South West of England Regional Development Agency

Annual Report and Financial Statements 2009/10

HC 221

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Chairman's statement

The last year has been immensely challenging to businesses and organizations across the South West. In presenting the Annual Report and Accounts of the South West RDA for my first time as Chairman I am aware of how well our staff have risen to this challenge. We have managed cuts in our administration and cuts in resources available for our mainstream programs, while at the same time changing our activities to respond to the most serious recession in a generation. However, against this background it has been a year in which much has been achieved to build the economy of the future in our region.

As I write this the economy appears to be improving, the work we have done in helping coordinate government responses to recession seems to have supported a recovery. Our work through the Regional Economic Task Force, Area Action Forces, the rapid realignment of the Business Links' activities, and strengthening our partnership with business organizations and banks to encourage finance seems less urgent now.

However, there is no certainty that the building blocks of this recovery are sound. The sovereign debt crisis of the Eurozone may prove every bit as serious as the banking crisis of 18 months ago. The consequences of addressing the Government deficit may not be comfortable and global recovery is far from universal. Under these circumstances our work to build a strong economic future is critical.

This year the Agency has worked closely with two new forums, the Regional Economic Task Group and the South West Leaders' Board as well as strengthening its relationship with business through the creation of the South West Business Forum. The Regional Economic Task Group has provided a unique opportunity to break down the silos of Local Government, Government Agencies and the Voluntary Sector in the coordination of a response to recession. The Strategic Leaders' Board has enabled Local Government to work together across the South West. The economy is no respecter of boundaries and it is to be hoped that Local Government will be able to work together to embrace whatever new structures such as Local Economic Partnerships are proposed by the new administration. The South West Business Forum will have a key role in these developments in ensuring that the business voice is not fragmented in the region.

The RDA delivers three streams of European Funding in two areas; the two Regional Development funds we manage are Convergence, which is designed to support the growth of the economy in underperforming regions, and Competiveness. The former is only available in Cornwall and the latter throughout the rest of the region. We also deliver the elements of the England Rural Development Programme (ERDP) that are not environmental and managed by Natural England or the Forestry Commission. At the year end and three years into the seven-year programme, 50 per cent of the overall ERDP had been commissioned including the creation of 15 Local Action Groups.

The discussion about the future structure of economic development has not reduced our passion at the South West RDA for working to create a stronger, more sustainable and balanced economy - and for making best use of reduced resources to ensure that England can remain internationally competitive in future. The Energy Skills Academy at Bridgwater College which seeks to ensure that our young take up the opportunities of the nuclear build program and the Composites Centre in Bristol to give our aerospace industry access to the best available technology are but two examples of where we have been working in this area.

Whatever the future holds there is much to be proud of in what we have achieved this year. I would like to thank our excellent staff, including not just Jane Henderson and her Executive Team but all those who across the Agency have achieved the near impossible in very difficult and uncertain times. I would like to thank the Board who have brought an extraordinary level of insight into the issues facing the South West economy and who have been unflaggingly supportive. Finally I would like to thank all those we have worked with in Local Government, in Business, in Universities and in Further Education Colleges and voluntary organizations. Only by working together can we continue to build the best possible economy for the South West.

Sir Harry Studholme

Chairman

Chief Executive's statement

In my statement last year, I described the developing impact of the recession and its consequences. During the last year we have seen the full depth of the downturn and witnessed the unprecedented international action required to support the banking system and wider economy.

The recession demonstrated the need for, and benefit of, coordinated public intervention to support the economy. In the South West we will continue to balance focussed interventions with longer-term transformational investments to realise our vision to create a more sustainable and balanced economic future in which businesses are able to innovate, grow and enter new markets.

In 2009/10 the Agency continued to invest to strengthen sectors, shorten the recession, and foster job creation and a return to growth.

Last year we said that our reduced budget and the recession meant that we would have to refine our priorities. At the beginning of the year we did just this, comprehensively reviewing our investment programme and updating our corporate plan to place even greater weight on activity that makes the biggest difference to our economy.

The impact of the recession has been varied, both geographically and by sector. In response, the South West RDA developed and is driving the implementation of a multi-dimensional recession response package that prioritises key sectors, skills and locations – maximising our impact on those most at risk, building business resilience and laying the foundations for recovery.

To meet specific business needs, the South West RDA worked swiftly and creatively with our delivery partners to drive changes in the delivery of South West Manufacturing Advisory Service (SW-MAS) and Solutions for Business products. We ramped up the delivery of Business Link health checks (9,642 carried out since October 2008) and led a series of multi-partner road shows to provide a 'one-stop' joint public-private sector advice forum for businesses in real need.

The South West RDA's pioneering Regional Infrastructure Fund (RIF) emerged as an effective and innovative programme, at a time when other resources dried up. Evaluation shows that the RIF is successfully bringing forward major investments, such as the second harbour crossing at Poole, by two years, boosting the economy and helping to retain skilled capacity in the construction sector and beyond. The structure of the RIF provides long-term sustainability, recycling investments to be used again in other projects in the region.

At the level of individual businesses and employees, the South West RDA's Area Action Forces and groundbreaking Talent Retention Scheme delivers specific and localised support to companies in difficulty. These schemes bring together key partners to provide tailored advice to staff at risk of redundancy, helping highly skilled employees in economically crucial sectors move to other specialist positions – making sure our high-growth sectors are well placed for the upturn.

We learned quickly that the recession has had a profound impact on the ability of SMEs to access finance. In response we developed the South West Loans Fund, which uses EU funding to help SMEs struggling to find capital elsewhere. The South West RDA also led a series of discussions with the banks to improve SME access to finance and continues to play a key role in the Regional Economic Task Group, working with partners and politicians to coordinate the public sector's recession response work.

The South West RDA has also taken significant strides to ensure that the region is well placed for the upturn, and importantly, that we are able to maximise longer-term opportunities for reshaping the future economy.

The South West is home to the world's second most important aerospace sector and is a global leader in the advanced manufacture of composites. This year, the South West RDA provided funding for the National Composites Centre (NCC) to be located at our flagship science park project, SPark (the Bristol and Bath Science Park), at Emerson's Green in Bristol. Additional funding was also provided through the ERDF programme and from central government.

The NCC will provide a new research facility for composite materials, at one of the UK's largest science parks, bringing together cutting-edge research and development by some of the world's most innovative advanced manufacturing firms. Working across all levels – local, regional, national and beyond – the NCC and SPark will strengthen high growth research-led sectors within the South West and wider economy, promoting continued inward investment, and creating sustainable high quality employment.

Our ability to bring together key businesses, educational institutes, and government at all levels is also fundamental to our aspiration to realise the economic potential of the South West's unique marine assets.

In 2009 we were the first region to be designated by Government as a 'Low Carbon Economic Area' in recognition of the South West's leadership and potential in the emerging wave energy sector. The additional funding we secured enabled us to extend our portfolio of marine energy projects. This now includes the world's largest single investment in marine energy, the WaveHub project in Hayle, a marine energy institute (PRIMaRE) and marine energy park also in Hayle.

Our marine energy supply chain programme will create thousands of high quality jobs, and promote the South West and UK more widely as a world leader in marine energy.

To support our aspirations, we have deepened our commitment to skills, absorbing staff and functions from the Skills Funding Agency and investing in projects like the Energy Skills Centre to provide the skilled employees to make the most of large-scale nuclear, wind and wave energy investments.

While the economy has now technically emerged from recession, individual businesses will be living in its shadow for some time and it is clear that the public sector is facing a challenging period. We have reason to reflect positively on our achievements this year which have been achieved against a backdrop of declining funding, a reduced headcount and smaller office base. Through closing some of our offices, restricting recruitment and co-locating our staff with other regional agencies, we have driven yet further efficiencies throughout the course of the year.

In closing I should like to pay tribute to the vibrancy and resilience of the business community, as well as the hard work, energy and commitment shown by my staff. Together we have made a real difference to the job opportunities, viability of key sectors and prosperity of the region – maximising the public value we deliver for our region and the overall economy.

Jane Henderson

Chief Executive

South West RDA Annual Performance Report 2009/10

Summary

Like the whole of the UK, the South West's economy has had a very turbulent time over the last year. The South West RDA was not immune to this, with the recession, a reduction in capital receipts and the increased tightening of RDA budgets by the Government all having an impact on the Agency.

We refreshed our corporate plan in 2009, and while operating under severe economic conditions has been a challenge, the downturn has provided us with the opportunity to refocus our priorities and ensure our money is directed where it can have the greatest positive impact on the economy. Following guidance from BIS, we are confident the updated plan clarifies the areas where the South West RDA will look to intervene in the future.

We have therefore concentrated on five themes in the context of our refreshed corporate plan:

1. Low Carbon Economy - enhancing activity to provide greater emphasis and investment in a drive to a low carbon and resource-efficient economy for the South West
2. Successful Businesses - a more focussed approach to retain and develop a competitive and innovative business base - encouraging innovation, research and skills
3. Prosperous Places - a more selective approach to the transformation of key places that most help to improve the region's economy
4. Leadership and Advocacy - a more targeted approach to ensure that we develop an appropriate strategic leadership and advocacy role
5. Better Service Better Value - increasing our efforts to deliver a more effective and streamlined service, at a time of reduced public finance.

These five themes guide all aspects of our work and are in turn supported internally by five programme boards. These were set up in November 2009 and are designed to oversee delivery of our corporate plan themes and more generally the work of the Agency. Their aim is to help the Agency move towards a more programme-based approach to managing its business and enable us to focus more clearly on the key priorities identified in our corporate plan.

A more detailed description of the five themes and the type of activity that supports them is listed overleaf.

This report sets out how the South West RDA has performed in line with these priorities during 2009/10. In spite of the climate of fiscal constraint, there are many success stories to relate, including:

Securing an additional £10.146 million to assist in delivering the first phase of development at the Bristol and Bath Science Park (SPark). The park will also be home to the National Composites Centre, a £25m R&D facility part-funded by the RDA and the EU (through ERDF), and operated by Bristol University in association with a number of industry partners who lead research into the use of lightweight composite materials.

Continuing work to create the world's largest test site for wave energy technology off the North Cornwall coast (Wave Hub). This remains on track for installation later this year.

Investment of £2m in the South West Energy Skills Centre, a specialist training centre to equip the energy industry with the skills required for the next generation of nuclear power stations.

Production of the 'Carbon Compass', an assessment tool we will be using to ensure our future investment portfolio is net zero carbon.

Continuing support for Business Link which has helped some 107,977 businesses over the past year, with 7,425 of these receiving intensive support. As of March 2010, more than 9,642 businesses had received a 'health check'.

Exceeding the 2009 spend targets set by the European Commission for the region's Convergence and Competitiveness ERDF programmes. We were the first English region to do so.

Making a strong start in building positive and meaningful relationships with the new Strategic Leaders Board, which represents local authorities in the region.

Winning 'best publication' for the Agency's quarterly Economics Review at the annual Chartered Institute of Public Relations awards, demonstrating real leadership in providing economic intelligence for the benefit of regional decision makers.

Continued rise in foreign direct investment, with a notable improvement in investment projects from Europe, the Middle East and Africa. The more than four-fold increase (4 to 19) has made the single greatest improvement in our output areas, and potentially offers the largest area of opportunity for the future.

South West RDA Corporate Plan Themes and Priorities 2009

Low carbon economy
• Sponsoring the development of low carbon technologies and developing a world-class marine renewables sector
• Stimulating innovation and growth in the environmental business sector
• Providing resource efficiency advice to business
• Leading the low carbon debate
• Developing green skills and jobs
• Supporting green entrepreneurs.
Successful businesses
• Supporting the region's viable businesses, helping them survive the economic downturn and thrive as the economy recovers
• Building on our leading edge in new and developing sectors that will provide new jobs over the coming years – composites, advanced engineering, micro-electronics and digital design, environmental technologies, marine science and creative industries
• Developing a high level technical skills base to support these industries
• Fostering innovation and creativity through targeted business support and advice, through business skills and education development
• Developing the infrastructure for future growth.
Prosperous Places
• Ensuring that the West of England can build on its success and deliver to its potential
• Investing to support the future growth plans of Plymouth and capitalising on its existing strengths in marine science and engineering
• Supporting the transformation of Cornwall's economy by ensuring that EU and RDA funds deliver clear, transformational outcomes
• Making sure that the range of RDA-supported initiatives – on skills, business support, enterprise, business finance – are available, joined up with other offers, and well-communicated throughout the region, whether in urban or rural areas
• Working closely with other partners to align our investments in key places and communications infrastructure to ensure maximum benefit from limited public funds.
Leadership and Advocacy
• Developing a regional strategy
• Delivering an industrial strategy for the future
• Contributing our economic expertise
• Promoting the interests of the South West
• Enhancing our relationship with key partners.
Better Service: Better Value

• Integrating the learning from the impact evaluation work
• Managing risk and performance through an improved and streamlined business planning framework
• Continuing to achieve ISO 14001 for environmental performance in our offices, and ISO 27001 for corporate security
• Embedding the net zero carbon methodology in our investment decisions.

LOW CARBON ECONOMY

Sponsoring the development of low carbon technologies and developing a world-class marine renewables sector

Globally, the environmental and low carbon sector is already worth more than £3 trillion a year and is predicted to grow by a further 50 per cent by 2014. There are therefore compelling economic reasons for investing in a low carbon future, and the South West is well-placed to take this forward. In July 2009 the region was designated the UK's first Low Carbon Economic Area, in recognition of its strength in marine renewables. The combined investment in the South West's marine energy sector by the RDA, central Government, Europe and the private sector over the next two years will top £100m.

- Wave Hub

Our work to create the world's largest test site for wave energy technology off the North Cornwall coast continued in 2009/10 and remains on track for installation in autumn 2010. All funding has been secured and leases signed, with Ocean Power Technologies confirmed as our first customer. As a result, we have awarded all the equipment and installation contracts. Construction began on 30 November 2009, when engineers started drilling through the sand dunes at Hayle.

- Peninsular Research Institute for Marine Renewable Energy (PRIMaRE)

We continued our support for PRIMaRE, funding the purchase of capital equipment that has direct relevance to the Wave Hub site. For example the wave buoys used by researchers provide data on the amount of energy created by waves at the site. This influences decisions we make about the future direction of Wave Hub, and can also be used to inform similar projects around the world and develop the sector.

Our funding also helped the institute procure a £1.2m wave tank to be located at the University of Plymouth which will allow model testing of wave and tidal energy devices. Further purchases have included:

- upgrades to a ship's bridge simulator that replicates typical and extreme weather events to train navigators to avoid proposed or actual wave energy devices
- a new machine to subject underwater equipment such as connectors to the forces generated by the sea prior to the equipment's deployment at sea.

The institute also procured a remotely operated vehicle to allow underwater operations to be undertaken without the need to enter the water. The equipment significantly increases the region's research capacity into marine renewable energy.

Such purchases are overseen by a management board, which includes RDA representation. In 2009/10 the board took on two new representatives from businesses working in the marine renewables sector and thereby strengthened the commercial focus.

- Severn Tidal Power
Three grants were awarded to companies wishing to develop embryonic technologies that could be deployed in the Severn estuary to generate green power.

Stimulating innovation and growth in the environmental business sector

- Low Carbon Economic Area
We secured £18.5m from BIS and DECC to support the delivery of three key marine energy projects in the region - £9.5m for Wave Hub, £5m for a marine renewables business park at Hayle, and £4m for a new marine building at the University of Plymouth main campus.

- Marine Energy Resource Assessment
In March 2010 we appointed consultants to lead a £100,000 study to consider the potential for wave, tidal and offshore wind installations up to 2030.

- Environment iNet
We are investing in a programme of five ‘networks for innovation’, or ‘iNets’ to offer business support for innovation across the region’s priority industrial sectors. We have been developing the Environment iNet during 2009/10 and secured funding for it in the same financial year. The business plan has been developed. ERDF Competitiveness will provide £1.2m, with £600,000 match-funding from us and a further £600,000 coming from regional partners.

Providing resource efficiency advice to business

- Business Support
We are investing in a new, multi-million pound regional business support service to give businesses the advice they need to become more resource-efficient and to help them invest in new technologies to cut their carbon footprint and save money. Delivered by Business Link across the region, the service consists of advice and guidance including an environmental audit, a voucher to pay for more detailed advice, and a capital grant programme for installing new equipment. To ensure there are also financial efficiency savings, local authorities are being encouraged to invest in this product rather than establishing their own sub-regional business support.

- South West Bioheat Programme
We awarded grants to 13 projects, totalling £2.5m. Three bioheat boilers have been installed, with a further three currently onsite. Through sustainable energy agency RegenSW a new website has been launched, offering advice to individuals and businesses looking for ways to heat their premises – www.southwestwoodshed.co.uk Once all 30 projects under the South West Bioheat Programme are up and running they will provide the region with up to 32MW of renewable heat and save an estimated 7,000 tonnes of carbon a year.

Leading the low carbon debate

- Low carbon industrial strategy
As an example of cross-regional collaboration we provided substantial input into the Government's Low Carbon Task & Finish Group, including bids for involvement with future Low Carbon Economic Areas.

- Technical input to low carbon strategies and plans
We provided input into the Government's Low Carbon Transition Plan, Renewable Energy Strategy and Low Carbon Industrial Strategy, and secured funding for the regional renewable energy deployment plan and commercial & industrial waste survey. We have also helped to establish the cross-RDA Energy and Climate Change Group.

- Energy Performance
We are on track to reduce the amount of energy we consume in our offices, and are confident of achieving an above average energy performance rating.

Developing green skills and jobs

- Nuclear Skills
In partnership with the former Learning & Skills Council, and alongside our support for the Bridgwater Challenge regeneration programme, we invested £2m in the South West Energy Skills Centre. This is destined to be a specialist training centre to equip the energy industry with the skills required for the next generation of nuclear power stations.

- Green recovery
The South West Regional Economic Task Group agreed the priorities for green recovery in June 2009 and we helped to establish a new action group. This has helped to drive forward measures that can 'green' the recovery and support the region's longer term transformation towards a low carbon, resource-efficient economy.

- Low Carbon High Skills
Research into the skills needed to supply the low carbon sector got off to a good start in 2009/10. We also began to engage with employers in the low carbon sector. An interim report on the demand that exists in the region for marine skills is due very soon. The Low Carbon High Skills project began in

January 2010, and this is under constant development as we deepen our understanding of the demand for such specialised skills. Progress is good with all contracts and subcontracts in place, staff appointed and work already going ahead to develop training for Business Link Advisors. Programmes are in place to give additional skills to:

- lecturers to provide training in micro-generation
- skippers to work on wave, tidal and offshore wind installations
- architects and buildings inspectors to strengthen their awareness of low carbon

More than 450 of the 820 graduate internships allocation for the region are either already in place or being recruited through SW Higher Education Institutions - well over half way towards the achievement of the target by September. A proportion of these internships are earmarked for Low Carbon sectors and are being targeted at the companies being targeted through the Low Carbon High Skills project.

Supporting green entrepreneurs
Regen South West, core-funded by the RDA, continued to support the renewable energy and energy efficiency sectors in 2009/10. The organisation has championed the cause of initiatives to reduce energy use in the region. Regen SW now has a regional membership of almost 900, with 1,736 people signed up for their weekly e-bulletin service and 1,000 companies listed in their supply chain directories covering marine energy, renewable energy and energy-saving products and services.

SUCCESSFUL BUSINESSES

Supporting the region's viable businesses, helping them survive the economic downturn and thrive as the economy recovers

- South West Loans Fund
The £11m South West Loans fund was established in March 2009. It forms the basis of two Solutions for Business products: Small Loans for Business and Finance for Business throughout the South West.

In the first 12 months 29 loans were drawn, in offers made to six other businesses, safeguarding 55 jobs for the region.

By 2015 £18.5m in loans are forecast to be advanced to viable growth businesses in the region. The fund provides crucial additional finance to help fund growth as the region comes out of recession, a time when historically cash flow is tighter for businesses and banks are reluctant to lend.

- Area Action Forces
Eight Area Action Forces (AAFs) have been operating since the end of 2008. As of 2 April 2010 the AAFs have worked with 539 companies across the South West. AAFs include the RDA, Job Centre Plus, local authorities,

Business Link, trade unions and the CAB and provide a co-ordinated point of contact for a wide range of support for the businesses and individuals affected and the supply chain.

Building on our leading edge in new and developing sectors that will provide new jobs over the coming years

- National Composites Centre
In November 2009, as part of the UK Composite Strategy and in line with the New Industry, New Jobs strategy, the Government announced a £16m investment in a National Composites Centre to be established in Bristol. This will be an industry-led research facility to which the Agency will contribute £4m and significant human resources. It will be owned and operated by the University of Bristol. Since this announcement in November, a further £9m of European Regional Development Funds have been secured making this, with BIS investment bringing the total to £25m, one of the largest technology projects the Agency has supported.

This independent, open access facility will provide world class R&D facilities and training for the design and manufacture of composite structures and components. It will benefit a wide range of sectors including renewables (particularly wind and tidal energy), aerospace, automotive and construction. Founder members include leading companies such as Airbus, Rolls-Royce, Vestas, GKN, GE and AgustaWestland. It will open in August 2011 and will eventually house 200 leading industry researchers and academic experts, working together to speed new technologies through the design and laboratory phases and into production.

The NCC is expected to boost regional GVA by £50m over the next five years, create 300 highly skilled jobs and safeguard a further 200.

- Business Technology Centres
In 2009/10 we invested £1m in the pilot phase of the Business Technology Centres, supported by the ERDF Competitiveness Programme, to ensure that the region's SMEs have ready access to key new technologies critical to their future growth and competitiveness.

Developing a high level technical skills base to support these industries

- East Exeter Training Academy
In September 2009 the then Learning and Skills Council approved a £4.2m grant for the new Training Academy which in turn released the RDA's commitment of £2.8m. The new academy will enable airlines to use state-of-the-art facilities throughout the year.

- Talent Retention
The Talent Retention programme helps businesses in aerospace, advanced engineering and creative industries share and retain talent in their sectors, promoting employment and secondment opportunities, and by matching and redeploying individuals at risk of redundancy using a bespoke ICT system. As

of the end of March 2010 there were 55 enquiries from businesses and individuals in the advanced engineering sector. Within creative industries we have been in contact with 65 companies to date.

Fostering innovation and creativity through targeted business support and advice, through business skills and education development

- Grant for Research & Development
We experienced increased demand in 2009/10 with strong applications from larger SMEs. Twenty-four businesses were awarded grants totalling £2,323,000. A total of £2,052,000 private sector finance was levered in.

- Grant for Business Investment
Four businesses were awarded grants in 2009/10, totalling £2,692,000. 206 jobs were created or safeguarded during the year. A total of £8,514,000 private sector finance was levered in.

ERDF match-funded grants are recorded separately. Here, six businesses were awarded grants totalling £1,113,000. Thirteen jobs were created and 15 safeguarded.

- Solutions for Business
We successfully rolled out all 30 Solutions for Business products throughout the year, rationalising from more than 3,000 originally and making publicly-funded business support much easier to access and understand. The Agency is recognised by BIS as national example of good practice driving Solutions for Business and positive relationships with local authorities.

- Business Link
We continued our support for Business Link, helping 107,977 SMEs over the past year, with 7,425 of these receiving intensive support. At the end of 2009/10 9,642 businesses had received a 'health check' to help them get in shape for recovery and plan for sustainable growth. We have developed a new way of reporting Agency investments in business support which will be an integral part of how we decide on this type of assistance in the future.

- Voucher scheme
We have been working on a scheme to provide vouchers to businesses, which will help them buy research and expertise from universities, colleges and other organisations. We are also in the process of setting up a series of projects to enable further education institutions to transfer their knowledge capabilities to businesses more effectively.

Developing the infrastructure for future growth

- SPark
We continued our investment in the new science park for Bristol and Bath planned for Emersons Green over the next two years. It will support the area's economically important hi-tech and advanced engineering industries and strengthen Bristol's competitiveness at national and international levels. The RDA has secured

approval to invest an additional £10.146m to help towards building the first phase of development at the Science Park, which will include all main onsite infrastructure and services and the 55,000 sq ft SPark One building.

Combined with our original investment, at £45m this is South West RDA's largest single investment to date.

This project ties in well with a number of our objectives, namely to encourage greater productivity among businesses in a way that fits with our low carbon ambitions. SPark also underlines our commitment to the Bristol city region as an engine of hi-tech growth, where it will be a major inward investment draw. The project relates strongly to Government aims to maintain investment in the science and technology sector, promoting high-end skills and R&D. It is also linked with the Science City initiative in Bristol and strongly supported by the three universities involved.

- Next Generation Broadband (NGB)
We have made significant progress on the commissioning and development of the NGB project for Cornwall & Scilly. The project will be the single largest Convergence investment at £53m ERDF, and will lever in some £80m private sector match funding, bringing the total project costs to £133m. We and our partners identified a private sector investor, and the European Commission has approved the project in terms of State Aid. The project will aim to secure 10,000 business sign-ups to the new infrastructure and will underpin and add value to many other Convergence programme investments. At this level of investment, European Commission approval for the project is required and this is expected in the summer of 2010, with a view to starting roll-out before the end of the year.

The South West has been successful in ensuring that first generation broadband-enabled exchanges are in place throughout the region, though for technical reasons "cold spots" remain. From this positive foundation the region continues to gather evidence to present to the Government and suppliers to urge them to include our region in upgrade/ investment plans. We are also working to ensure that new building and related developments include plans for NGA, e.g. SPark. We have set up a NGA virtual team to take responsibility for this important area of work.

- Regional Infrastructure Fund (RIF)
The South West's Regional Infrastructure Fund, drawing on funds from the Department for Transport's regional allocation and some RDA "single pot" totalling around £55m, is now fully committed until the fund is replenished through receipts in 2012/13. In total the fund is committed to supporting 10 major infrastructure projects, all of which will assist with enabling sustainable economic growth in the region by immediately freeing up land for development. The projects comprise:

1. Junction 29, M5 (East of Exeter growth point)

2. New railway station, Exeter – Waterloo line (East of Exeter growth point)
3. Main link road across Cranbrook new community to the station (East of Exeter growth point)
4. New primary school at Cranbrook (East of Exeter growth point)
5. Clyst Honiton bypass contribution (East of Exeter growth point)
6. Junction 12, M5 Gloucestershire
7. M5 link road, Filton
8. Twin Sails Bridge, Poole
9. Plymouth East End community transport
10. Longrun Farm, Taunton: flood alleviation

The fund is also proving a useful way to realise our low carbon ambitions. For example, as a condition of the RIF-supported infrastructure to create a new community at Cranbrook, a 50 Hectare business park and the proposed Science Park east of Exeter, the developers have agreed to implement a zero carbon development by installing a bio-mass Combined Heat and Power plant, incorporating a district heating system.

PROSPEROUS PLACES

Ensuring that the West of England can build on its success and deliver to its potential

- Hengrove Park
During 2009/10, building work began on the £54m community hospital and construction continued on the City of Bristol Skills Academy at Hengrove Park, the biggest regeneration site within the city of Bristol. We are investing a total of £9.7m for infrastructure works as well as feasibility and masterplanning.

- Creative Industries
In October 2009, we were one of the local organisations to join the city partnership set up by the BBC in Bristol, the first such arrangement of its kind in the UK. The partnership commits the BBC to work with local agencies in areas such as boosting local TV production and film-making, tackling the digital divide, digital skills and media literacy, and collaborating on digital and connectivity projects.

- Multi-Area Agreements (MAA)
In September 2009 West of England partners signed an MAA with the Government. This establishes shared aims designed to support economic growth. The Agency continues to play a strong role by managing projects to help deliver key ambitions and has invested in strategic projects such as Hengrove Park, SPark, Science City Bristol and West at Work. We have a similar function with the MAA in Bournemouth, Dorset and Poole.

Investing to support the future growth plans of Plymouth and capitalising on its existing strengths in marine science and engineering

- Plymouth Science and Innovation Programme (PSIP)
The £25m PSIP was created in March 2010 to position Plymouth as a global centre of excellence for science, innovation and marine energy. It was formed by a partnership led by the RDA, University of Plymouth and Plymouth City Council, and will put in place a city-wide strategy aimed at creating jobs, businesses and economic success from science and innovation-related activities in marine renewables, engineering, marine science and other technologies. It will include a new £18m marine building at the University of Plymouth as well as an enhanced role for the Tamar Science Park, an existing RDA project, in providing incubation and support services to fledgling companies. We are providing £7m of the funding.

- Plymouth City Development Company (CDC)
During the year, the CDC was reinvigorated with new management overseen by a partnership of the South West RDA, Plymouth City Council and the Homes and Communities Agency (HCA).

Supporting the transformation of Cornwall's economy by ensuring that EU and RDA funds deliver clear, transformational outcomes.

- St Austell
White River Place, St Austell's £75m town centre redevelopment scheme, opened in October 2009. We invested £31.5m in the shopping centre to help transform the centre of Cornwall's largest town. That this development was realised in the depth of the recession is testament to the hard work of everyone involved. The project has since become a model for retail developments around the country and won the national retail BREEAM award at the annual sustainability awards ceremony.

- Combined Universities in Cornwall (CUC)
During the course of 2009/10 we managed investments of more than £40m to further support the work of the CUC partners; this includes more than £7m Single Pot funding and just under £23m ERDF Convergence funding. The investments cover a range of activity and include an investment in a Performing Arts Centre at the Tremough Campus and the continued support of a research institute in marine renewable energy. In addition to the investments made during the course of the year, we have chaired monthly meetings with the CUC partnership and potential investment partners, including Government Office for the South West and the Higher Education Funding Council for England, to see how further CUC proposals can be developed.

- Hayle Marine Energy Business Park
In March 2010, we were instrumental in securing a £5m investment from the Departments for Business, Innovation and Skills and Energy and Climate Change for a proposed £12.8m energy business park at Hayle in Cornwall. The funding is coming from a £19.5m fund that was earmarked for investment in marine energy projects in the region when the South West was designated the UK's first Low Carbon Economic Area in summer 2009. The park is expected to support 190 jobs and will complement the Agency's £42m Wave Hub project (please see above). The project is dependent on additional

funding from Cornwall Council and the ERDF Convergence Programme, expected to be approved later in 2010.

Making sure that the range of RDA-supported initiatives – on skills, business support, enterprise, business finance – are available, joined up with other offers, and well communicated throughout the region, whether in urban or rural areas.

- Regional media sponsorship
During the year, we sponsored two regional media groups: Northcliffe and Newsco. The former owns 30 local newspapers across the region, as well as a business magazine and all the 'thisis' websites. The latter publishes South West Business Insider, a monthly business magazine. The arrangement with Northcliffe involved publishing fortnightly columns on RDA areas of activity written by Agency staff. It also included quarterly roundtables on business topics, held at different locations across the region. The arrangement with Insider involved a monthly column also supplied by us, as well as regular roundtables.

Working closely with other partners to align our investments in key places and communications infrastructure to ensure maximum benefit from limited public funds.

- East of Exeter
In 2009/10 we announced a £12m investment to kick-start the recession-delayed Cranbrook housing development, thanks to the Regional Infrastructure Fund (RIF). This project will also now be a low carbon development as the result of leverage gained from RIF investment. This investment brought to £22m the total investment in the East of Exeter area through the RIF. The East of Exeter Growth Area is the main business and housing growth area for Exeter over the next 20 years, and is expected to see the building of 28,000 new homes by 2026 and to contribute significantly to the creation of about 28,500 jobs in the Exeter travel to work area within the same timescale.

- RIF road initiatives

Work started during the year on a new East-West link road connecting the A38 through Filton and Patchway to the M5 and Cribbs Causeway, thanks to RDA funding of £6m. It will be part of the infrastructure needed for the new Charlton Hayes development which will provide 2,200 new homes, a new school and create up to 3,000 new jobs across 66,000 m² of new business space.

We also approved £500,000 in funding to fast-track much-needed improvements to junction 12 of the M5, south of Gloucester, ensuring it can cope with increased traffic to and from the city's £400m new retail outlet development and the new housing developments of Kingsway (Quedgeley) and Hunts Grove.

- High speed rail
We and our regional partners lobbied extensively for the London-Swansea rail route to be electrified, which was confirmed in July 2009. Research available to the RDA shows that business productivity falls the further from London you are. Shorter journey times between the capital and Bristol, therefore, could see productivity improve by over 1 per cent per year, potentially adding £75m to the surrounding economy. The electrification of the line also sits with our ambitions to move the region towards a low carbon economy.

LEADERSHIP AND ADVOCACY

- Developing a regional strategy
We have been developing the evidence base which will inform any updates required of future strategies. This research also informs decisions we make on investments.

- Delivering an industrial strategy for the future
We led a key piece of cross-RDA work (the GHK report) designed to demonstrate how regions can play their part in realising the vision outlined in the Government's industrial strategy, and to identify the global centres of excellence in England that would benefit from public sector intervention.

- Contributing our economic expertise
During the year, we won the 'Best Publication' award for our quarterly Economics Review in the regional finals of the Chartered Institute of Public Relations.

We also continued to submit evidence and participate in the South West Regional Economic Task group, which aims to assess the regional impact of current economic uncertainties and provide a structure through which problems affecting particular sectors or sub-regions/ localities can be addressed and public sector intervention coordinated.

Our funding of the South West Observatory continued, with the Agency's economists providing the Observatory's 'Economy Module' with objective analysis and research about the South West economy. The module makes comprehensive data and information available to policy makers and partners within the RDA and around the region.

- Promoting the interests of the South West
We continued support for the 'Positioning the Region' marketing campaign in 2009/10. This campaign looks to encourage short term tourism investment and to improve the region's Foreign and Direct Investment (FDI) performance. Consequently FDI successes are significantly up year-on-year. We saw a notable improvement in investment projects from Europe, the Middle East and Africa from four in 2008/2009 to 19 in 2009/2010.

In the same year a strong pipeline of 347 projects resulted in 52 Foreign Direct Investment successes, amounting to 900 new jobs and 1,374 safeguarded jobs for the region. This was well above our target of 40 FDI successes and up from 41 in 2008/09. Devon, Somerset and the West of England in particular saw the greatest rise in FDI compared with the previous year.

We recorded 162 new or aftercare visits, undertaken either by our team in the UK, or by our overseas representatives. We hosted 34 separate potential investors/ embassy officials and nine missions/ duty tours in the region.

- Enhancing our relationship with key partners
We worked with the Strategic Leaders' Board to implement the Change Management Programme, devised in partnership with the then South West Regional Assembly. We have been developing a joint agenda of key regional issues for debate over the coming months. In addition we strengthened our relationship with South West Councils.

Around 400 of our most important stakeholders took part in our most recent stakeholder survey to have their say on all aspects of our performance. We asked them to comment on such topics as the RDA's priorities and our working relationship with them. The results will be published in June 2010.

BETTER SERVICE: BETTER VALUE

Integrating the learning from the impact evaluation work

For the June 2009 budget review exercise, we used the evaluation lessons learned from the PwC review – a report looking at the economic impact of RDA spending over a five year period. These lessons, along with an internal communications campaign, ensured all staff had the opportunity to understand the implications of this work.

Managing risk and performance through an improved and streamlined business planning framework

In order to make savings across the region we developed a joint evaluation programme with our Competiveness and Convergence partners. Furthermore we set up a joint Programme Monitoring Committee sub-group, chaired by Government Office, to direct this work. The benefits of this approach are considerable, both in gaining economies of scale across the programmes, but also in ensuring that lessons learned from the single programme and European programmes are adopted by all partners.

Risks have been identified across the Agency through the business planning cycle, and are actively tracked through the relevant programme boards. A benchmarking exercise was completed early on in the year to review systems and approaches across other RDAs. As a consequence good practice from other organisations has been incorporated into the Agency's own processes.

We also reduced our office overheads through various means, including concentrating staff in Plymouth onto one level within the building and greater use of 'hot-desking'. Bristol staff relocated in April 2010 to the Government Office building, making an estimated annual saving of £97,000 on building expenses such as rent, rates, insurance, service charge and power.

Continuing to achieve ISO 14001 for environmental performance in our offices, and ISO 27001 for corporate security

- Environmental Management System
We have made good progress with our Low Carbon Leadership Action Plan. For example we retained ISO 14001 registration for our offices and all events organised by us now have to meet strict requirements as regards the environment and accessibility.

We also implemented a number of measures to reduce our carbon footprint.

Embedding the net zero carbon methodology in our investment decisions

- Carbon Compass
We produced the carbon assessment tool we will be using to ensure our future investment portfolio is net zero carbon. This innovative approach has been developed over two years and it will enable us to make carbon-conscious investment decisions. The 'Carbon Compass' is one means by which we are providing leadership and sharing best practice to enable the region to make the transition to a low carbon economy.

Management commentary

The South West's Regional Economic Strategy sets out the direction of travel until 2015. By this time our aim is that the South West will have developed an economy where:

- prosperity is measured by wellbeing as well as economic wealth
- knowledge, service quality and performance are key to business success
- more people can find jobs which make full use of and reward their skills
- the region respects the environment as the foundation of people's quality of life and as a business opportunity.

In spite of many changes in economic conditions, particularly in recent months, our commitment to these guiding principles remains. We are confident our activities and investments reflect that commitment.

In particular our focus on growth has become ever more finely tuned over the past year, thanks in part to our budget review exercise in May / June 2009 and guidance from the Government.

Business activities

Our performance against output targets is set out on page 26. The following selective examples demonstrate how our work contributed towards those figures:

Jobs

A £5.7m RDPE grant awarded in February 2010 to Trewithen Dairy near Lostwithiel helped the company increase its staff to around 120. It has also meant the dairy can boost production capacity by 80 per cent from its present 80,000 litres of milk per day, and move into the production of soft cheese and develop other products.

New businesses created

We helped the French engineering group Eurogiciel to set up offices in Bristol to be closer to Airbus, its biggest client. The company expects to create 40 jobs over the next three years.

Businesses assisted

In conjunction with Business Link, we ran eight business support road shows during 2009/10; the roadshows were supported by more than 50 private and public sector partners, including the region's main banks and business organisations. They helped nearly 500 of the region's businesses focus on moving through the recession and into recovery.

Skills

Stonehouse-based Delphi Diesel Systems Ltd was able to train around 200 members of staff to achieve a Level 2 NVQ in Business Improvement Techniques as an alternative to short time working. This came about through RDA work with the local Area Action Force, as well as funding from Train to Gain.

Cross-regional collaboration

In 2009 on behalf of the RDA network we led research looking to identify areas of expertise and excellence for the key industrial technologies outlined in New Industry, New Jobs. This was in response to the Government's policy focus on NINJ in the summer of 2009 and was undertaken by GHK Consulting. The work has fed into all RDAs' continuing focus on helping to support these key technologies for the benefit of both regional and national economies.

Other examples where we have worked with other regional development agencies in 2009/10 include the Environmentally Engine Project. This programme, in conjunction with the North West Development Agency, East Midlands Development Agency and Advantage West Midlands, will provide a test and validation route for the next generation of aircraft engines and significantly reduce CO2 emissions. In 2009/10 the project created or safeguarded 63 jobs in this highly specialised sector.

Our support for the next phase of the Astraea project continued in 2009/10, in partnership with the North West Development Agency and the South East of England Development Agency (SEEDA). This project aims to enable the operation of unmanned air vehicles in civil airspace. This has the potential to generate significant revenues from new products and services associated with unmanned air systems, attracting highly skilled jobs and expanding the supply chain. In the past financial year Astraea created or safeguarded 601 jobs.

Also with SEEDA, we collaborated with Airbus on the Integrated Wing programme designed to make aeroplanes use fuel more efficiently. This has created or safeguarded 17 jobs in 2009/10.

Carbon reduction

As a condition of the new community at Cranbrook, we succeeded in getting the interested parties to sign up to a zero carbon development. The new community will run on a biomass Combined Heat and Power plant, incorporating a district heating system.

Business activities

We have concentrated on the South West's key cities and Cornwall as places critical to economic recovery and success, as well as region-wide projects such as Business Link that will benefit communities and businesses throughout the South West. Building business relationships is a critical part of our role, and we have used our influence and know-how to make things happen. Connecting banks with partners such as Business Links to improve support for businesses is one example of this, and vital in this recovery period.

Manufacturing – one of the sectors hardest hit by the global recession – saw an increase in new order intakes in February 2010, partly reflecting a further improvement in demand from abroad. The Agency continued to fund the South West Manufacturing Advisory Service in 2009/10 which has achieved improvements in operational efficiency and increases in GVA totalling in excess of £60m, assisted more than 2,000 businesses and safeguarded more than 1,000 jobs.

Over the past year we enjoyed more structured and regular interaction with key companies, with action plans now completed for the top 25. We have also organised Envirowise master classes with strategic companies and their supply chains to encourage them to use their energy resources effectively.

We increased our support for science and technology in 2009/10, with a £475,000 investment in the work of the South West Science and Industry Council over the next three years to maintain an active dialogue with businesses and encourage strong regional take-up of national science and technology initiatives. We successfully hosted a national summit as part of Science City Bristol, and this was generally acknowledged to be the best of the summits held so far. We will now be chairing the national development group.

Other activities in 2009/10

2012

We coordinate Team South West, the partnership working to maximise the region's legacy from the London 2012 Olympic and Paralympic Games.

By April 2010, in terms of Games-related activity, the region has seen:

- 28 contracts awarded
- 30 business events
- 200 cultural events and activities
- 882 schools registered on Get Set (the official London 2012 education programme), reaching more than 400,000 pupils
- 36 Inspire Programme events (the Inspire Programme recognises outstanding non-commercial projects and events inspired by the Games)
- 300 disadvantaged individuals trained in event management
- Support for eight major sporting events
- Every sub-region attended a Torch Relay workshop in January 2010
- The website www.teamsouthwest.co.uk launched to communicate Team South West activity.

European Regional Development Fund (ERDF)

In 2009/10 we met our spending target for the ERDF Competitiveness Programme. Most of the RDPE Axis 1 and 3 products were launched and we are the best performing region in the country on ERDF programme delivery. These investments include the Loans Fund, improved information, diagnostic and brokerage support for businesses and interpretation of academic research for business use. A substantial squeeze on public sector finances in the future would limit our ability to match-fund ERDF investment.

Awards

We enjoyed considerable success in 2009/10, garnering four Gold Awards in the regional finals of the Chartered Institute of Public Relations for successfully communicating our budget review exercise and providing economic expertise through the regional Economics Review. We were also recognised as one of the top places to work in the public sector by the Sunday Times, coming 12th in the national competition.

The RDA-supported redevelopment in St Austell, White River Place, won the national retail BREEAM Award at the annual sustainability awards ceremony. The centre fought off stiff competition from other shortlisted schemes, such as Trinity Leeds and Queen's Court in Milton Keynes. It now tops the scale with the country's most sustainable buildings, scoring 74.16 per cent and an 'Excellent' rating.

Eco Towns

We operate as a strategic partner in the EcoTown work in the Clay Country, Cornwall. The other partners are Cornwall Council, the Eden Project, Imerys (landowner) and Orescom (developer). Work got underway this year on early master planning, consultation and mapping out all governance arrangements. Using the ecotown as an example, we are discussing with the Whitehall Innovation Hub how to work more effectively with Government departments.

Performance Reporting

Growth Output	Actuals
Jobs (created and safeguarded)	6,848
New Business Creation	2,342
Business Assistance	15,397
Skills	15,073

Activity	Description of relevant activity
Cross-Regional Collaboration	The Agency has been involved in a number of formal and informal collaborative arrangements with other RDAs and across the whole network. We define this as something that has entailed agreement between more than one RDA, and encompassed activity in one RDA area that benefits another RDA area. We are involved in seven formal arrangements with other RDAs; and we are leading on all of these.
Carbon Reduction	In the absence of a recognised methodology, some RDAs have developed their own methodologies for the assessment of carbon emissions. However, the methodologies vary widely and the results are not directly comparable. In order to deal with this, the RDAs have since worked collaboratively to develop Common Operating Principles to enable common reporting against the Energy White Paper commitment. These were agreed by the RDA Chief Executives in March 2010. The RDAs will report against the Energy White Paper Commitment, in line with the Common Operating principles, from April 2010. This means the RDAs commenced the collection of data, on carbon savings associated with their investments, in April 2010 and will report savings for the 2010/11 financial year. The RDAs will also work to develop a common methodology for the assessment of carbon savings for the Energy White Paper Commitment over the next 12 months with a view to implementing a common methodology from April 2011, and reporting savings for the 2011/12 financial year. The South West RDA commenced recording the carbon savings associated with its investments in April 2010, as agreed by the RDA Chief Executives in March 2010. Therefore we cannot report carbon savings associated with our investments during 2009/10.

Our people

Following last year's (2008) organisational restructure which was undertaken in order to allow us to meet our strategic objectives within tighter resource constraints, we took the decision in 2009/10 not to recruit a replacement to the vacant Executive Director of Operations and Development. In July 2009 we merged our Resources Directorate into our Operations Directorate and Nick Lewis, previously Executive Director of Resources and acting Executive Director of Operations became Executive Director of Operations and Resources.

During 2009/10 we implemented strengthened controls over recruitment with the effect that majority of vacant posts have not been backfilled. This will generate efficiency savings of at least £1m in 2010/11. We continue to review our structures in the context of reduced public funding.

Our Board met ten times during the course of the year and considered a wide range of issues including: ongoing strategic direction, the Agency's review of its budgets in summer 2009, individual project proposals and risk management. Four new Board members were appointed in December 2009 - David Fursdon, Peter Moore, Chris Lewis and Philip Young replaced Christine Reid, Duncan Hames and Alan Courts and the post that became vacant when Sir Harry Studholme took over as Chairman; current Board member Cathy Bakewell was re-appointed for another three-year term.

Financial performance and position

During the year reserves decreased from £67.8m to £31.3m. The reduction includes the reduction in our stocks of inventories (land and buildings held for development purposes) which had a net book value of £41.4m as at 31 March 2010 compared with £64.3m as at 31 March 2009, together with higher project grant accruals. Inventories stock has fallen due to reductions in site valuations reflecting the impact of the credit crunch and the recession on property values.

The net expenditure account shows net expenditure taken to reserves amounting to £172.9m. Net expenditure is financed by Grant in Aid, received from BIS. Grant in Aid is treated as a reserves movement.

Contractual obligations

Whilst there are no entities with which the Agency has significant contractual obligations or arrangements we are committed to the effective delivery of our projects.

Managing risks

Our Risk Management Policy sets out risk management roles and responsibilities. Our Risk Management Strategy sets the overarching principles behind risk management and outlines how we follow good practice and strive to gain respect from our stakeholders for our ability to strike a balance between risk and opportunity. Our Audit Committee monitors the implementation of the Risk Management Strategy on behalf of the Board.

Corporate risks are reviewed by the Board, Audit Committee and Executive Team. The frequency of this review increased in 2009/10 in response to the challenging and changing environment in which the Agency operates.

Environment and sustainability

We are registered with the International Standard for Environmental Management Systems, ISO 14001, for our office facilities and have calculated our carbon footprint for 2009/10 to be 682 tonnes CO2e based upon our office energy use and business mileage. We have in place action plans to reduce our energy consumption and to reduce the carbon impact of our business travel.

With effect from 1 April 2010 we reduced the carbon range for our essential car user allowance with the highest allowance currently available for cars generating less that 100g/km. As a result of the initiatives within our Green Travel Plan we have reduced the carbon impact of our business travel by 49% since 2004.

We have developed a novel carbon accounting methodology to assess the carbon impact of our investments both in terms of exactly what we fund and also the outcome of our investments. This will apply across our investment portfolio from April 2010.

Freedom of Information

During 2009/10 the Agency recorded 102 non-routine requests for information under the Freedom of Information Act 2000. The average time taken to respond to requests was 17.2 days. One request was withdrawn, 99 were answered within the statutory deadline, and the remaining two requests were answered within 21 and 22 working days respectively. The legislation requires requests to be dealt with within 20 working days. Some information was exempt from disclosure in 13 cases. The exemptions that applied were Section 36, prejudice to the effective conduct of public affairs (one case), Section 38, health & safety (one case), Section 40, personal information (nine cases), Section 41, information provided in confidence (three cases) and Section 43, prejudice to commercial interests (five cases). Three internal reviews on the grounds that information was withheld were considered by the Agency. In two cases the original decision to withhold information under Section 41 and Section 43 was upheld. The third internal review was open at the time of writing.

The table below shows the number of requests received by South West RDA in recent years:

Financial year	**Number of requests**
2009/10	102
2008/09	41
2007/08	47
2006/07	46

Directors' report

The Directors present their Annual Report and Financial Statements for the year ended 31 March 2010.

Principal Activities

The Agency 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 sponsored by the Department for Business, Innovation and Skills (formerly the Department for Business, Enterprise & Regulatory Reform). Under the Regional Development Agencies Act 1998, the Agency has the following statutory purposes:

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

Non- Executive Directors (The Board)

Board members are appointed by the Secretary of State. Individuals who served on the Board during the year were as follows:

Harry Studholme	Appointed Chair Designate 1 April 2009 from being a Board Member and Chair 1 July 2009
Juliet Williams	Chairman, term expired 30 June 2009
Kelvyn Derrick	Deputy Chairman
Nicholas Buckland	
Catherine Bakewell	
Alan Courts	Term expired 13 December 2009
Ian Ducat	
David Fursdon	Appointed 14 December 2009
Duncan Hames	Term expired 13 December 2009
Chris Lewis	Appointed 14 December 2009
Peter Madden	
Peter Moore	Appointed 14 December 2009
Christine Reid	Term expired 13 December 2009
Judith Reynolds	
Brian Robinson	
John Savage	
Steve Smith	
Ellen Winser	
Phil Young	Appointed 14 December 2009

The Agency maintains a register of Board members' interests. The register of interests is available for inspection at the Agency's offices in Exeter by prior arrangement with the Board and Corporate Affairs Adviser or on the Agency's website at www.southwestrda.org.uk.

Executive Directors

The Board has appointed a team of Executive Directors (the "Executive Team") to manage the activities of the Agency. Individuals who served on the Executive Team during the year were as follows:-

Jane Henderson	Chief Executive
Suzanne Bond	Executive Director of People and Skills
Nick Lewis	Executive Director of Operations
Stephen Peacock	Executive Director of Enterprise and Innovation
Andrew Slade	Executive Director of Strategy and Communications

Nick Lewis was Executive Director of Resources and Acting Executive Director of Operations and Development for the period to 31 July 2009. On 1 August 2009 the Resources Directorate merged with Operations and Nick Lewis became Executive Director of Operations.

Agency and Accounting Officer Responsibilities

Under Section 14 of the Regional Development Agencies Act 1988, the Agency is required to prepare a Statement of Account for each financial year in the form and on the basis determined by the Secretary of State, with the consent of HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end, and of its income and expenditure, total recognised gains and losses and cash flow for the financial year.

In preparing the accounts the Agency is required to:

- observe the accounts direction issued by the Secretary of State, including relevant accounting and disclosure requirements;
- apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements; and
- prepare the accounts on a going concern basis unless it is inappropriate to assume that the Agency will continue in business.

The Accounting Officer for the Department for Business, Innovation and Skills has designated the Chief Executive as the Accounting Officer of the South West of England Regional Development Agency. The Accounting Officer's responsibilities include responsibility for the propriety and regularity of the public finances and for the keeping of proper records, as set out in the Non-

Departmental Public Bodies' Accounting Officer's Memorandum issued by HM Treasury.

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

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

Accountability and Financial Framework

The Secretary of State issued the Agency with an Accountability and Financial Framework during October 2008 which replaced the Management Statement and Financial Memorandum in place since November 2005. The Accountability and Financial Framework sets out the financial framework under which the Agency should operate. The Agency has complied in all respects with the terms of these documents during 2009/10.

Financial Results and Review

The results for the year ended 31 March 2010 are set out in the Financial Statements on pages 54 to 74.

The Agency is responsible for delivering two major European development funding programmes in the South West for the period up to 2015, the European Regional Development Fund and the European Agricultural Fund for Rural Development. Project funding started in 2008 and by the end of the programmes the region will have received around £800 million in additional investment.

The income and expenditure account shows net expenditure taken to reserves amounting to £172.9m. Net expenditure is financed by Grant in Aid, received from the Department for Business, Innovation and Skills. Grant in Aid received is treated as a reserves movement.

During the year reserves decreased from £67.8m to £31.3m. The reduction includes the reduction in our inventories (land and buildings held for development purposes) which had a net book value of £41.4m as at 31 March 2010 compared with £64.3m as at 31 March 2009 together with higher project grant accruals. Inventories have fallen due to reductions in site valuations reflecting the impact of the credit crunch and recession on property values.

Principal risks and uncertainties

Detail of the progress made in risk management is set out in the Management Commentary on page 28.

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

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

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

Special Purpose Entities

The Agency has received Section 5 (2) consent to participate in the following corporate bodies:

Camborne Pool Redruth Urban Regeneration Company Limited
The New Swindon Company Limited
Temple Quay Management Limited
Finance Cornwall Limited
Finance South West Limited
Plymouth International Business Park Limited (not yet incorporated)
Gloucester Estate Management
Gloucester Heritage Urban Regeneration Company Limited
Royal William Yard (Plymouth) Estate Management Company Limited (dormant)
Plymouth City Development Company Limited

The Agency's membership of Finance Cornwall Limited and Finance South West Limited ceased on 16 March 2010. The Agency's membership of

Camborne Pool Redruth Urban Regeneration Company Limited ceased on 31 March 2010.

Pension costs

The treatment of pension liabilities and the relevant pension scheme details are set out in the accounting policies note on page 58 and in the Remuneration Report on pages 40 to 45.

Health & Safety, Employment and Environment policies

Health and safety

The Agency's Health and Safety policy sets out how it will fulfil health and safety responsibilities. It applies to staff, visitors, contractors and anyone who might be affected by activities related to RDA offices, commercial and industrial properties and projects.

The Health and Safety Committee meets every three months to report on health and safety and to agree and share best practice. All staff can raise matters with their Representatives of Employee Safety (RoES) and these are fed into the Committee.

The Committee was chaired by Jackie Noorden (Director of Human Resources & Organisational Development) under delegated authority from Nick Lewis (Executive Director with responsibility for Health and Safety).
Other members were:
Representatives of employee safety (RoES)
Facilities & Health & Safety Consultant

Employee information and consultation

The Public and Commercial Services Union (PCS) has a sole recognition agreement with the RDA. All formal consultation with staff is therefore through the Union mechanism. In addition, the Agency uses its intranet (ERIC) to ensure that all staff have access to consultation documents.

Employment of disabled persons

The Agency recognises that functional limitations arising from disabled people's impairments do not inevitably restrict their ability to perform effectively in a job. The Agency selects applicants for interview after giving full and fair consideration to their skills and abilities. The Agency will make reasonable adjustments to enable applicants with a disability to perform to the best of their ability throughout the recruitment process.

Should any employees become disabled while employed by the Agency, reasonable adjustments will be made and wherever possible appropriate training will be arranged with a view to continued employment.

Green housekeeping

Details relating to green housekeeping are set out in the Management Commentary on page 28.

Prompt Payment of Supplier Invoices

The Agency is committed to the Better Payment Practice Code (previously the CBI Prompt Payment Code) and aims to pay undisputed invoices within 30 days and at least 90 per cent of invoices on time and within those terms. In 2009/10 the Agency paid 97.3 per cent of invoices on time (2008/09 – 99 per cent).

In line with the Government commitment made in October 2008, the Agency also aims to pay small and medium sized businesses within 10 days. In 2009/10 the Agency paid 83.2 per cent of supplier invoices within 10 days (period from November 2008 to March 2009 - 81.9 per cent).

Freedom of Information

Details relating to the supply of information under the Freedom of Information Act 2000 is set out in the Management Commentary on pages 28 to 29.

Political and charitable donations

No political or charitable donations were made during the year.

Audit Committee

The Committee met four times during the course of the year to review the Annual Accounts and meet with the NAO (external auditors), to monitor the work of the Internal Audit Service provided by KPMG, to monitor the implementation of the Risk Management Strategy and advise the Accounting Officer.

The members of the Audit Committee who served during the year were:

Peter Moore	Chair, appointed as Committee Member on 14 December 2009 and as Chair on 22 February 2010
Duncan Hames	Chair, stepped down 13 December 2009
Harry Studholme	Stepped down 13 December 2009
Alan Courts	Stepped down 13 December 2009
Ian Ducat	Appointed 14 December 2009
Brian Robinson	
Stella Pirie	Co-opted
Phil Young	Appointed 14 December 2009

Auditors

The Comptroller and Auditor General is appointed by statute to audit the South West of England Regional Development Agency, and reports to Parliament on the truth and fairness of the annual financial statements and the regularity of income and expenditure. The following costs have been incurred in relation to services provided by the Comptroller and Auditor General: Audit Services £62,250; IFRS Audit £6,500; Independent Supplementary Review £77,375. The Comptroller and Auditor General has statutory powers to report on the economy, efficiency and effectiveness with which the Agency has used its resources.

Remuneration report

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

Remuneration Committee

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

Three members of the Board sit on the Remuneration Committee.

The Remuneration Committee met twice (18 May 2009 and 7 December 2009) during the course of the year to advise the Chairman on the remuneration of the Chief Executive (CE) and to advise the CE on Executive Directors' remuneration. The Committee is chaired by Ellen Winser, and the other members were Cathy Bakewell and Sir Harry Studholme. Juliet Williams was a member of the remuneration committee until the end of her term on 30 June 2009, at which point Sir Harry Studholme became a member.

In reaching its recommendations, the Remuneration Committee has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional / local variations in labour markets and their effects on the recruitment and retention of staff;
- the Government's public sector pay policy.

Remuneration Policy

Performance pay for the Chief Executive is determined by the Chairman on the recommendation of the Remuneration Committee. Performance is measured against weighted targets determined by the Chairman following consultation with the Director of the Government Office and other RDA Chairmen. The amount of the performance award can be up to a maximum of 20% of salary. The bonus paid in 2009/10 was based on performance against agreed targets.

Performance pay of the Executive Directors is determined by the Chief Executive on advice from the Remuneration Committee. Performance is measured against targets set individually for each Director by the Chief Executive and the amount of the performance award can be up to a maximum 10% of salary.

Service contracts

All Board Members have been appointed on a fixed term contract and except for the Chairman, Deputy Chairman and Nick Buckland, are contracted to carry out two days work per month. The Chairman is contracted to carry out three days work per week and the Deputy Chairman and Nick Buckland are contracted to carry out four days work per month. Board Members' appointments by BIS are made in accordance with the Commission of Public Appointments Code. There is no provision in place for the early termination of employment.

The following sections provide details of the remuneration and pension interests of Board Members, Chief Executive and Executive Directors, and have been audited.

Emoluments of Board members

	Date of Appointment / Reappointment	Term of Appointment	Date Term Expired	2009/10 salary £	2009/10 pension £	2009/ 2010 Total £	2008/09 salary £	2008/09 pension £	2008/ 2009 Total £
Harry Studholme – Chair	30-Mar-09	to 13-Dec-12	-	82,105	19,951	102,056	8,538	N/A	8,538
Juliet Williams - Previous Chair	14-Dec-08	6 months	30-Jun-09	20,429	5,209	25,638	80,510	20,530	101,040
Kelvyn Derrick - Deputy Chair	14-Dec-08	3 years	-	17,332	N/A	17,332	17,076	N/A	17,076
Nicholas Buckland	14-Dec-07	3 years	-	17,332	N/A	17,332	14,578	N/A	14,578
Catherine Bakewell	14-Dec-09	3 years	-	8,666	N/A	8,666	8,538	N/A	8,538
Nigel Costley	14-Dec-05	3 years	13-Dec-08	0	0	0	5,991	N/A	5,991
Alan Courts	14-Dec-07	3 years	13-Dec-09	5,777	N/A	5,777	8,538	N/A	8,538
Ian Ducat	14-Dec-08	3 years	-	8,666	N/A	8,666	2,548	N/A	2,548
David Fursdon	14-Dec-09	3 years	-	2,586	0	2,586	0	0	0
Duncan Hames	14-Dec-06	3 years	13-Dec-09	6,080	N/A	6,080	8,538	N/A	8,538
Chris Lewis	14-Dec-09	3 years	-	2,586	0	2,586	0	0	0
Peter Madden	14-Dec-08	3 years	-	8,666	N/A	8,666	2,548	N/A	2,548
Peter Moore	14-Dec-09	3 years	-	2,586	0	2,586	0	0	0
Jonathon Porritt	15-Dec-05	3 years	13-Dec-08	0	0	0	5,991	N/A	5,991
Christine Reid	14-Dec-06	3 years	13-Dec-09	6,080	N/A	6,080	8,538	N/A	8,538
Judith Reynolds	14-Dec-08	3 years	-	8,666	N/A	8,666	8,538	N/A	8,538
Brian Robinson	14-Dec-07	3 years	-	8,666	N/A	8,666	8,538	N/A	8,538
John Savage	14-Dec-09	3 years	-	8,666	N/A	8,666	8,538	N/A	8,538
Steve Smith	14-Dec-08	3 years	-	8,666	N/A	8,666	2,548	N/A	2,548
Eric Thomas	14-Dec-05	3 years	13-Dec-08	0	0	0	5,991	N/A	5,991
Ellen Winser	14-Dec-07	3 years	-	8,666	N/A	8,666	8,538	N/A	8,538
Phil Young	14-Dec-09	3 years	-	2,586	0	2,586	0	0	0

Emoluments of Chief Executive and Executive Directors

	Salary Basic	PRP	Benefits in Kind	Pension	Total
	£	£	£	£	£
Jane Henderson - Chief Executive					
2009/10	144,372	18,429	0	30,035	192,836
2008/09	142,179	17,506	0	29,988	189,673
Andrew Slade - Strategy & Communications					
2009/10	95,997	8,498	0	21,966	126,461
2008/09 (1 July 08 – 31 March 09)	70,882	0	0	17,109	87,991
Suzanne Bond People and Skills					
2009/10	95,997	7,514	0	21,966	125,477
2008/09	86,554	6,639	0	20,352	113,545
Nick Lewis Operations					
2009/10	104,681	8,470	0	24,077	137,227
2008/09	101,568	8,921	0	24,222	134,711
Stephen Peacock Enterprise and Innovation					
2009/10	105,037	8,463	0	24,163	137,663
2008/09	103,313	8,129	0	24,855	136,297

The Chief Executive and the Executive Directors are employed under permanent employment contracts. The Chief Executive and Executive Directors work for the Agency full time (Suzanne Bond increased her hours from 32 per week to 37 per week with effect from 1 December 2008).

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.

Benefits in kind

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

No benefits in kind were received by Board Members in 2009/10. No benefits in kind were received by the Executive Directors in 2009/10, but essential car user allowances are included in salaries.

Non Cash remuneration

There was no Non Cash remuneration received by Executive Directors in 2009/10.

Compensation paid to former Executive Directors

There was no compensation paid to former Executive Directors.

Amounts payable to third party for services as an Executive Director

No amounts were payable to third party for services as an Executive Director.

Payments made for loss of office

No payments were made for loss of office.

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 scheme or other pension plan provider. On retirement, payment of the Chairman's pension will be the responsibility of the Agency, underwritten by BIS. No other Board Members are eligible for pension contributions, performance related pay or any other taxable benefit as a result of employment with the Agency.

	Real increase in benefits at pension age & related lump sum (£000)	Total accrued benefits at pension age as at 31/03/10 and related lump sum (£000)	CETV at 31/03/09 (nearest £000)	CETV at 31/03/10 (nearest £000)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £000)
Sir Harry Studholme	0 – 2.5	0 - 5	-	24	21
Juliet Williams	0 – 2.5	5 - 10	149	151	6

The main actuarial assumptions are as follows:

	2009/10	**2008/09**
The inflation assumption	2.75%	2.75%
The rate of increase in salaries	4.29%	4.29%
The rate of increase for pensions in payment and deferred pensions	2.75%	2.75%
The rate used to discount scheme liabilities	4.60%	6.04%

Liability calculation:

	2009/10	**2008/09**
	£'000	**£'000**
Scheme liability at the beginning of the year	151	137
Movement in the year:		
Current service cost (net of employee contributions)	24	24
Interest cost	10	8
Employee contributions	4	3
Actuarial loss/(gain)	29	(21)
Benefits paid	(7)	-
Scheme liability at the end of the year	211	151

Experience loss/(gain) arising on the scheme liabilities:

	2009/10	2008/09
Experience loss/(gain) arising on the scheme liabilities		
Amount (£'000s)	(11)	(2)
Percentage of scheme liabilities at the end of the year	(5.3%)	(1.3%)

Pension benefits of Chief Executive and Executive Directors

Jane Henderson, Suzanne Bond, Nick Lewis, Stephen Peacock and Andrew Slade are all members of PCSPS.

Stephen Peacock is a member of the Premium Scheme.

Jane Henderson, Suzanne Bond, Nick Lewis and Andrew Slade are members of the Classic Scheme.

	Real increase in pension and related lump sum at age 60 (£000)	Total accrued pension at age 60 at 31/03/10 and related lump sum (£000)	CETV at 31/03/09 (nearest £000) *	CETV at 31/03/10 (nearest £000)	Employee contributions and transfers in (nearest £000)	Real increase in CETV after adjustment for inflation and changes in market investment factors (nearest £000)
Jane Henderson	0 – 5 plus 5 – 10 lump sum	60 - 65 plus 180 – 185 lump sum	1206	1341	0 - 5	71
Suzanne Bond	0 – 5 plus 0 – 5 lump sum	10 - 15 plus 35 - 40 lump sum	152	181	0 – 5	18
Nick Lewis	0 – 5 plus 5 – 10 lump sum	25 - 30 plus 85 - 90 lump sum	494	573	5 – 10	41
Stephen Peacock	0 – 5	5 – 10	82	108	0 – 5	17
Andrew Slade	0 – 5 plus 5 – 10 lump sum	15 - 20 plus 55 - 60 lump sum	196	240	0 – 5	30

*The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

Civil Service Pensions

Pension benefits are provided through Civil Service pension 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 changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined

benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).
Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the 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 hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. 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 (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. 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 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 members of classic, premium and classic plus and 65 for members of nuvos.

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

<u>Cash Equivalent Transfer Values</u>

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out 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 taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) scheme is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009/10, employers' contributions of £2,263,072 were payable to the PCSPS (2008/09 £2,418,626) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010/11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009/10 to be paid when the member retires and not the benefits paid during this period to existing pensioners. At the Balance Sheet date outstanding contributions to the scheme were £188,858 (2008/09 £242,317).

Classic Scheme

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

Premium Scheme

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

Classic Plus Scheme

This is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

Nuvos Scheme

Benefits accrue at the rate of 2.3% of pensionable salary for each year of service. The maximum pension that Nuvos will provide is 75% of pensionable earnings. As with premium, there is no automatic lump sum, but members may commute part of their pension for a lump sum up to a maximum of 7/30th or their pension. Unlike the other PCSPS defined benefit schemes, Nuvos has a pension age of 65. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse, civil partner or eligible partner at the rate of 3/8ths of the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of twice pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service may be enhanced to what they would have accrued at age 65.

Pensions payable under classic, premium, classic plus and nuvos are increased in line with the Retail Prices Index.

Partnership Pension Scheme

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £31,073 (2008/09 £33,630) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,001 (2008/09 £2,211), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. Contributions due to the partnership pension providers at the balance sheet date were £2,295 (2008/09 £3,097). Contributions prepaid at that date were £nil (2008/09 £nil).

Homes & Communities Agency Pension Scheme (formerly English Partnerships Pension Scheme)

Former employees of Homes & Communities Agency participate in the Homes & Communities Pension Scheme. The Homes & Communities Scheme is a multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2008 and more details can be found in the separate scheme statement of the Homes & Communities Pension Scheme. For 2009/10, normal employer contributions of £167,501 were payable to the Homes & Communities Pension Scheme (2008/09 £140,375) at the rate of 29.1 percent of pensionable pay. Employer's contribution rates are reviewed every 3 years following a scheme valuation by the scheme actuary. Following the latest actuarial valuation, the employer's contribution rate was increased from 23.8% to 29.1% of pensionable salaries from 1 April 2009. 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 Balance Sheet date there were outstanding contributions to the scheme of £12,768 (2008/09 £13,550).

Sickness absence

The average number of days of sickness absence taken by staff during the year was 5.7 days. In total, 2,008 sickness absence days were taken by staff during the year.

Sir Harry Studholme Chairman

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Jane Henderson Chief Executive/Accounting Officer

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Statement on Internal Control

1. Scope of responsibility

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

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Agency's polices, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Agency for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

A key part of the Agency's role is the pursuit of economic development through the taking of commercial and other business risks which the private sector might ordinarily not be prepared to take. In public sector terms, the Agency has a higher than normal 'risk appetite' concentrating on how to manage risk rather than avoid it. The RDA takes a positive approach, recognising the benefits that can be secured from an effective and confident approach to risk management. At the same time South West RDA is a public body, accountable to Parliament, and operating in a governance framework set and monitored by the Treasury and the sponsoring Department. This, rightly, requires compliance with the highest standards on legal and financial matters, and to be able to account in detail for decisions and actions.

Over the past two years the environment in which we operate has become inherently more volatile. The Executive Team and Board have recognised the dramatic changes to the Agency's risk profile and the heightened need for strong leadership on risk management in these challenging times. The Executive Team and Board have kept the Corporate Risks under review throughout the year. We rapidly prioritised resources to provide additional support to businesses through the recession including the establishment of the Regional Business Forum and Regional Economic Task Group (jointly with GOSW) to strengthen intelligence on how the recession was affecting South West businesses. Following reductions to our budget in 2009/10 we further prioritised, focusing on investments which ensure the South West is well positioned for long term recovery.

Following the general election on 6 May 2010, the new coalition Government outlined a series of proposed changes to how local economic development will be delivered, including the creation of Local Enterprise Partnerships to replace Regional Development Agencies. The June 2010 budget confirmed that the Government intends to abolish Regional Development Agencies through the Public Bodies Bill, and that it will issue a White Paper in the summer of 2010 which will set out details of these proposals. While uncertainty about the precise nature of future economic development structures across government, regions and local authority administrations remains, there are heightened risks over our project delivery, budgets and staffing. The Executive Team has closely monitored our risk profile throughout this period and will continue to do so to ensure as smooth a transition as possible to the new local economic delivery arrangements.

4. The risk and control framework

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

- **Risk Management Policy and Strategy:** Our Risk Management Policy sets out risk management roles and responsibilities. Our Risk Management Strategy sets the overarching principles behind risk management and has four linked elements – identifying, assessing, addressing and reviewing and reporting risks. The Risk Management Strategy outlines how we follow good practice and strive to gain respect from our stakeholders for our ability to strike a balance between risk and opportunity. Our Audit Committee monitors the implementation of the Risk Management Strategy on behalf of the Board. We have a Risk Management staff handbook in place to guide staff and an electronic system is used by staff to record risks.

- **Corporate Risks:** Corporate risks are those that are considered to represent a risk to the Agency's ability to function and deliver its statutory purpose. They may be strategic, financial or reputational in nature. The Agency is likely to have 10-12 identified corporate risks at any one time. Corporate risks are reviewed by the Board, Audit Committee and Executive Team. The frequency of this review has increased in response to the challenging and changing environment in which we operate, for example the Audit Committee receives quarterly updates on risk and the

Executive Team considers risk on an ongoing basis. The Audit Committee has worked with internal audit to ensure the internal audit strategy continues to align with the corporate risk areas.

- **Project Risks:** Project risks are those associated with the development and delivery of individual projects. They are generally identified and kept under review by those most closely associated with the project. Some projects may be of a size, scale or nature such that the risks associated with these projects represent risks at a corporate level. These risks are identified and kept under review by Executive Directors and their respective Directorate Management Teams.

- **Business Planning:** Risk Management is incorporated in the Agency's decision making process and is a key part of the business planning and appraisal systems where risks are documented and reviewed. We also apply formal project management procedures to construction, ICT and other major projects, incorporating the documentation and management of risks. BIS sets out a clear framework (including the Accountability and Financial Framework) within which the Agency refers projects which are over £10m or novel and contentious to the Department for approval.

- **Stakeholder Management:** We engaged proactively with stakeholders in developing our response to the recession. When it became clear that additional prioritisation was required, owing to cuts in our budget, we informed partners at an early stage that all projects would need to be reassessed. The positive nature of our work to engage and communicate with them on this matter which presented a risk to both the Agency and our partners was recognised at the Chartered Institute of Public Relations' Pride Awards for 2009 where the Agency won the awards for "Best Crisis Communications" and "Best Public Sector Campaign".

- **Information Risk:** The Agency continues to be vigilant in the light of the continued information security breaches in the public and private sectors and the rise of state sponsored hacking. During 2009, Internal Audit reviewed all Information and Communication Technology and Business Continuity provisions and concluded that compliance was strong. The Agency has maintained its ISO:27001 accreditation with no corrective actions being raised at the last audit. The Agency is fully engaged with the Cabinet Office Security Policy Framework.

5. 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 work of the Internal Auditors and the senior management team within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the National Audit Office in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit

Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Each Executive Director has considered risk management and the operation of internal controls within their Directorate, including consideration of the risk of fraud, and has written to me under the following headings:

- Nature and scale of risks and how they are managed and monitored;
- Weaknesses or failure in controls during the year (if any);
- Taking account of the controls, the likelihood of risks crystalising;
- The costs of operating particular controls relative to the benefit obtained from managing the related risks (if an issue).

The Executive Directors have been able to conclude that the controls in their area have been operating satisfactorily during the year and that the corporate risks for which their Directorate are responsible continue to be managed satisfactorily.

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

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

Clear responsibility for managing risk lies with the Board, Directors and staff of South West RDA. Internal Audit plays a crucial role in the risk management process by focusing activity on the Corporate risks and auditing the risk management process and its application.

South West RDA has appointed KPMG as independent Internal Auditors, who operate in accordance with Government Internal Audit Standards and to an Internal Audit Plan approved by the Audit Committee. Internal Audit submits regular reports on the adequacy and effectiveness of the Agency's systems of internal control and the management of Corporate risks together with recommendations for improvement. I review these reports together with the management responses, assisted and guided by the Audit Committee. The status of Internal Audit recommendations is regularly reported to the Audit Committee.

Following completion of the planned work for 2009/10, 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 South West RDA's risk management, control and governance processes. In our opinion South West RDA has adequate and effective risk management, control and governance processes to manage the achievement of its objectives. In giving this opinion it should be noted that assurance can never be absolute and, therefore, only reasonable assurance can be provided that there are no major weaknesses in these processes. Notwithstanding our overall opinion, our work identified a number of opportunities for improving controls and procedures to which management has responded positively.*"

There are no significant control issues to report.

While we cannot eliminate risk, I believe our risk and control framework prepares us for challenges that lie ahead.

Jane Henderson Chief Executive/Accounting Officer

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the South West of England Regional Development Agency for the year ended 31 March 2010 under the Regional Development Agencies Act 1998. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the Audit of the Financial Statements

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

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the South West of England Regional Development Agency's affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Regional Development Agencies Act 1998 and directions issued thereunder by the Secretary of State.

Emphasis of Matter – Going Concern

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in note 24 to the financial statements concerning the application of the going concern principle. This is in the light of the Government's announcement in the June 2010 budget that it intends to abolish the Regional Development Agencies through the Public Bodies Bill, and that it will issue a White Paper in summer 2010 setting out details of these proposals. These circumstances indicate the existence of material uncertainty which may cast doubt upon the ability of South West if England Regional Development Agency to continue as a going concern. The financial statements do not include the adjustments that would result if the South West of England Regional Development Agency was unable to continue as a going concern.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept or
- the financial statements are not in agreement with the accounting records or returns; or

- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse

Comptroller and Auditor General

National Audit Office, 157-197 Buckingham Palace Road

Victoria, London, SW1W 9SP

Financial Statements

Net Expenditure Account for the year ended 31 March 2010

	Note	2009/10 £000	2008/09 £000
Expenditure			
Programme expenditure	3	126,204	148,412
European funded programme expenditure	4	54,366	11,172
Staff costs	5	18,245	19,457
Depreciation	10	770	916
Other Admininistation Expenditure	6	7,191	6,706
Book value of inventories sold	12	859	11,973
Other losses	7	37,116	39,708
Total Expenditure		**244,751**	**238,344**
Income			
European funded income	8	56,381	13,247
Other income	9	14,414	4,867
Profit on disposal of property, plant and equipment		1	0
Proceeds from sale of inventories		1,171	12,118
Total income		**71,967**	**30,232**
Net expenditure		**172,784**	**208,112**
Cost of capital		1,734	3,608
Interest payable		4	203
Interest receivable		(293)	(1,427)
Net expenditure before tax		**174,229**	**210,496**
Tax expense	21	437	1,960
Net expenditure after tax		**174,666**	**212,456**
Reversal of notional cost of capital		(1,734)	(3,608)
Net expenditure taken to reserves		**172,932**	**208,848**

All activities are from continuing operations
Net expenditure is financed by Grant in Aid as explained in note 1.2
The notes on pages 58 to 74 form part of these accounts

Financial Statements

Statement of Financial Position as at 31 March 2010

	Note	As at 31/03/10 £000	As at 31/03/09 £000	As at 1/04/08 £000
Non Current Assets				
Property, plant & equipment	10	25,995	27,902	28,169
Investments in associates and joint ventures	23	-	-	-
Loans and receivables	11	335	533	1,228
Total Non Current Assets		26,330	28,435	29,397
Current Assets				
Inventories	12	41,397	64,265	104,091
Trade and other receivables	13	856	1,090	1,038
Other current assets	13	23,753	14,279	5,514
Cash and cash equivalents	14	27,285	15,372	21,720
Total Current Assets		93,291	95,006	132,363
Total Assets		**119,621**	**123,441**	**161,760**
Current Liabilities				
Trade and other payables	15	3,654	4,456	7,619
Other liabilities	15	82,099	49,069	14,303
Current tax liabilities	21	1,078	1,406	757
Total Current Liabilities		86,831	54,931	22,679
Non Current Assets Plus Net Current Assets		**32,790**	**68,510**	**139,081**
Non Current Liabilities				
Deferred tax liability	16	-	-	1,029
Provisions	16	1,507	723	325
Total Non Current Liabilities		1,507	723	1,354
Assets Less Liabilities		**31,283**	**67,787**	**137,727**
Reserves				
Grant in Aid reserve		18,678	53,772	120,158
General reserve		(211)	(151)	(137)
Revalution reserve		12,816	14,166	17,706
		31,283	67,787	137,727
Total Reserves		**31,283**	**67,787**	**137,727**

These financial statements were approved by the Board on 9 July 2010 and were signed on its behalf by:

Sir Harry Studholme Chairman

Jane Henderson Chief Executive/ Accounting Officer

Financial Statements

Statement of Cash Flows for the year ended 31 March 2010

	Note	2009/10 £000	2008/09 £000
Net Cash Outflow From Operating Activities	17	**(126,112)**	**(146,243)**
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	10	(237)	(2,708)
Net Cash Outflow From Investing Activities		**(237)**	**(2,708)**
Cash Flows From Financing Activities			
Proceeds from sale of property, plant and equipment		660	575
Receipts from repayment and redemption of loans		2	20
Grant in Aid received		137,600	142,008
Net Financing		**138,262**	**142,603**
Net Increase/(Decrease) In Cash and Cash Equivalents In The Period		**11,913**	**(6,348)**
Cash and Cash Equivalents At The Beginning Of The Period	14	15,372	21,720
Cash And Cash Equivalents At The End Of The Period	14	27,285	15,372

Financial Statements

Statement of Changes in Reserves for the year ended 31 March 2010

	Grant in Aid Reserve £000	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
Changes In Taxpayers' Equity 2008/09				
Balance at 1st April 2008	120,021	17,706	-	137,727
Effect of creation of general reserve to match By Analogy Pension scheme provision	137	-	(137)	-
Restated balance at 1 April 2008	120,158	17,706	(137)	137,727
Changes in reserves for 2008/09				
Net loss on revaluation of inventory	-	(2,190)	-	(2,190)
By Analogy Pension Scheme transfer	14	-	(14)	-
Disposal transfer	440	(440)	-	-
Property, Plant & Equipment revaluation	-	(1,396)	-	(1,396)
Property depreciation	-	486	-	486
Retained deficit	(208,848)	-	-	(208,848)
Total Recognised Income And Expense for 2008/09	(88,236)	14,166	(151)	(74,221)
Grant in Aid received	142,008	-	-	142,008
Balance at 31st March 2009	**53,772**	**14,166**	**(151)**	**67,787**
Changes In Taxpayers' Equity 2009/10				
Balance at 1st April 2009	53,772	14,166	(151)	67,787
Changes in reserves for 2009/10				
Net loss on revaluation of inventory	-	(1,007)	-	(1,007)
By Analogy Pension Scheme transfer	60	-	(60)	-
Disposal transfer	178	(178)	-	-
Property revaluation	-	(627)	-	(627)
Property depreciation	-	462	-	462
Retained deficit	(172,932)	-	-	(172,932)
Total Recognised Income And Expense for 2009/10	(118,922)	12,816	(211)	(106,317)
Grant in Aid received	137,600	-	-	137,600
Balance at 31st March 2010	**18,678**	**12,816**	**(211)**	**31,283**

Notes to the Financial Statements

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies in the FReM apply international Financial Reporting Standards (IFRS) as adopted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the South West Regional Development Agency (the Agency) for the purpose of giving a true and fair view has been selected. The particular policies adopted by the South West Regional Development Agency for the reportable activity are detailed below. They have been applied consistently in dealing with items that are considered material to the accounts.

Basis of Accounting

The Financial Statements of the Agency have been prepared in a form directed by the Secretary of State for the Department for Business, Innovation and Skills, with the approval of HM Treasury, in accordance with the Regional Development Agencies Act 1998.

1.1 Accounting Convention

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

1.2 Grants In Aid

Grants in aid are treated as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPB's.

1.3 Property Plant and Equipment

Buildings are carried at fair value.

Investment properties are carried at fair value with upward revaluations being credited to the Revaluation Reserve and downward revaluations being charged to the Net Expenditure Account to the extent that there is no credit on the Revaluation Reserve.

Valuations are carried out in accordance with best practice as contained in the Statement of Asset Valuation Practice and Guidance Notes (6th Edition) published by the Royal Institute of Chartered Surveyors.

Depreciated historical cost has been used as a proxy for fair value for leasehold improvements, information technology and furniture and fittings as these classes of assets have short useful lives.

The capitalisation thresholds are £10,000 for individual items and £30,000 for pooled items. Intangible operating assets consisting of software licences are charged direct to the Net Expenditure Account.

Acquisitions and disposals of land and buildings are accounted for on the date of legal completion.

1.4 Depreciation

Depreciation is provided to write off the cost of tangible fixed assets over their anticipated useful lives on a straight line basis at the following annual rates:

Freehold buildings and investment properties	50 years
Improvements to leasehold buildings with less than 25 years to run	Period of lease
Furniture and fittings	4 years
Information technology	3 years

1.5 Inventories

Inventories, consisting of development land and buildings and work in progress, are shown at the lower of replacement cost taking into account the full costs and restrictions associated with regeneration and net realisable value. The Agency treats valuations of development assets individually with upward revaluations being credited to the Revaluation Reserve and downward revaluations being charged to the Net Expenditure Account to the extent that there is no credit on the Revaluation Reserve against which such a loss can be charged.

1.6 Government Grants

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. Government grants received to finance activities and expenditure which support the statutory and other objectives of the entity are treated as financing, credited to the Grant in Aid Reserve, because they are regarded as contributions from a controlling party.

1.7 Financial Instruments

a) Financial assets

The financial assets of the Agency are classified into the category of loans and receivables and cash. The classification depends on the nature and purpose of the financial assets.

The category of loans and receivables includes trade receivables, loans, other debtors and cash that have fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition at fair value plus transaction costs, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Interest income from these financial assets is calculated on an effective yield basis and is recognised in the net expenditure account, except for short-term receivables and cash when the recognition of interest would be immaterial.

Partnership workspace schemes are the Agency's investment with partners, mainly local authorities, to provide workspace. These schemes provide rental income to the Agency and have been disclosed in the Balance Sheet as a financial asset at a valuation based on the present value of estimated future rental income. Expenditure on these projects is written off in the year of spend.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Agency has transferred substantially all risks and rewards of ownership.

b) Financial liabilities and equity instruments

The financial liabilities of the Agency are all classified into the category of other financial liabilities.

The category of other financial liabilities includes trade payables, borrowings and other creditors. Other financial liabilities are initially measured at fair value, net of transaction costs and then subsequently measured at amortised cost using the effective interest method. The Agency only has short-term liabilities and therefore the recognition of interest expense would be immaterial.

The Agency derecognises financial liabilities when the Agency's obligations are discharged, cancelled or they expire.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The equity instrument of the Agency is reserves and is measured in the balance sheet at nominal value.

c) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. The assessment may be of individual assets or a portfolio of assets. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For individual assets, objective evidence of impairment could include missed payments, arrangements in place to pay less than the contractual payments, fraud and bankruptcy and other financial difficulties. For a portfolio of assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of assets could include past experience of collecting payments, an increase in the number of delayed payments and observable changes in national or local economic conditions that correlate with default on receivables.

For loans and receivables, where there is objective evidence that an impairment loss exists, impairment provisions are made to reduce the carrying value of the financial assets to the present value of estimated future cash flow, discounted at the financial assets original effective interest rate.

The charge to the net expenditure account reflects the movement in the level of provisions made, together with any amounts written off net of amounts recovered in the year. No loan or receivable is written off until the impossibility of recovery is beyond doubt. Approval from BIS is obtained for any write-off in excess of £250,000.

1.8 Pension Costs

The Agency's employees are predominantly members of the Principal Civil Service Pension Scheme (PCSPS) which is a non contributory defined benefit scheme and is unfunded, or one of the following schemes: the Homes & Communities Agency Pension Scheme which is a defined benefit scheme; or the Partnership Pension Scheme which is a stakeholder pension scheme. The 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.

The By-Analogy Scheme is for the present and former 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.

1.9 Deferred taxation

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

Notes to the Financial Statements

1.10 Foreign Exchange

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

1.11 European Grants

The Agency's activities are funded in part by European Funding for specified types of expenditure. European Funding Grants receivable of a revenue nature are credited to the Net Expenditure Account in the year to which they relate.

1.12 Leases

Operating lease rentals are charged to the Net Expenditure Account over the period of the lease.

The Agency does not hold any finance leases.

1.13 Special Purpose Entities

Investments in associates and joint ventures

An associate is an entity over which the Agency has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

A joint venture is a contractual arrangement whereby the Agency and other parties undertake an economic activity that is subject to joint control, that is when the strategic and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

There are three types of joint venture, jointly controlled operations, jointly controlled assets and jointly controlled entities. The agency has both jointly controlled assets and jointly controlled entities.

The results and assets and liabilities of associates and joint ventures are incorporated into these financial statements using the equity method of accounting. Under the equity method, investments in associates and joint ventures are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Agency’s share of the net assets of the associate, less any impairment in value.

The jointly controlled asset relates to an agreement with St Modwen Developments Ltd. This agreement is that St Modwen Developments Ltd will develop land owned by the Agency and the Agency will receive a proportion of income from the sale of the land when it has been built on. The jointly controlled asset is held at fair value. There were no associated assets or liabilities or income and expenses related to the jointly controlled asset in the period.

1.14 Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that the Agency will be required to settle the obligation and where the amount of the obligation can be reliably estimated.

Provisions have been made for early retirement costs, onerous leases and the By-Analogy Pension Scheme. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

1.15 Capital Charge

A charge, reflecting the cost of capital utilised by the Agency is included in the Net Expenditure Account. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for :

a property, plant and equipment where the cost of capital charge is based on opening values, adjusted pro-rata for in year:

- additions at cost
- disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal)
- impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure)
- depreciation of property plant and equipment

b donated assets, and cash balances with the Office of the Paymaster General, where the charge is nil

1.16 VAT

The Financial Statements are prepared net of recoverable VAT.

Notes to the Financial Statements

1.17 Income

Revenue consists of European funded income, grants, proceeds from sale of inventories and other income. Grant revenue is recognised based on the terms of the relevant agreement. Proceeds from the sale of inventories are recognised upon completion. Other income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

1.18 Reserves

Grant in aid
Grants in aid are treated as financing and credited to the Grant in Aid reserve because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of the Agency.

Revaluation reserve

The Revaluation Reserve comprises of upward revaluations in property, plant and equipment and inventories. Any downward revaluations are charged to the Net Expenditure Account to the extent that there is no credit on the Revaluation Reserve against which such a loss can be charged.

General Reserve

The General Reserve has been created to reflect the provision for the By-Analogy Pension Scheme for the present Chairman with rules equivalent to PCSPS. The arrangement is unfunded and the employer pays benefits as and when they arise. The provision represents an estimate of future payments to the Chairman following retirement. Further details are provided in the Remuneration Report.

Notes to the Financial Statements

2 First-time adoption of IFRS

	Grant in Aid Reserve £000	Revaluation reserve £000	General Fund £000
Taxpayers' equity at 31 March 2009 under UK GAAP	54,902	13,502	(151)
Adjustments for:			
IAS 16 - revaluation of property plant and equipment	-	267	-
IAS 18 - holiday pay accrual	(363)	-	-
IAS 39 - revaluation of partnership workspace	84	(84)	-
IAS 16 - depreciation of investment properties	(481)	481	-
IAS 12 - current tax charge	(370)	-	-
Taxpayers' equity at 1 April 2009 under IFRS	**53,772**	**14,166**	**(151)**

	£000
Net expenditure for 2008/09 under UK GAAP	(208,141)
Adjustments for:	
IAS 18 - holiday pay accrual	(48)
IAS 36 - impairment of joint venture	192
IAS 16 - depreciation of investment properties	(481)
IAS 12 - current tax charge	(370)
Net Expenditure for 2008/09 under IFRS	**(208,848)**

Under UK GAAP the Agency accounted for certain assets as investment properties. These items do not meet the IAS 40 definition of investment properties following the transition to IFRS. Therefore assets previously held under 'investment properties' are now held under 'Property, Plant and Equipment' per IAS 16.

3 Programme expenditure

	Total programme expenditure 2009/10 £000	Total programme expenditure 2008/2009 £000
Low Carbon	9,086	5,551
Successful Businesses	54,695	60,887
Prosperous Places	42,047	26,565
Leadership & Advocacy	5,170	3,814
Former Programmes - Exits	15,206	51,595
	126,204	**148,412**

Former Programmes - Exits are primarily older, longer running projects or programmes which no longer fit the Agency's evolving current priorities. The projects are coming to a natural closure or a managed exit.

Analysis of programme expenditure by key theme is reported to the Board on a quarterly basis. Discrete financial information regarding assets and liabilities are not reported in such a way.

4 European funded programme expenditure

	Total programme expenditure 2009/10 £000	Total programme expenditure 2008/2009 £000
Low Carbon	6,232	455
Successful Businesses	26,095	9,140
Prosperous Places	19,232	1,577
Leadership & Advocacy	1,462	0
Former Programmes - Exits	1,345	0
	54,366	**11,172**

Former Programmes - Exits are primarily older, longer running projects or programmes which no longer fit the Agency's evolving current priorities. The projects are coming to a natural closure or a managed exit.

Analysis of programme expenditure by key theme is reported to the Board on a quarterly basis. Discrete financial information regarding assets and liabilities are not reported in such a way.

5 Staff Numbers and Related Costs

	Total 2009/2010 £000	Permanently employed staff 2009/2010 £000	Temporary staff 2009/2010 £000	Total 2008/2009 £000
Wages and salaries	14,318	13,720	598	14,765
Social security costs	1,037	1,018	19	1,079
Other pension costs	2,723	2,686	37	3,053
Redundancy Costs	346	346	-	806
Sub Total	18,424	17,770	654	19,703
Less recoveries in respect of outward secondments	(179)	(179)	-	(246)
Total net costs	**18,245**	**17,591**	**654**	**19,457**

Details of the Agency's pension schemes are disclosed in Note 1.8 and in the Remuneration Report.

Average numbers of persons employed
The average number of whole-time equivalent persons during the year were as follows

	Permanent staff 2009/2010 Numbers	Others 2009/2010 Numbers	Total 2009/2010 Numbers	Total 2008/2009 Numbers
Directly employed	323	11	334	346
Temporary staff	0	5	5	16
Total	323	16	339	362

6 Other Administrative Expenditure

	2009/2010 £000	2008/09 £000
Running costs	5,265	5,625
Rentals under operating leases	1,780	1,017
Auditors' remuneration - statutory	62	59
Auditors' remuneration - IFRS audit services	7	5
Auditors' remuneration - Independent Supplementary Review	77	-
Total	**7,191**	**6,706**

During the year the Agency purchased the following non audit services from its auditor, the National Audit Office; IFRS audit - £6,500, ISR audit £77,375.

Running costs relate to Information Technology and communications, rates and service charges, other office costs, estate management of our investment properties, marketing and public relations, professional fees, travel and subsistence, recruitment and training.

Notes to the Financial Statements

7 Other Losses

	2009/2010 £000	2008/09 £000
Loss on disposal of property, plant and equipment	-	2
Loss on disposal of partnership workspace	10	-
Bad debts written off and movements in provision for bad and doubtful debts	(66)	304
Partnership workspace write down	186	67
Joint venture write down	-	6,168
Property, Plant & Equipment write down	3,030	2,572
Inventories write down	33,956	30,595
	37,116	**39,708**

8 European Funding

	2009/10 £000	2008/09 £000
European Regional Development Fund	56,301	13,424
Direct EU Grants	80	(177)
	56,381	**13,247**

9 Other Income

	Note	2009/10 £000	2008/09 £000
Other Government Grants		4,070	271
Partner Contributions		666	462
Rental income		4,201	3,854
Joint venture write back	23	3,907	-
Sundry income		1,570	280
		14,414	**4,867**

Notes to the Financial Statements

10 Property, Plant and Equipment

	Investment Properties		Other Property, Plant and Equipment				
	Land at fair value	Buildings at fair value	Buildings at fair value	Leasehold improvement at cost	Information Technology at cost	Furniture and fittings at cost	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or valuation							
As at 1 April 2009	2,530	24,047	445	1,152	1,860	912	30,946
Additions in year	-	2	73	108	18	36	237
Transfers in from Development assets	-	2,480	-	-	-	-	2,480
Revaluation	(85)	(459)	(83)	-	-	-	(627)
Writedown	(5)	(3,025)	-	-	-	-	(3,030)
Disposals in year	(250)	(408)	-	-	(9)	(264)	(931)
As at 31 March 2010	2,190	22,637	435	1,260	1,869	684	29,075
Depreciation							
As at 1 April 2009	-	-	-	690	1,442	912	3,044
Charge for the year	-	453	9	69	238	1	770
Revaluation	-	(453)	(9)	-	-	-	(462)
Disposals in year	-	-	-	-	(8)	(264)	(272)
As at 31 March 2010	-	-	-	759	1,672	649	3,080
Net book value							
As at 31 March 2010	**2,190**	**22,637**	**435**	**501**	**197**	**35**	**25,995**
As at 1 April 2009	**2,530**	**24,047**	**445**	**462**	**418**	-	**27,902**
Asset financing							
Owned (net book value)	2,190	22,637	435	501	197	35	25,995
Cost or valuation							
As at 1 April 2008	2,685	23,825	515	1,165	1,693	930	30,813
Additions in year	-	2,535	-	2	171	-	2,708
Transfers in from Development assets	-	2,000	-	-	-	-	2,000
Revaluation	(85)	(1,241)	(70)	-	-	-	(1,396)
Writedown	-	(2,572)	-	-	-	-	(2,572)
Disposals in year	(70)	(500)	-	(15)	(4)	(18)	(607)
As at 31 March 2009	2,530	24,047	445	1,152	1,860	912	30,946
Depreciation							
As at 1 April 2008	-	-	-	615	1,109	920	2,644
Charge for the year	-	481	5	84	336	10	916
Revaluation	-	(481)	(5)	-	-	-	(486)
Disposals in year	-	-	-	(9)	(3)	(18)	(30)
As at 31 March 2009	-	-	-	690	1,442	912	3,044
Net book value							
As at 31 March 2009	**2,530**	**24,047**	**445**	**462**	**418**	-	**27,902**
As at 1 April 2008	**2,685**	**23,825**	**515**	**550**	**584**	**10**	**28,169**
Asset financing							
Owned (net book value)	2,530	24,047	445	462	418	-	27,902

A valuation of freehold buildings was carried out as at 31st December 2009, which was undertaken by an independent valuer, GVA Grimleys, Chartered Surveyors.

Properties have been valued on the basis of Market Value defined in the Valuation Standards as:-

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Notes to the Financial Statements

11 Financial Instruments

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

Loans and receivables

	2009/10 £000	2008/09 £000	As at 1/04/08 £000
Partnership workspace	335	531	598
Long Term Loans	-	2	630
	335	**533**	**1,228**

Financial risk management

The Agency has received approval from the Secretary of State for the Agency to borrow up to a maximum of £5 million via overdraft from the Bank of Scotland for 30 days. At the year end the Agency had an overdraft of £nil. The Agency relies primarily on departmental grants for its cash requirements and is therefore not exposed to liquidity risks. It has no material deposits and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk. Transactions entered into which result in non current receivables have a low credit risk. Trade receivables consist of a number of customers which are spread across diverse industries. Ongoing credit evaluation is carried out on the financial condition of accounts receivable.

Fair value estimation

The Agency considers that true carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

12 Inventories

	Note	2009/10 £000	2008/09 £000	As at 01/04/08 £000
Valuation at 1 April		64,265	104,091	107,000
Additions in year		15,434	6,932	10,603
Transferred from investment properties		-	-	1,850
		79,699	111,023	119,453
Book value of inventories sold		(859)	(11,973)	(6,390)
Inventory write down	7	(33,956)	(30,595)	(5,991)
Transfers to investment property		(2,480)	(2,000)	-
Transfer from revaluation reserve		(1,007)	(2,190)	(2,981)
Valuation as at 31 March		**41,397**	**64,265**	**104,091**

Inventories relate to development land and buildings and work in progress.

Notes to the Financial Statements

13 Trade receivables and Other Current Assets

	2009/10 £000	2008/09 £000	As at 01/04/08 £000
Amounts falling due within one year:			
Trade receivables	1,284	1,695	1,336
Bad and doubtful debts	(428)	(605)	(298)
	856	**1,090**	**1,038**
Prepayments and accrued income	3,068	5,247	4,826
Other receivables	19,778	8,729	648
VAT	907	303	40
	23,753	**14,279**	**5,514**

The average credit period on trade receivables is 46 days. No interest is charged on trade receivables. The Agency provided for trade receivables based on estimated irrecoverable amounts, determined by past default experience.

Included in the Agency's trade receivables are receivables with a carrying amount of £245,000 (31st March 2009 £323,000) which are past due at the reporting date for which the Agency has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Receivables - Intra-government balances	2009/10 £000	2008/09 £000
Balances with other central government bodies	21,138	8,297
Balances with local authorities	475	791
Balances with NHS Trusts	-	32
Balances with bodies external to government	2,996	6,249
	24,609	**15,369**

14 Cash and Cash Equivalents

	2009/10 £000	2008/09 £000
Balance at 1 April	15,372	21,720
Net change in cash and cash equivalent balances	11,913	(6,348)
Balance at 31 March	**27,285**	**15,372**
The following balances at 31 March were held at:		
Commercial banks and cash in hand	27,285	15,372
Balance at 31 March	**27,285**	**15,372**

Notes to the Financial Statements

15 Trade Payables and Other Current Liabilities

	2009/10 £000	2008/09 £000	As at 1/04/08 £000
Amounts falling due within one year			
Trade and other payables:			
Trade payables	3,654	4,456	7,619
Other taxation and social security	359	485	387
Other payables	681	768	675
	4,694	5,709	8,681
Other Liabilities:			
Accruals and deferred income	40,070	22,791	11,207
ERDF deferred income	37,846	22,953	-
Payments received on account	3,143	2,072	2,034
	81,059	47,816	13,241
	85,753	**53,525**	**21,922**

Payables - Intra-government balances

	2009/10 £000	2008/09 £000
Balances with other central government bodies	39,564	24,380
Balances with local authorities	3,548	9,684
Balances with public corporations and trading funds	-	32
Balances with bodies external to government	42,641	19,429
	85,753	53,525

16 Provisions for Liabilities and Charges

	By Analogy Pension Scheme £000	Retirement £000	Onerous leases £000	Deferred Tax £000	Total £000
Balance at 1 April 2009	151	456	116	-	723
Provided in the year	67	(87)	811	-	791
Provisions utilised in the year	(7)	-	-	-	(7)
Unwinding of discount	-	-	-	-	-
Balance at 31 March 2010	**211**	**369**	**927**	**-**	**1,507**
Balance at 1 April 2008	137	188	-	1,029	1,354
Provided in the year	14	268	116	-	398
Provisions utilised in the year	-	-	-	(1,029)	(1,029)
Balance at 31 March 2009	**151**	**456**	**116**	**-**	**723**

By-Analogy Pension Scheme

The By-Analogy Pension Scheme relates to the present Chairman with rules equivalent to PCSPS. The arrangement is unfunded and the employer pays benefits as and when they arise. The provision represents an estimate of future payments to the Chairman following retirement. Further details are provided in the Remuneration Report.

Retirement Provision

South West RDA employees have the option to join the Principal Civil Service Pension Scheme. If an employee is made redundant, under the terms of the scheme they are entitled to monthly compensation payments up until retirement age provided that certain conditions relating to age and length of service have been met. The Agency is advised by PCSPS of the compensation amounts due and pays them on a monthly basis. Total compensation payments owing are calculated, discounted and included within the Retirement Provision.

Onerous Leases

At the year end there were three onerous leases relating to empty buildings, the remaining lease obligation has been provided for in full.

Notes to the Financial Statements

17 Reconciliation of Net Expenditure to Net Cash Outflow from Operating Activities

	2009/10 £000	2008/09 £000
Cash flows from operating activities		
Net expenditure after cost of capital and interest	(174,229)	(210,496)
Reverse cost of capital	1,734	3,608
Depreciation	770	916
Investment property revaluation write offs	3,030	2,572
(Profit) on sale of property plant and equipment	(1)	2
Decrease/(increase) in trade and other receivables	234	(52)
Decrease in inventories	22,868	39,826
Decrease in payables	(802)	(3,163)
(Increase) in other assets	(9,474)	(8,765)
Increase in other liabilities	33,030	34,766
Increase in provisions	784	398
Income taxes paid	(765)	(2,340)
Movement in other financial assets	196	675
Transfer from revaluation reserve on revaluation of inventory	(1,007)	(2,190)
Inventory transferred to property, plant and equipment	(2,480)	(2,000)
Net cash outflow from operating activities	**(126,112)**	**(146,243)**

18 Capital Commitments

	2009/10 £000	2008/09 £000
Contracted capital commitments at 31 March 2010 not otherwise included in these financial statements		
Inventory	2,667	2,584

19 Commitments Under Leases

19.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2009/10			2008/2009
	Buildings **£000**	**Others** **£000**	**Total** **£000**	**Total** **£000**
Obligations under operating leases comprise				
- Not later than one year	910	5	915	873
- Later than one year but not greater than five years	3,634	4	3,638	2,273
- Later than 5 years	4,636	-	4,636	2,667
	9,180	**9**	**9,189**	**5,813**

Rental costs of operating leases are charged to the Net Expenditure Account on a straight line basis over the term of the lease.

Operating lease commitments over 5 years relate primarily to the leasing of office space at Sterling House, Exeter, North Quay House, Plymouth and Rivergate, Bristol.

Notes to the Financial Statements

20 Contingent Liabilities

At 31 March 2010 there were no significant contingent liabilities.

21 Taxation

The Agency taxation charge based on taxable profits for the year at 28% (2008/9 - 28%) comprises:

	2009/10 £000	2008/2009 £000
Current Tax:		
Current Year	1,078	1,406
Prior Year	(641)	1,583
Total Current Tax	**437**	**2,989**
Deferred Taxation:		
Current Year	-	(1,029)
Prior Year	-	-
Total Deferred Tax	-	(1,029)
Income tax expense	**437**	**1,960**

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

Income tax:		
Net expenditure before tax	(174,229)	(210,496)
Deficit before taxation at 28% (2008/09 - 28%)	(48,784)	(58,939)
Effects of:		
Expenses not deductible for tax purposes	11,444	14,338
Depreciation in the year in excess of capital allowances	216	122
Grant funding not taxed	(376)	6,123
Prior year corporation charge	(641)	1,583
Capital gains on investment property disposals	50	-
Grant in aid adjustment	38,528	39,762
Income tax current year charge for the period	**437**	**2,989**

Notes to the Financial Statements

22 Related party transactions

The South West of England Regional Development Agency is an Executive Non-Departmental Public Body sponsored by the Department for Business, Innovation and Skills (BIS). During the year ending 31 March 2010 the Agency received Grant in Aid through BIS together with European funding through the Department for Communities and Local Government (CLG). BIS and CLG are regarded as related parties.

CLG is the sponsor body of the Homes and Communities Agency (formerly English Partnerships) and therefore the Homes and Communities Agency is also regarded as a related party. During the period, the Agency and the Homes and Communities Agency have acted in partnership on a number of projects.

BIS is the sponsor body of the other Regional Development Agencies in England and therefore the other RDAs are regarded as related parties. During the year, the Agency has jointly funded a number of projects with other RDAs. These RDAs were Advantage West Midlands, One North East, London Development Agency, East Midlands Development Agency, Yorkshire Forward, North West Development Agency, East of England Development Agency and South East England Development Agency. At the year end there was receivable balance of £10,593 (31 March 2009 £0) with Advantage West Midlands, a balance of £10,593 (31 March 2009 £22,500) with South East England Development Agency, a balance of £10,593 (31 March 2009 £0) with North West Development Development Agency and a balance of £10,593 (31 March 2009 £22,500) with One North East. There were no outstanding balances with the other RDAs at the year end.

The Board Handbook outlines the handling of conflicts of interest and requires that the Chair and other Board Members should declare any personal or business interests. All declarations are recorded in the Board minutes. In addition, a register is maintained of financial and other interests of Board Members. In many cases where there is an association with an organisation, the RDA Board Member has been appointed by the RDA to represent it to that organisation. Board Members took no part in funding decisions which concerned organisations that Board Members have connections with as reported in the Register of Members' Interests. Board funding decisions are taken collectively, not by individual Members. Grants are paid direct to the organisation concerned, not to the individual Board Members.

The following is a list of transactions with organisations in which Board Members and Executive Directors have declared an interest for 2009/10 where the Board Member/Executive Director has no equity interest in the organisation receiving or making payment:

Name	Role	Related party	Position	Nature	Total value of transactions 2009/10
Alan Courts	Board Member (term ended 13/12/2009)	National Skills Academy for Manufacturing - SW	Chairman	Expenditure- Grant	166,904
		SW Regional Advisory Group to the National Skills	Chairman	Expenditure- Other Expenditure- Grant	5,000 1,773,287
Brian Robinson	Board Member	Gloucestershire County Council	Elected Member	Expenditure- Grant Income- Other	1,778,745 379,946
		University of Gloucestershire	Member of University Court	Expenditure- Other Expenditure- Grant	163 981,200
Cathy Bakewell	Board Member	Somerset County Council	County Councillor	Expenditure- Other Sum of Balance outstanding at year end	84,203 112
		South Somerset District Council	District Councillor	Expenditure- Grant	252,669
Chris Lewis	Board Member	Torbay Council	Deputy Mayor	Income- Grant Expenditure- Grant	112,435 3,560,441
Christine Reid	Former RDA Board Member (term ended 13/12/2009)	Equality South West	Board member	Expenditure- Grant	273,773

Notes to the Financial Statements

Name	Role	Related party	Position	Nature	Total value of transactions 2009/10
Ellen Winser	Board Member	National Maritime Museum Cornwall	Chair ofTrustees/Director of all subsidiaries	Expenditure- Grant	84,200
		Sutton Harbour Holdings Plc	Shareholder	Expenditure- Other Income- Other	161,335 43,475
		Truro College	Chair/Governor	Expenditure- Grant	1,396,323
		University of Plymouth	Governor	Income- Grant Expenditure- Grant	3,509 2,463,305
John Savage	Board Member	Bristol Cultural Development Partnership Ltd	Director	Expenditure- Grant	11,750
		Destination Bristol Ltd	Joint Chairman	Expenditure- Other Expenditure- Grant	57,883 387,659
Judith Reynolds	Board Member	University of Plymouth	Board of Governors member	Income- Grant Expenditure- Grant	3,509 2,463,305
Juliet Williams	Former Chairman (retired 30/06/2009)	Institute of Directors	Member	Expenditure- Other	600
		VisitBritain	Ex Officio Board Member	Expenditure- Other	266,671
		JW By analalogy Pension	Ex Chairman	Expenditure- Other	6,513
Kelvyn Derrick	Deputy Chairman	Regen South West	Chairman	Expenditure- Grant Sum of Balance outstanding at year end	1,095,089 17,233
Nick Buckland	Board Member	Institute of Directors	Member	Expenditure- Other	600
		Plymouth City Development Company	Non-executive Board Member	Income- Other Expenditure- Grant Income- Balance outstanding at year end Expenditure- Balance outstanding at year end	8,230 311,590 8,001 113,392
		Tamar Science Park	Non Exec Chairman	Expenditure- Other	56
		University of Plymouth	Chair of Govenors	Income- Grant Expenditure- Grant	3,509 2,463,305
Peter Madden	Board Member	Forum For The Future	Chief Executive	Expenditure- Other	10,350
Philip Young	Board Member	Swindon Borough Council	Councillor & Cabinet member	Expenditure- Grant	3,785,448
Professor Steve Smith	Board Member	University of Exeter	Vice Chancellor	Expenditure- Other Expenditure- Grant	220,945 2,276,285
Sir Harry Studholme	Chairman	for Rural Research Advisory Board	Chairman	Expenditure- Other Expenditure- Grant	220,945 2,276,285
		Forestry Commission	GB Commissioner	Expenditure- Other	4,000
		Institute of Directors	Member	Expenditure- Other	600
		South West Chamber of Rural Enterprise	Chairman	Expenditure- Other	1,798
Suzanne Bond	Executive Director of People and Skills	VisitBritain	Ex-officio Board member	Expenditure- Other	206,158

Notes to the Financial Statements

23 Interest in Associates and Joint Ventures

Investments in Associates
Details of the associates are as follows:

Name of undertaking	Interest at year end	Nature of business	Note Ref
Temple Quay Management Limited	24%	Property management company	1, 2, 3

1 Temple Quay Management Limited has no assets and collects rental and service income from tenants of Temple Quay to meet the common outgoings of the estate. Any shortfall in income over expenditure is collected pro-rata from the tenants (including South West RDA), and any excess is returned to the tenants (including South West RDA) pro-rata. Thus the company records no profit or loss and maintains a balance sheet net worth of £996, being the value of the issued share capital which is wholly owned by the tenants in proportion to the area of the estate occupied by them. Temple Quay Management Limited has been excluded from consolidation in the accounts of the Agency on the grounds that it is immaterial for the purpose of giving a true and fair view.

2 The following amount was due from the Agency to Temple Quay Management Limited at 31 March 2010- £3,890 (31 March 2009- £3,234). There were no other balances due between the Agency and the associated undertakings shown above at 31st March 2010 (31st

3 The share capital of Temple Quay Management Limited comprises 994 ordinary shares of £1 each and 2 special ordinary shares of £1 each all held at par. The Agency's interest in the share capital of Temple Quay Management Limited amounted to 237 ordinary shares and 2 special ordinary shares at the year end.

Summarised financial information in respect of the Agency's associates is set out below:

	2009/10	2008/09
	£000	£000
Total assets	294	244
Total liabilities	293	243
Net assets	1	1
Agency's share of net assets of associates	**0**	**0**
Total revenue	456	479
Total profit for the period	0	0
Agency's share of profits of associates	**0**	**0**

Up to 16 March 2010 the Agency held 33.3% interests in both Finance Cornwall Limited and Finance South West Limited (both entities are companies limited by guarantee). With effect from 16 March 2010 the Agency stood down from membership of Finance Cornwall Limited and Finance South West Limited. The Agency has no residual liabilities or obligations in relation to these two companies.

Prior to stepping down as a member from Finance Cornwall Limited and Finance South West Limited, the Agency had no entitlement to income, had no controlling influence over voting rights and the Agency's financial liability was limited to £100 towards Finance Cornwall Limited and Finance South West Limited in the event of the companies winding up. Accordingly the Agency has not consolidated the results of Finance Cornwall Limited and Finance South West Limited into it's financial statements for the period up to 16th March 2010.

Joint Ventures
The Agency has interests in the following entities:

Name of undertaking	Interest at year end	Nature of business	Note Ref
Camborne Pool Redruth Urban Regeneration Company Limited	25%	Regeneration	1, 2
The New Swindon Company Limited	33.30%	Regeneration	2
Gloucester Heritage Urban Regeneration Company Limited	33.30%	Regeneration	2
Plymouth City Development Company Limited	33.30%	Regeneration	2

1 At close of business on 31 March 2010 the Agency stepped down from membership of Camborne Pool Redruth Urban Regeneration Company. The Agency has no residual liabilities or obligations in relation to membership of this company.

2 In relation to each of these joint ventures, the Memorandum of Association provides that the income and property of the company shall not be available for distribution by way of dividend or in any other way that amounts to a distribution of surplus. If the company is wound up or dissolved any remaining property, after all its debts and liabilities have been satisfied, will be transferred to a company or institution having similar objects to the members. Accordingly the Agency has not consolidated the results of these entities into it's financial statements.

Jointly Controlled Assets

On 14 July 2003 the Agency entered into a development agreement with St Modwen Developments Limited (St Modwen) for the latter to remediate and provide infrastructure on a site owned by the Agency in Gloucestershire at Dursley. Under the terms of this agreement the Agency contributes the value of its land to a development account through the disposal of serviced plots, and St Modwen contributes the cost of the remediation and infrastructure works. The development account is reconciled as plots are disposed of, and returns are shared by the parties in accordance with the development agreement. As at 31 March 2010, the value of the Agency's interest in this joint venture was £ nil (2008/09 - £nil). The jointly controlled asset is valued at fair value. There were no associated income or expenses, assets or liabilities relating to the jointly controlled asset during the year.

The movement on the investment in joint ventures - interests in development projects during the year is as follows:

	2009/2010 £000	2008/2009 £000
Valuation at 1 April	-	-
Transfers (to)/from Jointly Controlled Assets Account in year	(3,907)	6,360
Amounts written back/(off) on revaluation	3,907	(6,360)
Valuation at 31 March 2010	**-**	**-**

24 Post Balance Sheet Event

The Agency's financial statements are laid before the Houses of Parliament by the Secretary of State of the Department for Business, Innovation and Skills. IAS 10 requires the Agency to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Agency's management to the Secretary of State of the Department for Business, Innovation and Skills.

The authorised date for issue is 14th July 2010. This is the date on which the accounts were certified by the Comptroller and Auditor General.

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

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

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

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