East Midlands Development Agency (*emda*) Annual Report and Accounts 2011 – 2012

HC174

East Midlands Development Agency (*emda*)

Annual Report and Accounts 2011 – 2012

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Welcome to the 13th Annual Report from East Midlands Development Agency (*emda*)

Chairman's Foreword

A new Coalition Government came into being in May 2010 with their stated aim to reduce the budget deficit within this Parliament. This approach meant substantial reductions to public sector budgets, along with the realignment of business support and delivery of economic development. So it was announced that *emda,* along with all the Regional Development Agencies (RDAs), would close by March 2012 and Local Economic Partnerships would take the lead on responding to economic development challenges for their area. It is against these decisions that, over the past year, *emda* has implemented its Closure Plan, ensuring that we undertake the closure of the Agency in the most efficient and cost effective manner possible, leaving our records in an ordered state to be handed on to those that follow us.

During 2011-12 the focus of much of *emda*'s work has been on the successful transfer of functions, records and governance arrangements to other agencies or civil service bodies. These transfers have involved a significant amount of work, with a number of challenging issues to negotiate and overcome. In July both the Rural Development Programme for England (RDPE) and the European Regional Development Fund (ERDF) transferred to the Department for Environment, Food and Rural Affairs (DEFRA) and the Department for Communities and Local Government (DCLG) respectively: during August and September the Homes and Communities Agency took over all RDA land and property projects, holdings and contingent assets, including national Coalfield programme properties: and October marked the end of the major transfers with the transfer of Venture Capital Loan Funds to Capital for Enterprise and innovation projects to the Technology Strategy Board.

For those programmes and projects that were not transferring to other bodies, concentration has been on ensuring that they were brought to an end with all necessary administration concluded by the time the Agency closed, operationally, on 31st March 2012. In so doing we have made sure that all of these projects have hit their targets and that any unused funding has been returned to the Agency.

Similarly, we have safeguarded the public purse by ensuring that our withdrawal from Section 5(2c) companies has been accompanied by agreements such as the one for BioCity, where a mechanism is in place to repay funding to the Government should BioCity trigger a number of conditions within the five year lifetime of the Agreement.

Following the announcement of the closure of regional Business Link services in June 2010,the Department for Business, Innovation and Skills (BIS) requested that *emda* continued to provide a national co-ordination role, working closely with both BIS and the RDA family to manage the transition to a national helpline, which went live on 25th November. Despite the uncertainty over their future roles, staff at the East Midlands Business Link continued to deliver against targets. Since March 2011 Business Link created 2,807 jobs against a target of 2,700; and 12,537 potential entrepreneurs have received pre-start assistance against a target of 9,000.

Equally, *emda*, in its lead role capacity, helped to redesign the Manufacturing Advisory Service (MAS) programme and to set out a smooth transition for the delivery of the national programme post RDAs. The MAS programme in the East Midlands has been very successful, with an independent evaluation estimating a return on investment at £35 for every £1 of public sector investment[1]. Moreover investments, such as the Manufacturing Technology Centre, which opened in September, will serve as a lasting legacy to RDA investment in manufacturing. *emda*'s investment of £15m, alongside £25m from Advantage West Midlands, to support the growth of high value manufacturing in the Midlands is expected to create or safeguard more than 2,000 jobs and support 600+ businesses.

As part of the Agency's closure we developed a programme of work to safeguard the Agency's legacy and ensure that knowledge created through *emda* activity is made available to partners and successor bodies where it may be relevant to their future activities. As part of this work we hosted a number of research dissemination events covering a range of topics including the economy, low carbon and skills. We also produced a number of thematic legacy documents encompassing our approach to tourism, inward investment, enterprise, low carbon, innovation, business support (including access to finance), STEM (activities to encourage young people to take up science, technology, engineering and math subjects), manufacturing and *emda*'s partnership approach to regeneration. These documents, plus a host of other research and evaluation studies that have been conducted by *emda* over past years, are now housed in 'Knowledge Bank', hosted by Nottingham Trent University. This electronic library is available to everyone free of charge.

I will put on record my thanks to *emda*'s Board and staff, who have approached this difficult task with professionalism and diligence. In addition, I would like to record a specific note in recognition to Jeff Moore, our Chief Executive who has been outstanding during this challenging period. Finally, I also wish to thank our many partner organisations from the public and private sector, universities, the voluntary and third sector and business, and all who have been critical to this region's success. I trust that the solid foundations of partnership working that we have laid over the past years will put the region in good stead to weather the tough economic conditions ahead of us.

Bryan Jackson
Chairman

Dated 7th June 2012

[1] ECORYS's evaluation of MAS in the East Midlands between April 2009 and March 2011

Chief Executive's Review - management commentary

Despite the impending closure of the Agency, *emda* has performed exceptionally well during 2011-12, meeting all financial and other closure targets set by Government whilst successfully transferring our assets and ongoing programmes to other parts of the public sector, approaching the task of closure with a thoroughness that has resulted in very significant savings for the public purse.

Our priority remained to ensure that all of the projects and programmes that *emda* funded during the year fully delivered against their contracted outcomes, to ensure value for money and to minimise the impact of any cessation of activity. I am, therefore, very pleased to report that in the final full year of operations the Agency and its partners managed to support 10,692 businesses and create 4,718 jobs, during what has been a difficult period for both the economy and those involved in economic development.

I would particularly highlight the work of the regional Business Link service, which continued to advise businesses right through to their closure on 25th November. East Midlands Business Ltd (EMB) has, like *emda*, remained committed to delivery and should be congratulated for an exceptional performance during the year.

During the past twelve years, a major part of the successful delivery of economic development and support to the region's businesses came via our sub-regional partnerships, established back in 2002-03. In recent years, the focus and emphasis changed when the Principal Local Authorities directly contracted with *emda* for delivery against an agreed business plan; and in this final year they continued to discharge a number of key projects and programmes. The final activity under these agreements came to an end in January 2012 and all projects and programmes were delivered on time and to budget with the desired outputs and outcomes.

This year has predominately been one of internal focus, ensuring that all assets, liabilities and contracts have been brought to a satisfactory conclusion or transferred to other bodies.

With the endorsement of the Board, the decision was taken to commence planning for an orderly closure of the Agency as soon as the announcement was made by the Government in June 2010. This advanced planning ensured that all of our contractors and partners had extended notice in which to plan for alternate funding, or ensure a controlled and well managed cessation of activity.

Because of the decision to proceed to closure as soon as the Government had announced its decision, from this date no projects were granted extensions or renewals.

As a consequence many programmes and contracts were brought to a natural end. All remaining projects and contracts were given early termination notices well in advance; and I am pleased to report that this was undertaken without recourse to legal challenge. *emda* also managed to operate well within their revised allocation, with all programmes coming to an end by December 2011, thus returning over £25m to BIS.

A number of legacy programmes and a number of *emda* staff have, through the course of the year been transferred to other parts of government to continue the work started here. The transfers commenced on 1st May, with Inward Investment moving across to the private sector, under the stewardship of UKTI, with whom we have had a long term and successful relationship. Both of our European funded programmes - the Rural Development Programme for England (RDPE) and European Regional Development Fund (ERDF) moved back to central government on 1st July. July saw the transfer of the Coalfield programme, including all the sites under development being transferred to the Homes and Communities Agency (HCA). The Coalfields were among the first major pieces of work undertaken by *emda*, as we sought to both remediate the sites and create jobs in those areas blighted by the closure of the Collieries in the 1990s. All of our other land and properties acquired and held for development purposes, also transferred to the HCA in September, including our shareholding in Blueprint. September also saw our key business facing grant schemes, Grants for Research & Development and Grants for Business Investment, transfer to the Technology Strategy Board. Our final substantial transfers came at the beginning of October, with all regional venture capital and loan funds moving across to be managed by our colleagues at Capital for Enterprise.

In December the Public Bodies Bill gained Royal Assent and has, therefore, paved the way for the abolition of all Regional Development Agencies in the first half of 2012. Our focus and efforts have therefore increasingly been on the final closure of the Agency and ensuring all legal, accounting and estates matters have been managed in a professional and exemplary manner. Throughout this time staff has continued to leave the Agency through our voluntary redundancy programme, leaving just a handful of employees to finalise closure matters in 2012.

I would like to personally offer my very sincere thanks to all of *emda*'s staff, past and present, for their dedication, support and hard work during the last decade and I wish them well in their future careers. During what has undoubtedly been a difficult time, the focus and immense professionalism of the staff has ensured that the closure programme has been met, and indeed exceeded all of the milestones and targets set by the Government.

J P Moore
Chief Executive

Dated 7th June 2012

Financial and operating review

Outputs performance

During 2011-2012 *emda* has continued to monitor outputs achieved by the projects and programmes undertaken during the year. However, no output targets were set following the budget cuts and subsequent closure of programmes in the year. Focus has been on key targets that demonstrate the outcome of the investment made in the region's economy. These are listed below:

Headline performance targets 2011-12 Output name	Actual for 2011-12
Job creation: The number of jobs created or safeguarded	**4,718**
Business creation: The number of new businesses created and surviving 12 months, and businesses attracted to the region	**2,243**
Business support: The number of businesses assisted to improve their performance	**10,692**
Skills: The number of adults in work undertaking vocational skills development, equivalent to Level 3 or above as a result of RDA programmes	**65**
Skills: The number of people undertaking an additional 12 hours of STEM or Enterprise Capability based learning, as a result of RDA programmes	**3,750**

Job creation

Despite the tough economic climate, *emda* has helped to create or safeguard 4,718 jobs during the year. The major contributors to this output are the Business Start-Up project and the Manufacturing Advisory Service, which support businesses and some of the major employers in the East Midlands.

Business creation

The Business Start-Up programme has continued to assist companies across the region, with a total of 2,243 surviving at least 12 months.

Business support

The Business Link service has assisted a total of 9,213 businesses in 2010-2011. The remainder of the 10,692 total has been delivered by the iNets, Manufacturing Advisory Service and other business support programmes.

Skills

emda collects a number of skills output measures, ranging from assistance through STEM or Enterprise Capability learning through to Level 3 NVQ or equivalent qualifications. During the year, 3,750 people have been assisted to develop skills in support of our current and future economy.

The following table shows *emda's* performance for 2011-12. There are no output targets as set out in the previous Corporate Plan, due to the winding down of programmes following the budget cuts in the previous year, and the subsequent closure of the Agency in 2012-13.

2011-12 Output name		Actual for 2011-12
1.	**Job creation:** The number of jobs created or safeguarded	**4,718**
2.	**Employment support**: The number of people assisted to get a job	**1,912**
3.	**Business creation:** The number of new businesses created and surviving 12 months, and businesses attracted to the region	**2,243**
4.	**Business support:** The number of businesses assisted to improve their performance	**10,692**
4a.	Number of businesses within the region engaged in new collaborations with the UK knowledge base (Higher Education / Business Collaboration projects)	**243**
5.	**Regeneration**: Hectares of brownfield land remediated	**3**
6a.	**Skills:** The number of adults in work undertaking vocational skills development, equivalent to level 3 or above as a result of RDA programmes	**65**
6b.	**Skills:** The number of people undertaking an additional 12 hours of STEM or enterprise capability, based learning as a result of RDA programmes	**3,750**
7.	**Financial Leverage**: Public and private investment levered (£m)	**16**

Funding

emda continued to operate four main programmes for the region until the date of transfer to other public sector bodies. These are:

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

The European Regional Development Fund and Rural Development Programme for England transferred to DCLG and DEFRA on 1st July respectively and the National Coalfields Programme transferred to the Homes and Communities Agency on 1st August.

The Agency has continued to operate the Single Programme in 2011-12 and all programmes were closed by March 2012, with the exception of some transfers. These include the Grants for Research and Development / Grants for Business Investment, which transferred to the Technology Strategy Board and Capital for Enterprise respectively, and the Stewardship transfers to the HCA, which included commitments for the Manufacturing Technology Centre.

The prior year Business Plan underwent a number of changes during the year, when *emda's* net budget was reduced by £30.2M by BIS and funding had to be reduced or withdrawn from a number of projects. This process continued into 2011-12 and funding for all programmes was concluded by March 2012. BIS revised the RDA budgets in line with the cuts to programme spend for 2011-12, and this is reflected in the final accounts.

The table below shows 2011-12 expenditure compared to the revised 2011-2012 Business Plan.

Expenditure	Revised Business Plan 2011-12 £m	Actual 2011-12 £m	Difference 2011-12 £m
Expenditure			
Total regional expenditure	12.5	12.3	(0.2)
Sub-regional Strategic Partnerships	2.7	2.7	0.0
Total programme expenditure	**15.2**	**15.0**	**(0.2)**
Baseline administration	5.6	5.6	0.0
Redundancy & CILON	3.4	3.5	0.1
European programmes' administration	0.1	0.1	0.0
Total single programme expenditure	**24.3**	**24.2**	**(0.1)**
Income			
Receipts	(4.5)	(4.9)	(0.4)
Net single programme expenditure	**19.9**	**19.4**	
Grant in Aid cash allocation	**19.9**	**19.9**	**0.0**
Underspend	**(0.0)**	**(0.5)**	**(0.5)**

Single Programme Funding

Following the original budget cuts and the closure of programmes by March 2012, the final programme spend for 2011-12 is £15.0M, which is £0.2M under budget. Administration and Redundancy costs were £0.2M over budget. An additional receipt for the clawback of Business Link reserves resulted in an overall under spend of £0.5M against the Grant in Aid.

The under spend against non cash costs relates to depreciation and cost of capital charges, etc. Any under spend in this area cannot be converted to the cash budget or fund project expenditure.

Structural themes and strategic priorities
The 2008-2011 Corporate Plan was based on the Regional Economic Strategy (RES) 'A Flourishing Region', developed in 2006-2007, when the priorities of the Agency were refreshed to reflect this new Strategy.

2010-2011 was the final year that *emda's* delivery was based on the priorities set out in the Strategy, which were outlined in the 2008-2011 Corporate Plan and the 2010-2011 Business Plan. The remaining legal commitments in 2011-12 are a legacy of this strategy and were deployed by March 2012.

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

Regional and sub-regional funding
The Corporate Plan allocated a significant part of *emda*'s funding to Sub-regional Strategic Partnerships. In 2011-2012, £2.7M (18%) of the Agency's single programme funding was deployed sub-regionally.

Strategic priority	Revised Business Plan 2011-12 £m	Actual 2011-12 £m	Difference 2011-12 £m
Employment, learning and skills	0.7	0.7	0.0
Enterprise and business support	7.9	7.7	(0.2)
International trade and inward investment	0.0	0.0	0.0
Tourism	0.0	0.0	0.0
Innovation	2.2	2.2	0.0
Transport and logistics	0.0	0.0	0.0
Energy and resources	0.1	0.1	0.0
Environmental protection	0.3	0.3	0.0
Land and development	0.0	0.0	0.0
ERDF Match programmes	1.0	1.0	0.0
Achieving equality	0.2	0.2	0.0
Strategic programme activity	0.1	0.1	0.0
Total regional expenditure	**12.5**	**12.3**	**(0.2)**
Sub-regional expenditure	**2.7**	**2.7**	**0.0**
Total programme expenditure	**15.2**	**15.0**	**0.2**

European Regional Development Fund
The Agency had an objective to effectively manage the implementation of the 2007-2013 ERDF Competitiveness Programme in order to ensure that activity brought forward meets the strategic objectives of the Operational Programme (including a contribution to regional productivity) and, through effective partnership working, that the region met its first N+2 spend target at the end of 2009. This objective was met as the N+2 spend target was achieved for 2009 and 2010. The Agency also made excellent progress toward the 2011 N+2 target before the programme was transferred to DCLG on 1st July 2011.

Rural Development Programme for England
emda delivered the business development and socio-economic elements of RDPE in the East Midlands region until the programme was transferred to DEFRA on 1st July 2011. The investment targets set by DEFRA for 2011-2012 were achieved.

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

The governance of *emda* is managed by the Board, which met six times during 2011-2012. The Board delegates responsibility for decision making to three sub committees as follows:

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

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

Corporate governance arrangements were reviewed during the year to take account of closure activity. The Audit and Risk Management Committee was strengthened in numbers and met more regularly on a six weekly basis. The Board has delegated responsibility for the detailed oversight of closure activity to this committee.

The Board receives a report at each meeting outlining *emda's* financial position. The Board and the Audit and Risk Management Committee review the financial information and key risks to gain assurance that the Agency is controlling its funds effectively. The Audit and Risk Management Committee receives a report at each meeting outlining the progress on closure activities against an overall plan.

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

that staff are equipped for the challenges of managing the closure of the Agency and the future challenge of finding alternative employment.

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

Employment policies and procedures are reviewed and updated each year to ensure continuing legal compliance and best practice; specifically around family friendly issues.

Note 6 in the accounts details the staff numbers and costs for 2011-2012. The average number of posts during the year decreased from 228 to 48. The reduction was in line with the closure and voluntary redundancy programme.

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

emda has consistently been regarded as one of the best Regional Development Agencies and was rated as 'performing strongly' in all categories in the 2010 independent performance review, known as the Independent Supplementary Review (ISR), conducted by the National Audit Office.

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

- Blueprint – a socially and environmentally responsible property investment fund delivering quality commercial property for regional businesses, which deliver social and environmental best practice in relation to the built environment.

- Considerable investment to support businesses to improve their resource efficiency, including a free service via Business Link Advisers trained to diagnose resource inefficiencies, and *emda* grants to support actions leading to resource efficiency gains.

- A commitment to realising the opportunities of a diverse and inclusive regional economy. As a public body *emda* is required to demonstrate how its actions positively promote equality of opportunity for different groups in society.

Directors' Report

The Directors present the Annual Report and Accounts for the year ended 31st March 2012.

Non-Executive Directors (The Board)
Membership of the *emda* Board during year was as follows:

Name	Position	Appointment/ Reappointment Date	End of Appointment	Length of Appointment
Dr Bryan Jackson CBE	Chairman	December 2010		2 Years
Haydn Biddle	Deputy Chairman	December 2009		3 Years
Cllr Gary Hunt	Member	December 2010		2 Years
Cllr Jon Collins	Member	December 2010		2 Years
Cllr Geoff Stevens MBE	Member	December 2010		2 Years
Prof. Philip Tasker	Member	December 2010		2 Years
Steve Brown	Member	December 2010		2 Years
Ann Cartwright	Member	December 2010		2 Years
Michael Seals MBE	Member	December 2010		2 Years
Tricia Pedlar	Member	December 2009		3 Years
Parvin Ali OBE	Member	December 2008	September 2011	3 Years
Stan Crawford OBE	Member	December 2008	September 2011	3 Years
Elizabeth Donnelly	Member	December 2008	September 2011	3 Years
Cllr Jim Harker	Member	December 2008	September 2011	3 Years
Martin Bryant	Member	May 2009	September 2011	2 Years, 7 Months

Board member contracts will end at the same time as the abolition date of the Agency; it is therefore unlikely that the current appointment periods will be fulfilled. Board members receive no compensation for early termination of their tenure.
emda maintained a Register of Board Members' Interests which is available on request from the Enquiry Unit, department for Business, Innovation and Skills, 1 Victoria Street, London, SW1H 0ET.

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

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

Chief Executive	Jeffrey P Moore
Executive Director - Regeneration (1st April to 30th September 2011)	Diana Gilhespy
Executive Director of Business Services (1st April to 31st July 2011)	Michael Carr
Deputy Chief Executive & Executive Director of Corporate Services	Glenn Harris

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

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

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards set out in *the Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and

- prepare the accounts on a going concern basis, unless it is inappropriate to do so.

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

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

Disclosure of Information to Auditors

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

Accountability and Financial Framework

The Secretary of State issued the Agency with a revised Accountability and Financial Framework on 1st October 2011. The Agency has complied in all material respects with the terms of this Framework during the course of 2011-2012. Additional restrictions have been imposed on the Agency regarding spend since the announcement of the future abolition of *emda.* All these restrictions have been adhered to during the year.

Principal activities

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

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

Since the Government announced its intention to abolish RDAs in 2010, emphasis has shifted to focusing on transition and closure of activity.

Going concern

The Public Bodies Act, which paves the way for the abolition of all Regional Development Agencies (RDAs) received Royal Assent on 14th 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 1st January 2012, transferring remaining projects and some staff to BIS so that they can be completed. A second Transfer Scheme was made on 30th March to take away any remaining assets and liabilities so that RDAs achieved operational closure by 31st March 2012. BIS is currently drafting the formal Abolition Order which is expected to take effect on 30th June 2012.

Based on this knowledge, and the fact that the majority of the Agency's functions ceased in year, with the remainder transferred to other parts of government, it is management's view that the accounts should be prepared on a basis other than that of a Going Concern.

We have reviewed the impact of this on the accounting policies. Given the transfer or cessation of all functions during the year (see notes 2 and 3) and the operational closure of the Agency by 31 March, achieved by the transfer to BIS of all residual operational assets and liabilities at 30 March (see note 3), little remains on the Agency's Statement of Financial Position. For those current assets and liabilities remaining, we have reviewed the related accounting policies and we are content that these continue to be appropriate.

A small team of people will remain employed after 31st March 2012 with the purpose of concluding the 2011-12 Annual Report and Accounts

Financial results and review

Financial summary

During the 2011-2012 financial year *emda* was primarily funded by grant in aid from the Department for Business, Innovation and Skills. An allocation of £19,857,000 was given in respect of the 2011-12 financial year and £24,503,000 was received in cash during the year. Other funding sources amounted to £15,706,000. The Agency has continued to maximise the efficient use of programme budgets.

Results

The results for the year ended 31st March 2012 are set out in the financial statements on pages 43 to 105.

Review of activities - financial performance 2011-2012

The Agency's principal source of funding was the Single Programme Grant-in-Aid received from Government. The Single Programme was granted to cover ongoing financial commitments made by the Agency against its remit for taking forward economic development in the East Midlands. The focus of 2011-12 has been to complete and/or transfer these programmes to other parts of government to bring about closure of the Agency. No new financial programme commitments were entered in to.

This Single Programme funding was supplemented by European Funding until 30th June 2011, funding from Homes and Communities Agency under the Coalfield Programme to 31st July 2011, and capital receipts from the disposal of assets. *emda* also managed the Rural Development Programme for England on behalf of the Department for

Environment, Food and Rural Affairs in the East Midlands, with the financial transactions for this programme processed centrally by the Rural Payments Agency; this transferred back to DEFRA on 1st July 2011.

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

Freedom of Information enquiries
During the period 1st April 2011 to 31st March 2012 the Agency received 32 requests for information under the Freedom of Information Act. All enquires were answered within the prescribed period required by the Act.

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

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

Employee absence
Staff absenteeism for the year was 3.25%, the total days of absence were 680 from a possible 20,929 days.

Loss of personal data
There were no incidents of data loss during 2011-2012.

Better Payment Practice Code
The Agency is committed to the Better Payment Practice Code (previously the CBI Prompt Payment Code) and aims to pay all undisputed invoices and claims within 30 days. In 2011-2012 the Agency paid 96.73% of invoices and claims against this target. The Agency will continue to be committed to the Better Payment Practice Code during 2012-2013. A copy of the code can be found at *https://payontime.co.uk*

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

The Agency has received an exemption from providing an Annual Sustainability Report.

Audit and Risk Management Committee
The Audit and Risk Management Committee met seven times during the financial year. The following Board Members serve on *emda's* Committee:

	Position	**Membership Term**
Ann Cartwright	Chair	Full Year
Stan Crawford OBE	Member	April – September 2011
Prof. Philip Tasker	Member	Full Year
Steve Brown	Member	Full Year
Cllr Jon Collins	Member	Full Year
Elizabeth Donnelly	Member	April – September 2011
Tricia Pedlar	Member	November 2011-March 2012
Haydn Biddle	Member	November 2011- March 2012

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

Audit Services	£74,000

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

In November 2003 the Comptroller and Auditor General published the 'Success in the Regions' report on how the agencies and the departments work together. In February 2007 the NAO published an Independent Performance Assessment (IPA) on the East Midlands Development Agency. In June 2010 the NAO published a follow up report to the IPA entitled Independent Supplementary Review.

These and other reports issued by the Comptroller and Auditor General can be found on the National Audit Office website at www.nao.org.uk.

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

Remuneration Report

This Report for the year ended 31st March 2012 is produced by the Board on the recommendation of the Remuneration and Human Resources Committee and deals with the remuneration of the Chief Executive and Executive Directors who have influence over the decisions of the Agency as a whole.

Remuneration Committee

Membership
The Membership of the Remuneration and Human Resources Committee consisted of the following Board Members during the Financial Year.

Board Member	Position	Membership Term
Parvin Ali OBE	Chair	From April to September 2011
Dr Bryan Jackson CBE	Member	Full Year
Michael Seals MBE	Member	Full Year (Chair from October 2011)
Ann Cartwright	Member	Full Year
Gary Hunt	Member	From October 2011 onwards
Geoff Stephens MBE	Member	From October 2011 onwards

The Remuneration and Human Resources Committee met four times during the course of the year. The Committee was chaired by Parvin Ali until 30th September 2011 and then Michael Seals from 1st October 2011. A minimum of two Board members is required for the Committee to have a quorum.

Role of the Committee
The role of the Remuneration and Human Resources Committee is:

- To assist management in the formulation of principles relating to the remuneration package, including benefits, for all employees ensuring that the package is sufficient to enable recruitment, motivation and retention of staff of the required calibre, with due regard to parameters set by the sponsoring government department.

- To agree amendments to the remuneration package and terms and conditions for the Chief Executive and Executive Directors, referencing guidance from the sponsoring body as appropriate.

- To consider and endorse the appropriate redundancy terms for employees arising out of the likely closure of the Agency.

- To ensure that management introduce and review new procedures and practices taking into account the effectiveness and efficiency of staff in the delivery of the Closure Plan.

- To consider and endorse the implications arising out of re-structuring exercises with due regard to the impact on remuneration levels for the Chief Executive and Executive Directors.

- To provide a forum in which employment legislation changes and best practice initiatives can be explored with the purpose of assisting the Executive Director of Corporate Services and the HR Director to assess priorities, define objectives and measure progress.

Remuneration Policy
The remuneration of the Chief Executive is decided by the Remuneration and Human Resources Committee on recommendation from the Chairman of the Board. Following the emergency budget in June 2010, where the government announced a two year pay freeze for public sector workers, no pay award was made to the Chief Executive in the year to 31st March 2012. In addition, the RDA Chief Executive's non consolidated performance related bonus was capped at £15,000 in the year. The bonus is based on performance against objectives that have been agreed by the Remuneration and Human Resources Committee and then ratified by the Secretary of State for Business, Innovation and Skills.

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

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

Board Members appointments are made in accordance with the Commission of Public Appointments Code. For Board Members there is no provision in place for early termination of appointment. A table of Board Appointments is shown on page 15, within the Directors' Report.

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

Board Members' Taxable Benefits consist of mileage and hotel bills paid to attend board meetings at *emda*, and is subject to statutory deductions.

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

The Chairman is 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

	Salary 2011/2012 £	Taxable Benefits 2011/2012 £	Total Salary 2011/2012 £	Total Salary 2010/2011 £
Dr Bryan Jackson CBE	81,718	839	82,557	83,042
Haydn Biddle	17,332	681	18,013	16,280
Steve Brown	8,666	238	8,904	15,199
Cllr Gary Hunt	8,666	138	8,804	8,829
Cllr Jon Collins	8,666	-	8,666	8,666
Cllr Geoff Stevens	8,666	283	8,949	8,908
Prof. Phillip Tasker	8,666	-	8,666	8,666
Parvin Ali OBE	4,333	55	4,388	8,812
Stan Crawford OBE	4,333	52	4,385	8,746
Tricia Pedlar	8,666	90	8,756	8,825
Ann Cartwright	8,666	212	8,878	8,778
Michael Seals MBE	8,666	203	8,869	8,914
Elizabeth Donnelly	4,333	59	4,392	8,772
Cllr Jim Harker	4,333	149	4,482	8,930
Martin Bryant	4,333	36	4,369	8,810

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

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

Table Two - Chief Executive and Executive Directors' Salaries

	2011- 2012 Salary band excluding performance pay	2011- 2012 Performance pay	2011- 2012 Redundancy pay	2011- 2012 Benefits in Kind	2011- 2012 Full Year Equivalent Salary	*2010- 2011 Total Salary*
	£'000	£'000	£'000	£ nearest £100	£'000	*£'000*
Jeffrey P Moore *Chief Executive*	140-145	10-15	195-200	5,400	160-165	155-160
Glenn Harris *Deputy Chief Executive and Executive Director of Corporate Services*	100-105	5-10	85-90	-	110-115	105-110
Michael Carr *Executive Director of Business Services (left the Agency on 31st July 2011)*	30-35	5-10	75-80	-	100-105	105-110
Diana Gilhespy *Executive Director of Regeneration (left the Agency on 30th September 2011)*	45-50	5-10	75-80	-	100-105	100-105

Redundancy pay for Jeffrey P Moore and G Harris represents the expected amount to be paid on their exit from the Agency, likely to be 30th June 2012. Such redundancy costs have been accrued for in the year to 31st March 2012. As such, no actual redundancy pay has been received, by either, in the financial year.

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

Benefits in kind
Jeffrey P Moore was entitled to a lease car under his contract of employment. The equivalent monetary value of the benefit is detailed in the table above. The associated tax and NIC in respect of the benefits was met by him.

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

Redundancy
Redundancy pay includes three months compensation in lieu of notice, together with redundancy pay under the terms of Civil Service Compensation Scheme, as amended at 22nd December 2010.

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 banded remuneration of the highest-paid director of the Agency in the financial year to 31 March 2012 was £160-165k (2010-11, £155-160k). This was 3.9 times (2010-11; 4.9 times) the median remuneration of the workforce, which was £41,102 (2010-11, £32,246).

In the financial year to 31 March 2012 no employees received remuneration in excess of the highest-paid director (2010-11, zero.) Remuneration ranged from £17,472 to £107,862 (2010-11 £13,630 to £105,339).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The difference in the ratio for the financial year to 31 March 2012 compared to the previous financial year is due to the mix of staff required to close the Agency. A core closure team was maintained in the lead-up to 31st March 2012 which consisted of, on the whole, higher paid staff due to the level of skill and knowledge required in closing the organisation

Pension Benefits

Pension Benefits of Board Members
With the approval of BIS, a pension scheme has been put in place for the Chairman with contribution rates and benefits which are identical to the Principal Civil Service Pension Scheme but which is funded directly by the Agency. The Agency is not permitted to pay these contributions to a personal pension plan provider. Following the transfer of the scheme to BIS, on 30th March 2012, payment of the Chairman's pension will be their responsibility. No other Board Members are eligible for pension contributions, performance related pay, or any other taxable benefit as a result of their appointment with the Agency. Full disclosure of the assets and liabilities of the scheme are provided in Note 7 to the accounts.

Pension Benefits of Chief Executive and Executive Directors
The Chief Executive 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 CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real Increase in CETV

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

Table Three – Chairman's Pension

	Real Increase in Pension and related lump sum at age 60	Total accrued pension at retirement age at 31/03/12 and related lump sum	CETV at 31/03/11	CETV at 31/03/12	Real increase in CETV after adjustment for inflation and changes in market investment factors	Length of relevant service
	£'000	£'000	£'000	£'000	£'000	Years
Dr Bryan Jackson CBE *Chairman*	0 - 2.5	5 - 10	141	168	20	7

Table Four - Chief Executive and Executive Directors’ Pensions

	Real Increase in Pension and related lump sum at retirement age	Total accrued pension at retirement age at 31/03/12 and related lump sum	CETV at 31/03/11 (1)	CETV at 31/03/12	Employee contributions and transfers-in	Real increase in CETV after adjustment for inflation and changes in market investment factors	Length of relevant service
	£'000	£'000	£'000	£'000	£'000	£'000	Years
Jeffrey P. Moore *Chief Executive*	No increase	65 - 70 plus 200 - 205 lump sum	1,326	1,419	0 - 2.5	No increase	39
Michael Carr *Executive Director of Business Services*	0 - 2.5	5 - 10	135	144	0 - 2.5	6	6
Glenn Harris *Executive Director of Corporate Services*	0 - 2.5	25 - 30	303	345	2.5 - 5	14	18
Diana Gilhespy *Executive Director - Regeneration*	0 - 2.5	45 - 50	841	896	5 - 7.5	1	29

(1) The actuarial factors used to calculate the CETVs were changed during the year to 31 March 2012, in order to calculate civil service pensions. The CETVs at 31 March 2011 have been calculated using the new factors, for consistency. The CETV at 31 March 2011 therefore differs from the corresponding figure in last years Annual Report and Accounts.

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

Compensation paid, significant awards to former Directors
There were no payments during the financial year (2010-11 nil).

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

Payments made for loss of office
Payments made during the financial year amounted to £1,350,000 and these relate to the single Voluntary Redundancy Scheme operated in the previous financial year. (Note 6) (2010-11 £2,390,000). Payments for loss of office are not made to the Chairman or 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 1.5% of pensionable earnings for classic and 3.5% for Premium, Classic Plus and Nuvos. Benefits in classic accrue at a rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years 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 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half of the member's pension. On death in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement in computing the spouse's pension. The enhancement depends on length of service and cannot exceed 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 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths of the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides service enhancement on computing the spouse's pension. The enhancement depends on the length of service and cannot exceed 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 (31st March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the 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 6 and at the website www.civilservice-pensions.gov.uk.

No members of staff took early retirement due to ill health during the 2011-12 financial period (2010-11 nil).

J P Moore	**Bryan Jackson**
Chief Executive	**Chairman**

Dated 7th June 2012

Annual Governance Statement

Introduction
As Accounting Officer for the East Midlands Development Agency (*emda*) I have responsibility for the governance framework that operates and underpins *emda's* policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money, the Government's Financial Reporting Manual and Government Accounting. I also share responsibility with the Board for ensuring that *emda* continues to operate within the financial framework issued by the Secretary of State and the Department for Business, Innovation and Skills (BIS).

Since the Government announced plans to abolish the Regional Development Agencies in 2010 our emphasis and focus has increasingly moved to ensuring we achieve closure as planned and satisfy the six objectives Ministers proposed for RDA closure and transition:

1. To secure transfers for staff with rights to transfer and to ensure all staff are treated fairly.

2. To prepare, agree and implement transitional plans to manage out assets and liabilities.

3. To sustain performance at the RDA while its continuing functions are transferred to other bodies and the Agency's functions cease, so that the impacts of the transition process on businesses, partners and contractors are minimised.

4. To ensure that RDA governance arrangements during transition satisfy Ministers' requirements for appropriate oversight and control.

5. To ensure RDA transition costs are kept to a minimum in order to deliver the best value for money.

6. To put in place cost effective arrangements to manage out residual business in a way that balances the need to maximise the value from the project with the need to minimise additional cost.

On 23rd November 2011, the House of Lords passed the Public Bodies Bill, confirming that the abolition of Regional Development Agencies will take place during 2012. The Board of *emda* and I have, therefore, focused to ensure the Agency was positioned to comply with the requests of our sponsor Department, BIS, and the will of Parliament to ensure the Agency did achieve operational closure by 31st March 2012 in readiness for abolition shortly thereafter. The Bill received Royal Assent on 14th December 2011, and a draft Abolition Order is in development that is expected to confirm that abolition will take effect on 30th June 2012.

Governance framework
The Agency's overarching framework was changed during 2010-11 to accommodate the changing emphasis and additional risks associated with the closure planning. As Accounting Officer, I, together with my Executive Team, met weekly to review operational performance and progress against plans and targets agreed with the Board.

In addition to the usual business of financial performance and key performance indicators, I also received a weekly update of closure activity reported via the Agency's closure project teams, who have also met weekly since September 2010.

The structure that has underpinned *emda*'s governance framework throughout 2011-12 consisted of:

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

All of the Committees have had additional emphasis and focus on the task of overseeing the closure of the Agency's activities. The Board received standing reports from the Audit and Risk Management Committee as assurance on monitoring of the closure project, whilst the Remuneration & HR Committee was responsible for overseeing the Agency's arrangements for staffing matters during the year, including the voluntary redundancy scheme approved by both BIS and the Cabinet Office that has resulted in no compulsory redundancies.

The associated project plan evolved during 2011-12 as progress towards closure moved on and the associated risks changed. At the start of the year all activity was with the RDA and numerous high value delivery contracts were in place. During the year activity has transferred and the Agency has terminated agreements early (all without legal challenge or penalty), which has resulted in a very different looking set of risks at the end of the year compared to those the Agency started the year with in April 2011. The project team has been quick to recognise when structural and project change is required, which I have reviewed and approved accordingly.

During this period the Agency's Audit and Risk Management Committee has, on behalf of the main Board, reviewed closure activity in detail alongside the normal internal audit work plan. From the beginning, the Audit and Risk Management Committee sought independent assurance on the Agency's closure planning through the internal audit contractors (KPMG), which concluded in October 2010 with a favourable rating. Since that time the Committee has kept an assurance overview of the plans and provided regular updates to the main Board.

The Board shifted its own agenda. Where previously each Board member had a lead role in areas of RDA activity, this was replaced by a core focus on two distinct areas:

- retention and dissemination of lessons learned from 12 years of *emda* operation; and
- review and approval of key decisions in respect of the RDA's closure.

Both areas are covered in detail in the 'Key Issues & Risks ' section, later in this statement.

The Board proactively considered what it needed to do to achieve these goals, making changes to the agenda, frequency of meetings and reviewing the skills and requirements for membership post 30th September 2011.

The Agency has followed the instruction and guidance issued by the Department for Business, Innovation & Skills which were discharged through a series of 'Action Notes'. These instructions have been developed jointly between BIS and the RDAs to ensure the six ministerial objectives can be met.

As a further level of governance, BIS has attended Board and Audit Committee meetings throughout the year, observing the process, and the Agency has been subject to two independent peer reviews involving BIS and another RDA - Yorkshire Forward. On both occasions the reports and conclusions from these reviews have shown *emda* to be in a favourable position regarding closure preparations, with all key activities achieved on time and no amber or red designated issues.

The Chair of *emda*'s Audit Committee has attended meetings with other RDA Audit Committee Chairs to share best practice and discuss common issues. These meetings have also been attended by representatives from BIS and the NAO. This has ensured the Agency has taken a wide ranging view of closure risks and issues arising as a result of closure planning activity.

Beneath this framework the Agency has regularly revised the operational policies, particularly in respect of delegated authority to ensure that risks arising were mitigated and were commensurate with the reduced activity and heightened risk awareness.

Board & Committee Meetings 2011-12
The Board met on six occasions and Audit Committee on seven occasions during the year. In addition to this, there have been four meetings of the Remuneration & HR Committee to review and agree Voluntary Redundancy matters, in addition to the usual role. The Board Resources Group has also met on three occasions to discuss specific project related matters.

The following table indicates attendance at Board meetings during the year:

	12/05/2011	13/07/2011	08/09/2011	10/11/2011	26/01/2011	21/03/2011
Bryan Jackson	✓	✓	✓	✓	✓	✓
Gary Hunt	✓	✓	✓	✓	✓	✓
Geoff Stevens	✓	✓	✓	✓	✓	✓
Jon Collins	✓	x	✓	✓	✓	✓
Parvin Ali	✓	✓	✓			
Philip Tasker	✓	✓	x	✓	✓	✓
Stan Crawford	✓	x	✓			
Steve Brown	✓	✓	✓	✓	✓	✓
Haydn Biddle	✓	✓	✓	✓	✓	✓
Tricia Pedlar	✓	✓	✓	✓	✓	✓
Ann Cartwright	✓	✓	✓	✓	✓	✓
Michael Seals	✓	✓	✓	✓	✓	✓
Jim Harker	✓	✓	✓			
Elizabeth Donnelly	✓	x	✓			
Martin Bryant	✓	x	✓			

Attendance at the Audit & Risk Management meetings is shown below:

	12/05/2011	22/06/2011	13/07/2011	08/09/2011	10/11/2011	26/01/2012	21/03/2012
Ann Cartwright	✓	✓	✓	✓	✓	✓	✓
Steve Brown	✓	✓	✓	✓	✓	✓	✓
Jon Collins	x	✓	x	✓ (part)	✓	✓	✓
Stan Crawford	✓	✓	x	x			
Elizabeth Donnelly	✓	✓	x	✓			
Philip Tasker	✓	✓	✓	x	✓	✓	✓
Tricia Pedlar					✓	✓	✓
Haydn Biddle					✓	✓	✓

HR & Remuneration Committee attendance was as follows:

	12/05/2011	08/09/2011	29/11/2011	26/01/2012
Bryan Jackson	✓	✓	✓	✓
Gary Hunt		✓	✓	✓
Geoff Stevens		✓	✓	✓
Parvin Ali	✓	✓		
Ann Cartwright	✓	✓	x	✓
Michael Seals	✓	✓	✓	✓

Note: Five Board Members stood down from the Board in September 2011 following agreement with BIS to reduce RDA Boards from 15 to 10.

Closure project meetings have taken place on a weekly basis, with a number of these observed by the Head of Internal Audit (KPMG) to provide assurance on the process back to the Audit & Risk Management Committee.

Observers from the BIS RDA Transition & Closure team have attended every Board and Audit Committee meeting during this period. The outcome of these observations has consistently shown that the *emda* Board has achieved, or been on target to achieve each and every closure task. No issues of significance have been raised, and the feedback to the National Transition Board concerning *emda* has also demonstrated that the Board has maintained strong control and direction over the closure process.

The Audit Committee carried out a self assessment exercise facilitated by KPMG. This involved the Chair, Executive Director of Corporate Services and KPMG completing a checklist (issued by the Audit Committee Institute) which was then reviewed and discussed at the Audit Committee. The Audit Committee concluded that it was compliant with best practice and there were no issues to address

Key issues and risks

The key risks facing the Agency have changed significantly from the start of the year, to the position as of 31st March 2012, with all activity either concluded in year by the RDA, or transferred to another part of government.

In January 2011, the Risk Management Strategy of the Agency was revised and approved by the Board. This revision was primarily to emphasise that the risk appetite of the Agency had changed to a much more risk averse position.

During the year, *emda* has dealt with 10 specific areas of transferring activity. In all of these areas, as Accounting Officer, I have ensured through management controls and independent assurance via the Audit Committee that the Agency has maintained full control of all the projects, assets and liabilities involved until the point of transfer. Furthermore, the Agency has complied with all Government instructions relating to commitment of new expenditure, and sought wherever possible to reduce or cancel programmes where the Agency had the legal capability to do so, without incurring penalty charges.

These are:

Area of Activity	Transferee	Basis for Transfer	Date of Transfer
Inward Investment	PA Consulting Ltd	Transfer Scheme made under Section 6 and Schedule 3 of the RDA Act 1998	The transfer took place on 1st May 2011
RDPE	DEFRA	Transferred by operation of Statutory Instrument 1433/2011 – The Rural Development Programme (Transfer and Appeals) (England) Regulations 2011	The transfer took place on 1st July 2011.
ERDF	DCLG	Transferred by operation of Statutory Instrument 1398/2011 - The European Regional Development Fund (Operational Programmes) Regulations 2011	The transfer took place on 1st July 2011
Coalfields	HCA	Transfer Scheme made under Section 51 of the Housing and Regeneration Act 2008	The transfer took place on 1st August 2011
Stewardship (All Land and Property projects, non Coalfields related)	HCA	Transfer Scheme made under Section 51 of the Housing and Regeneration Act 2008	The Transfer took place on 19th September 2011 with all land and property and related projects / assets / liabilities transferring
Grants for Business Investment	BIS	Transfer Scheme made under Section 6 and Schedule 3 of the RDA Act 1998	The transfer took place on 1st September 2011
Grants for Research and Development	TSB	Transfer Scheme made under Section 6 and Schedule 3 of the RDA Act 1998	The transfer took place on 1st September 2011
Venture Capital and Loan Funds (VCLFs)	BIS	Novation	All novation deeds were completed and the transfers became effective on 30th September 2011
emda Transfer scheme 1	BIS	Transfer of projects for monitoring of conditions under section 30 of Public Bodies Act 14th December 2011.	Transfer became effective 1st January 2012.
2012 Olympics Activity	DCMS	Transfer contract for 2012 Olympics activity	The transfer took place on 1st February 2012
emda transfer scheme2	BIS	Transfer of lease relating to Apex Court Offices under section 30 of Public Bodies Act 14th December 2011	Transfer became effective 30th March 2012

Following the approval of the Public Bodies Bill the first Transfer Order, effective on 1st January 2012, transferred the remaining 'live' project activity to BIS. For *emda* this consisted of seven monitoring arrangements, as all other projects had been concluded and closed down by the Agency. The second Transfer Order, effective 30th March 2012 transferred responsibility for two pension liabilities(By Analogy scheme for the Chairman and HCA pension for former employees of English Partnerships), and the lease for the Agency's office in Nottingham. This left the Agency with only a handful of staff and the Board to oversee completion of the 2011-12 accounts and quarter one of 2012-13.

As Accounting Officer I retained full responsibility for all assets (including Land & Property) that transferred to the Homes and Communities Agency (HCA) from 1st April 2011 until 31st July 2011 (Coalfield assets) and 19th September 2011 (other Land & Property). As these transfers were Machinery of Government changes I received letters from the Permanent Secretary of BIS taking responsibility for these assets thereafter until the Supplementary Estimates for 2011-12 were completed.

The transfer of activity throughout the year went smoothly. The Agency's adoption of a single Voluntary Redundancy scheme in February 2011 meant that every employee had signed up to a leaving date that enabled us to manage resources in line with workload and transfers, also giving employees the opportunity to transfer under TUPE or COSOP if the opportunity was presented. A total of 45 employees transferred during the year.

Financial management and value for money

At the start of the year, BIS allocated the RDA with funding to cover all the outstanding programme commitments, and an administration budget equal to 50% of the level in 2010-11.

The *emda* Board had taken the decision in the summer of 2010 to terminate early all of the programmes and projects that contractually were able to be terminated; as well as those which did not result in poor value for money in terms of non delivery or poor outcomes.

Due to the nature of the *emda* contracts and proactive engagement with all project partners in the latter half of 2010, the Agency was able to conclude this process by April 2011, which resulted in the majority of programmes concluding by September 2011, with a significant budgetary saving and no legal challenges.

At the start of the financial year there was some minor concern that RDAs would not be able to stay within the 50% administration funding available. The reality is that a combination of a Voluntary Redundancy scheme that has had 100% take-up with known dates, coupled with the drive to terminate programmes early has resulted in a position that has delivered a saving of over £3m against the total administration budget.

The Agency had no partly completed capital projects as it had taken the decision in the summer of 2010 to conclude those already contracted and to exit those that could without incurring loss or leaving partners with half finished schemes.

KPMG has carried out regular internal audit assurance reviews in the key areas of delivery, so that up until the point of cessation or transfer, full oversight and control has been maintained. What this has enabled the Agency to do throughout the year is to manage and conclude the biggest areas of risk, including:

- Business Link Closure - nationally prescribed as 25th November; the Agency agreed a Deed of Settlement with the provider that ensured transparent use of any government reserves. A figure in excess of £2.5m was returned to *emda* from the designated closure reserves.

- Exit of Bio City Membership - ensuring the public sector funded legacy remains in place.

- The future of Apex Court offices - high priority was given to the remaining lease held by *emda* on the Nottingham offices. BIS took over responsibility on 30th March 2012.

- Blueprint - the Public Private Partnership, the first of its kind when established in 2005, will continue, as *emda's* equity interest in the company has transferred to the Homes & Communities Agency (HCA).

Retaining expertise and knowledge

With the closure of *emda* both management and the Board were keen to ensure that 12 years of expertise and learning was in some way maintained for use within the East Midlands. To that end, discussions took place with the region's universities, culminating in the '*emda* Knowledge Bank' being hosted by Nottingham Trent University (NTU) in June of 2011.

NTU has made available all of the selected *emda* material via a portal on its website for 10 years. The knowledge bank contains over 160 items, including the updated 2010 East Midlands Evidence Base and also the ground breaking evaluation work. The knowledge bank is part of NTU's i-repository, which is an open access online archive that will ensure partners and successor bodies can access this key information. As part of the arrangement, *emda's* moral rights as the author, originator or commissioner for each item in the knowledge bank have been protected.

Within the knowledge bank are ten 'Legacy Handbooks', which detail *emda's* investments, interventions and key learning points from specific areas of activity over a 10 year period. These documents were commissioned, reviewed and each one was signed off by the *emda* Board. The aim is that this expertise and learning should not be lost but be retained for all of those individuals and organisations who may find it of benefit.

The ten areas covered are:

- Business Support
- Enterprise
- Innovation
- International Investment
- Low Carbon
- Manufacturing
- Regeneration
- Science, Technology, Engineering & Maths (STEM)
- Tourism

Accounting for closure and transfer
During the year the Agency worked closely with BIS and the National Audit Office (NAO) to determine what the Accounting treatment for the current financial year (2011-12) would look like, taking into account the various transfers and also looking at the nature and timing of the Public Bodies Bill.

In November 2011 the Agency received confirmation from BIS that for the HCA transfers (of both the Coalfield programme and other properties) the principles of merger accounting apply. All other transfers are on an Acquisition accounting basis. This removed uncertainty and allowed the Agency to plan for the final accounts process early.

In order to mitigate this risk *emda* prepared an eight months interim set of accounts, taking into consideration all of the transferred activity and accounting treatment advice. The underlying transactions were audited and the account format reviewed by the NAO which greatly informed the approach to the final accounts process.

Information security
During 2011-12 *emda* reviewed existing Information Security policies and procedures. The Chair of the Audit Committee is the Senior Information Risk Officer, with the Committee overseeing all developments. This is supported by the Information Security Forum, chaired by the Executive Director of Corporate Services and is responsible for drafting policy in this area and managing any compliance related issues.

During the year *emda* has transferred numerous data sets to other bodies, both government and private sector. All have had signed data agreements which ensured that any data transmitted has been encrypted, particularly so with personal information.

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

Significant internal control issues
There are no significant internal control issues to report.

Review of effectiveness
As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the Audit Committee's Report to the Board; the work of the Internal Auditors; the executive managers within *emda* who have responsibility for the development and maintenance of the internal control framework; and comments made by the External Auditors in their management letter and other reports. No material weaknesses or issues have been identified through this process, and I am satisfied that an effective control environment is in place.

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

The Agency has withdrawn from all partner organisations and subsidiaries during the year, and has maintained strong oversight of those arrangements, including contracts with Local Authorities to ensure financial and contractual compliance.

Throughout the year *emda* has, where applicable, applied the principles of the Code of Good Practice for Corporate Governance in Central Government Departments (July 2011) in order to meet its business needs and the Agency's practices have been consistent with these principles.

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

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

- focusing activity on the key business risks;
- being available to act as facilitators by guiding managers and staff through the risk management process;
- auditing the risk management process and its application.

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

Following completion of the planned work for 2011-12 the Head of Internal Audit issued an independent and objective Statement of Assurance on the adequacy and effectiveness of the Agency's system of internal control, which stated that:

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

Notwithstanding our overall opinion, our work identified a number of opportunities for improving controls and procedures which management has responded to positively."

J P Moore
Chief Executive

Dated 7th June 2012

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

I have audited the financial statements of East Midlands Development Agency for the year ended 31 March 2012 under the Regional Development Agencies Act 1998. These 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 Board, the Accounting Officer and auditor

As explained more fully in the Statement of the Accounting Officer's Responsibilities, the Board and the Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and 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 sufficient evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to 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 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 East Midlands Development Agency's affairs as at 31 March 2012 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Regional Development Agencies Act 1998 and Secretary of State directions issued thereunder.

Emphasis of Matter – Preparation on a basis other than going concern

Without qualifying my opinion, I have considered the adequacy of the disclosures made in note 1 of the financial statements concerning management's decision to apply a basis other than going concern in the preparation of the financial statements. This was made following Royal Assent to the Public Bodies Act 2011 which contains provision for the abolition of all Regional Development Agencies.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement 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: 12 June 2012

Statement of comprehensive net expenditure for the year ended 31st March 2012

	Notes	2011-2012 £'000	As restated 2010-2011 £'000
Expenditure			
Programme expenditure	Note 5	24,315	82,116
European funding expenditure	Note 5	6,709	23,423
Staff costs	Note 5 & 6	6,007	13,305
Depreciation and amortisation	Note 8	307	650
Inventory write down	Note 8 & 17	-	1,169
Loss on transfer of assets and liabilities to other government bodies	Note 8	4,320	-
Other expenditure	Note 8	2,845	6,958
Total expenditure	Note 5	**44,503**	**127,621**
Income			
European funding	Note 9	7,205	23,888
Coalfield and other government grants	Note 9	9,252	4,472
Transfer from reserves	Note 9	125	38
Self generated income	Note 9	4,770	5,670
Total income	Note 5	**21,352**	**34,068**
Net expenditure		**23,151**	**93,553**
Interest receivable	Note 9	(135)	(89)
Interest payable	Note 8	8	10
Loss from share in joint ventures	Note 14	-	16
Surplus from share in associates	Note 14	(44)	(7)
Loss from disposal of joint ventures		-	124
Loss from disposal of associates	Note 14	44	54
Net expenditure after interest	Note 5	**23,024**	**93,661**
Income tax	Note 10	506	1
Total comprehensive expenditure taken to statement of changes in taxpayers' equity		**23,530**	**93,662**
Total comprehensive expenditure from continuing activities	Note 4	363	1,257
Total comprehensive expenditure from discontinued activities	Note 4	23,167	92,405
		23,530	**93,662**
Total comprehensive expenditure taken to Grant in Aid Reserve		23,530	93,475
Total comprehensive expenditure taken to General Reserve		-	187
		23,530	93,662

Of the total comprehensive expenditure for the period of £23,530,000, the Agency contributed expenditure of £23,530,000. Total comprehensive expenditure of the Agency is financed by Grant in Aid.

The notes on pages 48 to 105 form part of these accounts.

Statement of comprehensive net expenditure continued

The comparative information for 2010-11 has been restated to remove transactions for activities that have been transferred to the Homes and Communities Agency under Machinery of Government changes (Note 2).

Comprehensive expenditure from discontinued activities amounts to £23,167,000. Full details of the allocation of income and expenditure between continuing and discontinued activities is detailed in Note 4.

Statement of financial position as at 31st March 2012

	Notes	31st March 2012 £'000		As restated 31st March 2011 £'000		As restated 31st March 2010 £'000	
Non current assets							
Property plant and equipment	Note 11	-		308		599	
Intangible assets	Note 12	-		343		686	
Share of gross assets in joint ventures	Note 14	-		-		220	
Share of gross liabilities in joint ventures	Note 14	-		-		(80)	
Investments in associates	Note 14	-		-		47	
Financial assets – long term loans	Note 15	-		5,269		8,391	
Tax assets (deferred tax)	Note 16	-		467		277	
Total non current assets			**-**		**6,387**		**10,140**
Current assets							
Inventories	Note 17	-		900		2,208	
Trade and other receivables	Note 19	132		10,844		2,518	
Cash and cash equivalents	Note 20	5,635		32,349		33,099	
Tax assets (income tax)		-		145		388	
Total current assets			**5,767**		**44,238**		**38,213**
Total assets less current liabilities			**5,767**		**50,625**		**48,353**
Trade and other payables	Note 21	(1,169)		(41,929)		(44,504)	
Provisions	Note 22	-		(2,412)		-	
Total current liabilities			**(1,169)**		**(44,341)**		**(44,504)**
Total assets less current liabilities			**4,598**		**6,284**		**3,849**
Non current liabilities							
Provisions	Note 22		-		(2,439)		(924)
Assets less liabilities			**4,598**		**3,845**		**2,925**
Taxpayers' equity							
Grant in Aid reserve		4,598		3,625		1,512	
General reserve		-		220		1,341	
Revaluation reserve		-		-		72	
			4,598		**3,845**		**2,925**

The notes on pages 43 to 105 form part of these accounts. The comparative information for 2010-2011 and 2009-2010 has been restated to remove balances for activities that have been transferred to the Homes and Communities Agency under Machinery of Government changes (Note 2). The financial statements on pages 43 to 105 were approved by the Board on 7 June 2012 and were signed on its behalf by:

Chief Executive/Accounting Officer
Date: 7 June 2012

Chairman

Statement of cashflows for the year ended 31st March 2012

	Notes	2011-2012 £'000	As restated 2010-2011 £'000
Cashflows from operating activities			
Net expenditure after interest		(23,024)	(93,661)
Decrease/ (increase) in trade and other receivables		10,704	(6,929)
Decrease in inventories	Note 17	900	1,308
(Decrease) in trade and other payables	Note 21	(40,760)	(2,575)
Transfer from general reserve to statement of comprehensive net expenditure	Note 9	(125)	(38)
Transfer to/(from) general reserve		(22)	39
Transfer from general reserve for European retrospective funding		(73)	(970)
Depreciation and amortisation	Note 8	307	650
Loss from disposal of property, plant and equipment	Note 9	343	-
Loss from transfer of assets to other government bodies	Note 15	4,842	-
(Surplus)/loss from share in associates and joint ventures	Note 14	(44)	9
Loss on disposal of associates and joint ventures		44	178
Other provisions (decrease)/ increase		(4,428)	3,545
UK corporation tax received		107	52
Net cash outflow from operating activities		(51,229)	(98,392)
Cashflows from investing activities			
Purchase of property, plant and equipment	Note 11	-	(16)
Loan repayments from other bodies		12	2,107
Net cash inflow from investing activities		12	2,091
Cashflows from financing activities			
Grant in Aid from parent department		24,503	95,516
Coal grant received for capital expenditure		-	35
Net cash inflow from financing activities		24,503	95,551
Net (decrease) in cash and cash equivalents in the period		**(26,714)**	**(750)**
Cash and cash equivalents at the beginning of the period		**32,349**	**33,099**
Cash and cash equivalents at the end of the period	Note 20	**5,635**	**32,349**

Statement of changes in taxpayers' equity for the year ended 31st March 2012

2010-2011 As restated	Notes	Re-valuation reserve £'000	Grant in Aid reserve £'000	General reserve: European funding £'000	General reserve: Coal grant £'000	General reserve: Pensions £'000	General reserve: JVs and associates £'000
Balance at 1st April 2010		245	2,535	1,042	8,632	(17)	188
Machinery of Government changes	Note 2	(173)	(1,023)	-	(8,503)	-	(1)
Restated balance at 1 April 2010		72	1,512	1,042	129	(17)	187
Change in taxpayers' equity for 2010-2011							
Grant in Aid received from parent		-	95,516	-	-	-	-
Transfer between reserves for impairment of inventories		(72)	72	-	-	-	-
Transfer of reserves to comprehensive net expenditure account		-	-	(970)	(38)	-	-
Comprehensive expenditure for the year		-	(93,475)	-	-	-	(187)
Additions/(reduction) to the reserve in the period		-	-	1	34	39	-
Balance at 31st March 2011		-	3,625	73	125	22	-

Summary of taxpayers' equity	**2010-2011** **£'000**
Grant in Aid reserve	3,625
General reserve	220
	3,845

2011-2012	Grant in Aid reserve £'000	General reserve: European funding £'000	General reserve: Coal grant £'000	General reserve: Pensions £'000
Balance at 1st 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 31st March 2012	4,598	-	-	-

Summary of taxpayers' equity	**2011-2012** **£'000**
Grant in aid reserve	4,598
General reserve	-
	4,598

Notes to the financial statements year ending 31st March 2012

1. Accounting policies

1. Statement of accounting policies
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 2011-2012 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.

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

3. Restatement of comparatives
The Agency transferred to the Homes and Communities Agency its interest in the Coalfields programme on 1st August 2011 and its interests in land and property, on 19th September 2011. In accordance with the Financial Reporting Manual (FReM) the transfers have been accounted for under the provisions of merger accounting. As such, all assets and liabilities and income and expenditure transferred have been excluded from the Agency’s accounts. In addition prior year comparatives have been restated on the same basis. Note 2 provides further details on the transfers.

4. Going concern
The Public Bodies Act, which paves the way for the abolition of all Regional Development Agencies (RDAs) received Royal Assent on 14th 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 1st January 2012, transferring remaining projects and some staff to BIS so that they can be completed. A second Transfer Scheme was made on 30th March to take away any remaining assets and liabilities so that RDAs achieved operational closure by 31st March 2012. BIS is currently drafting the formal Abolition Order which is expected to take effect on 30th June 2012.

Based on this knowledge, and the fact that the majority of the Agency's functions ceased in year, with the remainder transferred to other parts of government, it is management's view that the accounts should be prepared on a basis other than that of a Going Concern.

We have reviewed the impact of this on the accounting policies. Given the transfer or cessation of all functions during the year (see notes 2 and 3) and the operational closure of the Agency by 31 March, achieved by the transfer to BIS of all residual operational assets and liabilities at 30 March (see note 3), little remains on the Agency's Statement of Financial Position. For those current assets and liabilities remaining, we have reviewed the related accounting policies and we are content that these continue to be appropriate.

A small team of people will remain employed after 31st March 2012 with the purpose of concluding the 2011-12 Annual Report and Accounts

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

Associates are operations over which the Agency has the power to exercise significant influence, but not control. An investment in an associate undertaking relating to BioCity Nottingham Limited has been calculated on an equity accounting basis up until the Agency's exit as a member.

Jointly controlled entities are those entities over whose activities the Agency has joint control. Jointly controlled entities are accounted for using the proportionate consolidation basis from the date that the jointly controlled entity commences until the date that joint control of the entity ceases. The East Midlands Early Growth Fund Limited has been accounted for as joint venture up until the Agency's exit as a member.

6. Inventories
Land and buildings held are shown in the Statement of Financial Position at open market value, being their current replacement cost.

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

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

Any resulting write downs of inventory assets to current replacement cost, are accounted for annually and separately identified in the Statement of Comprehensive Net expenditure. Any surplus on revaluation of these properties to open market value and subsequent adjustments thereto, are credited to the revaluation reserve. This is after eliminating the overall accumulated unrealised deficit, as originally charged, by revaluation adjustment to the Statement of Comprehensive Net Expenditure. Any subsequent impairment of the revalued asset arising from a clear consumption in economic benefit is charged directly to the Statement of Comprehensive Net Expenditure.

All inventories had been disposed of, or transferred to the Homes and Communities Agency, by 31st March 2012.

7. Property, plant and equipment

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

Any individual items of property, plant and equipment costing less than £2,500 are not capitalised and are written off to the Statement of Comprehensive Net Expenditure Account.

Depreciation is provided to write off the cost of property, plant and equipment over their anticipated useful lives on a straight line basis. In previous years the following annual rates have been used:

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

A review of the useful economic lives of property, plant and equipment, during the year ended 31st March 2011 resulted in a change of depreciation rates. The net book value of all assets, are now being written off this financial year, reflecting the fact that no assets are expected to have a material sales value, beyond 31st March 2012.

8. Intangible assets

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

Software licences	4 years
Computer software	4 years

A review of the useful economic lives of intangible assets during the year ended 31st March 2011 resulted in a change of amortisation rates. The net book value of all assets are now being written off this financial year reflecting the fact that no assets are expected to have a material sales value, beyond 31st March 2012.

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

9. Loans

Loans are shown net of provision for amounts considered doubtful and of write-offs for amounts considered irrecoverable. Provision has been made for all loans where recovery appears doubtful. No loan is written off until the possibility of recovery is beyond doubt. Approval from the Department for Business, Innovation and Skills is obtained for any write-off in excess of £250,000. All outstanding loans were transferred to the Department for Business, Innovation and Skills during the financial year, as explained in Note 3.

10. Pension costs

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

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

11. Government grants receivable

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

Grants relating to capital expenditure used to acquire specific capital items, whereby the future economic benefits embodied in the grant are returned to the grantor, are credited to the general reserve. Such grants are released to income over the expected useful life of the asset it has been used to acquire.

12. Revenue recognition

Revenue primarily consists of proceeds from the sale of inventories, rental income and other sundry income. Rental income and other sundry income are recognised when it is probable that future economic benefits will flow to the Agency and these benefits can be measured reliably.

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

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

13. Deferred taxation
Deferred taxation is recognised as a liability or asset if transactions have occurred at the Statement of Financial Position date that give rise to an obligation to pay more taxation in the future, or a right to pay less taxation in the future.

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

14. Foreign currency transactions
Transactions in foreign currency are recorded in sterling at the rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currency are translated into sterling at the rates prevailing at the Statement of Financial Position date. Resulting exchange gains and losses are taken to the Statement of Comprehensive net Expenditure.

15. Operating leases
Payments made under operating leases are recognised as an expense in the Statement of Comprehensive Net Expenditure over the period of the lease term. Operating lease income is credited to the statement as it is earned. There are no finance leases.

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

17. Financial instruments

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

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

- **De-recognition**
  All financial assets are de-recognised when the rights to receive cashflows from the assets have expired, or the entity has transferred substantially all of the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

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

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

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

- **Available for sale**
  Available for sale financial assets are non derivative financial assets designated on initial recognition as available for sale. They are recorded at fair value in the Statement of Financial Position. Fair value changes are recognised directly in equity, with the exception of impairment losses, which are recognised directly in the Statement of Comprehensive Net Expenditure.

- **Financial liabilities**
  Financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest rate method. The effective interest rate is the rate that discounts exactly 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 is calculated using the effective interest rate method and is charged to the Statement of Comprehensive Net Expenditure.

- **Impairment of financial assets**
  At the Statement of Financial Position date, the Agency assesses whether any financial assets, other than those held at 'fair value through profit or loss' are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events

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

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

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

18. Future IFRS amendments and early adoption
The Agency applies new or amended International Financial Reporting Standards (IFRSs) in line with their adoption to the FReM.

As at 31st March 2012, due to the impending closure of the Agency, no future IFRSs or amendments to the FReM, are identified as having an impact on the Agency.

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

20. Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and demand deposits and are subject to an insignificant risk of changes in value. Such balances held are included as a component of cash and cash equivalents of the cash flow statement.

21. Critical accounting judgements and sources of estimation uncertainty
In the process of applying the Agency's accounting policies, management have made the following judgements that have a significant effect on the amounts recognised in the financial statements.

Redundancy accrual

Redundancy costs for staff with a leaving date of between 1 April and 30 June 2012, have been accrued for in full. Whilst an estimate of the obligation can be made, based on staffs agreed leaving date and redundancy quotes, until final redundancy payments are made, it could result in a material difference. In calculating the required redundancy accrual, management have therefore had to use their judgement as to the expected redundancy costs.

Loss on transfer of assets and liabilities to other government bodies

The Agency has undertaken various transfers of activity to other government bodies during the year, as explained in note 3. In calculating the fair value of assets and liabilities, at the point of transfer, management have had to use their judgement. In particular, a bad debt provision has been made for the estimated non recovery of loan funds to BIS (note 15), a provision for the estimated costs of future compensation payments the Agency is committed to pay to ex-employees (note 22), a provision for the Agency's share of pension deficit of the Homes and Communities pension scheme (note 22) and the amount of income due to the Agency on two equity share schemes.

2. Machinery of Government and Transfer of Activity Changes

As a consequence of the planned abolition of Regional Development Agencies, two Machinery of Government transfers occurred during the financial year.

The National Coalfields programme transferred to the Homes and Communities Agency on 1st August, under the provisions of the Housing and Regeneration Act 2008. Under the programme the Agency previously received funding from the Homes and Communities Agency to undertake the remediation of former coalfield sites. In addition all remaining inventory assets, together with the rights to future income under land and property clawback agreements and three property projects, transferred to the Homes and Communities Agency under the same Act. This occurred on 19th September and was entitled the 'stewardship transfer'.

As these transfers meet the definition of a Machinery of Government change, they have been accounted for under the provisions of merger accounting in line with the 2011-12 Financial Reporting Manual. As such, the Agency has excluded from its financial statements all associated income and expenditure, cash flows, assets and liabilities and reserves in relation to these transfers. In addition prior year comparatives have been restated on the same basis.

The Agency has excluded the following results and cash flows in preparing its financial statements and has restated its comparatives as required.

Machinery of Government and Transfer of Activity Changes continued

Statement of comprehensive net expenditure 2011-2012

2011-12	Original 2011-2012 £000	Coalfields Transfer £000	Stewardship Transfer £000	Post Transfer 2011-2012 £000
Expenditure				
Programme expenditure	27,424	(37)	(3,072)	24,315
European funding expenditure	6,709	-	-	6,709
Staff costs	6,132	(54)	(71)	6,007
Depreciation and amortisation	311	(4)	-	307
Other expenditure	7,327	(152)	(10)	7,165
Total expenditure	**47,903**	**(247)**	**(3,153)**	**44,503**
Income				
European Funding	7,205	-	-	7,205
Coalfield and other government grants	9,146	106	-	9,252
Transfer from reserves	273	(148)	-	125
Self generated income	5,060	(143)	(147)	4,770
Total income	**21,684**	**(185)**	**(147)**	**21,352**
Net expenditure	**26,219**	**(62)**	**(3,006)**	**23,151**
Interest receivable	(248)	-	113	(135)
Interest payable	474	(466)	-	8
(Surplus) from share in associates	(44)	-	-	(44)
Loss from disposal of associates	44	-	-	44
Net expenditure after interest	**26,445**	**(528)**	**(2,893)**	**23,024**
Income tax	506	-	-	506
Total comprehensive expenditure taken to statement of changes in taxpayers' equity	**26,951**	**(528)**	**(2,893)**	**23,530**
Total comprehensive expenditure taken in Grant in Aid reserve	26,951	(528)	(2,893)	23,530
	26,951	**(528)**	**(2,893)**	**23,530**

Machinery of Government and Transfer of Activity Changes continued

Statement of comprehensive net expenditure 2010-2011

2010-11	Original 2010-2011 £000	Coalfields Transfer £000	Stewardship Transfer £000	Restated 2010-2011 £000
Expenditure				
Programme expenditure	90,109	(138)	(7,855)	82,116
European funding expenditure	23,423	-	-	23,423
Staff costs	13,623	(163)	(155)	13,305
Depreciation and amortisation	668	(18)	-	650
Inventory write down	3,161	(1,532)	(460)	1,169
Increase/(reduction) in provision for environmental liabilities	264	(264)	-	-
Other expenditure	9,557	(1,106)	(1,493)	6,958
Total expenditure	**140,805**	**(3,221)**	**(9,963)**	**127,621**
Income				
European funding	23,888	-	-	23,888
Coalfield and other government grants	3,231	1,241	-	4,472
Increase/(reduction) for reimbursement of environmental liabilities	95	(95)	-	-
Transfer from reserves	2,534	(2,496)	-	38
Book value for inventories written back	98	(98)	-	-
Self generated income	7,373	(1,351)	(352)	5,670
Total income	**37,219**	**(2,799)**	**(352)**	**34,068**
Net expenditure	**103,586**	**(422)**	**(9,611)**	**93,553**
Interest receivable	(466)	-	377	(89)
Interest payable	456	(446)	-	10
Loss/(surplus) from share in joint ventures	16	-	-	16
(Surplus) from share in associates	(7)	-	-	(7)
Loss from disposal of joint ventures	124	-	-	124
Loss from disposal of associates	54	-	-	54
Net expenditure after interest	**103,763**	**(868)**	**(9,234)**	**93,661**
Income tax	326	6	(331)	1
Total comprehensive expenditure taken to statement of changes in taxpayers' equity	**104,089**	**(862)**	**(9,565)**	**93,662**
Total comprehensive expenditure taken in Grant in Aid reserve	103,902	(862)	(9,565)	93,475
Total comprehensive expenditure taken to general reserve	187	-	-	187
	104,089	**(862)**	**(9,565)**	**93,662**

Machinery of Government and Transfer of Activity Changes continued

Statement of financial position 31 March 2012

	Balances 1 April 2011 original £000	Balances relating to Coalfields transfer £000	Balances relating to Stewardship transfer £000	Other movements in year £000	Closing position 31 March 2012 £000
Non current assets					
Property, plant and equipment	335	(22)	-	(313)	-
Intangible assets	343	-	-	(343)	-
Share of gross assets in joint ventures	1	-	(1)	-	-
Financial assets- long term loans	12,033	-	(5,264)	(6,769)	-
Tax assets (deferred tax)	465	2	-	(467)	-
Reimbursement in respect of provisions	52,600	(47,650)	-	(4,950)	-
Total non current assets	**65,777**	**(47,670)**	**(5,265)**	**(12,842)**	**-**
Current assets					
Inventories	15,694	(13,383)	(7,120)	4,809	-
Trade and other receivables	15,996	(389)	(3,811)	(11,664)	132
Cash and cash equivalents	35,230	(3,972)	-	(25,623)	5,635
Tax assets (income tax)	-		-	-	-
Total current assets	**66,920**	**(17,744)**	**(10,931)**	**(32,478)**	**5,767**
Total assets	**132,697**	**(65,414)**	**(16,196)**	**(45,320)**	**5,767**
Current liabilities					
Trade and other payables	(47,556)	3,987	731	41,669	(1,169)
Tax liabilities (income tax)	(248)	(3)	398	(147)	-
Provisions	(2,412)	-	-	2,412	-
Total current liabilities	**(50,216)**	**3,984**	**1,129**	**43,934**	**(1,169)**
Total assets less current liabilities	**82,481**	**(61,430)**	**(15,067)**	**(1,386)**	**4,598**
Non current liabilities					
Provisions	(75,839)	68,916	-	6,923	-
Assets less liabilities	**6,642**	**7,486**	**(15,067)**	**5,537**	**4,598**
Taxpayers' equity					
Grant in aid reserve	(1,257)	20,869	(15,067)	53	4,598
General reserve	7,764	(13,248)	-	5,484	-
Revaluation reserve	135	(135)	-	-	-
	6,642	**7,486**	**(15,067)**	**5,537**	**4,598**

Machinery of Government and Transfer of Activity Changes continued

Statement of financial position 31 March 2011

	31 March 2011 original £000	Balances relating to Coalfields transfer £000	Balances relating to Stewardship transfer £000	31 March 2011 as restated £000
Non current assets				
Property, plant and equipment	335	(27)	-	308
Intangible assets	343	-	-	343
Share of gross assets in joint ventures	1	-	(1)	-
Share of gross liabilities in joint ventures	-	-	-	-
Financial assets- long term loans	12,033	-	(6,764)	5,269
Tax assets (deferred tax)	465	2	-	467
Reimbursement in respect of provisions	52,600	(52,600)	-	-
Total non current assets	**65,777**	**(52,625)**	**(6,765)**	**6,387**
Current assets				
Inventories	15,694	(7,674)	(7,120)	900
Trade and other receivables	15,996	(1,115)	(4,037)	10,844
Cash and cash equivalents	35,230	(2,881)	-	32,349
Tax assets (income tax)	-	(3)	148	145
Total current assets	**66,920**	**(11,673)**	**(11,009)**	**44,238**
Total assets	**132,697**	**(64,298)**	**(17,774)**	**50,625**
Current liabilities				
Trade and other payables	(47,556)	2,936	2,691	(41,929)
Tax liabilities (income tax)	(248)	-	248	-
Provisions	(2,412)	-	-	(2,412)
Total current liabilities	**(50,216)**	**2,936**	**2,939**	**(44,341)**
Total assets less current liabilities	**82,481**	**(61,362)**	**(14,835)**	**6,284**
Non current liabilities				
Provisions	(75,839)	73,400	-	(2,439)
Assets less liabilities	**6,642**	**12,038**	**(14,835)**	**3,845**
Taxpayers' equity				
Grant in aid reserve	(1,257)	19,717	(14,835)	3,625
General reserve	7,764	(7,544)	-	220
Revaluation reserve	135	(135)	-	-
	6,642	**12,038**	**(14,835)**	**3,845**

Machinery of Government and Transfer of Activity Changes continued

Statement of financial position 31 March 2010

	31 March 2010 original £000	Balances relating to Coalfields transfer £000	Balances relating to Stewardship transfer £000	31 March 2010 as restated £000
Non current assets				
Property, plant and equipment	644	(45)	-	599
Intangible assets	686	-	-	686
Share of gross assets in joint ventures	220	-	-	220
Share of gross liabilities in joint ventures	(80)	-	-	(80)
Investments in associates	47	-	-	47
Financial assets- long term loans	20,057	-	(11,666)	8,391
Other non financial assets – receivables	500	-	(500)	-
Tax assets (deferred tax)	272	5	-	277
Reimbursement in respect of provisions	74,519	(74,519)	-	-
Total non current assets	**96,865**	**(74,559)**	**(12,166)**	**10,140**
Current assets				
Inventories	18,463	(8,675)	(7,580)	2,208
Trade and other receivables	5,031	(520)	(1,993)	2,518
Cash and cash equivalents	35,095	(1,996)	-	33,099
Tax assets (income tax)	323	(2)	67	388
Total current assets	**58,912**	**(11,193)**	**(9,506)**	**38,213**
Total assets	**155,777**	**(85,752)**	**(21,672)**	**48,353**
Current liabilities				
Trade and other payables	(47,524)	2,031	989	(44,504)
Total current liabilities	**(47,524)**	**2,031**	**989**	**(44,504)**
Total assets less current liabilities	**108,253**	**(83,721)**	**(20,683)**	**3,849**
Non current liabilities				
Provisions	(95,628)	94,704	-	(924)
Assets less liabilities	**12,625**	**10,983**	**(20,683)**	**2,925**
Taxpayers' equity				
Grant in aid reserve	2,535	19,660	(20,683)	1,512
General reserve	9,845	(8,504)	-	1,341
Revaluation reserve	245	(173)	-	72
	12,625	**10,983**	**(20,683)**	**2,925**

Machinery of Government and Transfer of Activity Changes continued

Statement of cash flows 2011-2012

2011-12	Original 2011-2012 £000	Coalfields Transfer £000	Stewardship Transfer £000	Post Transfer 2011-2012 £000
Cash flows from operating activities				
Net expenditure after interest	(26,445)	528	2893	(23,024)
Decrease in trade and other receivables	11,656	(726)	(226)	10,704
Decrease/ (increase) in inventories	(4,809)	5,709	-	900
Decrease in trade and other payables	(41,669)	(1,051)	1,960	(40,760)
Transfer (from)/to general reserve to statement of comprehensive net expenditure	(273)	148	-	(125)
Transfer from general reserve for retrospective European funding	(73)	-	-	(73)
Depreciation and amortisation	311	(4)	-	307
Transfer from general reserve for By- Analogy pension	(22)	-	-	(22)
Loss from disposal pf property, plant and equipment	343	-	-	343
Loss on transfer of assets to other government bodies	4,842	-	-	4,842
Loss from share in associates and joint ventures	(44)	-	-	(44)
Loss from disposal of associates and joint ventures	44	-	-	44
Environmental liability provision increase/(decrease)	(4,484)	4,484	-	-
Reimbursement of environmental liabilities provision	4,504	(4,504)	-	-
Unwinding of provisions/debtors	446	(446)	-	-
Other provisions (decrease)/ increase	(4,428)	-	-	(4,428)
UK corporation tax received	107	-	-	107
Net cash outflow from operating activities	**(59,994)**	**4,138**	**4,627**	**(51,229)**
Cash flows from investing activities				
Loan repayments from other bodies	1,512	-	(1,500)	12
Net cash inflow/(outflow) from investing activities	**1,512**	**-**	**(1,500)**	**12**
Cash flows from financing activities				
Grant in aid from parent department	27,003	627	(3,127)	24,503
Coal grant received for capital expenditure	5,856	(5,856)	-	-
Net cash inflow from financing activities	**32,859**	**(5,229)**	**(3,127)**	**24,503**
Net (decrease) in cash and cash equivalents in the period	**(25,623)**	**(1,091)**	**-**	**(26,714)**
Cash and cash equivalents at the beginning of the period	**35,230**	**(2,881)**	**-**	**32,349**
Cash and cash equivalents at the end of the period	**9,607**	**(3,972)**	**-**	**5,635**

Machinery of Government and Transfer of Activity Changes continued

Statement of cashflows 2010-2011

2010-11	Original 2010-2011 £000	Coalfields Transfer £000	Stewardship Transfer £000	Restated 2010-2011 £000
Cash flows from operating activities				
Net expenditure after interest	(103,763)	868	9,233	(93,661)
(Increase) in trade and other receivables	(7,567)	595	43	(6,929)
Decrease in inventories	2,769	(1,001)	(460)	1,308
Increase/ (decrease) in trade and other payables	32	(905)	(1,702)	(2,575)
Transfer from general reserve to statement of comprehensive net expenditure	(2,534)	2,496	-	(38)
Transfer from general reserve to reimbursement of provision	(23,651)	23,651	-	-
Transfer to general reserve	39	-	-	39
Transfer to general reserve for European retrospective funding	(970)	-	-	(970)
Depreciation and amortisation	668	(18)	-	650
Loss from share in associates and joint ventures	9	-	-	9
Loss from disposal of associates and joint ventures	178	-	-	178
Environmental liability provision increase	264	(264)	-	-
Reimbursement of environmental liabilities provision (increase)	(95)	95	-	-
Unwinding of provisions/debtors	446	(446)	-	-
Other provisions increase	5,446	-	(1,900)	3,545
UK corporation tax received	52	-	-	52
Net cash outflow from operating activities	**(128,677)**	**25,071**	**5,214**	**(98,392)**
Cash flows from investing activities				
Purchase of property, plant and equipment	(16)	-	-	(16)
Loan repayments from other bodies	3,607	-	(1,500)	2,107
Net cash inflow from investing activities	**3,591**	**-**	**(1,500)**	**2,091**
Cash flows from financing activities				
Grant in aid from parent department	100,000	(770)	(3,714)	95,516
Coal grant received for capital expenditure	25,221	(25,186)	-	35
Net cash inflow from financing activities	**125,221**	**(25,956)**	**(3,714)**	**95,551**
Net (decrease)/increase in cash and cash equivalents in the period	**135**	**(885)**	**-**	**(750)**
Cash and cash equivalents at the beginning of the period	**35,095**	**(1,996)**	**-**	**33,099**
Cash and cash equivalents at the end of the period	**35,230**	**(2,881)**	**-**	**32,349**

3. Transfers to other parts of Government – Acquisition Accounting

In addition to the Machinery of Government changes (Note 2), a number of activities were transferred to other bodies across government during the year under IFRS3: Business Combinations. Under this standard, the transfer is accounted for at fair value at the date of transfer. The financial statements of the Agency including income, expenditure, and cash flows include these activities up to the point of transfer.

As no disposal proceeds have been received for the transfer of any assets, this gives rise to a 'loss on transfer' in the accounts of *emda*, with a corresponding 'gain on transfer' in the accounts of the recipient organisation. Similarly, as the Agency has not paid any organisation to take on its liabilities, this results in a 'gain on transfer,' for *emda*, with a 'loss on transfer' in the accounts of the recipient. **The overall impact on government accounts is therefore neutral.**

The full list of transfers made under these arrangements, were as follows:-

- On 1st May 2011 inward investment activity transferred to PA Consulting Services Ltd. This resulted in the transfer of five staff. The Agency spent £0.03m on inward investment activity during the financial year, to the date of transfer. (£2.1m during the year to 31st March 2011.) No assets or liabilities transferred with the service.

- On 1st July the European Regional Development Fund programme (ERDF) transferred to the Department for Communities and Local Government. This resulted in the transfer of seventeen staff. The only asset transferred was the repayment of cash, by the Agency, for advanced funds on the programme. This amounted to £21.943m and was matched by the release of deferred income of the same amount. Grant payments made under the ERDF programme, during the financial year, to the date of transfer, amounted to £6.709m. (£23.423m during the year to 31st March 2011.)

- On 1st July the Rural Development Programme for England transferred to the Department for the Environment, Food and Rural Affairs (Defra). As the Agency acted as management agent only and made no payments on behalf of the programme, no assets or liabilities were transferred. Ten staff transferred with the service.

- On 1st September the Grants for Research and Development Programme transferred to the Technology Strategy Board (TSB). Assets transferred under the scheme are detailed in the table on page 66. No staff transferred to TSB. Grant payments made under the scheme, during the financial year to the date of transfer, amounted to £0.270m. (£1.877m during the year to 31st March 2011.)

- On the same date, 1st September, the Grants for Business Investment programme transferred to the Department for Business, Innovation and Skills (BIS). No assets or

Transfers to other parts of Government – Acquisition Accounting (continued)

- liabilities transferred with the scheme. One member of staff did transfer. Grant payments made under the scheme, during the financial year to the date of transfer, amounted to £1.563m. (£3.280m during the year to 31st March 2011.)

- On 1st October four venture capital loan funds transferred to BIS. Assets transferred under the scheme are detailed in the table on page 66. Three staff transferred to Capital for Enterprise Limited, the organisation employed by BIS to manage the loan funds. No new loans were granted in the current financial year and no repayments were received. (£2.1m was received during the year to 31st March 2011.)

- On 1st January 2012 *emda* transfer scheme 1, under section 30 of the Public Bodies Act, transferred a number of closed projects for monitoring purposes to BIS. Two members of staff also transferred to BIS.

- On 1st February 2012 the London 2012 Olympics activity transferred to the Department for Culture, Media and Sport. One member of staff transferred with the service. Expenditure in the current year amounted to £0.196m (£0.182m in the year to 31st March 2011.)

- Finally, on 30th March 2012, *emda* transfer scheme 2, under section 30 of the Public Bodies Act, transferred remaining activity to BIS, including the responsibility for the head office lease (Apex Court) and also the pension liabilities associated with the Homes & Communities Agency Pension Scheme and the By - Analogy pension scheme.

The table on page 66 shows the value of each category of asset and liability transferred to other parts of government, together with the resulting fair value adjustment at the date of transfer and the subsequent loss/ (gain) on transfer.

The overall ‘loss on transfer’ has been included within “Other Expenditure” in the Statement of Comprehensive Net Expenditure and amounts to £4.320m (note 8).

Transfers to other parts of Government – Acquisition Accounting (continued)

Net loss on transfer of activity at fair value

	Book value before impairment £'000s	Fair value adjustment (impairment) £'000s	Loss/(gain) on transfer £'000s
Venture Capital Loan Funds			
Long term loans	7,500	-	7,500
Bad debt provision in relation to long term loans	(2,235)	(423)	(2,658)
Short term loans	1,400	-	1,400
Grants for Research and Development			
Trade receivables	12	-	12
Bad debt provision in relation to trade receivables	-	(3)	(3)
Other receivables	177	-	177
Transfer Order 1			
Trade receivables	240	-	240
Bad debt provision in relation to trade receivables	-	(50)	(50)
Accruals	(103)	-	(103)
Transfer Order 2			
Accrued income	55	-	55
Provisions	(2,497)	264	(2,233)
Transfer from general reserve	(22)	5	(17)
	4,527	**(207)**	**4,320**

4. Discontinued operations

Following the general election in 2010, the Coalition Government outlined a series of proposed changes to how local economic development would be delivered, including its intention to abolish Regional Development Agencies. To this end, the Government published the Public Bodies Bill in Parliament on 29th October 2010, and which received Royal Assent on 14th December 2011. Whilst a final abolition date has still to be agreed, management have been working towards the closure of the Agency. As such, the majority of functions previously undertaken have now been discontinued. This includes Business Support, Tourism, Transport and Planning, Urban Regeneration, Employment Learning and Skills and Strategy.

Notes 2 and 3 to the accounts provides details of those functions and activities that have transferred to other bodies during the financial year. This includes the Coalfield programme and Stewardship transfer to the Homes and Communities Agency, the European Regional Development Fund to the Department for Communities and Local Government, the Rural Development Programme for England to the Department for the Environment, Food and Rural Affairs, Venture Capital Funds to the Department for Business, Innovation and Skills and the 2012 Olympics activity to the Department for Culture, Media and Sport.

As these transfers are to other public sector bodies, although no longer undertaken by the Agency, they are considered to be a continuing operation. This is in line with the 2011-12 Government Financial Reporting Manual (FReM).

Other transfers that have taken place during the year are inward investment activity to PA Consulting Ltd, the Grants for Research and Development programme (GRD) to the Technology Strategy Board and the Grants for Research and Development programme (GRD) to the Department for Business, Innovation and Skills.

These activities are discontinued. In the case of inward investment this is now undertaken by a private sector organisation and in the case of the GRD and GBI programmes, although existing commitments will be met, no new funding will be available to extend the programmes.

No disposal proceeds have been received for the transfer or cessation of discontinued operations.

The results of discontinued and continuing operations are as follows:

Discontinued operations (continued)

	2011-2012 £'000		2010-2011 £'000	
	Continuing	Discontinued	Continuing	Discontinued
Expenditure				
Programme expenditure	25	24,290	288	81,828
European funding expenditure	6,709	-	22,453	970
Staff costs	471	5,536	1,484	11,821
Depreciation and amortisation	-	307	-	650
Inventory write down	-	-	-	1,169
Other expenditure	596	6,569	100	6,858
Total expenditure	**7,801**	**36,702**	**24,325**	**103,296**
Income				
European funding	7,205	-	22,918	970
Coalfield and other government grants	-	9,252	-	4,472
Transfer from reserves	-	125	-	38
Self generated income	233	4,537	150	5,520
Total income	**7,438**	**13,914**	**23,068**	**11,000**
Net expenditure	**363**	**22,788**	**1,257**	**92,296**
Interest receivable	-	(135)	-	(89)
Interest payable	-	8	-	10
Loss from share in joint ventures	-	-	-	16
(Surplus) from share in associates	-	(44)	-	(7)
Loss from disposal of joint ventures	-	-	-	124
Loss from disposal of associates	-	44	-	54
Net expenditure after interest	**363**	**22,661**	**1,257**	**92,404**
Income tax	-	506	-	1
Total comprehensive expenditure taken to changes in taxpayers' equity	**363**	**23,167**	**1,257**	**92,405**

Cash flows from discontinued and continuing operations are as follows:

	2011-2012 £'000		2010-2011 £'000	
	Continuing	Discontinued	Continuing	Discontinued
Cash flows from operating activities	(17,282)	(33,947)	1,498	(99,890)
Cash flows from investing activities	-	12	2,100	(9)
Cash flows from financing activities	342	24,161	(411)	95,962
Net cash inflow/(outflow)	(16,940)	(9,774)	3,187	(3,937)

5. Segmental reporting

The Agency's primary reporting format is by programme type, of which there are three distinct programmes: Single Programme, the ERDF Programme and the National Coalfields Programme. Whilst the Coalfield Programme transferred to the Homes and Communities Agency, under Machinery of Government rules, on 1st August 2011(Note 2), the Agency retained coalfield programme activity for assets sold during the financial year. In addition *emda* also received contributions to fund other smaller projects which collectively are known as the Non Single Programme. Such contributions represent less than 10% of all combined income and assets and as such are not reported separately. Whilst *emda* also ran a fourth programme until 1st May 2011, the Rural Development Programme for England, *emda* acted as a managing agent only and did not issue grant payments. As such no income or expenditure for the programme is reported through the Agency's accounts.

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

All material operations are carried out in the UK.

Segmental results are highlighted below:

Segmental reporting (continued)

	Single Programme £'000	ERDF £'000	National Coalfield Programme £'000	Non Single Programme £'000	Total £'000
Expenditure					
Strategic priority					-
Enterprise and business support	7,675				
International trade/inward investment	19				
Energy and resources	54				
Innovation	2,938				
Employment, learning and skills	750				
Environment	338				
Land and development	15				
Achieving equality	460				
Strategic programme activity	75				
Sub-regional expenditure	2,699				
Total programme expenditure	15,023	-	8,622	346	**23,991**
Add income received towards programme expenditure	324	-	-	-	**324**
Total programme expenditure per statement of comprehensive net expenditure	15,347	-	8,622	346	**24,315**
Total European funding expenditure per statement of comprehensive net expenditure	-	6,709	-	-	**6,709**
Administration costs:					
• Staff costs	5,828	84	-	-	**5,912**
• Staff costs (programme secondees)*	95	27	-	-	**122**
• Other administration costs	4,105	-	-	-	**4,105**
Non cash costs:**					
• DEL budget	307	-	-	-	**307**
• AME budget (impairment loss)	2,133	-	125	775	**3,033**
Total expenditure per Net Expenditure Account	27,815	6,820	8,747	1,121	**44,503**

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

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

Segmental reporting (continued)

	Single Programme £'000	ERDF £'000	National Coalfield Programme £'000	Non Single Programme £'000	Total £'000
Income					
Grant income	-	(7,205)	(8,501)	426	**(15,280)**
Receipts – programme	(4,774)	-	(121)	-	**(4,895)**
Receipts – administration	(728)	-	-		**(728)**
		-			
Less income received towards programme expenditure	(324)	-	-	-	**(324)**
Non cash cost credits:					
• DEL budget	-	-	-	-	**-**
• AME budget	-	-	(125)	-	**(125)**
Total income per statement of comprehensive net expenditure	(5,826)	(7,205)	(8,747)	426	**(21,352)**
Other statement of comprehensive net expenditure items					
Receipts	(135)	-	-	-	**(135)**
Non cash costs - AME budget	47	-	-	(39)	**8**
Total other items	(88)	-	-	(39)	**(127)**
Net expenditure after interest	**21,901**	**(385)**	**-**	**1,508**	**23,024**

6. Staff numbers and related costs

	2011-12 £'000	Restated 2010-11 £'000
(a) Staff costs comprise:		
Board Members		
Board Members' fees	190	216
Pension costs	20	18
Social Security costs	14	16
	224	250
Staff		
Salaries and wages of staff with a permanent (UK) employment contract	3,218	8,262
Retention payments	127	-
Other staff	155	319
Pension costs	635	1,588
Social Security costs	504	696
Staff holiday pay accrual movement	(112)	(50)
Redundancy costs	1,350	2,390
Total costs before recoveries from outward secondments	5,877	13,205
Less recoveries in respect of outward secondments	(94)	(150)
Total UK *emda* staff salaries and wages	6,007	13,305
Add Brussels office salaries and wages *	-	200
Total staff salaries and wages	**6,007**	**13,505**

* Brussels office salaries and wages are included as programme expenditure within the Statement of Comprehensive Net Expenditure.

(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 48. Staff including temporary and seconded staff, were distributed within the following departments and directorates:

Staff numbers and related costs (continued)

	2011-2012 staff nos.	Restated 2010-2011 staff nos.
Chief Executive Department	4	5
Corporate Services	22	52
Regeneration Development Directorate	8	55
Strategy and Communications Directorate	4	44
Business Services Directorate	10	72
	48	228

	2011-2012 staff nos.	Restated 2010-2011 staff nos.
Senior management roles	4	12
Other	44	216
	48	228

(c) Seconded staff

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

	2011-2012 staff nos.	2011-2012 £'000	Restated 2010-2011 staff nos.	Restated 2010-2011 £'000
GOEM	-	-	1	68
EMB Limited	2	96	3	192
	2	96	4	260

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:

	2011-2012 staff nos.	Restated 2010-2011 staff nos.
Chief Executive Department	-	0.04
Corporate Services	0.47	0.72
Regeneration Development Directorate	-	0.58
Business Services Directorate	-	0.17
	0.47	1.51

(e) Compensation scheme exit packages

Following Government's announcement of the planned abolition of Regional Development Agencies, the Agency undertook two voluntary redundancy schemes during the previous financial year. The first scheme was under the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. The second was also made under the Civil Service Compensation Scheme, but as amended at 22nd December 2010.

By 31 March 2012, 180 staff had ceased employment during the 2011-2012 financial year, either through voluntary redundancy or transfer. In addition a further 12 staff, being all remaining employees, had agreed a future leaving date under the voluntary redundancy scheme.

As it is regarded as certain that all remaining employees will leave the Agency under voluntary redundancy, being those staff with an agreed departure date of between 1st April 2012 and 30 June 2012, redundancy costs have been accrued for in full. Total redundancy costs in the year amount to £1,350,324.

Staff numbers and related costs (continued)

Exit package cost band	Number of compulsory redundancies		Number of voluntary redundancies		Total number of redundancies by cost band	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
< £10,000	-	-	-	8	-	8
£10,000 - £25,000	-	-	-	73	-	73
£25,000 - £50,000	-	-	-	76	-	76
£50,000 - £100,000	-	-	-	29	-	29
£100,000 - £150,000	-	-	-	1	-	1
£150,000 - £200,000	-	-	-	2	-	2
Total number	-	-	-	189	-	189
Total resource cost (£'000s)	-	-	-	6,458	-	6,458

The table provides information about the number of staff and their redundancy costs for employees who had entered into a voluntary redundancy scheme during the year. As all employees had entered into a voluntary redundancy scheme during the financial year to 31 March 2011, all redundancy costs and staff numbers are included in that year. The costs include both redundancy pay, compensation in lieu of notice and any retention pay, under the agreed scheme, but excludes any associated employers national insurance contribution.

7. Retirement benefits

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

For 2011-12 employers' contributions of £615,157 were payable to the PCSPS (2010-11 £1,600,704) at one of four rates in the range 16.7% to 25.8% 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 reporting date there were no prepaid / outstanding contributions to the scheme.

Homes and Communities Agency Pension Scheme
The Homes and Communities Agency Scheme is a multi-employer defined benefit scheme and the East Midlands Development Agency is unable to identify its share of the underlying assets and liabilities. An actuarial valuation was carried out at 31st March 2010 and more details can be found in the separate scheme statement of the Homes and Communities Agency. For 2011-12 employer contributions of £19,098 were payable to the Scheme (2010-11 £18,916) at the rate of 23.8% of pensionable pay from 1st January 2003. It has been agreed that contributions will be reviewed on an annual basis although the Actuary conducts a full revaluation of the fund every three years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme. At the Statement of Financial Position date there were no prepaid / outstanding contributions to the scheme.

The Pensions Act 1995 introduced specific rules which apply when an employer ceases to participate in a pension scheme. Under the legislation a participating employer is required to pay to the scheme its share of the deficit as an immediate lump sum. Whilst the Agency can not identify its share of the underlying scheme assets and liabilities, regulations now mean that the deficit used to calculate the debt on the employer, must be based on the employer's share of the estimated costs of securing the relevant benefits with an insurance company. Full provision of the estimated liability has been made, with the liability transferring to the Department of Business, Innovation and Skills on 30 March 2012 (note 22).

Partnership Pension Account
Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension arrangement with an employer contribution. Employers' contributions of £518 (2010-2011 £9,357) were paid to one or more of a panel of four appointed stakeholder pension providers during the financial year. The employer makes a basic contribution of between 3% to 12.5% (depending on the age of the member) into

Retirement benefits (continued)

a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions the employer will match employee contributions up to 3% of pensionable salary (in addition to the employers' basic contribution). Employers also contribute a further 0.8% of pensionable salary being £5 (2010-11 £69), payable to the PCSPS to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement) of these employees. At the Statement of Financial Position date there were no prepaid / outstanding contributions to the scheme.

By-Analogy Pension Scheme
emda operated a defined benefit scheme on behalf of its Chairman with contribution and benefit rates identical to those provided by the PCSPS scheme. The pension liability transferred to the Department for Business, Innovation and Skills on 30th March 2012 (Note 3). A full actuarial valuation was carried out as at 30th March 2012 by a qualified independent actuary. Full provision was been made for the future pension liabilities, before transfer.

The major assumptions of the actuary were:

	31/03/12	31/03/11	31/03/10	31/03/09	31/03/08
The rate of increase in salaries	4.25%	4.90%	4.29%	4.29%	4.30%
The rate of increase for pensions in payment and deferred pension	2.00%	2.65%	2.75%	2.75%	2.75%
The rate used to discount the scheme liabilities	4.85%	5.60%	4.60%	6.04%	5.30%
The inflation assumptions	2.00%	2.65%	2.99%	2.75%	3.75%

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

	Value as at 31 March 2012 £'000	Value as at 31 March 2011 £'000	Value as at 31 March 2010 £'000	Value as at 31 March 2009 £'000	Value as at 31 March 2008 £'000
Total market value of the assets	-	-	-	-	-
Present value of the scheme liabilities	(175)	(139)	(164)	(110)	(86)
(Deficit)/ surplus of the scheme	(175)	(139)	(164)	(110)	(86)
Net pension (liability)/ asset	**(175)**	**(139)**	**(164)**	**(110)**	**(86)**

	2011-12	2010-11	2009-10	2008-09	2007-08
Amounts charged to operating profit	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Current service cost (net of employee contributions)	20	21	21	25	25
Past service cost	-	(17)	-	-	-
Total operating charge	**20**	**4**	**21**	**25**	**25**
Amounts included as other finance costs					
Expected return on pension scheme assets	-	-	-	-	-
Interest on pension scheme liabilities	(8)	(7)	(7)	(5)	(4)
Net return	**(8)**	**(7)**	**(7)**	**(5)**	**(4)**
Amounts recognised in the Statement of Changes in Taxpayers' Equity					
Actual return less expected return on scheme assets		-	-	-	-
Experience gains/(losses) arising on the scheme liabilities	5	(26)	(8)	3	7
Change in the assumptions underlying the present value of the scheme liabilities	-	(13)	31	(12)	3
Actuarial gain/ (loss)	**5**	**(39)**	**23**	**(9)**	**10**

Movement in deficit during the year

	2011-12	2010-11	2009-10	2008-09	2007-08
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Opening (deficit)	(139)	(164)	(110)	(86)	(65)
Movement in year:					
Current service cost	(20)	(21)	(21)	(25)	(25)
Contributions	(3)	(3)	(3)	(3)	(2)
Settlements/curtailments		-	-	-	-
Past service costs	-	17	-	-	-
Other finance income	(8)	(7)	(7)	(5)	(4)
Actuarial (loss)/ gain	(5)	39	(23)	9	10
Closing (deficit)	(175)	(139)	(164)	(110)	(86)

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

Retirement benefits (continued)

History of experience gains and losses

	2011-12	2010-11	2009-10	2008-09	2007-08
Difference between expected and actual return on scheme assets:					
Amount (£000)	**-**	**-**	**-**	**-**	**-**
Percentage of scheme assets	**0%**	**0%**	**0%**	**0%**	**0%**
Experience gains and losses on scheme liabilities:					
Amount (£000)	**5**	**(26)**	**(8)**	**3**	**(7)**
Percentage of scheme liabilities	**2.9%**	**(18.6%)**	**(4.9%)**	**2.9%**	**(8.1%)**

8. Other expenditure

			2011-2012 £'000		Restated 2010-2011 £'000
Depreciation and amortisation			307		650
Inventory write down	Note 17		-		1,169
Other expenditure					
Administration costs					
Travel & subsistence		76		207	
Staff recruitment and training costs		21		161	
Office costs		183		293	
Estate management		304		678	
Marketing and PR		99		193	
Professional costs		342		718	
IT and communication		276		305	
Auditors' remuneration for statutory audit		74		57	
Operating lease rentals		595		607	
Irrecoverable VAT		184		103	
Exchange losses / (gains)		-		42	
			2,154		3,364
Other non cash items					
Bad debts written off and movements in provisions for bad and doubtful debts		467		(533)	
Movement in provision for HCA pension scheme	Note 22	(300)		1,540	
Movement in provision for CSCS pension scheme	Note 22	58			
Unutilised element of 2010-11 redundancy provision	Note 22	(434)		2,412	
Book value of inventories sold	Note 17	900		175	
			691		3,594
Loss on transfer of assets and liabilities to other government bodies	Note 3		4,320		-
Interest payable					
Other			8		10
Total other expenditure			**7,480**		**8,787**

9. Income

	2011-2012 £'000		Restated 2010-2011 £'000	
European funding				
Retrospective ERDF	-		970	
Technical assistance to fund operating costs	111		465	
ERDF 2007-13 – acting as agent for EU	6,605		19,185	
ERDF 2007-13 – funding to support *emda* projects	489		3,268	
		7,205		23,888
Coalfield and other government grants				
Coal grant received from Homes & Communities Agency	8,501		231	
Other grants	751		4,241	
		9,252		4,472
Transfers from reserves				
Transfer from general reserve – Coal grant		125		38
Self generated income				
Proceeds from sale of inventories Note 17	994		160	
Write back of disposal proceeds on investment assets	-		(23)	
Profit/(loss) from disposal of property, plant and equipment	(343)		-	
Clawback income	3,872		4,474	
Partner contributions	131		837	
Recharges	5		(12)	
Miscellaneous income	2		9	
Rents and maintenance income	109		225	
		4,770		5,670
Interest receivable				
Bank deposit	129		81	
Other	6		8	
		135		89
		21,487		**34,157**

In 2011-2012, the Agency was primarily funded by Grant in Aid from its sponsor department, the Department for Business, Innovation and Skills. Grant in Aid funding is taken directly to the Grant in aid reserve and amounted to £24,503,150 in 2011-12. (2010-11 £95,516,265).

In the past the Agency has received Coal grant funding from the Homes and Communities Agency in order to fund the reclamation and development of former coalfield sites. Whilst the majority of sites were transferred to the Homes and Communities Agency on 1st August 2011, under merger accounting principles (Note 2), several sites were sold prior to the transfer. As such coal grant income has been received to fund the development of these sites, before their subsequent sale and therefore remains in the Agency's financial statements.

Income (continued)

From 2008-2009 the Agency took over the administration of the 2007-2013 ERDF Competitiveness Programme. ERDF grant income is released to the Statement of Comprehensive Net Expenditure, to match with grants paid out by the Agency. The ERDF programme transferred to the Department for Communities and Local Government on 1st July 2011.

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

10. Taxation

The taxation charge based on taxable profits for the year at 26% (2010-11 28%) comprises:

	2011-2012 £'000	Restated 2010-2011 £'000
Analysis of the tax charge/ (credit) for the year		
Corporation tax		
UK Corporation tax charge on (deficit)/ surplus for the year	-	147
Adjustment in respect of previous periods	39	44
Deferred tax		
Origination and reversal of temporary differences	467	(190)
Agency tax charge/ (credit) on the surplus for the period	**506**	**1**

Factors affecting the tax charge/(credit) for the year

Proof of current year tax charge

	2011-2012 £'000	Restated 2010-2011 £'000
Net expenditure after interest	(23,024)	(93,661)
Less amounts related to grant funding activities	23,024	93,661
Surplus/ (deficit) before tax multiplied by the standard rate of corporation tax	-	-
Effects of:		
Expenses not deductible for tax purposes	207	(38)
Depreciation on non qualifying assets	-	20
Tax rate change	18	36
Deferred tax not recognised on assets	223	-
Adjustment in respect of previous periods	58	(17)
Current year tax charge/ (credit)	**506**	**1**

11. Property, plant and equipment

2011-2012		Fit out cost of leasehold properties £'000	Equipment, fixtures & fittings and vehicles £'000	Total 2011-2012 £'000
Cost or valuation				
At 1st April 2011		1,805	879	2,684
Disposals		(17)	(354)	(371)
At 31st March 2012		**1,788**	**525**	**2,313**
Depreciation				
At 1st April 2011		1,547	829	2,376
Depreciation in the year	Note 8	252	17	269
On disposals		(11)	(321)	(332)
At 31st March 2012		**1,788**	**525**	**2,313**
Net book value				
At 31st March 2012		**-**	**-**	**-**

Restated 2010-2011		Fit out cost of leasehold properties £'000	Equipment, fixtures & fittings and vehicles £'000	Total 2010-2011 £'000
Cost or valuation				
At 1st April 2010		1,805	958	2,763
Additions in year		-	16	16
Disposals		-	(95)	(95)
At 31st March 2011		**1,805**	**879**	**2,684**
Depreciation				
At 1st April 2010		1,290	874	2,164
Depreciation in the year	Note 8	257	50	307
On disposals		-	(95)	(95)
At 31st March 2011		**1,547**	**829**	**2,376**
Net book value				
At 31st March 2011		**258**	**50**	**308**
At 31st March 2010		**515**	**84**	**599**

Property, plant and equipment (continued)

Property, plant and equipment is carried at depreciated historic cost, as a proxy for fair value.

A review of the useful economic lives of property, plant and equipment, during the year ended 31st March 2011, resulted in a change of depreciation rates. The net book value of all assets have now been written off over the last two years, reflecting the fact that no assets are expected to have a material sales value beyond 31st March 2012.

As at the Statement of Financial Position date, the Agency has no commitments to acquire property, plant and equipment.

12. Intangible assets

2011-2012		Software licences £'000	Computer software £'000	Total £'000
Cost or valuation				
At 1st April 2011		540	1,856	2,396
Disposals		(388)	(1,364)	(1,752)
At 31st March 2012		**152**	**492**	**644**
Amortisation				
At 1st April 2011		495	1,558	2,053
Charged in the year	Note 8	8	30	38
On disposals		(351)	(1,096)	(1,447)
At 31st March 2012		**152**	**492**	**644**
Net book value				
At 31st March 2012		**-**	**-**	**-**

Restated 2010-2011		Software licences £'000	Computer software £'000	Total £'000
Cost or valuation				
At 1st April 2010		639	2,306	2,945
Disposals		(99)	(450)	(549)
At 31st March 2011		**540**	**1,856**	**2,396**
Amortisation				
At 1st April 2010		549	1,710	2,259
Charged in the year	Note 8	45	298	343
On disposals		(99)	(450)	(549)
At 31st March 2011		**495**	**1,558**	**2,053**
Net book value				
At 31st March 2011		**45**	**298**	**343**
At 31st March 2010		**90**	**596**	**686**

Intangible assets (continued)

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

A review of the useful economic lives of intangible assets during the year ended 31st March 2011, resulted in a change of amortisation rates. The net book value of all intangible assets are now being written off over the expected remaining two years of the Agency's life, reflecting the fact that no assets are expected to have a material sales value, beyond 31st March 2012.

13. Financial instruments

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

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

There is no material difference between the book value and fair value of *emda*'s assets and liabilities as at 31st March 2012.

Categories of financial instruments

Financial assets	2011-2012 Loans and receivables £'000	Restated 2010-2011 Loans and receivables £'000
Trade and other receivables	132	10,844
Cash and cash equivalents	5,635	32,349
Tax assets	-	145
Total	5,767	43,338
	Available for sale £'000	**Available for sale £'000**
Financial assets - long term loans	-	5,269

	Other financial liabilities £'000	Other financial liabilities £'000
Financial liabilities		
Trade and other payables	1,169	41,929

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.

14. Joint ventures and associated undertakings

Joint ventures				
Name of undertaking	**Interest at year end**	**Year end**	**Nature of business**	**Address and principal place of business**
Derby Cityscape Limited (company limited by guarantee)	25% – reported as a joint venture by virtue of right of veto of all members. The company ceased trading on 30th June 2010 and *emda* exited as a member on 21st November 2011.	31st March – although final accounts were prepared for a 15 month period to 30th June 2010	Regeneration of the city of Derby area.	Peat House, 5 Stuart Street, Derby, Derbyshire, DE1 2EQ
East Midlands Early Growth Fund Limited (limited company)	50% (principal associate E-Synergy Limited). *emda's* holding was transferred to the Department for Business Innovation and Skills on 1st October 2011.	31st December	Holding investments in small emerging companies	15 Clarendon Street, Nottingham, NG1 5HR
British Midlands Development Corporation (US not for profit Corporation)	50% (principal associate Advantage West Midlands). The Corporation ceased trading on 28th February 2009 and was closed on 28 October 2010.	31st March	To promote investment in and trade with the British Midlands by US corporations	20 North Wacker Drive, Suite 930, Chicago, 60606

Joint ventures and associated undertakings (continued)

Associates				
Name of undertaking	**Interest at year end**	**Year end**	**Type of organisation**	**Nature of business**
Meden Valley Making Places Limited (*emda* ceased its membership on 31st March 2011)	25%	31st March	Company limited by guarantee	Regeneration of the Meden Valley area
BioCity Nottingham Limited (*emda* ceased its membership on 7th October 2011)	33.3%	31st December	Company limited by guarantee	Development of healthcare biosciences and related environmental sciences
North Northamptonshire Development Company (*emda* ceased its holding on 31st March 2011)	14.28%	31st March	Company limited by guarantee	Regeneration of the Borough of Corby area
Regeneration East Midlands (*emda* ceased its membership on 31st March 2010)	20%	31st March	Company limited by guarantee	To improve the effectiveness of regeneration in the East Midlands (ceased trading on 31 March 2010).
Midlands Aerospace Alliance (*emda* ceased its holding on 17th September 2009)	20%	31st March	Company limited by guarantee	To promote and advance commerce in the aerospace sector.

Joint ventures and associated undertakings (continued)

Key financial results of joint ventures

2011-2012	Profit/ (loss) after tax for the year £'000	Agency share of net profit/ (loss) £'000	Gross assets £'000	Gross liabilities £'000	Agency share of gross assets £'000	Agency share of gross liabilities £'000	Agency share of net assets/ (liabilities) £'000
East Midlands Early Growth Fund Limited *	(173)	-	3,131	(5,040)	-	-	-
	(173)	-	3,131	(5,040)	-	-	-

Restated 2010-2011	Profit/ (loss) after tax for the year £'000	Agency share of net profit/ (loss) £'000	Gross assets £'000	Gross liabilities £'000	Agency share of gross assets £'000	Agency share of gross liabilities £'000	Agency share of net assets/ (liabilities) £'000
Derby Cityscape Limited **	(65)	(16)	645	(365)	-	-	-
East Midlands Early Growth Fund Limited	(725)	-	3,301	(5,036)	-	-	-
	(790)	(16)	3,946	(5,401)	-	-	-

Restated 2009-2010	Profit/ (loss) after tax for the year £'000	Agency share of net profit/ (loss) £'000	Gross assets £'000	Gross liabilities £'000	Agency share of gross assets £'000	Agency share of gross liabilities £'000	Agency share of net assets/ (liabilities) £'000
British Midland Development Corporation	(82)	(41)	117	(10)	58	(5)	53
Derby Cityscape Limited	(238)	(59)	644	(298)	161	(75)	86
East Midlands Early Growth Fund Limited	(360)	380	2,897	(4,017)	-	-	-
	(680)	280	3,658	(4,325)	219	(80)	139

Joint ventures and associated undertakings (continued)

*As at 1st October 2011, the date *emda* transferred its holding to the Department for Business, Innovation and Skills, *emda* was due a balance of £5,000,000 on an outstanding loan to the East Midlands Early Growth Fund (Note 15). As such a bad debt provision has been made to reflect the net liabilities of £1,908,334, as disclosed above. Any liability on the winding up of the fund will be met by a reduction in the loan repayment. As such *emda*'s share of the net liabilities of £1,908,334, together with the share of the total loss of £173,295, have been excluded from the Statement of Financial Position and the Statement of Comprehensive Net Expenditure, respectively.

**Derby Cityscape Limited ceased to trade on 30th June 2010, as a result of the company's activities transferring to Derby City Council. With the agreement of members, the surplus remaining in the company transferred to Derby City Council, in order to continue to meet similar objectives of Derby Cityscape Limited. As such, the Agency recognised a loss on disposal of £70,156, being its share of the remaining net assets of the company, during 2010-2011. Whilst the Agency did not exit as a member of the company until 21st November 2011, as the company was dormant during this period, there are no financial results to disclose for the year.

Key financial results of Associate Undertakings

2011-2012	Profit/ (loss) after tax for the year £'000	Agency share of net profit/ (loss) £'000	Gross assets £'000	Gross liabilities £'000	Agency share of gross assets £'000	Agency share of gross liabilities £'000	Agency share of net assets/ (liabilities) £'000
BioCity Nottingham Limited***	131,975	43,992	11,512	(9,602)	-	-	-
	131,975	43,992	11,512	(9,602)	-	-	-

Restated 2010-2011	Profit/ (loss) after tax for the year £'000	Agency share of net profit/ (loss) £'000	Gross assets £'000	Gross liabilities £'000	Agency share of gross assets £'000	Agency share of gross liabilities £'000	Agency share of net assets/ (liabilities) £'000
Meden Valley Making Places	4	1	1,758	(1,139)	-	-	-
BioCity Nottingham Limited	1,646	(34)	11,947	(10,197)	-	-	-
North Northamptonshire Development Company Limited	283	40	839	(1,694)	-	-	-
	1,933	7	14,544	(13,030)	-	-	-

Restated 2009-2010	Profit/ (loss) after tax for the year £'000	Agency share of net profit/ (loss) £'000	Gross assets £'000	Gross liabilities £'000	Agency share of gross assets £'000	Agency share of gross liabilities £'000	Agency share of net assets/ (liabilities) £'000
Meden Valley Making Places	4	1	2,973	(2,358)	743	(589)	154
BioCity Nottingham Limited	64	21	10,746	(10,643)	3,582	(3,548)	35
Regeneration East Midlands Ltd	37	(16)	271	(156)	-	-	-
Midlands Aerospace Alliance	106	21	243	(137)	49	(28)	21
North Northamptonshire Development Company Limited	(482)	3	685	(1,823)	98	(260)	(163)
	(271)	30	14,918	(15,117)	4,472	(4,425)	47

*** The Agency ceased its membership of Biocity Limited on 7 October 2011. *emda* did not receive any sale proceeds on exit but, as agreed with the Department for Business, Innovation and Skills, instead insisted on the company continuing to meet its existing objectives. As such, the Agency's share of the company's profits for the period of membership have been reflected in *emda*'s accounts, resulting in a loss on disposal of the same amount.

	Receivable/(payable) at year end 2011-2012 £'000	Receivable/(payable) at year end 2010-2011 £'000
East Midlands Early Growth Fund Limited	-	5,000

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

15. Financial assets – long term loans

		2011-2012 £'000	Restated 2010-2011 £'000	Restated 2009-2010 £'000
Loan capital				
Balance at 1st April		7,504	11,012	9,021
Advances in year – East Midlands Early Growth Fund				2,000
Repayments in the year – RDC Loans		(4)	-	
Repayments in the year – Transitional Loan Fund		-	(2,100)	
		7,500	8,912	11,021
Balance due to be repaid within one year				
RDC loans	Note 19	-	(8)	(9)
Transitional Loan Fund		-	(1,400)	-
		-	(1,408)	(9)
Less bad debt provisions				
Provision for bad debts – Transitional Loan Fund		(750)	(500)	(1,500)
Provision for bad debts – East Midlands Early Growth Fund		(1,908)	(1,735)	(1,121)
Less transfers				
Loans transferred to the Department for Business, Innovation and Skills	Note 3	(4,842)	-	
Total financial assets		**-**	**5,269**	**8,391**

During the year ended 31st March 2009 *emda* established a Transitional Loan Fund to support businesses through the economic downturn, offering loans ranging from £50,000 to £500,000 for a maximum loan period of up to three years, on commercial terms. To 1st October 2011 £6,000,000 had been committed into the fund for which a bad debt provision of £750,000 has been established. Repayments of £2,100,000 were received in the year to 31st March 2011. The loan transferred to the Department for Business, Innovation and Skills, at fair value, on 1st October 2011. (Note 3)

emda established the East Midlands Early Growth Fund during the year ended 31st March 2007, with the purpose of the fund being to provide financial support to start up companies. As at 1st October 2011 an outstanding loan of £5,000,000 had been made into the fund. A bad debt provision of £1,908,334 had been made to reflect the net

Financial assets – long term loans (continued)

liabilities of the fund (Note 14). The loan also transferred to the Department for Business, Innovation and Skills, at fair value, on 1st October 2011. (Note 3)

The loans are included at historic cost less any impairment to fair value.

The loans are repayable as follows:

	2011-2012 £'000	Restated 2010-2011 £'000
Within one year or less	-	1,407
In more than one year but not more than two years	-	2,505
In more than two years but not more than five years	-	-
In more than five years	-	5,000
	-	**8,912**

16. Deferred tax

A deferred tax asset has not been recognised, in relation to tax losses carried forward and the reversal of underlying timing differences. This is because, due to the closure of the Agency, there will not be sufficient future taxable profits from which the losses or timing differences can be deducted.

In the financial year to 31 March 2011 a deferred tax asset had been fully recognised.

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

2011/2012	Balance b/fwd £'000	Adjustment in respect of previous periods £'000	Credited/ charged to net expenditure account £'000	Balance c/fwd £'000
Accelerated capital allowances	350	(46)	(304)	-
Temporary differences	117	28	(145)	-
Deferred tax in respect of joint ventures and associates	-	-	-	-
	467	**(18)**	**(449)**	**-**

Restated 2010/2011	Balance b/fwd £'000	Adjustment in respect of previous periods £'000	Credited/ charged to net expenditure account £'000	Balance c/fwd £'000
Accelerated capital allowances	307	37	6	350
Temporary differences	23	24	70	117
Deferred tax in respect of joint ventures and associates	(53)	-	53	-
	277	**61**	**129**	**467**

17. Inventories

	2011-2012		Restated 2010-2011	
	£'000	£'000	£'000	£'000
Balance at 1st April		900		2,208
Additions in year		-		36
		900		2,244
Profit/(loss) on disposal of assets	94	-	(15)	-
Proceeds on disposal of assets	(994)	-	(160)	-
Book value on disposal of assets		(900)		(175)
Amounts written off		-		(1,169)
Valuation at 31st March		**-**		**900**

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

Valuations have been undertaken by Innes England and carried out in accordance with best practice, as contained in the Red Book - RICS valuation standards. The valuer is an External Valuer in accordance with Practice Statement 1 of the Royal Institution of Chartered Surveyors Valuation Standards (6th Edition).

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

Inventories with a book value of £900,000 (2010-2011 £175,000) have been disposed in the year which are charged to the Statement of Comprehensive Net Expenditure.

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

18. Impairments

The total impairment charge for the year, allocated between that charged directly to the Statement of Comprehensive Net Expenditure and that released from the revaluation reserve are as follows:

	2011-2012 £'000	2010-2011 £'000
Impairment of inventories charged directly to the statement of comprehensive net expenditure	-	1,169
Impairment of inventories covered by release from revaluation reserve	-	(72)
Net impairment	-	1,097

19. Trade and other receivables

Amounts receivable within one year	2011-2012 £'000	Restated 2010-2010 £'000	Restated 2009-2010 £'000
Trade receivables	-	116	636
RDC loan receivables	-	8	8
Prepayments and accrued income	132	594	796
Transitional Loan Fund repayments	-	1,400	-
Other receivables	-	8,613	-
Sub-regional Strategic Partnership receivables – cash floats	-	45	934
Value added tax	-	68	144
	132	**10,844**	**2,518**

Analysis of receivables – intra-government balances	2011-2012 £'000	Restated 2010-2011 £'000	Restated 2009-2010 £'000
Balances with other central government bodies	-	340	605
Balances with local authorities	-	242	191
Balances with bodies external to government	132	10,262	1,722
	132	**10,844**	**2,518**

20. Cash and cash equivalents

	2011-2012 £'000	2010-2011 £'000
Balance at 1st April	32,349	33,099
Net change in cash and cash equivalent balance	(26,714)	(750)
Balance at 31st March	**5,635**	**32,349**

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

21. Trade and other payables

Amounts payable within one year	2011-2012 £'000	Restated 2010-2011 £'000	Restated 2009-2010 £'000
Trade payables	30	6,188	5,130
Sub-regional local authorities	-	4,693	10,831
Accruals	1,126	5,258	5,596
Sub-regional local authority accruals	-	1,476	3,053
Deferred income	-	24,314	19,569
Value added tax	13	-	325
	1,169	**41,929**	**44,504**

Analysis of payables – intra-government balances	2011-2012 £'000	Restated 2010-2011 £'000	Restated 2009-2010 £'000
Balances with other central government bodies	24	24,323	20,027
Balances with local authorities	-	7,990	16,939
Balances with bodies external to Government	1,145	9,616	7,510
Balances with NHS bodies	-	-	28
	1,169	**41,929**	**44,504**

22. Provisions for liabilities and charges

	Homes and Communities Agency pension provision £'000	By Analogy pension provision £'000	CSCS pension scheme provision £'000	Redundancy provision £'000	Total £'000
Balance at 31 March 2010	760	164	-	-	924
Balance at 1st April 2011	2,300	139	-	2,412	4,851
Provided in year	-	36	58	-	94
Provision not required written back	(300)	-	-	(434)	(734)
Provision utilised in the year	-	-	-	(1,978)	(1,978)
Liability transferred to BIS	(2,000)	(175)	(58)	-	(2,233)
Balance at 31 March 2012	-	-	-	-	-
The timing of cashflows is expected to be as follows:					
Within one year	-	-	-	-	-
Between two to five years	-	-	-	-	-
Between six to ten years	-	-	-	-	-
Thereafter	-	-	-	-	-
	-	-	-	-	-

The Homes and Communities pension provision consists of an amount to cover *emda*'s estimated contribution towards a pension deficit that exists on the pension scheme. The liability transferred to the Department of Business, Innovation and Skills on 30 March 2012 (Note 3).

The By Analogy Pension provision represents the actuarial valuation of the scheme as at 30 March 2012. The liability transferred to the Department of Business, Innovation and Skills on 30 March 2012 (Note 3).

The CSCS pension scheme provision represents the annual compensation payments the Agency is committed to pay to ex-employees of the Agency that took early retirement under the pre December 2010 CSCS pension scheme terms. The liability transferred to the Department for Business, Innovation and Skills on 30 March 2012 (Note 3).

The redundancy provision represents the amount of redundancy pay that was due to employees with an agreed termination date of between 1st July 2011 and 30th September

Provisions for liabilities and charges (continued)

2011. Whilst staff had accepted to leave the Agency under a voluntary redundancy scheme, before 31st March 2011, and therefore the Agency was demonstrably committed to making the redundancy payment, it was only considered probable that an economic outflow would occur. As such a provision and not an accrual was made for the costs.

23. Contingent liabilities

As at 31st March 2012, the Agency had no contingent liabilities (2010-2011 £2,424,539.)

24. Capital commitments

	Agency 2012-2013 £'000	Agency 2011-2012 £'000
Capital expenditure authorised by the Board and contracted as 31st March 2012	-	14,633

25. Commitments under leases

Operating leases – lessees

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

	2011-2012 £'000	2010-2011 £'000
Buildings		
Not later than one year	-	571
Later than one year and not later than five years	-	2,285
Later than five years	-	1,809
	-	**4,665**
Other		
Not later than one year	-	7
Later than one year and not later than five years	-	-
Later than five years	-	-
	-	**7**

Building leases relate to the previously leased headquarters building at Apex Court. This was leased under an operating lease, ending on 28 May 2019. The lease transferred to the Department of Business, Innovation and Skills on 30 March 2012 (Note 3). Other operating leases relate to cars that the Agency leases on behalf of staff. All such leases expired in the financial year to 31 March 2012.

Commitments under leases (continued)

The Agency paid operating lease costs of £595,000, in the year, as detailed in note 8. The Agency has no commitments under finance leases.

26. Events after the reporting period

The East Midlands Development 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 and Auditor General.

27. Related party transactions

The East Midlands Development Agency is an Executive Non-Departmental Public Body sponsored by The Department for Business, Innovation and Skills (BIS). During the period ended 31 March 2012 the Agency received Grant in Aid and grant funding through BIS. No other significant transactions have taken place between the two bodies.

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

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

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

As at 31st March 2012 there were no outstanding payables or receivables with any other Regional Development Agency.

Related party transactions (continued)

The Agency had a number of associate and joint venture companies. No payments or receipts were made between the Agency and such bodies during 2011-12.

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

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

Name	Role	Related party	Position in related party	Total value of receipts 2011-12 £	Total value of payments 2011-12 £	Nature of payments
Bryan Jackson	Chairman	Department for Business, Innovation and Skills	Non executive board member of the Audit and Risk Committee	23,865,618	320,016	Grants
Jon Collins	Board member	Nottingham city Council	Leader	86,672	160,808	Grants/ Services
		Renewal Trust	Chair	-	72,137	Grants
Haydn Biddle	Board member	Lincoln University	Board member	-	794,922	Grants
Jim Harker	Board member	Northamptonshire County Council	Councillor	-	78,745	Grants
		West Northamptonshire Development Corporation	Board member	-	127,017	Grants

Related party transactions (continued)

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

Name	Role	Related party	Position in related party	Total value of receipts 2011-12 £	Total value of payments 2011-12 £	Nature of payments
Jeffrey P Moore	Chief Executive	Capital for Enterprise Advisory Committee (CfEL)	Chairman	43,645	-	
		Nottingham Trent University	Relative with interest	-	92,897	Grants
		National Space Science Centre	Trustee	-	153,611	Grants
		PERA	Relative with interest	-	2,840,563	Grants/ services
Michael Carr	Director	Loughborough University	Enterprise board member	-	831,558	Grants
Diana Gilhespy	Director	West Nottinghamshire College	Director	-	8,471	Grants

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

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

As at 31st March 2012 the only balance owed to or from a related party was £30 due to Nottingham City Council. The balance arose in the normal course of the Agency's business under commercial trading.

28. Losses and Special Payments

The Agency incurred no losses during the year requiring disclosure under guidance contained in 'Managing Public Money'.

In order to ensure an effective closure of the Agency, a retention scheme was put in place that identified key individuals with the necessary skills and experience to remain with the Agency through the process.

This scheme was approved by the Department for Business, Innovation and Skills (BIS) in conjunction with HM Treasury on 15 December 2010. In 2011-12 five employees duly completed their closure tasks and received a total of £127,320 (2010-11 nil).

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

1. This direction applies to Regional Development Agencies (hereinafter referred to as “the Agency”).

2. The Agency shall prepare accounts for the financial year ended 31 March 2011 and subsequent financial years in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual issued by HM Treasury (“the FReM”)[2], which is in force for the financial year for which the accounts are being prepared, together with any additional disclosure or other requirements as agreed with the Department.

3. The accounts shall be prepared so as to:

    (a) give a true and fair view of the state of affairs at 31 March 2011 and subsequent financial year-ends, and of the income and expenditure, changes in taxpayers’ equity and cash flows for the financial year then ended; and

    (b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

4. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed with BIS and HM Treasury.

5. This direction supersedes the direction dated 17 March 2010.

Paul Hadley
Deputy Director, Economic Development Directorate

24 February 2011

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