April to 30 June 2012, employers' contributions of £35,428 were payable to the PCSPS (2011-12 £615,157) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (the rates in 2010-11 were between 16.7% and 25.8%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. At the Statement of Financial Position date there were no prepaid or outstanding contributions to the scheme.

## 5. Other expenditure

| | Period ending 30 June 2012 £'000 | | Year ending 31 March 2012 £'000 | |
|---|---|---|---|---|
| **Depreciation and amortisation** | | - | | 307 |
| **Other expenditure** | | | | |
| **Administration costs** | | | | |
| Travel & subsistence | 8 | | 76 | |
| Staff recruitment and training costs | - | | 21 | |
| Office costs | 5 | | 183 | |
| Estate management | 1 | | 304 | |
| Marketing and PR | - | | 99 | |
| Professional costs | 5 | | 342 | |
| IT and communication | 30 | | 276 | |
| Auditor's remuneration for statutory audit | 12 | | 74 | |
| Operating lease rentals | 132 | | 595 | |
| Irrecoverable VAT | 2 | | 184 | |
| | | 195 | | 2,154 |
| **Other non cash items** | | | | |
| Bad debts written off and movements in provisions for bad and doubtful debts | - | | 467 | |
| Movement in provision for HCA pension scheme | - | | (300) | |
| Movement in provision for CSCS pension scheme | - | | 58 | |
| Movement in redundancy provision | - | | (434) | |
| Book value of inventories sold | - | | 900 | |
| | | - | | 691 |
| **Loss on transfer of assets and liabilities to other government bodies** | | - | | 4,320 |
| Interest Payable | | - | | 8 |
| **Total other expenditure** | | **195** | | **7,480** |

## 6. Income

| | Period ending 30 June 2012 £'000 | | Year ending 31 March 2012 £'000 | |
|---|---|---|---|---|
| **European funding** | | | | |
| Technical assistance to fund operating costs | - | | 111 | |
| ERDF 2007-13 – acting as agent for EU | - | | 6,605 | |
| ERDF 2007-13 – funding to support Agency projects | - | | 489 | |
| | | - | | 7,205 |
| **Coalfield and other government grants** | | | | |
| Coal grant received from Homes & Communities Agency | - | | 8,501 | |
| Other grants | - | | 751 | |
| | | - | | 9,252 |
| **Transfers from reserves** | | | | |
| Transfer from general reserve – Coal grant | | - | | 125 |
| **Self generated income** | | | | |
| Proceeds from sale of inventories | - | | 994 | |
| Loss from disposal of property, plant and equipment | - | | (343) | |
| Clawback income | - | | 3,872 | |
| Partner contributions | - | | 131 | |
| Recharges | - | | 5 | |
| Miscellaneous income | - | | 2 | |
| Rents and maintenance income | - | | 109 | |
| | | - | | 4,770 |
| **Interest receivable** | | | | |
| Bank deposit | 7 | | 129 | |
| Other | - | | 6 | |
| | | 7 | | 135 |
| | | **7** | | **21,487** |

In the period 1 April 2012 to 30 June 2012, the Agency was wholly funded by Grant in Aid from its sponsor Department, the Department for Business, Innovation and Skills. Grant in Aid funding is taken directly to the Grant in aid reserve. The Agency returned Grant in Aid of £3,500,000 to BIS in the period 1 April to 30 June 2012. (2011-12: Received Grant in Aid of £24,503,150).

## 7. Taxation

The taxation charge based on taxable profits for the period at 24% (2011/12: 26%) comprises:

| | Period to 30June 2012 £'000 | Year to 31 March 2012 £'000 |
|---|---|---|
| **Analysis of the tax charge/ (credit) for the period** | | |
| **Corporation tax** | | |
| UK Corporation tax charge for the period | 2 | - |
| Adjustment in respect of previous periods | - | 39 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | - | 467 |
| **Agency tax charge on the surplus for the period** | **2** | **506** |

**Factors affecting the tax charge for the period**
Proof of current period tax charge

| | Period to 30 June 2012 £'000 | Year to 31 March 2012 £'000 |
|---|---|---|
| Net expenditure after interest | (980) | (23,024) |
| Less amounts related to grant funding activities | 987 | 23,024 |
| Taxable surplus | 7 | - |
| Taxable surplus multiplied by the standard rate of corporation tax | 2 | - |
| Effects of: | | |
| Expenses not deductible for tax purposes | - | 207 |
| Tax rate change | - | 18 |
| Deferred tax not recognised on assets | - | 223 |
| Adjustment in respect of previous periods | - | 58 |
| **Current period tax charge** | **2** | **506** |

## 8. Financial instruments

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

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

There is no material difference between the book value and fair value of the Agency’s assets and liabilities as at 30 June 2012.

### Categories of financial instruments

| Financial assets | As at 30 June 2012 Loans and receivables £'000 | As at 31 March 2012 Loans and receivables £'000 |
|---|---|---|
| Trade and other receivables | 11 | 132 |
| Cash and cash equivalents | 677 | 5.635 |
| Total | 688 | 5,767 |

| Financial liabilities | Other financial liabilities £’000 | Other financial liabilities £’000 |
|---|---|---|
| Trade and other payables | 572 | 1,169 |

### Embedded Derivatives

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

## 9. Trade and other receivables

| Amounts receivable within one year | 30 June 2012 £'000 | 31 March 2012 £'000 |
|---|---|---|
| Prepayments and accrued income | **11** | **132** |

| Analysis of receivables – intra-government balances | 30 June 2012 £'000 | 31 March 2012 £'000 |
|---|---|---|
| Balances with bodies external to government | **11** | **132** |

## 10. Cash and cash equivalents

| | 30 June 2012 £'000 | 31 March 2012 £'000 |
|---|---|---|
| Opening Balance | 5,635 | 32,349 |
| Net change in cash and cash equivalent balance | (4,958) | (26,714) |
| Closing Balance | **677** | **5,635** |

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

## 11. Trade and other payables

| Amounts payable within one year | 30 June 2012 £'000 | 31 March 2012 £'000 |
|---|---|---|
| Trade payables | 4 | 30 |
| Accruals | 566 | 1,126 |
| Corporation tax | 2 | - |
| Value added tax | - | 13 |
| | **572** | **1,169** |

| Analysis of payables – intra-government balances | 30 June 2012 £'000 | 31 March 2012 £'000 |
|---|---|---|
| Balances with other central government bodies | 2 | 24 |
| Balances with bodies external to Government | 570 | 1,145 |
| | **572** | **1,169** |

## 12. Losses and Special Payments

The Agency did not did not incur any losses during the period which require to be disclosed under the guidance contained in *Managing Public Money*.

In order to ensure the effective closure of the Agency, a retention scheme was put in place that identified key individuals with the necessary skills and experience to close the Agency. This scheme was approved by BIS, in conjunction with HM Treasury, in December 2010. The purpose of the scheme was to safeguard the taxpayers' interest by achieving value for money, to protect taxpayers' equity in the significant public assets the RDA owned and to secure an orderly closure. In the period 1 April to 30 June 2012, 10 employees (2011/12: 5) duly completed their closure tasks and received a total of £484k (2011/12: £127k). These payments fall under the definition of special payments as set out in Annex 4.10 of Managing Public Money.

## 13. Events after the Reporting Period

All remaining rights and obligations of the Agency transferred to BIS on 1 July 2012 by virtue of a Transfer Scheme under the authority of the Public Bodies Act 2011. The net assets transferred totalled £116,000 as shown in the Statement of Financial Position. The Agency was abolished on 1 July 2012 by virtue of an Order commencing section 30(1) of the Public Bodies Act 2011.

The Agency's financial statements are laid before the Houses of Parliament by the Secretary of State for Business, Innovation and Skills (BIS). *IAS 10 – Events after the Reporting Period* requires the Agency to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date the Audit Report is signed by the Comptroller & Auditor General.

## 14. Related party transactions

The Agency was an Executive Non-Departmental Public Body sponsored by the Department for Business, Innovation and Skills (BIS). During the period 1 April 2012 to 30 June 2012 the Agency received no payment of Grant in Aid funding through BIS. Grant in Aid paid to the Agency in earlier years and held in reserves was used to fund the Agency. No other significant transactions have taken place between the two bodies.

BIS was the sponsor body of the other Regional Development Agencies in England and, therefore, the other RDAs were regarded as related parties. No transactions took place with any other Regional Development Agency during the period 1 April 2012 to 30 June 2012.

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