

# Annual Report and Accounts 2005-2006



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## PART ONE - ANNUAL REPORT

## 1. CHAIRMAN'S INTRODUCTION

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I am very pleased to introduce this report, which sets out SEEDA's achievements and progress during the last year. All SEEDA's achievements flow from working in close partnership with businesses, communities and other public bodies across the region, and at the outset I would like to thank them for their contribution in 2005-2006.

At the centre of SEEDA's work over the last year has been the review of the Regional Economic Strategy (RES). SEEDA's role in this process is to lead the development and implementation of the Strategy on behalf of the region, but it is a strategy for all who have an interest in the future performance of the South East economy.

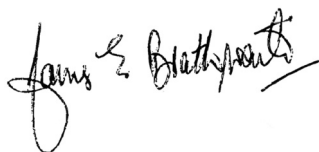
I was therefore pleased to see the enthusiasm with which businesses and partners across the region engaged with our initial launch events last July. The key challenges we set out in those early events – rising to the challenge of global competition; achieving smart growth; and making sustainable prosperity a reality – were strongly endorsed, and have shaped our subsequent work.

As the review has progressed, it has been widely recognised that without transforming both business innovation and the infrastructure of this region to meet 21st Century standards and expectations, we face a tipping point in the region's most prosperous parts. Congestion, skills shortages and declining quality of life could turn our competitive advantages into blocks to future prosperity. Meanwhile, in our areas of under performance, future success must be based on new skills, business support and excellent connectivity if they are to avoid continued stagnation or decline.

We are all clear that delivering more of the same will not be enough if we are to rise to the challenges now facing the South East. However, we start from a position of very solid achievement. Our expenditure for the year rose substantially reflecting the transfer of new responsibilities including taking over management of the Business Link's contracts. The first year of managing these operations has been very successful and they are now at the core of our drive for effective delivery of business support.

An overall strong performance was reflected in the outputs achieved. In 2005-2006 we exceeded almost all our quantifiable output targets. SEEDA-funded projects created or safeguarded over 4,000 jobs, with almost 2,000 further jobs created or safeguarded through Foreign Direct Investment (FDI) and almost 9,000 people assisted to get a job. Almost 36,000 businesses were assisted to improve their performance, while we supported the creation or attraction of over 2,000 growing new businesses. Over 100 hectares of brownfield land in the region were brought back into use, while almost 42,000 people were assisted in skills development.

I look forward to working with you all as we rise to the task ahead.



**James E Brathwaite CBE**  
Chairman

Date: 13th July 2006

## 2. CHIEF EXECUTIVE'S REVIEW

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### INTRODUCTION

2005-2006 has been an exciting and successful year for SEEDA. It has been a very challenging period, with a combination of major new initiatives such as the review of the Regional Economic Strategy (RES); the first discussions around the Regional Funding Allocation; nine Local Area Agreements currently under development; the implementation of a new tasking framework for Regional Development Agencies (RDAs); and substantial new responsibilities, such as Business Links; Research and Development grants; and new Rural programmes.

We also began work to implement our new Corporate Plan for 2005 to 2008. The following sections set out details of some of the results delivered by the Agency under its five headings; achieving sustainable economic growth through world class innovation and competitive enterprise; and sustainable communities by our focus on quality places and area-based regeneration; as well as our role in the strategic influencing for and in the region.

### STRATEGIC INFLUENCING

Preparation for, and the launch of the RES review in July 2005 was a major focus of work across the Agency. Initial feedback and levels of involvement from stakeholders and partners have been very encouraging, supported by the deliberately challenging nature of a number of the issues addressed. In particular, the challenge of sustaining and reinforcing the South East's global position whilst improving the sustainability of our development has raised great interest. The debates preceding publication of the consultation document in November produced considerable agreement about the needs of sustainable prosperity and ways in which it must be delivered. Over 2,000 people attended the consultation events, many led with us through the Economic Partnerships. Encouraging real debate and involvement amongst businesses is a priority for the interactive consultation on the draft RES itself upon which we are now engaged.

SEEDA was invited by the Government Office for the South East (GOSE) to be a key partner in the development of the fourth block in the Local Area Agreements (LAAs), Economic Development and Enterprise, providing expert advice to the next round of six counties and three unitary areas as they work up the LAAs for introduction in April 2006. One of the future challenges will be to transfer the best practice from one area to the others, and to establish a sound template for the future. Our engagement in the LAA pilots has been a valuable foundation for this work as well as informing our approach to the RES and links to the South East angle on city region economics.

In 2005, SEEDA took forward the re-launched Lisbon Agenda by mapping the priorities against the RES. Both the United Kingdom Permanent Representation in Brussels and the Commission welcomed the South East's work on the Lisbon Agenda. The Treasury also welcomed the mapping exercise and the South East subsequently featured in the National Reform Programme with two case studies, firstly the Enterprise Hubs as a successful example for promoting entrepreneurship and secondly with the Computer Club for Girls (CC4G) as a best practice example of improving skills.

### WORLD CLASS INNOVATION

2005-2006 saw a major development in our approach to global competitiveness, led by our Science and Industry Council, the South East Science, Engineering and Technology Advisory Council (SESETAC). The new three year Corporate Plan refocused our investment and has shaped a number of initiatives to drive up levels of innovation in the South East. Real business focus has been brought to SEEDA's work by SESETAC, supported by the appointment of the Director of Sandwich Laboratories, Pfizer, as Chair.

The new on-line directory, setting out the research strengths of the South East Higher Education Institutes (HEIs), has delivered a useful new tool for shaping future collaborations and priorities. Support for R&D in targeted sectors particularly in high technology and in encouragement to work with HEIs is at the core of the programme to deliver this change. The delivery of Research and Development grants through SEEDA added some £5 million to the resources which SEEDA was able to direct to support this key area of activity in the region. The appointment of 12 Business Fellows and a wide range of sector skills support will also build on the knowledge base.

Our world class Enterprise Hub Network has continued to develop its networks and strengths in delivering increased outputs and outcomes in support of the business development of high growth, high value businesses. Whilst satisfaction rates are high (81% of members very satisfied), awareness of certain services was patchy and work is underway to improve dissemination of knowledge across the network. Close links made with Chinese regions under our Global Regions Initiative have lifted this network on to a new plane in this year.

### **COMPETITIVE ENTERPRISE**

A key priority for SEEDA in 2005-2006 has been to improve our strategic links with businesses of all sizes and sectors. Business South East is proving to be a valuable forum for bringing top business people in the region together to discuss, for example, the South East Plan and the Regional Economic Strategy. It will also be a channel for setting up wider reaching forums with individual businesses.

The transfer of the responsibility for the Business Links from the Small Business Service to SEEDA was extremely smooth with improvements in the results and in targets and customer satisfaction, and accounts for a large proportion of the increased investment which SEEDA has made in the region this year (£3 million). The focus is now on a 'no wrong door' approach to business support. Feedback consistently reports that the complexity and fragmentation of various support measures and advice is one of the major concerns for developing businesses. SEEDA, Business Links and the Learning and Skills Council have set up the Joining Forces initiative, with the aim of making it easier for business to access and shape advice and support.

The Regional Skills for Productivity Alliance (RSPA) has been important in achieving developments in this area including good progress in Action for Business Colleges with seven Colleges accredited already. Task groups have been established in a number of areas to support the agreed delivery framework, to stimulate the supply of skills to meet the needs of businesses.

The network of Sector Consortia is now complete, with new establishments in the Marine, Health Care and Digital Content sectors. The willingness of senior business people in the sector to get involved and help lead the consortia has been a major strength.

The Enterprise Gateway programme and Women's Enterprise initiatives have both taken off, with the publication of the consultation draft of our Women's Strategy and several awards for our Enterprise Gateways. Both are focused on improving the inclusiveness of enterprise opportunities. As the Gateway network has grown stronger and integration with other stakeholders has consolidated, Gateways are increasingly seen as a medium to support wider social enterprise issues. Enterprise Insight has provided exciting opportunities to create a stronger enterprise culture by engaging young people in business competitions.

### **QUALITY PLACES**

South East Excellence was launched last summer as a virtual centre for best practice and skills, which builds on successful quality initiatives for the built environment in the South East.

Despite a fall in the level of grant received from ODPM/DCLG from £45 million in the previous year to £30 million in this year, a large programme of work continues in the Growth Areas, including a focus in this period on the Queensborough and Rushenden area. There has been a major programme of community involvement to create active engagement in the development of plans from local schools right up to Government Ministers.

Following a full strategic review of the future developments at Chatham Maritime a clear high quality and market orientated future development plan has been agreed. A new phase of development has just been offered to the market and has met with an enthusiastic response.

As can also be seen from our accounts, although properties that were ready for development were disposed of in the course of the year for over £11 million, SEEDA also took the opportunity to reinvest that income and other resources in a number of strategic site acquisitions such as the former HMS Daedulus site in Gosport/Fareham and key parcels of land in Margate, Ashford and Dartford, to help deliver sustainable regeneration in those priority regeneration areas.

SEEDA's new statutory planning role has involved responding to 19 planning applications, the largest submission being for 4,320 dwellings on 222 Hectares of land outside Milton Keynes. This was supported by SEEDA as it aligned with local and regional priorities.

Infrastructure is a critical issue for businesses and communities across the South East and SEEDA has been closely involved in the work of the Regional Transport Board and the advice to Government on Regional Funding Allocations, which the regional bodies were asked to provide. The proposals for a Regional Infrastructure Fund, if supported by Government with funds and flexibilities as well as devolution of decisions, could provide a ground-breaking opportunity for a new approach to fast, effective delivery of infrastructure improvements.

An international and cross RDA consortium has been brought together by SEEDA to develop a €10.5 million European Regional Development Fund project on multi-modal port access. A key project is the support for the enhanced rail gauge to allow the new larger containers to be transported by train from Southampton to the West Midlands.

### AREA-BASED REGENERATION

Work has continued to help partners develop exit strategies from the Single Regeneration Budget (SRB) programme, and to develop the Area Investment Framework (AIF) and Area programmes in the light of the Local Area Agreements (LLAs) which are currently being developed in nine areas and which will subsequently be rolled out across the region. Co-ordination and dissemination of best practice has been developed through cross AIF working.

Capacity building both in the AIFs and in the communities they serve remains at the core of this theme in the Corporate Plan. This has included support for Local Regeneration Partnerships in Kent with encouragement for joint working and support from specialist advisors, including Business Links, to help prioritise projects.

Programmes such as Inspire Isle of Wight, designed to raise local aspirations; and the Leader + programme to support innovative and exciting projects in the rural communities continue to generate very valuable outcomes.

As a new initiative, the Area Programmes in Milton Keynes, Thames Valley and Oxfordshire, have developed more slowly than anticipated as strategic priorities have taken time to develop. The sharing of experience and best practice has now been established but they will continue to need close SEEDA support.

Hastings has continued to make good progress with the Queensway office development being prepared for construction, to support the growth of the largest private sector employer. Meanwhile, additional funds are being sought from a variety of sources and mechanisms in addition to SEEDA's current support. For example at Queensway, this 16,000m<sup>2</sup> development of commercial and industrial space is intended to be funded in large part by a bank loan which is currently being finalised.

## OPERATIONAL PERFORMANCE

Overall, SEEDA's performance this year has been strong. We were able to identify and execute a broad range of projects as discussed above, which reflect the Corporate Plan. As a result our budget was fully spent in the year, which was important since End Year Flexibility was withdrawn without notice.

This strong performance was reflected in the outputs achieved. SEEDA-funded projects created or safeguarded over 4,000 jobs, with almost 2,000 further jobs created or safeguarded through Foreign Direct Investment and almost 9,000 people assisted to get a job. Almost 36,000 businesses were assisted to improve their performance, while we supported the creation or attraction of over 2,000 growing new businesses. Over 100 hectares of brownfield land in the region were brought back into use, while almost 42,000 people were assisted in skills development.

Some of these achievements were the result of responding effectively to factors beyond SEEDA's control, for instance, the Employment Support target has been greatly exceeded due to the Re-employment Unit's success in supporting unexpectedly large groups of workers made redundant in the region, with new skills and new jobs. The number of businesses assisted reflects in large part the benefits of the first year of Business Links being integrated with SEEDA's delivery of services.

Whilst forecasting can always be improved, much of this reflects real achievement beyond expectation, and the earlier than forecast delivery of outputs in a number of areas. Targets for future years will be reviewed in the light of our experience this year and will need to take into account the Government's Comprehensive Spending Review 2007.

Whilst SEEDA has more than delivered against its efficiency targets, we have also instigated a review of our operations to bring a more creative approach to identify areas for improved effectiveness. As a result of feedback received internally and externally with regard to SEEDA's policies and procedures, the primary focus is to reduce the lead times on projects by streamlining their development, appraisal and implementation. A 'Lean Office' methodology is being used by a management team from across the Agency to help identify and address issues in this area and others, and once the opportunities are clear the Agency will pilot 'Design Immersion' to define new solutions for greater efficiency.



**Pam Alexander**  
Chief Executive

Date 13th July 2006

## 3. MANAGEMENT COMMENTARY

### 3.1 INTRODUCTION

#### 3.1.1 Performance Indicators

Performance Indicators for the year 2005-2006 are included in SEEDA's current Corporate Plan which has been approved by Ministers. They conform to the Performance Monitoring Framework now in place between RDA's and Government using core milestones as the principal tool for forecasting and reporting outputs. The out turn positions for the 2005-2006 targets are contained in part 3.2.7 of this commentary, which indicate SEEDA has performed well against the set targets and achieved added value.

#### 3.1.2 Important Events since the Financial Year End/Future Developments

For events since the year-end, post balance sheet events and future developments – see note 25 of the Annual Accounts.

#### 3.1.3 Significant Changes in Fixed Assets

For movements regarding SEEDA's Fixed Assets (Operating Assets) – see notes 8 and 9 to the Annual Accounts.

#### 3.1.4 Financial Targets

The total grant drawn down during the year was £206.1 million. The grant was applied to the strategic requirements of the region as illustrated in the attached Annual Accounts. Grant allocation not utilised in year will be carried forward, subject to Departmental approval under the End of Year Flexibility rules. Overall, the Agency expenditure was within budget and the approved grant allocation.

The more significant differences between the financial results for 2004-2005 and 2005-2006 are as follows:-

	2005-2006 £	2004-2005 £	Differences £
<b>Group Income and Expenditure:</b>			
Grant-aid-released	123.7m	87.6m	+ 36.1m
Programme expenditure	140.7m	108.3m	+ 32.4m
Book value of development assets sold	10.5m	22.1m	- 11.6m
<b>Group Balance Sheet:</b>			
Stock of development assets	165.7m	130.3m	+ 35.4m
Debtors due within one year	28.2m	36.7m	- 8.5m
Cash in bank and in hand	17.8m	11.4m	+ 6.4m
Creditors due within one year	43.7m	38.2m	+ 5.5m
Creditors due after one year	5.3m	9.8m	- 4.5m
Reserves	168.6m	133.9m	+ 34.7m

- Grant-in-aid released increased due to growth in the funding for approved programme expenditure, including the new responsibility for Business Links.
- The reduction in book value of assets sold is due to reduced sales of development assets following regeneration.
- The increase in stock of development assets is due to new acquisitions exceeding sales.
- The reduction in debtors is due to the lower amount owed by the Dept for Communities and Local Government (formerly ODPM) for Growth Area funding at the year end.
- Year end cash balances increase is due to the timing of payments for committed expenditure, including financial arrangements with partners.
- Increased creditors due within one year is because of income in advance for Euro projects and grants from the DTI and DCLG.
- The reduction in creditors due after one year is explained by a single property transaction which was repaid earlier than originally expected and a grant received in advance by an a subsidiary.
- The increase in reserves mostly reflects the increase in development assets.

### 3.1.5 Efficiency Measures

As part of the Government Gershon efficiency measures, SEEDA was required to achieve 2.5% savings based on 2004-2005 (£3.6 million) as a benchmark, half in cash terms, during 2005-2006. This target was significantly exceeded and savings redirected to other priorities within the overall budget and as advised to the DTI in accordance with the methodology adopted by all RDAs. SEEDA has an internal Efficiency Savings Board of senior staff which meets monthly and is chaired by an Executive Director.

## 3.2. ACTIVITY REPORT

This section of the report provides details of the progress SEEDA has made in 2005-2006 in relation to the first year of the 2005-2008 Corporate Plan. Parts 3.2.1 to 3.2.6 cover the SEEDA strategic added value and the significant influencing role undertaken, whereas Part 3.2.7 lists the specific measured performance targets achieved.

### 3.2.1 World Class Innovation

As lead RDA, SEEDA is closely involved in developing the national strategy and priorities for Science and Innovation within an agreed framework. As a result of this recognition of the important role played by RDAs, there is now much closer engagement between the RDAs and other funding agencies including the Research Councils, e.g. through the Funders Forum.

This year was year one of a three year plan for innovation in the South East. Over the three years we will pilot a number of approaches to drive up innovation in the South East and bring business and the knowledge base together to share ideas and development.

#### **South East Science, Engineering and Technology Advisory Council (SESETAC)**

SEEDA has established the South East Science, Engineering and Technology Advisory Council (SESETAC) that brings together senior industrialists, employers and academics to discuss issues of common interest and concern to the region. SESETAC is now moving to implementation and strategy and has identified three priority themes to work on, namely: emerging technologies for knowledge transfer, Science Engineering Technology (SET) skills and innovation support.

#### **Emerging Technologies**

SEEDA is now focusing collaborations on a small number of activities that are intended to speed up the commercial application of emerging technologies linked to those highlighted by the Government's Technology Strategy Board and where the region has unique strengths and capabilities.

The last year has seen the launch of the emerging technologies programme, with a £2 million flagship project on the nanotechnology theme now underway with the development of three knowledge networks. As part of the programme SEEDA has extended the Proof of Concept fund (PocKeT) scheme that can provide repayable awards of up to £30,000 to innovative Small and Medium Enterprises (SMEs) or entrepreneurs to undertake collaborative work with a Higher Education partner to aid proof of commercialisation. SEEDA has also funded a Nano and Micro expert and as a direct result of his work, a further £3 million has been received from the DTI this year for three Nano projects.

#### **SET Skills**

The regional STEM Hub (Science, Technology, Engineering and Mathematics) was set up to join up and amplify the impact of best practice across the region through creating a critical mass of partners to encourage school children to pursue scientific careers. The Regional STEM Hub Board reports back to SESETAC on progress with SESETAC members offering advice and support.

#### **Innovation Support:**

**The Innovation Advisory Service:** A team of seven Innovation Advisors is being formed. The advisors are already working with over 100 businesses in the region and collaborating fully with all other SEEDA service providers; SEEDA has also set up an Innovation Advisory Panel.

### **Research Expertise Directory (SEE RED)**

The Research Expertise Directory (SEE RED) was developed by the University of Sussex to understand the strengths and excellence of the science base across the South East and to identify more vulnerable areas for further action. Areas of research strengths were mapped against: the South East's business sectors; DTI Technology Strategy themes; and Higher Education Statistics Agency (HESA) disciplines. The tool is an effective way for businesses, in the UK and worldwide, to locate and select a Higher Education Institute (HEI) to work on collaborative projects. It also aids businesses locating in the region to find good quality graduates to employ.

### **Enterprise Hubs**

The Enterprise Hub Network (EHN) has now been working to its joint business plan for 18 months. This business plan is now under review, led by the Enterprise Hub Directors. Examples of particular successes in the individual hubs in this period include:

- Canterbury Enterprise Hub - The Automatic Number Plate Recognition (ANPR) data centre solution that the company developed in association with Kent Police was launched in October 2005 and has assisted with a national strategy for the commercialisation of ANPR – thereby reducing crime and increasing public safety.
- Reading – Reading Hub's life sciences sector group (Thames Valley Life Sciences Network) is rapidly developing and is delivering additional services to its member base including specific educational workshops, e.g. intellectual property for life sciences businesses.

A recent survey undertaken by the Work Foundation showed that, overall, 81% of EHN Portfolio members were very satisfied with the support they had received in relation to their business activities. However, the survey also concluded that levels of awareness for certain services were low in areas, particularly among wider network members. We will be seeking to address this in 2006-2007.

### **Manufacturing Advisory Service – South East (MAS-SE)**

SEEDA has built its new Manufacturing Advisory Service – South East (MAS-SE) Phase II programme around the core national MAS programme and aligned its offerings with the needs of the South East manufacturers specifically. SEEDA's role in developing MAS-SE programme has been evolving from a "delivery partner" to a "broker" model. SEEDA has brought together stakeholders: SMEs, major manufacturers, and delivery partners to ensure that genuine best practice is offered to manufacturing in the South East.

### **Grant for Research and Development (GRD)**

Grant for Research and Development (GRD) was successfully transferred to SEEDA from DTI in April 2005. One of the major challenges SEEDA has successfully overcome this year has been the re-institution of a continuously 'rolling' programme, to replace rounds of competition.

SEEDA has sought to provide a quality service, raise awareness, reduce low quality applications and increase highly innovative projects being supported. This has been achieved through the establishment and development of a Grant for R&D intermediary network to provide high quality specialist funding advice to applicants. SEEDA also instigated a new 'pre-application' service providing early feedback to project concepts prior to submitting full applications. Application success levels have risen to 62%, compared with 12% in 2004-2005 (competition basis) and 44% in 2003-2004 (application basis).

### **Selective Finance for Investment (SFIE)**

The integration of the SFIE and Grant for R&D programmes into the Business Grants Team has provided a joined-up approach of promoting SFIE funding as the next stage funding to commercialise R&D projects. With the Business Link move away from 'delivery' to a 'brokerage' service, it enables businesses to receive some level of support at application stage from other sources.

SEEDA worked closely with Kent International Airport following the receivership of the airport owners, successfully encouraged the retention of the airport as a 'going concern'; and put measures in place to reinstate/support employees made redundant.

### **Global Regions: Inward Investment**

In December 2005, the SEEDA International Team merged with UKTI Trade South East Team to create the first unified trade and investment team in an English RDA. This new organisation provides a single international economic development arm and will pursue opportunities overseas that enhance the development of priority industry sectors in the South East of England and businesses with high international potential.

SEEDA has re-assessed the delivery mechanism for representation and lead generation in the North America market, and upgraded following an extensive consultation process and decided to employ SEEDA's own representatives in strategic locations in the USA.

Following a visit by the Chair and Chief Executive Officer to China in February 2005, a Memorandum of Understanding (MOU), with Shanghai Foreign Economic Relations and Trade Commission was signed. A further MOU was signed in June 2005 with the Beijing Municipal Bureau of Industrial Development. Tangible results are already being delivered both in business interest and research collaborations.

Throughout the year SEEDA has assisted 45 international companies to create 1,559 jobs and safeguard 380 jobs over the next three years. This has exceeded the annual target of 1,530 and was primarily due to one large investment from Chinese company, Huawei Technologies, which is expanding its operation in Basingstoke to create an extra 750 jobs over the next three years. This is the largest mainland Chinese investment in to the UK to date.

### **Wired Region**

Recent examples of activity have been the joint RDA responses to Ofcom consultations, the joint approach to BT regarding the 21CN network and successfully persuading telecommunications companies to provide all regions with Broadband take-up figures at postcode level.

Work with DTI has included:

- RDA involvement in the development of a new national Broadband strategy
- RDA representation on the DTI's ICT and UK Productivity Board
- Development of a national ICT standards and accreditation framework

SEEDA has accomplished the creation of nine County Broadband Partnerships, covering the whole of the South East except the Isle of Wight. Broadband take-up in the South East is now the highest in the country.

### **3.2.2 Competitive Enterprise**

#### **Business Support – Joining Forces**

The transfer of the Business Link network and contracts was completed successfully. SEEDA has built on this throughout the year, through leading the Joining Forces programme. Joining Forces proved increasingly effective in providing an integrated framework for business support encompassing for example:

- Agreement of higher (in quantity and quality) output targets for the Business Links reflecting efficiency gains achievable through a more integrated approach and delivery through brokerage rather than direct provision of specialist advice;
- Increased numbers of referrals of customers between providers in all sectors
- The Skills Advice Service providing employer-focused brokerage services;
- New integrated arrangements for the delivery of trade services by UKTI and the Business Links;
- An agreed region-wide 'Access to Finance' service through Finance South East.

#### **Train to Gain/Skills Advice Service**

SEEDA led the successful bid in partnership with the six Business Links to deliver the National LSC Train to Gain brokerage service in the South East. Our investment in the skills brokerage model has delivered many benefits including; 230 Business Link and partner staff attending up-skilling workshops, 174 businesses adding their data to that already available through the portal, and the Train to Gain brokerage service contract.

The SAS provided the platform for the bid, resulting in a new joint venture company (Skills South East Ltd) jointly owned by the six Business Links offering a regional skills brokerage service operating from one regional site.

### **Sector Consortia**

In 2005-2006 the planned Sector Consortia network has been completed. The strength and credibility of the Chairmen and Board Members demonstrates that from the outset the Consortia are seen by both the business community and regional stakeholders as champions for priority sector activity and growth.

In the last year the Consortia has also witnessed some early collaborative activity particularly through Farnborough Aerospace Consortium (FAC) and South East Centre for the Built Environment (SECBE) in terms of co-ordinating bids to SEEDA for support through ASTREA a national defence and aerospace programme and the more recent GROW Interreg II funded programme that the Enterprise Team is managing

The Sector Consortia has also been working with South East Universities as part of a HEIF3 bid to integrate the region's fragmented commercialisation support and funding streams.

### **Access to Finance - Finance South East (FSE)**

SEEDA agreed to provide £330,000 core funding over the next three years to enable Finance South East (FSE) to undertake several specific tasks, including a number of programmes and funds including:-

- Launch and management of a £10 million Early Growth Fund (known as the Accelerator Fund)
- Establishment of the Enterprise Hub Loan Catalyst Fund
- Manage the Merlin Mentoring project (a £1 million programme to establish and operate a regional mentoring community for the Enterprise Hub network) and a Business Angel network

### **Enterprise Gateways**

In the past year the Enterprise Gateway Programme has started to position itself as an access point to wider business support services and programmes delivered by other regional partners and stakeholders.

Achievements have included the establishment of a critical mass of Gateway Directors to the extent that work has commenced on an Enterprise Gateway network business plan along similar lines to that developed by the Enterprise Hub Directors.

Enterprise Gateways have also won £125,000 in funding from the DTI's Business Incubation Development Fund to increase the number of pre start-ups in disadvantaged communities by promoting the benefits of self-employment.

### **The Regional Skills for Productivity Alliance (RSPA)**

RSPA involves a number of key partners on the supply side, including: the Learning and Skills Council (LSC); Jobcentre Plus, Government Office for the South East (GOSE), Higher Education Funding Council for England (HEFCE); Regional Action and Involvement South East (RAISE); Business Links and SETUC representing trade unions and the voice of employees in the region. A number of key employers and employer's organisations are also represented. The RSPA is also supported by six local Skills for Productivity Alliances aimed at stimulating the supply of skills to meet the needs of local businesses.

### **Action for Business Colleges (A4BC)**

This is a joint flagship programme backed by SEEDA and the South East Learning and Skills Council. The programme focuses on improving the responsiveness of Further Education colleges in meeting the training and business needs of employers. In 2005-2006, 12 colleges achieved Action for Business College status, taking the current total to 16.

An Impact Study was undertaken in relation to the first six colleges achieving the status in October 2005. The study compared achievements to a baseline year (the year prior to achieving accreditation), and produced the following findings:

- Fee income from employers has increased by 35% to over £7 million
- Number of employer clients has increased by 26% to 6,676
- Number of employees receiving training has increased by 18% to 19,719
- Number of employers receiving customised courses has increased by 51% to over 1,000

### **Enterprise for the Young**

Includes the following projects:

- **Up 4 Enterprise:** SEEDA funded the development of teaching materials that were used to build primary and secondary school pupils' skills for enterprise. After a very successful pilot in Portsmouth the project is now being extended to 50 schools in Hampshire and Kent.
- **Enterprise Insight:** Our 'Understanding Enterprise' events have been particularly successful learning events for local schools engaging Key Stage Four pupils. Business support is provided through SEEDA's Enterprise Hub and Gateway Networks. In the past six months 12 of these events have been held, engaging with over 750 young people and 60 businesses.

### **Women's Enterprise**

The South East Women's Enterprise Steering Group has developed a strategy to significantly increase the number of women-owned businesses in the region.

Over the last year, SEEDA has established an excellent relationship with Prowess, the UK association of organisations and individuals who support women to start and grow businesses. We have also published a regional women's business support directory to help women find organisations that understand their specific needs.

### **Basic Skills/Basic Skills NHS:**

#### **Basic Skills Academy**

There has been a major change of direction in terms of approach to this which is now sectoral. A feasibility study on a proposed public sector health academy is currently underway looking at the work of the NHS University and identifying what may be used in the possible new academy.

### **Skills for Life Workplace Bridge**

Year two of a three year project, the Skills for Life Workplace Bridge has developed models for both professionals and employers who want to address the needs of their workforce with regard to Skills for Life. Pilot activity has included the delivery of an Open College Network based Level 3 Skills for Life tutors course, and Skills for Life awareness courses for NVQ workplace tutors.

### **Skills for Life Marketing Campaign**

SEEDA and the Learning and Skills Council (LSC) have again worked together to deliver a regional marketing campaign to raise awareness among adults in the South East of the benefits of holding a basic maths qualification and to encourage them to sign up for free numeracy courses. The new 'Maths - Make it Count' campaign was launched in March and built on the success of last year's 'You do the Maths' regional marketing activities.

### **Oxfordshire Skills for Health (OSfH)**

OSfH has been working with stakeholders to develop a model of organisational learning that can be rolled out to NHS and other workplaces across the region. The Strategic Health Authority has offered funds to NHS organisations to develop a learning infrastructure for low paid workers. The OSfH work is likely to receive funding through this and will be badged as a Skills Escalator.

### **Corporate Social Responsibility (CSR) & Sustainable Business**

SEEDA has recently set up an RDA network for those working on Corporate Social Responsibility (CSR) and Sustainable Business practices and they will be meeting to further share best practice. We will be introducing a regular programme of workshops to promote our closer collaboration with business.

### **Re-Employment Unit**

This is a regional three year pilot project delivered in partnership with Jobcentre Plus South East region. From April 2005 to March 2006 the project has assisted 7,532 people to find work (exceeding the forecast by 88%), helped to create 87 jobs (exceeding forecast by 117%) and 45 new businesses (exceeding forecast by 61%).

### **Rural**

The majority of projects transferred from the Countryside Agency to SEEDA on 1st April 2005 supported rural transport. The projects are delivering on target and most are expected to finish by the end of this financial year. The projects include support for local partnerships through Rural Transport Officer posts and the operation of several community run bus schemes; as well as other individual, small projects. SEEDA is already working on a new programme to deliver against the new PSA target 'to improve accessibility to services' and using the expertise of rural transport partnerships.

### **Rural Business Support programme**

SEEDA is working with Business Links to look at the future support for farm business advice for the time in 2007 when the current Defra support ends. A specific project, the Community Planning Database Project, is acting as catalyst for SEEDA, with contributions that are leading to broader policy development and intelligence for the future, by bringing together all the community planning work in one central place.

### **Rural Local Produce**

SEEDA continues to be a major deliverer of the region's Sustainable Food and Farming Action Plan and the Regional Forestry Framework. Activities this year have included:

- Exerting strategic influence through the formal Sustainable Food and Farming Sector (S2F2) Board, and the Forestry Commission's Rural Advisory Committee and Regional Forestry Framework Steering Committee
- The land-based sectors supported by SEEDA now use the SEEDA Sector model tested with major industries
- Support for seven specific sectors, each with their own champions from their industry sector covering agriculture/horticulture and forestry sectors
- The red meat project has a role that acts to influence as a broker for the Food Standards Agency and Meat Hygiene Service, and abattoirs and cutting plants, to facilitate compliance with new regulations and pragmatic enforcement for the industry

These projects are regarded by the Government lead on Sustainable Farming and Food as an 'exemplar' approach.

### **Rural Skills Programme**

This programme demonstrates SEEDA's leadership and catalytic role with the South East through significant projects whose activities highlight this activity. For example: Entrepreneurial Leadership involved setting up 12 employer groups or networks for existing and new rural start-up businesses across the region.

### **Farm Diversification Grants (FDG)**

The Farm Diversification Grants (FDG) programme has continued to help the farming industry across the region increase their income through using their redundant buildings and so help sustain the industry in the long-term enabling them to continue to manage the land. The SEEDA FDG scheme has worked very closely with the similar Defra scheme (which uses European money) and has tried to ensure integration of priorities. The current Defra programme will close at the end of 2006 and the new European support will be delivered by SEEDA from 2007 onwards.

### **Market Towns Initiative & Leader+**

Deprived rural hinterland areas of the South East continue to benefit from funding to tackle low economic performance and address problems with access to services and infrastructure. For example, as a result of work funded through the New Forest Leader+ programmes, a New Forest Quality Marque has been established which will be used to promote locally produced goods.

The Kent and Medway Team has been instrumental in negotiating an agreement between all parties involved in Minster Market Town to ensure the continued delivery of the programme. Partner relations in the Town had broken down to the extent that the programme was experiencing considerable delays. However the programme is now back up and running and projects are being delivered once again

### **Visitor Economy - Tourism**

SEEDA has provided substantial funding and support to Tourism South East. The launch of "Tourism Excellence", the regional strategy for tourism, laid down the foundation of the step change expected in the visitor economy whose impact stretches far beyond the direct revenue from visitors to the region. The contribution by Tourism South East to the South East Plan has reinforced the strength of the Visitor Economy.

Quality assessment of Tourism South East in the UK has been harmonised, using transparency for the consumer as the guiding principal. Tourism South East has been in the forefront in a drive to become a Total Quality Region with roadshows and working with Local Authorities to achieve a 90% quality assured policy. The "Tourism ExSEllence" awards attracted over 100 entries some of which won National awards.

Tourism South East's green accreditation scheme to encourage environmentally friendly practices recruited 50 businesses to date and is now moving towards being adopted as national standard.

### **3.2.3 Quality Places**

#### **Sustainable Communities Plan:**

#### **The Thames Gateway**

The three Thames Gateway RDAs (LDA, SEEDA and EEDA) together with the Local Strategic Partnerships prepared an outline Thames Gateway Economic Statement. In late 2005 the three RDA's commissioned Deloitte to undertake a baseline report on existing strategies and partnership activities across the Thames Gateway, identifying strategic gaps and synergies.

On the physical regeneration side, a major challenge for the agency has been the shortfall in funding for the Rushenden relief road. Work has begun on a contingency plan to secure the development of this strategically important road, with some Growth Area funding and a financing package to meet the shortfall.

Agency resources have been co-ordinated to ensure a mix of environmental, business, skills and development expertise to provide a cohesive regeneration delivery programme for Queensborough and Rushenden. The local community has been fully engaged by using the "Planning for Real" technique, the objective of which is to ensure communities are given a stake in the regeneration of their area, from the very start, to promote ownership and to empower. This process helped foster partner collaboration and address broader social, environment, training and health needs. In total, twenty five consultation events were held with over 1,000 people attending and generating 5,003 responses.

#### **Chatham Maritime**

At Chatham Maritime the former Naval Drill Hall has been transformed into a £12 million Learning Resource Centre and opened to students of the four Universities at Medway in September 2005; this shared resource centre is the first of its kind in the country with three Higher Education Institutions sharing information and resources to gain economies of scale and ensure the highest standard of information to students. In addition, the University of Kent's new teaching building was also opened to students, and construction was completed on the University's second new teaching facility

Work around Chatham Maritime this year has focused on disseminating this best practice. The Agency has run events including on-site tours with supporting presentations to deliver key messages and practical lesson learning on themes such as running large engineering contracts on site and the practicalities and heritage implications of brownfield regeneration.

#### **Rochester Riverside**

The 84 acre Rochester Riverside project reached a key milestone when the planning applications, submitted jointly by SEEDA and Medway Council, were considered by the Council's Development Control Committee in June 2005. A resolution was proposed to approve both, subject to a comprehensive S106 agreement, to ensure that the scheme provides all the necessary facilities for the new community of about 4,000 people.

#### **Milton Keynes & South Midlands (MKSM) Growth Area**

The Milton Keynes and Aylesbury Vale growth areas in the South East sit within the cross regional sub-region of MKSM. During 2005-2006 SEEDA's Area Team has taken the lead on the Economy, Learning and Skills group on behalf of all the partners and the other two RDAs. This has led to the agreed 'Framework of economic priority actions for RDAs' which was launched by the Team at the annual MKSM Conference.

#### **Ashford Growth Area**

Activities in Ashford have focused on securing the buy-in of the private sector to the Ashford masterplan. Developers and consultants are working together with the Ashford Futures Board to raise the profile of Ashford amongst both the private sector and key opinion formers.

#### **Margate**

At Margate, SEEDA chairs the new Margate Renewal Partnership bringing a group of key partners together to drive forward the comprehensive regeneration of the town centre. Key sites were acquired with the aim of redeveloping to attract business back to the Old Town.

#### **East Cowes**

In East Cowes the Development Team has consulted with the local community to share the Agency's plans for a new town centre and waterfront. This community involvement included using two local primary schools, whose children worked on artwork creating a vision of their town and neighbourhoods.

#### **Thanet**

Thanet District Council was grant-funded to purchase a site at the Eurokent Business Park, with SEEDA providing advice and guidance, and acting as lead in the purchase negotiations.

#### **Brownfield Land Assembly**

The Brownfield Land Assembly Trust (BLAT) has demonstrated that the innovative process of packaging small sites together in close proximity can be successful in releasing development potential through development economies of scale. BLAT also successfully entered the School Road site in Hastings for use in ODPM's Design for Manufacture competition.

Development work has continued on the formation of a registered BLAT company. This included completing a business plan and confirming two private sector developers as members.

#### **South East Excellence**

In response to the Egan Report and the Government's Sustainable Communities Plan, the Regional Centre of Excellence for sustainable communities was launched in October 2005 with the objective of bringing together organisations that have the skills needed to: build; maintain; and renew the region's communities: to share learning and best practice and to help them reach new groups. Following the launch, work has continued on the project, with new content developed for the website, including a BURA developed award section.

### **Design Champions Club**

The Club was launched in June 2003 and is a learning and promotional network for the region's Design Champions in local authorities.

In 2005-2006 approximately 75% of the regions Local Authorities had champions in the Club. The Design Champions model has now been adopted by CABE which is stimulating the inception of events in other regions. Also in 2005-2006 Kent Architecture Centre (KAC) undertook a review of the Club, and concluded that it was working to good effect, increasing in membership and that feedback from participants was extremely positive.

### **Institute of Urban Renaissance**

SEEDA is providing three years' core start-up funding for the Institute for Urban Renaissance, located at the University of Greenwich. The funding includes funding for a Professor of Urban Renaissance to provide leadership and direction. Through South East Excellence, the project links into the Academy for Sustainable Community, delivering knowledge through events, conferences and CPD programmes to built-environment professionals.

As part of the Agency's work the region's architecture centres have been reviewed by all funders, culminating in an away-day which focused on establishing the best way to look at the impact of the centres, and creating an evaluation programme for the future.

### **Statutory Consultee**

Under SEEDA's new role as a statutory consultee, several planning applications have been received and responded to over the last year.

The largest submission was for a scheme in Milton Keynes encompassing 222 Ha of agricultural land. The application proposed to deliver 4,320 dwellings, of which 30% would be affordable. SEEDA unconditionally supported the application as the site is identified within the Urban Development Area and is part of the proposal to expand Milton Keynes by an additional 44,900 dwellings in the period up to 2021. It also aligns with the priorities in the RES of affordable housing, providing jobs, and raising ICT standards by building in high speed Internet access.

Applications for development of land to the south of Marine Parade, Folkestone, have been the most contentious SEEDA has dealt with so far. The proposed development is for a large hotel, leisure and food and drink facilities; plus residential development of 671 dwellings. Folkestone is considered a priority regeneration area for SEEDA and the seafront is currently a much underused resource. SEEDA believes this area should be used to promote tourism and contribute towards the regeneration of the town centre.

### **South East Coastal Strategy**

A draft South East Coastal Strategy was published alongside the Draft RES. A notable accompaniment to this coastal work is the ERDF-funded IMPACTE project, which aims to improve freight mobility via rail and ports across Northern Europe. IMPACTE has started to support many projects across Europe; however a key one for the South East is the SEEDA-led SMART project (Solent Midlands Advancement of Rail Transport). This project is focused on securing upgrades to the Southampton to West Midlands rail freight infrastructure, as part of a cross-regional partnership with Advantage West Midlands. A key element of the proposed funding solution is the submission for Transport Infrastructure Fund (TIF) funding which SEEDA submitted to central Government.

#### **3.2.4 Area Based Regeneration**

In 2005-2006, the second year of the Area Investment Programme (AIF), over £10 million was channelled into priority areas through the AIF model. 2005-06 has also seen the establishment of three Area Programmes, created to address concentrations of intense deprivation that exist within areas of success in the Thames Valley, Oxfordshire and Milton Keynes areas of the South East. The ending of SRB has been a major challenge for many partners and SEEDA's Area Teams have worked hard to support exit strategies and helped develop sustainability for key schemes with some notable successes achieved this year.

**Kent Area Team:****Kent Thames Gateway**

The Area Team continues to work closely with the Thames Gateway Kent Partnership (TGKP), the three ODPM-funded Local Regeneration Partnerships and the North Kent Community Forum, to prepare an Investment Plan for SEEDA funding for the next two years. This includes reconfiguring the current AIF programme into the new plan. Three key themes will be developed: community regeneration; skills; and learning and enterprise.

In Dartford, and further to Stage 2 of the masterplan and initial public consultation, SEEDA has facilitated in depth discussions with key service providers at Kent County Council (KCC) and the Dartford and Gravesham PCT to determine spatial requirement for incorporation into area specific plans.

**Hants and Isle of Wight:****Area Investment Framework (AIF)**

All AIF partnerships have developed well established processes for the identification of priority investment gaps. The Area Teams have worked with the partnerships to get them to draw in more partners and to develop even closer ties with Local Strategic Partners (LSPs).

The Hampshire & Isle of Wight Area Team has influenced the South East Hampshire and Southampton AIFs to look at the wider picture outside their immediate administrative boundaries and focus on the longer term economic-led growth plans of Urban South Hampshire which has been identified in the South East Plan and the RES as having untapped economic potential. These two AIF partnerships are now working together to develop joint AIF proposals which support the aims of the forward-thinking Partnership for Urban South Hampshire (PUSH). Work with the LSC has been particularly encouraging with Council members starting to develop plans for training as a result of a presentation by the Area Team on the new RES and South East Plan.

**Solent Synergy Cross AIF South Hants**

Solent Synergy champions the need for innovation and high value added growth, exploiting the link between business and university. This initiative arose as a direct result of a SEEDA-funded university/local authority study tour to San Diego to learn from the successful knowledge transfer models in operation. Southampton, Portsmouth & Solent Universities are involved, along with key businesses such as VT Group and Local Authorities. The Chief Executive of VT Group chairs the Group and has drawn in investment from the private sector.

Solent Synergy has secured funding from both the Southampton and South East Hampshire Area Investment Frameworks and represents an excellent example of cross-PUSH area working. Following its involvement in this work, Southampton University has recently received a £1.5 million DTI award to further US-UK collaborations.

**Portsmouth City Centre Learning Campus**

AIF capital part-funded the purchase of a development site owned by Portsmouth City Council: SEEDA money unlocked Learning Skills Council (LSC) funds (about £10 million) and persuaded the Council to not release land for housing. Highbury (lead) and Portsmouth Colleges are involved, in this deprived area. Objectives include enticing young people back into education, improving essential skill levels, and improving the employment prospects of young people.

**Single Regeneration Budget**

SRB partnerships are being challenged to develop strong business plans for future income generation. Our early intervention has helped dispel concerns over the end of SRB and has helped partners value the Voluntary and Community Sector. In the Isle of Wight community engagement has been widely praised and held up as a role model across the South East.

The Combined Heat & Power Project, Millbrook Southampton is now proposing to use bio-fuel and the revised scheme will be an innovative energy demonstration project delivering carbon dioxide emissions savings and affordable heat to a deprived estate within the city. Private sector contribution to the development of the project in the order of £48 million is expected, subject to final negotiations taking place in May 2006. The project is also anticipated to develop an income stream which will be ploughed back into the area.

### **Work with Business**

Two strong business networks have been supported, City Growth Portsmouth and Business Southampton. Additionally we have made sure other business organisations are engaged in developments and have encouraged business networks in Southampton and Isle of Wight.

### **Milton Keynes Oxfordshire Berkshire and Buckinghamshire: Area Programmes**

Three Area Programmes address the needs of communities falling within pockets of deprivation that fall in the bottom 20% nationally. In the first year of establishing Area Programmes in affluent areas with pockets of deprivation, progress has been slow. Bringing together key stakeholders to work together and agree their strategic priorities for disadvantaged communities has taken longer than anticipated. The right representation and level of involvement is now beginning to reap some positive impact.

A broad policy framework has emerged independently from each of the three Area Programmes. The framework priorities for the local neighbourhoods are community learning, employment ladders, entrepreneurship and interestingly for this prosperous sub-region, corporate responsibility. The team has been leading the co-ordination of this activity. Three Local Futures Audits were commissioned to provide an evidence base for the Local Area Agreements (LAAs) in Buckinghamshire, West Berkshire and Wokingham.

The Oxfordshire Area Programme secured early agreement to align relevant Local Authority budgets with the focus of the Area Programme and target communities based on need. The core aims and outputs for this programme have been accepted as a key priority with the LAA.

The Milton Keynes Area Programme has developed over the past six months into a Programme Board. Milton Keynes Economy and Learning Partnership and Milton Keynes Council are facilitating the development of a strategy to address the regeneration of those parts of Milton Keynes with significant levels of deprivation.

### **Single Regeneration Budget (SRB)**

The East Oxford Action SRB scheme in Oxford has reformed its partnership as a social enterprise. It has been involved in projects both within and outside the South East, drawn acclaim from ODPM, is a member of South East Excellence and has been integral in the development of the Oxfordshire Area Programme. As SRB closes it now appears East Oxford Action will be sustainable and is already delivering contracts for the LSC and Business Link.

### **Surrey and Sussex:**

#### **Area Investment Framework (AIF)**

The four AIF partnerships are to align funding with Local Area Agreements (LAA) and are beginning to focus on drawing up their strategic and forward programmes accordingly. Brighton, helped by tighter geographic coverage and the LAA pilot in 2004-2005, is using the AIF strategy as the foundation stone of economic development.

AIF are streamlining their operations. Coastal West Sussex AIF has realigned its Board, reducing its membership from 30 to nine. This is significant and displays an increase in partnership working, as the Councils have agreed to be represented by one person as have the LSP's and Primary Core Trusts (PCTs). A similar approach is being considered by Hastings.

### **Single Regeneration Budget (SRB)**

Although SRB schemes are coming to an end, one example for last year is the Eastbourne Cultural Centre which is a catalyst for the cultural regeneration of Eastbourne. The improved housing, usage and access to the Towner Art collection has been the catalyst for this strategy funded through SRB and will provide the added benefit of increasing the Congress Theatre's facilities, occupancy and usage. The funding from SEEDA has levered other funds from the Heritage Lottery Fund, The Arts Council, Eastbourne Borough Council and public donation.

### **Gatwick Diamond**

Work on the Gatwick Diamond has developed during the year strengthening cross-border working with Surrey and West Sussex economic partners and local authorities, and assisting much of the emerging work on Diamonds for growth in the Draft RES.

### **Hastings and Bexhill: Five Point Plan:**

Improved working with other SEEDA divisions has generated opportunities and co-ordinated funding, with notable successes achieved by working with Business and International and Learning and Skills Divisions in applying region-wide initiatives to Hastings and Bexhill. Particular achievements last year were:

#### **Enterprise and Incubation**

The development of the Creative Media Centre in Hastings and in particular the successful opening of the second phase in September has strengthened collaborative working with the Media Industries, attracting both the BBC and Meridian TV to take space in the Centre and to look at developing the film and TV sector locally. The Team has worked with local production companies to put together an E-Film bid to Interreg which will support the development of local talent.

The Team has also been in detailed negotiation with GOSE and the AIF Partnership to secure further funding to continue the highly successful SEPIA funded Broadband Centre, which has assisted 320 companies to date. Additional funding has also been secured from Arts South East and the Phoenix Fund as part of a regional initiative to provide specialist business advice to the arts sector.

#### **University Centre Hastings**

Links with the University of Brighton have been strengthened following the agreement of the principles of a lease and the creation of a joint strategic management structure with Sea Space/SEEDA. Considerable success has already been achieved in securing the necessary additional student numbers to support the first phase of the Centre.

The development of the Centre as a multiversity has been strengthened by the launch of a BSc in Information Management for Business course in collaboration with the University of Greenwich and the degree in broadcast media.

#### **Hastings Millennium Community**

Sea Space is responsible for the delivery of the Hastings Millennium Community and has been instrumental in securing an increase in the development budget to £15.1 million, which is fully funded by English Partnerships. A major milestone has been achieved with the commencement of on-site infrastructure works which will see the demolition of the former Stills Factory to provide a cleared site for housing development and the construction of an access road and services for the Mount Pleasant Hospital site.

#### **Pre Development and Infrastructure**

Details of the development of Further Education remain uncertain until property and funding issues around the Post 16 Review are resolved. Until such time as this is resolved the detailed development of the Station Plaza scheme remains on hold.

The Queensway Office development, which will provide 16,000 m<sup>2</sup> of commercial and industrial space, is progressing. The project has secured an offer from the Bank of Scotland to fund the major part of the cost of the development.

### **Transport Infrastructure**

At Sea Space's instigation a partnership was formed with local authority partners in Kent and East Sussex to facilitate the securing of improvements to the Ashford-Brighton via Hastings rail link as part of the Coastway Rail Services study. Improved services were introduced by Southern Trains during the winter as a precursor to the improvements being sought.

### **Coalfield Regeneration Programme**

The major focus of activity has been to progress the appraisal work for Snowdown. If approved, site works could commence mid 2006 with completion in December 2007. The Snowdown Colliery is the most challenging of the Kent Coalfield sites and SEEDA has been leading the project preparation work, including: site appraisal; investigation; surveys and reports; environmental and ecological assessments; and traffic impact studies.

Closely linked with the colliery are the plans for Aylesham Village Expansion in which SEEDA, Dover District Council and English Partnerships have been working together to market the site and identify a suitable developer. Eventual works are hoped to produce up to 1,000 new homes, with associated employment, education, recreational and commercial purposes. A master plan and design statement document have been produced in consultation with the community through the SEEDA funded 'Enquiry by Design' process.

At Betteshanger there has been good progress in relation to all the infrastructure, site preparation and landscaping works. The main works contract was completed at the end of August 2005. Betteshanger is now fully serviced to provide development plots of up to 10 hectares; business development floor space of up to 240,000ft<sup>2</sup>; and the potential for up to 500 new jobs.

### **3.2.5 Strategic Influencing**

#### **The Review of the Regional Economic Strategy 2006-2016 (RES)**

The first phase of review of the Regional Economic Strategy sought active engagement with South East stakeholders through a series of 17 thematic and sub-regional events launched in July, 2005. More than 2,000 people took part in these events across the region and in Whitehall. Event feedback and responses since the launch of the consultation was positive in terms of the perceived quality of debate, geographical coverage of the region in the engagement phase and the inclusiveness of the RES events. A detailed exercise in gathering stakeholder opinion was sought during the statutory consultation phase up until February 2006.

The Consultation Document was launched in November at a plenary session of the South East England Regional Assembly and received a broad and warm welcome, particularly for an innovative approach to the definition of three different economic types of sub-region. This approach was developed further, to define growth points around our key cities – 'Diamonds for Growth' – and the unique assets of the coastal towns. A coastal strategy was produced in April, and further research work has been commissioned to take further the Diamonds concept.

The Draft RES, which builds on the consultation document and which was launched on 17th April, retained the above aspects but defined three strategic objectives, designed to meet head on the three challenges discussed during the earlier engagement phase. In addition, the Draft RES highlights actions which are considered to be genuinely transformational to the South East economy and have particular potential to deliver the goals of the Strategy.

#### **Evidence Base**

The Evidence Base Paper underpinning the new Regional Economic Strategy was published in early November 2005. The document was well received with internal and external stakeholders.

The Strategic Environmental Assessment (ERM) and Sustainability Appraisal of the RES consultation document has been commissioned from ERM to ensure that the consultation document and final version of the RES contribute positively to the sustainability of the South East, and that potential negative impacts of the RES on the sustainability of the region are mitigated.

The new Regional Economic Strategy for the South East identified eight potential Diamonds for Growth – cities and major towns which, with their broader hinterland are major centres of economic activity and can act as catalyst to stimulate prosperity. The initial quantitative analysis of the role of Diamonds for Growth in the process of economic development in the region had been conducted in house between February and March. The work will be taken over the summer 2006 forward to include the additional quantitative and qualitative elements.

### **The Regional Economic Strategy Leadership Group**

The RES review process has been informed by a “RES Leadership Group”, which met for the first time in September, 2005. This has brought together the expertise of business, science, higher education, innovation, culture, sport and skills, alongside elected members and economic and social partners from the South East England Regional Assembly. The Group has shaped the direction and content of the consultation document to date, including comprehensive involvement in scenario-planning.

### **Regional Funding Allocations**

Initial work was undertaken on the preparation of guidance for Regional Funding Allocations, leading up to the completion of a first draft for consultation produced by GOSE with input from SEEDA and the South East England Regional Assembly in early November. SEEDA's Board is the regional Board responsible for the economic development element and has a close interest in the transport and housing elements. Early work has been informed by the emerging Regional Economic Strategy.

### **South East England Intelligence Network**

During 2005-2006, the South East England Intelligence Network (SEE-iN) made noticeable progress. SEE-iN – a partnership between SEEDA, Government Office for the South East, South East England Regional Assembly, Environment Agency and South East Public Health Observatory – appointed a new Regional Intelligence Co-ordinator in May 2005 and rebuilt and re-launched the SEE-iN web-portal in October 2005. The profile of SEE-iN has also been raised after a marketing campaign and high profile seminar. A business plan is now in place to take SEE-iN through to 2009 and beyond.

### **Business South East**

Business South East was established early in 2005. One objective is to provide strategic, coherent and persuasive business input to influencing Government policy and investment programmes. The focus of Business South East in the first part of this year has been to capture their views on the review of the Regional Economic Strategy and the South East Spatial Strategy (South East Plan). Expectation amongst Partners is that this will prove to be a powerful voice for business in the region and beyond.

### **Local Area Agreements**

During 2004-2005, SEEDA worked closely with the two initial Local Area Agreements in the South East (Brighton & Hove and Kent), with SEEDA's Chairman and Chief Executive sitting on the Kent Public Service Board. This has continued during the first half of 2005-2006, with SEEDA's Area Teams providing close support (including secondment of staff to the Kent Local Area Agreement).

Building on this early progress, SEEDA has been involved across the second round of LAAs and was invited by the Government Office for the South East to lead and co-ordinate the development of the new 'fourth block' (Enterprise and Economic Development) Local Area Agreements for introduction in April 2006. A particular focus has been to encourage and equip Economic Partnerships to play a more effective part in this process by bringing business perspectives and an understanding of economic development issues to bear.

### **Economic Partnerships**

The Economic Partnerships have been encouraged to continue and develop their role in enabling the business sector to contribute actively to the economic development agenda. Many provided a high level of support during the initial RES Consultation. In particular, Hampshire Economic Partnership took a strong lead on the South East Plan, holding a series of meetings for businesses to explain the process and draw in views, which led to a very good quality discussion with substantial business presence at their RES event.

## **Sustainable Development**

A key area of activity has sought to embed the principles of Sustainable Development into regional strategies, including the Draft South East Plan; the development of the RES; continuing input to the development of the Integrated Regional Framework (IRF); and ongoing contributions to the delivery of the Regional Waste Management Strategy and Regional Energy Strategy.

SEEDA has continued to lead and engage broadly with external partnerships to promote best practice and behaviour change in business and other sectors. Significant activities in the first half of this year have included the establishment of the South East Sustainable Energy Partnership, ongoing refinement and wider dissemination of the Sustainability Checklist for Developers, the 2005 Waste Summit, and the South East Water Resources Forum's focus on water efficiency.

There is still progress to be made on the adoption of whole-life costings and in articulating a specific SEEDA policy for Sustainable Construction across the region.

The Lisbon Agenda mapping exercise was promoted to the European Commission, the UK Permanent Representation and the Treasury, and formed the basis for a publication by the English Regions Network on the English Regions' contribution to the implementation of the Lisbon goals. The Commission recognised the South East contribution at high level with members of President Barroso's group of special advisors.

## **European GROW Project**

Good progress was made in taking forward the GROW initiative - a €7.5 million Interreg IIC project, developed by SEEDA as lead partner, in collaboration with the South East England Regional Assembly and the Environment Agency. The programme aims to achieve balanced, sustainable and economic growth across a network of five high growth regions in Italy, Spain, the Netherlands, Poland and England. Work last year laid the foundations for a successful first call for projects which ended in November with the approval of eight projects.

## **European Social Fund (ESF)**

SEEDA's European Social Fund (ESF) Co-financing programme has continued, with research projects contracted in March 2004 ending in 2005-2006 and delivery projects passing halfway. Outputs are ahead of profile in most areas. SEEDA is currently working on a strategy to set up a European network on entrepreneurship and education for implementation in 2006-2007.

## **Culture**

SEEDA has continued to work strategically with Culture South East and the cultural agencies (including the Arts Council South East, South East Museum, Library, and Archive Council (SEMLAC), Tourism South East and Sport England) within the region throughout the year

SEEDA has continued to promote integration of the regional cultural strategy within AIFs and Growth Areas through various actions such as co-funding the post of Cultural Co-ordinator for Thames Gateway North Kent, support has also been secured for a Culture Framework and Toolkit For Thames Gateway North Kent to produce guidance for the generation, delivery and appraisal of cultural projects within the regeneration and growth of North Kent, endorsed by the Thames Gateway Kent Partnership Board.

SEEDA and Sport England have led on the establishment of a Regional Olympic Co-ordinating Committee to co-ordinate the South East's 'offer' to the 2012 Olympic Games and Paralympic Games and ensure that the region's businesses, organisations and inhabitants benefit from the opportunities offered by London hosting The Games.

### **3.2.6 Lead roles and Cross-RDA Working**

#### **Enterprise Lead Role**

SEEDA has held the Lead Role for Enterprise since July 2005 and leads on the national relationship with the DTI. Key highlights on Lead Role work: -

- Leading the RDA/Cross-Whitehall High Growth SME Coaching Task & Finish Group
- Working with SBS to minimise the disruption at the close of the Phoenix Fund
- Leading the development of the RDA action plan for developing the Social Enterprise agenda

- Leading, on behalf of RDAs, the Simplification of Business Support work. SEEDA's Chief Executive sits on the cross-Whitehall Director General's decision making group and SEEDA is leading the Delivery Channels Workstream
- Leading the successful transfer of Grants for R&D from SBS to RDAs through agreeing the Product Protocol and Balanced Scorecard

### **Innovation**

In 2003 the innovation leads demonstrated for the first time, through the House of Lords enquiry into science in the regions. As a result of this recognition of the important role played by RDAs, there is now much closer engagement between the RDAs and other funding agencies including the Research Councils, e.g. through the Funders Forum. Examples of successful collaboration include:

- Regional Science & Industry Councils - through a sub-group of RIST, all RDAs have monitored, shown good practice and implemented Science & Industry Councils to act as high level advisory bodies to the regions
- Implementation of good practice including SME support for European initiatives and the skills needs to deliver the innovation challenge

In response to the STEM mapping review, which has identified around 400 initiatives, most of which lack critical mass or evaluation, SEEDA and Yorkshire Forward are working with DTI and DfES to develop regional STEM Forums which will work with partners to identify and deliver priority programmes.

### **Waste**

SEEDA leads on Waste and Business Resource Efficiency and Waste (BREW) fund issues. As Waste Lead SEEDA has acted as an advocate for the RDA role in Waste and Resource efficiency, sought to share best practice between RDAs, promoted collaboration in funding research, development and testing facilities and acted as the key communication channel on with Defra on materials and resource management matters.

### **Energy**

The work of the Energy Lead Role has been given added importance following a meeting between RDA Chairs and DTI officials in June 2004, where the decision was made to include Energy within the National-Regional Partnership project with DTI.

Lead role activity to date has improved understanding on energy issues between DTI and RDAs, and DTI is much more aware of the contribution which RDAs are making, and of the potential for expanding it. Key areas of RDA Energy Leads' work are:

- Progressing the agenda agreed at the high level RDAs/DTI etc. Energy meetings
- Discussing possible joint RDA/DTI energy-related 'bids' for CSR07 – candidates include low carbon buildings, biomass, energy efficiency, energy R&D (especially hydrogen and carbon sequestration) and marine and tidal power

### **Broadband**

In respect of the ICT and Broadband Lead Role, SEEDA works closely with the Communications and Content Industries Unit (CCIU) in DTI. SEEDA as lead RDA is represented on DTI's new ICT and Productivity Project Board. Specifically SEEDA has led on:

- The Broadband Aggregation Programme
- The preparation and submission of responses to Ofcom consultations
- ICT Standards and Accreditation (on-going)
- RDA involvement in the Broadband Britain Summit and national e-Commerce Awards various aspects of relationships with BT and other telecommunications provider's e.g. arranging briefing on 21CN and interfacing with potential new Broadband through Powerline provider
- RDA involvement in the DTI's ICT and Productivity Board

### **RDA Chair and Chief Executive Groups**

As from April 2006, SEEDA took over the lead roles for the RDA Chair and Chief Executive Groups until September 2006. Preparation for this responsibility was carried out in the six month period from September 2005 to March 2006.

### 3.2.7 Performance Targets 2005/6

	Achieved	Target
<b>1. Employment Opportunities</b>		
Jobs created and safeguarded through SEEDA funded projects	4,240	4,100
Jobs created and safeguarded through Foreign Direct Investment	1,980	1,530
<b>2. Employment Support</b>		
People assisted to get a job through SEEDA funded projects	8,770	2,400
<b>3. Business Creation</b>		
New business created and demonstrating growth after 12 months and businesses attracted to the region	2,027	1,920
<b>4. Business Support</b>		
Businesses assisted to improve their performance	35,700	23,000
Inward investment companies	51	40
<b>4b. Knowledge Base Collaborations</b>		
Businesses within the region engaged in new collaborations with the knowledge base	627	390
<b>5. Regeneration</b>		
Public & Private Regeneration Infrastructure investment levered		
- £ million	261	130
- % private	21%	50%
<b>5a. Brownfield Land</b>		
Reclamation of brownfield land (hectares)	101	96
<b>6. Skills</b>		
People assisted in their skills development	41,783	37,350
<b>6a. Basic Skills</b>		
Adults gaining basic skills as part of the Skills for Life Strategy that count towards the Skills PSA Target	5,248	2,650
<b>6b. Higher Level Skills</b>		
Adults in the workforce who are supported in achieving at least a Full Level 2 qualification or equivalent	437	280

## 4. DIRECTORS' REPORT

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### 4.1 INTRODUCTION

The South East England Development Agency (SEEDA) was established under the provisions of the Regional Development Agencies Act 1998. The Agency is a Non-Departmental Public Body sponsored by the Department of Trade and Industry (DTI). It came into existence on 14th December 1998, following Parliamentary approval of the Regional Development Agencies Act 1998 and the appointment of Board Members. The Agency became fully operational on 1 April 1999 when it took over the regional activities of English Partnerships, the Rural Development Commission and both the SRB Challenge Fund and the Skills Development Fund from the Government Office for the South East, and the DTI inward investment activity for the South East. In April 2005, the Agency was also made responsible for the Business Links and the rural grants agenda was transferred from the Countryside Agency.

#### Principal Activities

The Agency's principal activities are as follows:

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

SEEDA is responsible, in conjunction with public and private sector partners, for compiling the Regional Economic Strategy, originally published in 1999 and updated in 2002 and now being rewritten for publication in 2006. The Regional Economic Strategy (RES) and the plans determine current and future major activities for the Agency and other related bodies in the South East region.

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

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

In preparing the Accounts the Agency is required to:

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

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

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

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

### Audit Services

The Comptroller and Auditor General is appointed by statute to audit the South East England Development Agency, and reports to Parliament on the truth and fairness of the annual financial statements and the regularity of income and expenditure. The cost incurred in relation to services provided by the Comptroller and Auditor General in 2005-2006, is £ 55,000.

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

### 4.2 SEEDA BOARD

The SEEDA Board, appointed by the Secretary of State for Trade and Industry, comprises the Chairman and 14 members. The Board is responsible for setting the strategic direction of the Agency and for establishing its policies.

With the Chief Executive, the Board ensures that the public funds with which the Agency is trusted are used appropriately to the benefit of the region and deliver value for money in meeting our objectives.

The Board is accountable to the Government and to Parliament. It is also required to give an account of its activities to the South East England Regional Assembly and to consult with the Assembly on the development of the Regional Economic Strategy. SEEDA values this relationship with the Regional Assembly and recognises the Assembly's role as the representative voice of the region.

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

The SEEDA Board members during 2005-2006 were:-

James Brathwaite CBE	Chairman
Robert Douglas CBE	Deputy Chairman
Peter Jones	Deputy Chairman
Rob Anderson	
Elizabeth Brighouse	
Poul Christensen CBE	
Intiaz Farookhi	
Sarah Hohler	
Keith House	
Mary McAnally	
Terry Mills	(Deceased December 2005)
John Peel CBE	
Dr Peter Read CBE	
Prof. Bill Wakeham	
Phil Wood	

Terry Mills, who had been a Board Member since December 2002, sadly passed away in December 2005. The Board decided that the South East Sustainability Award should be named in his honour and memory in recognition of his work in this area.

Biographical notes of the Board Members can be found on the SEEDA website [www.seeda.co.uk](http://www.seeda.co.uk).

### 4.3 BOARD COMMITTEES

The Board Committees retain their key role, which is to assist in informing and monitoring the implementation of the Regional Economic Strategy, but a clearer distinction has been established between the 'Advisory' SEEDA Board Committees and those Committees that assist in the management of the Agency. The Board Committee structure is as follows: -

#### Advisory Committees

Business South East

Inclusion

Sustainable Development

Rural

Social Dialogue Forum

Joint Europe Committee (joint Committee with the Regional Assembly)

South East Science Engineering Technology Advisory Council (SESETAC)

#### Management Committees

Audit

Remuneration

Major Projects

### 4.4 AUDIT COMMITTEE

#### Role of the Audit Committee

The main purpose of the Committee is to give advice to the Accounting Officer and the Board on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk, control and governance. The Committee acts in an advisory capacity only on audit matters and has no executive powers. Its objectives are to advise the Accounting Officer on:

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

#### Meetings of the Audit Committee

Members of the Committee are appointed by the Board for fixed terms not exceeding three years in the first instance. Rotation of members applies with members being eligible for immediate re-election for a maximum of three years. During 2005-2006 the Members were the following:

- Robert Douglas CBE (Chair)
- Rob Anderson
- Terry Mills (Deceased December 2005) replaced by Imtiaz Farookhi
- Phil Wood

The Members of the Audit Committee are remunerated as Board Members and receive no extra remuneration for sitting on the Audit Committee.

#### Delivery of Formal Responsibilities

During 2005-2006 the Audit Committee met on three occasions and performed its functions in accordance with its terms of reference and HM Treasury's Audit Committee Handbook. The minutes of these meetings and an annual report on the Audit Committee's activities were presented to the full Board. The Head of Internal Audit provides a secretarial service to the Audit Committee.

#### Best Practice and Training

Some Board Members attended an Induction Seminar for Audit Committee Members organised by the Cabinet Office and a seminar for RDA Audit Committee Members.

### Key Performance Indicators

The key performance indicators relevant to the Audit Committee are the gradings given in internal audit reports and the number of outstanding internal audit recommendations. At each meeting the Committee reviews the grading and the position on the implementation of internal audit recommendations and focuses its attention and that of senior management on the position.

### Stakeholder Relationships

Effective working arrangements are in place with the National Audit Office (NAO) and the Government Office for the South East (GOSE) whose representatives attend Audit Committee meetings on a regular basis. Both the NAO and GOSE value the insight they get into SEEDA's operations from Audit Committee attendance.

### Internal Financial Control and Risk Management Systems

During the year the Audit Committee reviewed the various reports covering these areas presented to it by the Head of Internal Audit, the Finance Director and the NAO.

### Internal Audit Function

The Internal Audit Strategy and Plan, the executive summaries of individual Internal Audit assignments, reports on the implementation of recommendations, progress reports and the Internal Audit Annual Report and Assurance Statement were reviewed by the Audit Committee.

## 4.5 ADVISORY COUNCIL

The SEEDA Advisory Council was disbanded in early 2005 and instead Business South East was formed in February 2005, consisting of senior leaders from the world of business.

## 4.6 SENIOR EXECUTIVE

At the end of the financial year, the SEEDA Executive comprised five main Divisions. The Executive Directors are responsible for driving forward the implementation of the relevant elements of the Regional Economic Strategy and for delivering the programmes through which we support the activities of our partners.

SEEDA is also increasing its emphasis on the links between regional activities and sub-regional strategies and priorities. In addition to their functional responsibilities, four of the Directors therefore have geographical responsibilities, in which they are supported by other staff within the organisation.

Members of the SEEDA senior executive including functional and geographic responsibility:

<b>Pam Alexander</b>	Chief Executive.
<b>Jeff Alexander</b>	Executive Director, Business and International, with geographical responsibility for Milton Keynes, Oxfordshire, Berkshire and Buckinghamshire.
<b>Paul Hudson</b>	Director, Development and Infrastructure, with geographical responsibility for Kent.
<b>Paul Lovejoy</b>	Executive Director, Strategy and Sustainability, with responsibility for rural issues.
<b>John Parsonage</b>	Executive Director, Learning and Skills, with geographical responsibility for Surrey and Sussex.
<b>Duncan Straughen</b>	Executive Director, Resources with geographical responsibility for Hampshire and the Isle of Wight.

## 4.7 HUMAN RESOURCES AND SERVICE STANDARDS

### Recruitment

During the year SEEDA recruited 108 new employees. A number of these were to new posts to reflect SEEDA's new responsibilities and SEEDA also hosted a number of secondments from partner organisations. To support the recruitment process work was undertaken to develop SEEDA's employer branding. As an indicator of SEEDA's commitment to career development, 30 staff moved - either permanently or on secondment - to new posts within the Agency and a small number undertook secondments to external organisations. Staff turnover for the year was around 13%.

### Learning and Development

SEEDA is committed to the Investors in People standard and in November 2005 the Agency's IIP accreditation was reconfirmed. The Corporate Learning and Development Plan for 2005-2006 was linked closely to the Agency's business objectives with priority areas of focus being management and leadership skills, continuing professional development, interpersonal skills and the effective use of new systems and processes. In addition to a range of technical and job-specific training, SEEDA also continued to support professional study and to actively encourage staff development through voluntary work (for example, a number of staff have worked as mentors in local schools).

### Remuneration and Pension

During the year SEEDA developed its pay structure to provide greater opportunity for pay progression for staff performing at a fully competent level. The treatment of pension liabilities and the relevant pension scheme details are set out in the Accounting Policies notes on page 7 of the Annual Accounts and in the Remuneration Report on page 36 of this Annual Report.

### Staff Consultation

SEEDA's Joint Staff Council met regularly during 2005-2006 to discuss a range of employee-related issues. SEEDA also maintained a productive working relationship with its two recognised unions, PCS and Prospect.

SEEDA undertakes a full staff survey approximately every two years. The survey undertaken in early 2006 highlighted many areas of improvement over previous years. In particular, there were some very positive findings in areas, such as: overall satisfaction with working for SEEDA; individual job satisfaction; understanding how personal objectives link into the bigger picture; working relationships, and, line management. Some areas for improvement were also identified and have been developed into an action plan for implementation during 2006-2007.

### Equality and Diversity

SEEDA wholly supports the principles and practices of equal opportunities in employment and service provision and opposes all forms of unlawful or unfair discrimination on grounds of gender, colour, marital status, race, nationality or ethnic/national origin, religion and belief, sexual orientation, disability and membership of trade union working arrangements. To this end SEEDA adheres to the requirements of the codes of Practice issued by the Equal Opportunities Commission and Commission for Racial Equality as well as the requirement of the Race Relations Act 1976, Sex Discrimination Act 1986, Disability Discrimination Act 1995, Part-time Workers Regulations 2000, and Race Relations (Amendment) Act 2000.

At the end of March 2006, 40% of staff who fell within the Agency's senior management / professional pay ranges were female.

In May 2002 SEEDA published its initial Race Equality Scheme, which was rewritten in 2005 and the updated version is available on the SEEDA website. The Scheme highlights next year's action, which includes carrying out race equality impact assessments on: the revised Region's Economic Strategy; SEEDA's staff recruitment and related policies; procurement of goods and services procedures; communication strategy and business support activities. These impact assessments will also consider all strands of equality.

During 2005-2006 SEEDA had an average workforce of approximately 342 and recorded the ethnic origin of all staff. 4.8% of staff identified themselves as being Black or Mixed Ethnicity (BME). This compares to our BME population of 4.9% in the South East region (source: 2001 Census, Office of National Statistics).

Under the Race Equality Scheme the staff profile, is below:

- 7% of staff promoted were BME
- 100% of staff of BME received training
- 100% of staff of BME benefited from SEEDA's performance assessment procedures (i.e. received a performance-related pay award)
- No staff of BME suffered a detriment from SEEDA's performance assessment procedures (i.e. did not receive a performance-related pay award)
- No staff of BME were involved in grievance procedures
- No staff of BME were the subject of disciplinary procedures
- One member of staff of BME left SEEDA

It is not possible to give an accurate figure for 2005-2006 for the number of job applicants who were BME. This is because the electronically generated monitoring form was not always returned by applicants. A new form available electronically and in paper format was introduced at the end of 2005-2006, which incorporates a detachable monitoring form. This should ensure that accurate figures can be provided from 2006-2007 onwards.

Due to the relatively small number of BME within SEEDA, the Agency has not split the analysis into racial groups.

### **Health and Safety Policy**

The Health and Safety Policy adopted by SEEDA meets the legal requirements to provide and maintain a safe working environment. The policy is approved by the Chief Executive and Executive Management Team and implementation is monitored by a Health and Safety Committee with a wide membership representing all staff, and the appointment of a named responsible person to administer and manage the workplace environment. The management process involves training and cooperation of all employees to identify hazards that could be a risk, risk assessment, risk control and implementing standards to consistently improve the workplace. Staff are provided with familiarisation and training programmes through the management process.

### **Service Standards**

SEEDA is committed to best practice standards of working in all areas. This includes high standards of clear, well-written English. All SEEDA employees receive training in customer service and are familiar with SEEDA's published service standards.

SEEDA employees make every effort to answer telephone calls as quickly as possible. SEEDA's Service Standards state that all written requests for information are responded to within 10 working days of receipt unless the sender has set a different timescale for response. Where written correspondence requires a more substantial or complex answer, a response is sent within five days of receipt informing the writer of this and giving an indication of when the response can be expected.

### **Open Government**

The Agency received 87 individual requests in 2005-2006 that were covered under the Code of Practice on Access to Government Information and the Freedom of Information Act. No requests were refused although some were restricted in line with the Acts. No charges were raised in connection with requests for information. The Agency also handled a substantial volume of correspondence, much of which concerned requests for information.

The SEEDA website is used to communicate much of the business activity and general information. The website receives around 3,000 visits per day of which 74% are international.

### **Prompt Payment Code**

The Agency is committed to the "Better Payment Practice Code" contained in Government Accounting guidance and aims to pay all undisputed invoices within 30 days or on the terms agreed with the supplier. Based on date of invoice received, in 2005-2006 the Agency paid 96% of invoices within 30 days, based on payments from the date the invoices are received. The average time to pay an invoice is nine days.

### **Commitment to Customer and Stakeholder Service**

SEEDA's staff are committed to operating professionally. In accordance with best practice we work with our customers to provide the highest level of service under the Government's Service First Initiative. In accordance with SEEDA's code on Access to Information we are committed to careful handling of information, efficient delivery of services and providing accessible information to the public within a reasonable timescale, restricting information only when there are good reasons for doing so.

SEEDA has published a Standards of Service and Access to Information leaflet, which includes the service standards to be adhered to by the Agency.

A 'Working Together' leaflet has been jointly published with SEEDA. This leaflet explains how the three bodies work closely together for the benefit for the South East.

### **Research and Development**

The SEEDA research and development focus is on statistical analysis. Close working with partners provides regional intelligence and analysis for policy making. To achieve this goal, SEEDA sponsors economic modelling, market and business research and skills intelligence. SEEDA is a key partner in the South East England Intelligence Network.

### **Environment and Sustainability**

SEEDA has a remit to contribute to the sustainable development of the UK, and the Regional Economic Strategy (RES) is firmly based on sustainable development principles, and has been informed throughout its development by an independent Sustainability Appraisal and Strategic Environmental Impact Assessment. As the regional champion for sustainable economic growth, SEEDA seeks to benchmark its own sustainability performance. The development and implementation of a Sustainability Management System (SMS) for the Agency is now underway and will enable SEEDA to take a holistic approach to sustainable development. The first stage of this programme will be ISO 14001 accreditation in 2007. This international standard for environmental management will set a best practice written model to manage the environmental impact of SEEDA activities and achieve resource efficiency within the organisation.

The SMS will also provide SEEDA with an opportunity to become a flagship RDA for a sustainability management system and to promote the sustainability model to partners and businesses in the region.

## **4.8 RISK MANAGEMENT**

### **Risk Strategy**

SEEDA has in place a well-established strategy for risk management. The essential features include the following: -

- Compliance with the Treasury (Orange Book) and the guidance for project appraisal (Green Book)
- Delegated responsibility to divisions within the agreed strategic framework and procedures
- Risk management concentrates on achievement of business plan objectives, budgets and output performance targets
- Linkage to the 10 year Regional Economic Strategy, the three year Corporate Plan and the annual Business Plan
- Risks are assessed at project appraisal stage before any commitment is undertaken
- Risk Registers list the identified risks, the accountable and responsible persons
- Risk Registers are reviewed by an Operational Management Group and higher risk issues reported to: the Executive Directors; the Accounting Officer; and, the SEEDA Board, as necessary
- Legal and other professional advice is taken on all significant contractual matters

In addition to the Divisional Risk Registers, a list of the Top 10 Corporate Risks has been compiled these are regularly reviewed by the Executive and annually by the Audit Committee.

### **Risk Policy**

Risk cannot and should not be eliminated from SEEDA business. Every reasonable action will be taken to reduce risk to the organisation, this will be achieved by a combination of risk identification and positive action to manage and/or reduce or transfer risk of undertakings. All projects are appraised in accordance with the Government approved SPAG (Single Programme Appraisal Guidance) process.

### **4.9 SUBSIDIARY COMPANIES**

During the last year, SEEDA has closed the South East Regional Aggregation Body (RAB) limited liability partnership, with the Department of Trade and Industry. The objective was to procure Broadband capacity from the private sector suppliers and obtain financial advantage from economy of scale for the public sector. The Broadband capacity changed considerably and this mitigated the need for the RAB and a joint decision with the DTI was taken to cease business as at 31st December 2004 and RAB was subsequently closed down in 2005-2006.

The SEEDA interest in the Hastings and Bexhill Renaissance Ltd (HBRL) Company was reduced as planned from 80% to 20% during 2005-2006. This was due to additional external member organisations joining the Company and, in accordance with the Articles; the SEEDA interest is thereby reduced. This reduces the risk to SEEDA in any commercial activity undertaken by the Company, although SEEDA is still the lead strategic body on the Steering Group Task Force.

In preparation for invoking an operational role, the name of Chatham Maritime Ltd was changed to South East England Properties Ltd (SEEP), but otherwise it remained a dormant company through 2005-2006.

A list of all the SEEDA companies is included in the full Financial Statements.

### **4.10 FINANCIAL REVIEW**

The financial results for the year ended 31 March 2006 are set out in the attached financial statements. The Agency operates on an income and expenditure basis and all expenditure has been covered by grant in aid and other income. The format of the Accounts conforms to the Treasury guidance including the Group and Agency basis for the Balance Sheet.

SEEDA is mainly funded by Central Government via the Department of Trade and Industry (DTI) as the sponsoring Department. The funding resource for RDAs is indicated in the Treasury's three year Expenditure Spending Review (presently the SR 2004).

A Single Pot funding formula is applied by the DTI, which provides the total allocation of the annual resource – including direct grant in aid and capital receipts. The DTI resource allocation is provided in a 'Single Pot', including any ring fenced amounts.

Apart from the DTI resource allocation described above, SEEDA acts as an accounting body for a number of funding streams. These include the Kent Coalfield programme, which is administered by SEEDA on behalf of English Partnerships, plus the European Social Fund, Interreg and the new Sustainable Communities Fund for Growth Areas in Kent.

It is important the spending commitments do not exceed the indicative level of funding as laid out in the Treasury Spending Reviews, as notified by the DTI. This is necessary because many of the grant-funded initiatives undertaken by SEEDA are more than a year in duration. Commitments entered into by SEEDA are within the level of indicative future funding.

The capital structure of SEEDA is by way of a reserve of net balance sheet assets, mainly funded by the DTI annual resource allocation. The attached audited Financial Statements provide more information about the specific figures for SEEDA as at 31st March 2006. The value of net Balance Sheet reserves, as at 31st March 2006 is £168.6 million for the SEEDA agency and £168.6 million for the SEEDA Group. There is an increase of the reserve from last year of £133.9 million mainly as a result of development site acquisitions.

During 2005-2006, SEEDA received and applied a resource allocation grant amounting to £206.1 million. This amount includes grant in aid from Government, payments by English Partnerships for the coalfields and brownfield sites programme and European Community grants drawn down. (SEEDA was not significantly exposed to the Euro and other foreign currency exchange rate transactions during the year).

SEEDA can apply the available funds to achieve performance targets and operation requirements as stated in the Regional Economic Strategy, in the Corporate Plan and as reported. To provide flexibility of planning, any allocated resource funding not used in one year is identified, confirmed with the DTI, and subject to approval by Parliament rolled over into the following year.

The overall financial control regulations are contained in a document issued to all RDAs each year by DTI. This document is called the Financial Memorandum (FM) and is published by the DTI under authority provided in the RDA Act 1998 and a revised FM was issued by the DTI, with effect from November 2005. Under the Act and as stated in the Financial Memorandum, SEEDA must comply with various constraints including borrowing and lending above given limits, without the approval of the Secretary of State. The Agency has complied in all material respects with the terms of this memorandum during 2005-2006.

The accounting policies followed by SEEDA are in accordance with Government Accounting guidance and the international Generally Accepted Accounting Practice (GAAP). There is Financial Procedures guidance in operation which includes a delegation scheme which is regularly updated. As from April 2005, SEEDA commissioned a new accounting and financial control system and upgraded the related Project Management System.

#### **4.11 POST BALANCE SHEET EVENTS**

Defra and the Regional Development Agencies have been working together to devolve the RDA's new responsibility for delivering socio-economic funding under the European Union Rural Development Regulation. The Heads of Terms on the key principles for the transfer of responsibilities were agreed in February 2006 and the final terms of terms of the transfer will be subject to discussion over the coming months with a view to the transfer being effective from 1 October 2006.

## 5. REMUNERATION REPORT

### 5.1 REMUNERATION COMMITTEE

The SEEDA Remuneration Committee comprises of three Board members, James Brathwaite SEEDA Chairman, Robert Douglas SEEDA Deputy Chairman and Liz Brighouse Board Member. The duties are to:-

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

Remuneration of the Chief Executive and most senior managers is set by the Board and agreed by the Department of Trade and Industry and take into account recommendations of the Senior Salaries Review Body. All the most senior staff are on permanent contracts and subject to six months notice for Chief Executive and three months notice for Executive Directors. No significant awards, or compensation or payments to third parties for services of past senior staff were made in the last year.

### 5.2 EMOLUMENTS OF BOARD MEMBERS

The remuneration of the Board is set by the Department of Trade and Industry

Name	Position	Date of Appointment	Date Contract Expires	Salary £	Pension £	Total 2005/6 £	Total 2004/5 £
James Brathwaite CBE	Chairman	14.12.02	13.12.08	76,875	0	76,875	74,781
Robert Douglas CBE	Deputy Chairman	14.12.01	31.12.07	16,305	0	16,305	15,861
Peter Jones	Deputy Chairman	14.12.03	13.12.06	8,153	0	8,153	7,931
Rob Anderson	Board Member	14.12.03	13.12.06	8,153	0	8,153	7,931
Elizabeth Brighouse	Board Member	14.12.01	13.12.06	8,153	0	8,153	7,931
Poul Christensen CBE	Board Member	14.12.02	13.12.08	8,153	0	8,153	7,931
Imtiaz Farookhi	Board Member	14.12.04	13.12.07	8,153	0	8,153	2,313
Sarah Hohler	Board Member	14.12.02	13.12.06	8,153	0	8,153	7,931
Keith House	Board Member	14.12.02	13.12.08	8,153	0	8,153	7,931
Mary McAnally	Board Member	01.11.00	31.12.06	8,153	0	8,153	7,931
Terry Mills (deceased)	Board Member	14.12.02	January 2006	6,794	0	6,794	7,931
John Peel CBE	Board Member	14.12.02	13.12.08	8,153	0	8,153	7,931
Dr Peter Read CBE	Board Member	01.11.00	31.10.06	8,153	0	8,153	7,931
Bill Wakeham	Board Member	14.12.04	13.12.07	8,153	0	8,153	2,313
Phil Wood	Board Member	14.12.03	13.12.06	8,153	0	8,153	7,931

Board Members have been appointed on a fixed term of three years and contracted to carry out two days work per month (three days per week for the Chairman and one day per week for the Deputy Chairmen) on behalf of the Agency. At the end of this period, Board Members may be re-appointed for a period of up to three years. No Board Members are eligible to receive performance related pay or any other taxable benefit as a result of employment with the Agency. Except for the Chairman, who has not taken the option, no other Board Members are eligible for pension contributions.

### 5.3 EMOLUMENTS OF CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS

Name	Age	Salary £	Bonus £	Sub Total £	Other £	Pension £	Total 2005/6 Including Pensions and Other Benefits £	Total 2004/5 Including Pensions and Other Benefits £
<b>Pam Alexander</b> Chief Executive	52	132,281	25,500	157,781	0	37,303	195,084	164,302
<b>Jeff Alexander</b> Director of Business and International	50	86,698	11,023	97,721	3,463	21,328	122,512	112,211
<b>Paul Hudson</b> Director of Development and Infrastructure	59	91,032	12,464	103,496	4,631	22,394	130,521	122,725
<b>Paul Lovejoy</b> Director of Strategy and Sustainability	47	81,800	2,664	84,464	1,978	20,123	106,565	79,305 *
<b>John Parsonage</b> Director of Learning and Skills	59	86,698	10,175	96,873	2,787	21,328	120,988	113,760
<b>Duncan Straughen</b> Director of Resources	51	95,093	4,650	99,743	2,778	23,393	125,914	55,882 **

The Chief Executive and Executive Directors are on permanent contracts. The Chief Executive's pay is agreed by the Secretary of State and Executive Directors are covered by the annual pay remit approved by the DTI and the Treasury. Bonuses are determined following reviews based on the individual's performance against agreed objectives and competencies for the previous year. The main element within "Other Benefits" relates to the taxable charge of using a lease car or other travel entitlement.

The Chief Executive bonus to a maximum of 20% is determined by the Chairman in consultation with the Remuneration Committee and the Regional Director of the Government Office, subject to approval by the Secretary of State. Executive Directors are eligible for a bonus up to 15% as determined by the Chief Executive in consultation with the Remuneration Committee. The bonus payments paid in 2005-2006 refer to performance against agreed targets for 2004-2005.

\*refers to full year as an existing SEEDA employee and part year as a Director

\*\* Refers to part year only as a new SEEDA employee

## 5.4 EMOLUMENTS OF CHIEF EXECUTIVE AND EXECUTIVE DIRECTORS – PENSION INFORMATION

	1	2	3	4	5	6	7	8
	Real increase in lump sum (£k)	Real increase in pension (£k)	Pension at 31/03/06 (£k)	Lump sum at 31/03/06 (£k)	Cash Equivalent Transfer Value at 31/03/05 (£k)	CETV at 31/03/06 (£k)	Employee Contributions And Transfers In (£k)	Real increase In CETV Funded by Employer (£k)
<b>Pam Alexander</b> Chief Executive *	N/A	2.5-5.0	45-50	N/A	567	769	2.5 – 5	46
<b>Jeff Alexander</b> Director of Business and International	2.5 – 5	0 – 2.5	30-35	90-95	420	560	0 – 2.5	20
<b>Paul Hudson</b> Director of Development and Infrastructure	2.5 – 5	0 – 2.5	5 – 10	20-25	132	186	0 – 2.5	25
<b>Paul Lovejoy</b> Director of Strategy and Sustainability	N/A	0 – 2.5	5 – 10	N/A	57	108	2.5-5.0	30
<b>John Parsonage</b> Director of Learning and Skills	2.5 – 5	0 – 2.5	35-40	105-110	639	796	0 – 2.5	25
<b>Duncan Straughen</b> Director of Resources	N/A	0 – 2.5	0 – 2.5	N/A	10	38	2.5-5.0	22

\*Member has aggregated a preserved award during the financial year (Earnings Cap applies).

Factors used to calculate the CETV were revised on 1st April 2005 on advice of the Actuary. The CETV figure for 31st March 2005 has been restated using the new factors and calculated on the same basis as the CETV figure for 31st March 2006.

### Cash Equivalent Transfer Value (CETV)

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

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension

arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### **Civil Service Pension Scheme**

Although not 'civil servants', SEEDA staff can participate in pension benefits provided through the Civil Service pension arrangements. From October 2002, SEEDA staff may be in one of three statutory based 'final salary' defined benefit schemes (Classic, Premium and Classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes to the Retail Price Index. New entrants after October 2002 may choose between membership of premium or a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

The Principal Civil Service Pension Scheme (PSCPS) is an unfunded multi-employer defined scheme but SEEDA is unable to identify its share of underlying assets and liabilities. The scheme actuary valued the scheme as at 31st March 2003. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

- **Classic Scheme**

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. Members pay contributions of 1.5% of pensionable salary. On death, pensions are payable to the surviving spouse at a rate of 50% of the late member's pension. On death in service, the scheme pays a lump sum of twice the pensionable pay and also a service enhancement on computing the spouse pension. The enhancement depends on length of service to a maximum of 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are paid immediately without actuarial reduction and with service enhanced as for the widow(er) pensions.

- **Premium Scheme**

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. 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 the pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purpose of pensions disclosures the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the members pension (before any commutation).

On death in service, the scheme pays a lump – sum benefit of three times pensionable earnings and also provides a service enhancement on 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 under taking any gainful employment, service is enhanced to what they would have accrued at age 60.

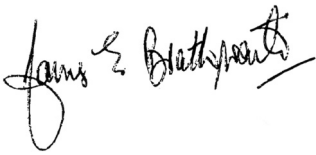
- **Classic Plus Scheme**

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

- **Partnership Pension Account**

This is a stakeholder-type arrangement where the employer pays a basic contribution of between 3% and 12.5 % (depending on the age of the member) into a stakeholder pension product chosen by the employee from a selection of approved products. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% (addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement). The member may retire at any time between the ages 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up to 25% of the fund as a lump sum.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pension.go.uk](http://www.civilservice-pension.go.uk)



**James E Brathwaite CBE**  
Chairman

Date: 13th July 2006



**Pam Alexander**  
Chief Executive and Accounting Officer

Date: 13th July 2006

## 6. STATEMENT ON INTERNAL CONTROL

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### 6.1 SCOPE OF RESPONSIBILITY

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of SEEDA's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

The Agency, via the Accounting Officer and the Board, works very closely with the Government Office of the South East, with the South East England Regional Assembly and directly with Central Government Departments. These relationships ensure the sponsor department (Department of Trade and Industry) and all concerned are kept abreast of strategy issues of the Agency, statutory requirements, Government policy and overall corporate governance.

SEEDA has a number of subsidiary and joint venture undertakings as listed under note 10 of the attached financial statements. In each case approval is given by the Department of Trade and Industry in accordance with the RDA Act 1998. Participation in these undertakings is for strategic reasons as the best method to achieve applicable objectives. SEEDA staff are Directors of the undertakings in order to ensure the correct level of accountability and control.

### 6.2 THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to an appropriate operational 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, prioritise and manage the risks of activities undertaken. The process is to evaluate the likelihood of those risks being realised and the resulting impact and to manage them efficiently, effectively and economically. A system of internal control has continued to be in place for the year ended 31st March 2006 and up to the date of approval of the annual report and accounts, which accords with Treasury guidance.

### 6.3 CAPACITY TO HANDLE RISK

The established capacity to handle risk continued in 2005-2006 by way of the following:

- A Board which meets normally 10 times a year to consider the plans and strategic direction and performance of the Agency;
- An Audit Committee which meets at least three times per year and which oversees the Agency's audit, risk management, control and governance arrangements;
- A process of monthly financial reports which are reviewed at management meetings, at a new monthly Directors' Performance Review Group initiated in January 2005 and by the Board;
- Regular meetings of the Executive Project Advisory Board, the Executive Investment Committee and the Board Members Major Projects Committee are held to review project proposals and appraisals using the Single Programme Appraisal Guidance (SPAG).

The Agency matrix of major risks includes procedures and processes by which the impact is managed and includes the relationships with external partners. This matrix is used to identify the type of risk associated with the ongoing and normal undertakings of the Agency.

### 6.4 THE RISK AND CONTROL FRAMEWORK

The Agency procedures and processes include the following:

- A framework of written guidance covering the Agency's policies, standards, procedures, delegations and financial control;
- A Risk Management Strategy;
- Maintenance of a set of Risk Management Registers which are based on the Agency's policies, aims and objectives as laid out in the SEEDA Corporate Plan with a top 10 risks matrix reviewed by the Executive Board and Audit Committee;

- A system of identifying risks for all projects proposed and undertaken is carried out at appraisal stage;
- Procedures issued by the DTI for Single Programme Appraisal Guidance (SPAG) are adhered to;
- The Directors' Performance Review Group and the separate Performance Group reviews progress on risk management issues to discuss and resolve problems and to receive advice;
- Legal advice is taken for contracts and a generic contract pro-forma has been developed for use as a template.

All staff operate to agreed annual objectives with regular review meetings with supervisors. Delegation levels are issued for specific purposes and to named individuals. These levels are updated on a regular basis during the year. Training is an important control factor and staff receive instruction and guidance in the use of written policies, procedures and systems to ensure compliance and adherence to standards and rules.

### 6.5 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 executive managers within the Agency, who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management report and other reports are also taken into consideration. I have been advised on internal control by the Board and Audit Committee and a plan has been implemented to address weaknesses and ensure continuous improvement of systems.

#### My review has been informed by:

- An Internal Audit Team that operates to the Government Internal Audit Standards and which provides me with reports on the audit reviews carried out together with recommendations for improvement and progress reporting on the implementation of recommendations, including progress reports;
- An Annual Report and Assurance Statement from the Head of Internal Audit giving his professional opinion on the adequacy and effectiveness of the Agency's risk management, control and governance processes;
- Feedback from Executive Directors and senior managers within SEEDA who have responsibility for the operation, development and maintenance of the internal control and risk management framework.
- The Board determines all single major project proposals above £3 million and the Major Projects Committee of the main Board advises me on my decisions on all single projects above £1 million.
- The Board also receive reports from, and advise on the work of, the Audit Committee, including an annual report of work undertaken.
- The Directors' Performance Review Group and the Board receive reports on the monthly financial performance and advise on required actions.
- The Audit Committee review all audit reports and related recommendations, review risk management issues and advise on actions as necessary.
- The new systems as reported last year were able to provide all the information requirements for monitoring the financial performance throughout the year. These systems continue to be refined and improved as a reliable source of essential information. A new IT Department has been established to support and improve all systems.

### 6.6 SIGNIFICANT INTERNAL CONTROL PROBLEMS

With consideration to the above, no significant internal control problem was highlighted during the year.



**Pam Alexander**  
Chief Executive and Accounting Officer

Date: 13th July 2006

# REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE SOUTH EAST ENGLAND DEVELOPMENT AGENCY

I have audited the financial statements of the South East England Development Agency for the year ended 31st March 2006 under the Regional Development Agencies Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

*Respective responsibilities of the South East England Development Agency, Chief Executive / Accounting Officer and Auditor:*

The South East England Development Agency and Chief Executive/Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Regional Development Agencies Act 1998 and the directions made there-under by the Secretary of State and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Agency's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Regional Development Agencies Act 1998 and the directions made there-under by the Secretary of State. I also report whether 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the South East England Development Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 41 and 42 reflects the South East England Development Agency's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Chief Executive's/Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the South East England Development Agency's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Introduction, the Chief Executive's Review, the Directors' Report and the Management Commentary and only the unaudited parts of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

*Basis of audit opinion:*

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates

and judgments made by the South East England Development Agency and Chief Executive/Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the South East England Development Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions:

In my opinion:

- the financial statements give a true and fair view, in accordance with the Regional Development Agencies Act 1998 and directions made there-under by the Secretary of State, of the state of the South East England Development Agency's affairs as at 31st March 2006 and of its financial results for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Regional Development Agencies Act 1998 and directions made there-under by the Secretary of State; and
- 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.

I have no observations to make on these financial statements.

**John Bourn**

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

Date: 19th July 2006







## **PART TWO - ANNUAL ACCOUNTS**

### **YEAR END 31 MARCH 2006**

**South East England Development Agency Financial Statements  
for the Year to 31 March 2006**

**GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 MARCH 2006**

	Notes	2005/6 £'000	2004/5 £'000
<b>Income</b>			
Grant-in-aid released	2	123,677	87,637
European funding	2	7,317	6,520
Other grant income	2	13,714	10,912
Transfer from Government Grant Reserve	17	19,339	27,415
Proceeds from disposal of development assets	15	11,240	21,827
Proceeds from disposal of operating assets	9	174	0
Other income	4	5,040	5,327
<b>Total Income</b>		<b>180,501</b>	<b>159,638</b>
<b>Expenditure</b>			
Programme expenditure	3	140,733	108,344
Staff costs	7	15,342	13,606
Other administrative costs	5	6,998	7,525
Book value of development assets sold	15	10,463	22,139
Book value of operating assets sold	9	174	1
Book value of development assets written down	15	11,119	10,657
Book value of development assets written back	15	(3,323)	(6,408)
Bad debts written off and movements in provision for bad and doubtful debts	14	(6)	4,349
<b>Total Expenditure</b>		<b>181,500</b>	<b>160,213</b>
<b>Group Operating surplus/(deficit) on continuing operations</b>		<b>(999)</b>	<b>(575)</b>
Share of gross income of Joint Ventures	10c	2,333	3,789
Share of gross expenditure of Joint Ventures	10c	2,387	3,857
Share of operating surplus/(deficit) of Joint Ventures		(54)	(68)
Share of operating surplus/(deficit) of Associates	10c	37	12
<b>Surplus/(deficit) on ordinary activities before interest</b>		<b>(1,016)</b>	<b>(631)</b>
Group interest receivable	6a	1,169	601
Group interest payable and similar charges	6b	(51)	0
Notional cost of capital	1(j)	(5,294)	(4,214)
Share of interest receivable by Joint Ventures	6a	0	0
Share of interest payable by Joint Ventures	6b	0	0
Share of net interest of Joint Ventures		0	0
Share of net interest of Associates	6a	26	2
<b>Surplus/(deficit) on ordinary activities before taxation</b>		<b>(5,166)</b>	<b>(4,243)</b>
Group taxation	19	(35)	(27)
Share of taxation of Joint Ventures	19	16	21
Share of taxation of Associates	19	(8)	0
<b>Surplus/(deficit) for the year after tax</b>		<b>(5,193)</b>	<b>(4,249)</b>
Minority Interest	10(b)	(17)	0
Reversal of notional cost of capital	1(j)	5,294	4,214
<b>Surplus / (Deficit) for the year carried forward</b>		<b>84</b>	<b>(35)</b>

All activities are from continuing operations.  
The notes on pages 6 to 29 form part of these accounts

**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR TO  
31 MARCH 2006**

	2005/6 £'000	2004/5 £'000
Surplus/ Deficit for the year after taxation	84	(35)
Revaluation not released to Income and Expenditure account	3,074	78
Grant in Aid receivable not released to Income and Expenditure account	50,889	57,316
<b>Total gains/ (losses) recognised for the year</b>	<b>54,047</b>	<b>57,359</b>

Grant in Aid receivable not released to the Income and Expenditure account is made up of £50,589,000 of Development Asset additions (note 15) and Operating Asset additions of £300,000 (note 9).

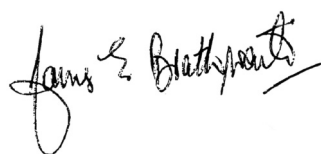
The Revaluation not released to the Income and Expenditure account of £3,074,000 arises from the upwards revaluation of Development Assets (note 15).

The notes on pages 6 to 29 form part of these accounts

South East England Development Agency Financial Statements  
for the Year to 31 March 2006

GROUP BALANCE SHEET AS AT 31 MARCH 2006

	Notes	2005/6 £'000	Restated 2004/5 £'000
<b>FIXED ASSETS</b>			
Intangible operating assets	8	0	4
Tangible operating assets	9	1,083	1,823
Investments in Joint Ventures	10c		
- Share of gross assets		7,818	8,685
- Share of gross liabilities		(7,540)	(8,356)
Investments in Associates	10c	52	14
Long term loans	16	147	182
		<u>1,560</u>	<u>2,352</u>
Debtors due after one year	11	8,947	5,682
<b>CURRENT ASSETS</b>			
Stock of development assets	15	165,748	130,344
Debtors due within one year	11	28,207	36,691
Cash at bank and in hand	20	17,791	11,426
		<u>211,746</u>	<u>178,461</u>
<b>CREDITORS: due within one year</b>	12	<u>43,748</u>	<u>38,161</u>
<b>NET CURRENT ASSETS</b>		167,998	140,300
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>178,505</u>	<u>148,334</u>
<b>CREDITORS: due after one year</b>	12	5,308	9,834
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	4,600	4,600
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<u>168,597</u>	<u>133,900</u>
<b>RESERVES</b>			
Government Grant	17	168,550	133,870
Minority Interest	10 b	47	30
		<u>168,597</u>	<u>133,900</u>



**James E Brathwaite CBE**  
Chairman

Date: 13th July 2006



**Pam Alexander**  
Chief Executive and Accounting Officer

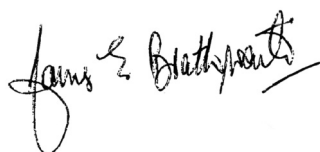
Date: 13th July 2006

The notes on pages 6 to 29 form part of these accounts

**AGENCY BALANCE SHEET AS AT 31 MARCH 2006**

	Notes	2005/6 £'000	Restated 2004/5 £'000
<b>FIXED ASSETS</b>			
Intangible operating assets	8	0	4
Tangible operating assets	9	1,083	1,823
Investments in Subsidiary undertakings	10b	192	125
Investments in Joint Ventures	10b	278	329
Investments in Associates	10b	52	14
Long term loans	16	147	182
		<u>1,752</u>	<u>2,477</u>
Debtors due after one year	11	8,947	5,682
<b>CURRENT ASSETS</b>			
Stock of development assets	15	165,748	130,344
Debtors due within one year	11	24,779	35,570
Cash at bank and in hand	20	15,243	9,354
		<u>205,770</u>	<u>175,268</u>
<b>CREDITORS: due within one year</b>	12	<u>43,319</u>	<u>37,952</u>
<b>NET CURRENT ASSETS</b>		162,451	137,316
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>173,150</u>	<u>145,475</u>
<b>CREDITORS: due after one year</b>	12	0	7,005
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	4,600	4,600
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<u>168,550</u>	<u>133,870</u>
<b>RESERVES</b>			
Government Grant	17	168,550	133,870
		<u>168,550</u>	<u>133,870</u>

Investments in Subsidiary undertakings have been restated at valuation rather than cost.



**James E Brathwaite CBE**  
Chairman

Date: 13th July 2006



**Pam Alexander**  
Chief Executive and Accounting Officer

Date: 13th July 2006

The notes on pages 6 to 29 form part of these accounts

**GROUP CASH FLOW STATEMENT FOR THE YEAR TO 31 MARCH 2006**

	Notes	2005/6 £'000	2005/6 £'000	2004/5 £'000	2004/5 £'000
<b>Operating Activities</b>					
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	18		(45,551)		(56,598)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest Received	6a		1,169		602
Interest payable and similar charges	6b		(51)		0
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Purchase of tangible operating assets	9	(300)		(445)	
Long term loan repayments	16	35		33	
Proceeds on disposal of fixed operating assets	9	<u>174</u>		<u>0</u>	
			(91)		(412)
Cash inflow from capital expenditure and financial investment					
<b>FINANCING</b>					
Grant received for capital additions of Development assets	15	50,589		56,871	
Grant applied to capital additions of operating assets	9	<u>300</u>		<u>445</u>	
			50,889		57,316
<b>INCREASE IN CASH</b>	20		<u>6,365</u>		<u>908</u>

The notes on pages 6 to 29 form part of these accounts

## NOTES TO THE ACCOUNTS

### Accounting Policies

#### 1 (a) Accounting Conventions

These financial statements have been prepared in accordance with the Financial Reporting Manual as issued by the Treasury. They are in a form directed by the Secretary of State for the Department of Trade and Industry, with the approval of the Treasury, in accordance with the Regional Development Agencies Act 1998.

The Agency was issued with a new Accounts Direction on 9th November 2005 which was effective for the 2005-2006 financial year.

These financial statements are prepared using the historical cost convention modified by the inclusion of development assets at their value to the business by reference to their current value.

The financial statements have been prepared in accordance with applicable accounting standards and meet the accounting and disclosure requirements of the Companies Act 1985.

#### 1 (b) Basis of Consolidation

The consolidated Financial Statements incorporate those of the Agency and its subsidiary undertakings, Ryde Business Park Management Company Ltd and East Kent Spatial Development Company.

The Group's joint ventures and associated undertakings are all incorporated entities in which the Group has 20% or more of the equity voting rights and over which it exerts either joint control (joint ventures) or significant influence (associates). In the Group Financial Statements, investments in joint ventures and associates are accounted for using the gross equity and equity methods respectively.

The share of net assets and profit/loss information of the joint ventures and associates is based upon audited financial statements to 31st March 2006 except for Finance South East, Aylesbury Vale Advantage and Countryside Maritime Ltd where unaudited financial statements have been used.

Consolidation adjustments have been undertaken in respect of East Kent Spatial Development Company Ltd and Hastings and Bexhill Renaissance Ltd to align the accounting policies with those of the Group.

#### 1 (c) Intangible Assets

Intangible assets, consisting of software licenses, are valued at amortised historic cost which is not materially different from amortised replacement cost.

#### 1 (d) Fixed Operating Assets

Fixed Assets are valued at depreciated replacement cost. Information Technology is capitalised if an item costs £500 or more, Fixtures and Fittings are capitalised if an item costs £1,000 or more.

## NOTES TO THE ACCOUNTS

SEEDA's policy is to capitalise IT development expenditure only when it relates to business software applications costing in excess of £5,000 and having an economic life of at least three years.

### 1 (e) Depreciation

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

Information Technology - over three years

Fixtures and Fittings - over five years

Intangible assets – amortised over three years.

### 1 (f) Development Assets

Development assets are held short term for disposal. The accounting policy is to revalue each year at the lower of current replacement cost and net realisable value. A valuation of the whole portfolio was carried out as at 31st January 2006, all of which was undertaken by Drivers Jonas, Chartered Surveyors.

Each Development Asset has an individual calculation in order to calculate the net gain or loss on each site following the revaluation. Any increase above historic cost is taken to the Government Grant Reserve whilst losses are written off against the reserve up to the value of any credit balance in the reserve and are shown in the Income and Expenditure account thereafter. The valuations of these assets are shown as stock on the Balance Sheet and within the Government Grant Reserve.

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

### 1 (g) Government Grants Receivable

The Agency's activities are funded primarily by grant in aid provided by the Department of Trade and Industry for specified types of expenditure. Government grants receivable of a revenue nature are credited to the Income and Expenditure Account in the year to which they relate. Government Grants in respect of capital expenditure on assets that are depreciated are credited to the Government Grant Reserve and released to the Income and Expenditure Account over the expected useful life of the relevant tangible fixed assets. Government Grants in respect of assets that are retained and not depreciated are also credited to the Government Grant Reserve, and released upon disposal or impairment.

### 1 (h) Pension Costs

Employees of the South East England Development Agency can participate in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a defined benefit scheme and is non-contributory for employees, apart from the new PCSPS schemes as detailed in the annual report (remuneration report section). The Agency's contributions to the Scheme are charged to the Income and Expenditure Account.

## NOTES TO THE ACCOUNTS

The Agency recognises the expected cost of providing pension benefits on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

### 1 (i) Deferred Taxation

Deferred Taxation is fully provided on timing differences arising between the recognition of gains and losses in the financial statements and in a tax computation. It is calculated based on tax rates which are enacted, or substantively enacted, as at the Balance Sheet date.

### 1 (j) Notional Cost of Capital

When calculating the surplus or deficit for the year, the Agency is required to include as expenditure a notional cost of capital, to the extent that there is no real charge for this. This has been calculated as 3.5% (2004/5:3.5%) of the average of total assets less total liabilities. After the surplus or deficit for the year there is an entry reversing this amount.

### 1 (k) Operating Leases

Operating lease rentals payable are accounted for in the Income and Expenditure Account on a straight line basis over the term of the lease. There are no finance leases.

### 1 (l) Financial Instruments

The Agency has no borrowings and relies primarily on departmental grants for its cash requirements and is therefore not exposed to liquidity risks. It has no material deposits and all assets and liabilities are denominated in sterling. There is no exposure to interest rate or currency risk (see note 26).

### 1 (m) Third Party Assets

The Agency holds deposits on behalf of Tenants to ensure that rental obligations are fulfilled. These are assets for which the Agency acts as custodian but in which the Agency has no direct beneficial interest. Third part assets are not recognised in the financial statements but are disclosed by way of a note (see note 27).

## NOTES TO THE ACCOUNTS

### 2 Analysis of Total Grant in Aid Utilised

	2005/6 £'000	2004/5 £'000
Grant in aid received from DTI	158,200	104,500
Coalfield grant received from EP	3,734	6,428
European grant received – ESF	2,609	2,222
European grant received – ERDF	8,319	4,298
Other grants (excluding coal)	33,261	47,537
Grant applied to inherited assets / liabilities	0	0
Opening net unused grant creditor	6,965	4,365
Closing net unused grant creditor	(17,491)	(6,965)
<b>Total grant receivable</b>	<b>195,597</b>	<b>162,385</b>
Total expenditure	212,993	189,961
Less non grant Income (see note below)	(17,396)	(27,576)
<b>Total grant utilised</b>	<b>195,597</b>	<b>162,385</b>
Grant applied to operational asset additions	300	445
Grant applied to development assets additions	50,589	56,871
Grant in Aid credited to Income and Expenditure Account	123,677	87,637
Coalfield grant credited to Income and Expenditure Account	257	117
EU grants credited to Income and Expenditure Account	7,317	6,520
Other grants (excluding Coal) credited to Income and Expenditure Account	13,457	10,795
<b>Total grant utilised</b>	<b>195,597</b>	<b>162,385</b>

#### Other Grants

	2005/6 £'000	2004/5 £'000
ODPM / DCLG	29,980	44,685
English Partnerships	1,196	0
Hastings (HBRL) European grants	0	1,234
Small Business Service	550	160
DEFRA	181	181
DTI – non single pot	1,354	1,277
	<u>33,261</u>	<u>47,537</u>

#### Non Grant Income

		2005/6 £'000	2004/5 £'000
Proceeds from disposal of development assets	15	11,240	21,827
Proceeds from disposal of operating assets	9	174	0
Rental and other income	4	5,040	5,327
- Less Subsidiary companies		(126)	(110)
Interest received	6	1,169	602
- Less Subsidiary companies		(136)	(103)
Long Term Loan repayments	16	35	33
		<u>17,396</u>	<u>27,576</u>

## NOTES TO THE ACCOUNTS

### 3 Analysis of Income and Expenditure by Key Driver

	Total Income recorded in the I&E Account	Total Expenditure recorded in the I&E Account	Grant applied to Capital additions recorded in the Government Grant Reserve
	2005/6 £'000	2005/6 £'000	2005/6 £'000
Business and International	43,016	53,269	88
Learning and Skills	20,254	25,704	42
Development and Infrastructure	65,019	55,685	30,053
Strategy and Sustainability	10,265	12,481	22
Resources	21,753	19,215	43
Coalfields	265	257	4,449
ODPM – Community Fund	12,486	7,688	16,192
European Funds	7,317	7,058	0
Subsidiary Companies	126	143	0
<b>Total</b>	<b>180,501</b>	<b>181,500</b>	<b>50,889</b>

	2004/5 £'000	2004/5 £'000	2004/5 £'000
Business and International	9,885	14,716	41
Learning, Skills and Workforce, Wired Region & Social Inclusion	9,705	17,244	49
Community Renaissance and Infrastructure	115,144	99,471	19,058
Strategy and Corporate Services	10,393	11,741	44
Coalfields	210	210	6,382
ODPM – Community Fund	9,425	12,512	31,742
European Funds	4,766	4,133	0
Subsidiary Companies	110	186	0
<b>Total</b>	<b>159,638</b>	<b>160,213</b>	<b>57,316</b>

The above total expenditure figures include book value of development assets sold and written down, grant expenditure and administrative expenditure as disclosed in the I&E.

Programme expenditure alone, incurred by each key cost driver was as follows:

	2005/6 £'000	2004/5 £'000
Business and International	49,478	11,452
Learning and Skills	23,667	9,541
Development and Infrastructure	33,931	65,171
Strategy and Sustainability	9,266	4,672
Resources	10,301	1,090
ODPM – Community Fund	7,395	12,338
Coalfields	257	210
European Funds	6,416	3,834
Subsidiary Companies	22	36
<b>Total</b>	<b>140,733</b>	<b>108,344</b>

The 2005/6 programme expenditure above is split as follows  
Private Sector **£106,849** Public Sector **£33,884**

## NOTES TO THE ACCOUNTS

### 4 OTHER INCOME

	2005/6 £'000	2004/5 £'000
Rents and Maintenance	3,820	2,464
Other receipts	950	1,917
Clawback	144	836
Subsidiary company income	126	110
	<b>5,040</b>	<b>5,327</b>

Clawback relates to part repayment of a third party grant previously made. In accordance with the conditions of grant, when specific milestones are reached certain amounts of grant can be reclaimed. The total Clawback amount of £144,000 relates to seven different projects (of which £97,191 related to a Wired Region Broadband project and £19,618 to a North Kent Area Investment project).

### 5 OTHER ADMINISTRATIVE COSTS

	2005/6 £'000	2004/5 £'000
Travel and subsistence	830	727
Other staff costs (recruitment, training etc)	537	552
Office and rent expenses	2,958	2,942
Operating lease rentals (excluding office leases)	182	201
Publications, events and media	597	938
Professional fees	362	431
IT and communication	491	541
Subsidiary company expenditure	121	150
Depreciation and Amortisation	865	993
Auditors' remuneration – Statutory	55	50
Auditors' remuneration – Non statutory	0	0
	<b>6,998</b>	<b>7,525</b>

Administration costs above exclude expenditure related to programmes and reflect only central management costs.

### 6 (a) INTEREST RECEIVABLE

	2005/6 £'000	2004/5 £'000
Bank Interest	1,019	471
Interest on rural loans	14	27
Share of interest – subsidiary companies	136	103
	<b>1,169</b>	<b>601</b>
Share of net interest – joint ventures	0	0
Share of net interest – associates	26	2
	<b>1,195</b>	<b>603</b>

### 6 (b) INTEREST PAYABLE

	2005/6 £'000	2004/5 £'000
Interest charged	51	0
Share of Interest payable – subsidiary companies	0	0
	<b>51</b>	<b>0</b>

## NOTES TO THE ACCOUNTS

### 7 SALARIES AND WAGES (a) Staff Costs

	2005/6 £'000	2004/5 £'000
<b>Board</b>		
Chairman's salary	77	75
Board members' fees	121	125
National Insurance costs	16	14
	<b>214</b>	<b>214</b>
<b>Staff</b>		
Salaries and wages, including overtime	8,750	7,504
Redundancy payments	50	0
Pension costs	1,706	1,097
National Insurance costs	781	665
	<b>11,287</b>	<b>9,266</b>
Other staff costs	195	503
Seconded staff costs	394	502
	<b>589</b>	<b>1,005</b>
<b>Administrative total</b>	<b>12,090</b>	<b>10,486</b>
Programme -Salaries and wages, including overtime	1,982	1,586
Programme - Redundancy payments	0	0
Programme - Pension costs	386	232
Programme - National Insurance costs	179	145
Programme - other staff costs	282	541
Programme - seconded staff costs	423	616
<b>Programme total</b>	<b>3,252</b>	<b>3,120</b>
<b>Total staff costs</b>	<b>15,342</b>	<b>13,606</b>

Staff performance is assessed each year against previously agreed objectives and targets. They are then awarded a pay increase taking into account two factors:

- Overall performance against the achievement of the agreed objectives
- Their current pay position within the pay band

SEEDA's average pay award for 2005-2006 was 2.82% comprising of both consolidated and non-consolidated amounts.

The Principal Civil Service Pension Scheme (PSCPS) is an unfunded multi-employer defined scheme but SEEDA is unable to identify its share of underlying assets and liabilities. The scheme actuary valued the scheme as at 31st March 2003. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2005/6, employers' contributions of £2,053,774 were payable to the PCSPS (2004-2005 £1,294,001) at one of four rates in the range of 16.2 to 24.6% (2004-2005 12 to 18.5%) of pensionable pay, based on salary bands. The Scheme Actuary reviews the employer contributions every four years following a full valuation. From 2006-2007, the salary bands will be revised and the rates will be in a range between 17.1 to 25.5%. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred, and they reflect past experience of the Scheme

Employer contributions of £36,499 (2004-2005 £27,394) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5% (2004-2005 - 3 to 12.5%) of pensionable pay. Employers also match employee contributions of up to 3% (2004-2005 3%) of pensionable pay. In addition, employer contributions of £2,169 (2004-2005 £1,668), 0.8% (2004-2005 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were no contributions due or prepaid to the partnership pension providers at the Balance Sheet date.

## NOTES TO THE ACCOUNTS

### SALARIES AND WAGES (Cont):

#### 7 (b) Average Staff Numbers

The average number of staff, including all seconded staff, employed by the agency during the period was 342. In 2004-2005 there were 335, including all seconded, temporary, contracted and capital project staff but excluding staff seconded to HBRL.

Year	Resources & Infrastructure		Development & Sustainability		Strategy & Skills		Learning & International		Business		Hastings		SEEDA Total		Offpat Total	
	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05	05-06	04-05
Senior Managers	8	9	10	6	5	2	4	4	4	6	2	2	33	29	0	0
Staff	79	88	54	52	48	22	33	32	62	51	15	14	291	259	0	0
Non permanent staff – Agency/contractors/secondees	4	18	2	2	13	6	6	9	10	16	0	10	35	61	2	2
Staff seconded to HBRL	0	0	0	0	0	0	0	0	0	0	-17	-14	-17	-14	0	0
Capitalised to SEEDA balance sheet	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>91</b>	<b>115</b>	<b>66</b>	<b>60</b>	<b>66</b>	<b>30</b>	<b>43</b>	<b>45</b>	<b>76</b>	<b>73</b>	<b>0</b>	<b>12</b>	<b>342</b>	<b>335</b>	<b>2</b>	<b>2</b>

The Office of Project Appraisal and Training (OFFPAT) is included for 2005-2006 as SEEDA was appointed the accounting body for this period. The OFFPAT staff are not part of the established head count.

Senior Managers include those staff on the Hay scale Senior Management/Professional banding A and B. 84 members of staff received emoluments of more than £40,000 including the Chief Executive (in 2004-2005 75 members). Senior executive salaries are agreed within a range approved by the DTI. At the 31st March 2006, no employees of SEEDA had received a loan from the Agency, other than travel season ticket loans.

## NOTES TO THE ACCOUNTS

### SALARIES AND WAGES (Cont):

#### 7 (c) Seconded Staff

Staff were seconded from the following organisations and reimbursed by the Agency during the accounting period:

	2005/6 No. of Staff	2005/6 £'000	2004/5 No. of Staff	2004/5 £'000
Dept. for works and Pensions	5	189	0	0
Thames Valley University	1	30	0	0
NIACE	1	30	0	0
DEFRA	1	11	0	0
Queensborough & Rushden PSO	1	20	0	0
Arts Council	0	0	1	9
Siemens Communications	0	0	1	109
Office of the Deputy Prime Minister	0	0	2	50
Department of Transport	0	0	1	71
Government Office for the South East	4	155	2	23
Sport England	1	24	1	13
Department of Trade and Industry	3	144	4	200
South West England Development Agency (OFFPAT)	1	56	1	47
Advantage West Midlands (OFFPAT)	1	93	1	69
Hastings Borough Council	0	0	2	153
Business Link	0	0	1	46
DSTL Finance	0	0	1	91
Business in the Community	0	0	1	24
Business Link Wessex	1	28	1	46
Sussex Enterprise	0	0	1	21
CCLRC	0	0	1	55
SEMLAC	1	17	0	0
Asian Health Authority	0	0	1	18
Oxbridge Bio	0	0	1	10
Psynapse	0	0	1	8
Mike Evans Services	0	0	1	23
University of Oxford	0	0	1	12
University of Reading	1	20	1	20
	<b>22</b>	<b>817</b>	<b>28</b>	<b>1,118</b>

## NOTES TO THE ACCOUNTS

### 8 Intangible Assets

Intangible Assets	2005/6 £'000
<b>Cost or Valuation</b>	
At 31 March 2005	12
Additions in year	0
Disposals in year	0
<b>At 31 March 2006</b>	<b>12</b>
<b>Amortisation</b>	
At 31 March 2005	8
Amortisation in year	4
<b>At 31 March 2006</b>	<b>12</b>
<b>Net book value at 31 March 2006</b>	<b>0</b>
<b>Net book value at 31 March 2005</b>	<b>4</b>

### 9 Tangible Operating Assets

	Information Technology £'000	Fixtures and Fittings £'000	Total £'000
<b>Cost or valuation</b>			
At 31st March 2005	2,507	2,198	4,705
Additions in year	149	151	300
Disposals	(409)	(109)	(518)
<b>At 31st March 2006</b>	<b>2,247</b>	<b>2,240</b>	<b>4,487</b>
<b>Depreciation</b>			
At 31st March 2005	1,439	1,442	2,881
Depreciation in year	609	258	867
On disposals	(307)	(37)	(344)
<b>At 31st March 2006</b>	<b>1,741</b>	<b>1,663</b>	<b>3,404</b>
<b>Net book value at 31st March 2006</b>	<b>506</b>	<b>577</b>	<b>1,083</b>
<b>Net book value at 31st March 2005</b>	<b>1,068</b>	<b>756</b>	<b>1,823</b>

Fixed operating assets are capitalised at their cost of acquisition and installation as current cost adjustments are immaterial. The replacement value of the assets is not materially different from the above values.

Book value of operating assets sold is derived from total disposal figures (£518,000 less £344,000 = £174,000).

## NOTES TO THE ACCOUNTS

### 10 (a) INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Name of Undertaking	Interest	Class of Shares	Value	Nature of Business	SEEDA's share of Distributable Reserves (000)
<b>Companies limited by shares</b>					
Chatham Maritime F5 Development Ltd	100%	Ordinary Share £1	£1	Dormant	-
Chatham Maritime F5 Construction Ltd	100%	Ordinary Share £1	£1	Dormant	-
South East England Properties Limited	100%	Ordinary Share £1	£100	Dormant	-
English Estates (Chatham) Ltd	100%	Ordinary Share £1	£100	Dormant	-
Ryde Business Park Management Co Ltd	100%	Ordinary Share £1	£2	Property Management	£5 – 2006 £5 – 2005
Countryside Maritime Ltd (CML)	50% 75%	Ordinary Share £1 Income Share 5p	£4,950 £74	Joint Venture Property Development	£278 - 2006 £329 - 2005
<b>Companies limited by guarantee</b>					
South East Regional Investment Ltd	100%	Nil – Limited by Guarantee	0	Dormant	-
East Kent Spatial Development Co Ltd	80%	Nil – Limited by Guarantee	0	Regen. of Thanet & Dover	£187 – 2006 £120 – 2005
Finance South East Ltd	50%	Nil – Limited by Guarantee	0	Venture Capital Management	£48 – 2006 £14 – 2005
Hastings and Bexhill Renaissance Ltd	20%	Nil – Limited by Guarantee	0	Regen. Of Hastings & Bexhill	£4 – 2006 £0 – 2005
Aylesbury Vale Advantage Ltd	20%	Nil – Limited by Guarantee	0	Regen. Of Aylesbury Vale	£0 – 2006

- The Chatham Maritime Development and Construction companies exist to protect the Enterprise Zone status of the Chatham Estate. These companies are dormant.
- English Estates (Chatham) Ltd was originally set up by English Partnerships to protect the Chatham name for future marketing of the site. This company is dormant.
- South East England Properties Ltd is a dormant company. It was previously known as Chatham Maritime Ltd. The name was changed during 2005-2006.
- Ryde Business Park Management Co Ltd is a subsidiary undertaking. It has no assets and collects rental and service income from tenants of the business park.
- Countryside Maritime Ltd (CML) is a joint venture with Countryside Properties PLC to build houses on St Mary's Island, Chatham.
- South East Regional Investment Ltd is a dormant company. Originally it was the investment agency for the South East.
- East Kent Spatial Development Co Ltd is a subsidiary undertaking; the other participants are three Kent local authorities and English Partnerships.
- Finance South East Ltd is a joint venture with Business Link Wessex. The management structure of the company allows for it to be considered as an associate undertaking.

## NOTES TO THE ACCOUNTS

- Hastings and Bexhill Renaissance Ltd is a regeneration company with the East Sussex County Council, Rother District Council, Hastings Borough Council, Sussex Enterprise and the University of Brighton.
- Aylesbury Vale Advantage Ltd (formerly Delivery 2031 Ltd) has been formed with DTI consent in response to the Government's Sustainability Plan for the Aylesbury Vale area. In addition to SEEDA, members of the company include Buckinghamshire County Council, Aylesbury Vale District Council, English Partnerships and the Vale of Aylesbury Primary Care Trust (NHS). Aylesbury Vale Advantage started trading during 2005-2006.
- South East Regional Aggregation Body was a partnership with the DTI. The body ceased trading at the end of December 2004 and was wound up in 2005-2006.

### 10 (b) AGENCY INVESTMENT IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

	2005/6 £'000	2004/5 £'000
Opening balance	468	5
Market value adjustment	54	463
<b>Closing balance</b>	<b>522</b>	<b>468</b>

Shares in special purpose entities were previously stated at cost. Investments are now shown on the balance sheet based on the following:

Investments in Subsidiaries are calculated on the basis of the Agency's share in Net Assets/ (Liabilities) as detailed below:

#### Investments in Subsidiaries

	2005/6 Total Agency Share £'000	2005/6 £'000
<b>Fixed Assets:</b>		
Ryde Business Park Management Company Ltd	0	0
East Kent Spatial Development Company Ltd	0	0
	<u>0</u>	<u>0</u>
<b>Current Assets:</b>		
Ryde Business Park Management Company Ltd	7	7
East Kent Spatial Development Company Ltd	5,969	4,775
	<u>5,976</u>	<u>4,782</u>
<b>Gross Assets:</b>		
Ryde Business Park Management Company Ltd	7	7
East Kent Spatial Development Company Ltd	5,969	4,775
	<u>5,976</u>	<u>4,782</u>
<b>Liabilities due within one year:</b>		
Ryde Business Park Management Company Ltd	2	2
East Kent Spatial Development Company Ltd	427	342
	<u>429</u>	<u>344</u>
<b>Liabilities due after one year:</b>		
Ryde Business Park Management Company Ltd	0	0
East Kent Spatial Development Company Ltd	5,308	4,246
	<u>5,308</u>	<u>4,246</u>

## NOTES TO THE ACCOUNTS

### 10 (b) AGENCY INVESTMENT IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

#### Investments in Subsidiaries (Cont...)

	2005/6 Total Agency Share £'000	2005/6 Agency Share £'000
<b>Gross Liabilities:</b>		
Ryde Business Park Management Company Ltd	2	2
East Kent Spatial Development Company Ltd	5,735	4,588
	<u>5,737</u>	<u>4,590</u>
<b>Net Assets/(Liabilities)</b>		
Ryde Business Park Management Company Ltd	5	5
East Kent Spatial Development Company Ltd	234	187
<b>Total</b>	<u>239</u>	<u>192</u>

In relation to the Joint Venture, Countryside Maritime Ltd, the balance sheet assets and liabilities comprised:

	2005/6 Total Agency Share £'000	2005/6 Agency Share £'000
Fixed Assets	0	0
Current Assets	16,475	7,818
Gross Assets	<u>16,475</u>	<u>7,818</u>
Liabilities due within one year	9,327	4,117
Liabilities due after one year	6,728	3,423
Gross Liabilities	<u>16,055</u>	<u>7,540</u>
<b>Total Net Assets/(Liabilities)</b>	<u>420</u>	<u>278</u>

The Net Assets/(Liabilities) in relation to Associates comprised:

	2005/6 Total Agency Share £'000	2005/6 Agency Share £'000
Hastings and Bexhill Renaissance Ltd	22	4
Finance South East Ltd	95	48
Aylesbury Vale Advantage Ltd	0	0
<b>Total Net Assets/(Liabilities)</b>	<u>117</u>	<u>52</u>

The results for the year and accumulated reserves for the subsidiary companies are

- Ryde Business Park Management Co Ltd -Deficit £19, Reserves £5,228
- East Kent Spatial Development Co Ltd – Profit £84,372, Reserves £233,880

Minority interest's share of the operating surplus / (deficit) of subsidiary companies:

	2005/6 £'000	2004/5 £'000
Minority interest of 20% in East Kent Spatial Development Co Ltd	<u>17</u>	<u>0</u>

## NOTES TO THE ACCOUNTS

Minority Interest in subsidiary companies at the Balance Sheet date

	2005/6 £'000	2004/5 £'000
Minority interest of 20% in East Kent Spatial – Net assets of £233,880 (£149,508 - 2005)	47	30

### 10 (c) GROUP INTEREST IN JOINT VENTURES AND ASSOCIATES

	Joint Ventures £'000	Associates £'000	Total £'000
Opening balance	329	14	343
Movement in year	(13)	(17)	(30)
Agency share of retained profit / (loss)	(38)	55	17
<b>Closing balance</b>	<b>278</b>	<b>52</b>	<b>330</b>

Shares owned by the Group in joint ventures and associated undertakings are unlisted

- Joint Ventures.

The Group's share of operating profits of joint ventures included in the Income and Expenditure Account is as follows:

	2005/6 £'000	2004/5 £'000
Share of gross operating income of joint ventures	2,333	3,789
Share of gross expenditure of joint ventures	2,387	3,857
<b>Share of operating surplus / (deficit) in joint venture</b>	<b>(54)</b>	<b>(68)</b>

The Group's share of the gross assets and liabilities of its joint ventures was as follows:

	2005/6 £'000	2004/5 £'000
Share of fixed assets	0	0
Share of current assets	7,818	8,685
<b>Share of gross assets</b>	<b>7,818</b>	<b>8,685</b>
Share of creditors due within one year	4,117	5,051
Share of creditors due after more than one year	3,423	3,305
<b>Share of gross liabilities</b>	<b>7,540</b>	<b>8,356</b>
<b>Share of net assets</b>	<b>278</b>	<b>329</b>

The following are SEEDA's share of the un-audited results for 2005-2006 of the joint venture Countryside Maritime Ltd. These figures are based on the agreed control-sharing ratio which is 50/50 for turnover, assets and liabilities whilst taxation and profit/loss are based on SEEDA'S entitlement of two thirds.

Turnover	2,333,500	Fixed assets	0
Loss before taxation	54,404	Current assets	7,817,948
Taxation	16,323	Liabilities within one year	4,116,950
Loss after taxation	38,081	Liabilities due after one year	3,422,762

## NOTES TO THE ACCOUNTS

### 10 (c) GROUP INTEREST IN JOINT VENTURES AND ASSOCIATES (Cont...):

- **Associates**

The Group's share of operating profits of associates included in the Income and Expenditure Account is as follows:

	2005/6 £'000	2004/5 £'000
Share of operating surplus / (deficit) in associates	37	12

The following are SEEDA's share of the results of associate companies;

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

Turnover	2,235,174	Fixed assets	2,341,355
Operating profit	5,974	Current assets	1,559,533
Profit before taxation	30,342	Liabilities within one year	1,518,166
Taxation	8,447	Liabilities due after one year	2,378,345
Profit after taxation	21,895		

SEEDA owed HBRL grant funding of £1,733,807 at year end.

- **Finance South East (50% SEEDA)**

Turnover	729,612	Fixed assets	9,201
Operating profit	31,391	Current assets	205,581
Profit before taxation	33,252	Liabilities within one year	167,300
Taxation	0	Liabilities due after one year	0
Profit after taxation	33,252		

- **Aylesbury Vale Advantage (20% SEEDA)**

Turnover	0	Fixed assets	0
Profit before taxation	0	Current assets	0
Taxation	0	Liabilities within one year	0
Profit after taxation	0	Liabilities due after one year	0

## NOTES TO THE ACCOUNTS

### 11 GROUP DEBTORS

Debtors due within one year	2005/6 £'000	2004/5 £'000
Trade debtors	22,441	30,594
Other debtors	8	4
Value added tax	707	3,129
Taxation recoverable	3	2
Payments on account	2,982	2,299
Prepayments	1,723	320
Prepayment – Chatham Maritime Trust	343	343
	<b>28,207</b>	<b>36,691</b>

Trade debtors for 2005-2006 shown above; include £3,428,000 for subsidiary companies (£1,121,000 for 2004-2005)

Debtors due after one year	2005/6 £'000	2004/5 £'000
Disposal proceeds due June 2007	789	0
Disposal proceeds held by Joint Venture (owed to SEEDA)	3,696	3,629
Prepayment – Crown Estates / Neat's Court, Dartford	2,750	0
Prepayment – Chatham Maritime Trust	1,712	2,053
	<b>8,947</b>	<b>5,682</b>

A prepayment was made to Crown Estates to progress a growth area project in Dartford (ODPM/DCLG funded). A prepayment was made to Chatham Maritime Trust in March 2002 (and increased in March 2004) to extinguish SEEDA's service charge liability in respect of certain plots on the Chatham estate (South of the basin) in perpetuity. This amount is being released over 10 years.

#### Debtors – Intra-government balances

Debtors due within one year	2005/6 £'000	2004/5 £'000
Balances with other central government bodies	12,621	23,985
Balances with local authorities	3,385	3,780
Balances with NHS organisations	0	0
Balances with public corporations and trading funds	0	0
Sub total: intra- government balances	16,006	27,765
Balances with bodies external to government	12,201	8,926
	<b>28,207</b>	<b>36,691</b>

Debtors due after one year	2005/6 £'000	2004/5 £'000
Balances with other central government bodies	0	0
Balances with local authorities	0	0
Balances with NHS organisations	0	0
Balances with public corporations and trading funds	2,750	0
Sub total: intra- government balances	2,750	0
Balances with bodies external to government	6,197	5,682
	<b>8,947</b>	<b>5,682</b>

## NOTES TO THE ACCOUNTS

### 12 GROUP CREDITORS

Creditors due within one year	2005/6 £'000	2004/5 £'000
Trade creditors	23,679	28,778
Other creditors	674	467
Taxation – PAYE	194	164
Social security	135	118
Income in advance	1,393	180
Office lease	1,045	1,162
Grant in aid creditor - DTI	10,047	5,773
Grant creditor – European funding	3,611	327
Grant creditor - ODPM (DCLG)	2,750	0
Coal grant creditor	220	1,192
	<b>43,748</b>	<b>38,161</b>

Trade creditors for 2005-2006 shown above; include £429,000 for subsidiary companies (£209,000 for 2004-2005)

Creditors due after one year	2005/6 £'000	2004/5 £'000
Subsidiary companies – grants received in advance	5,308	2,829
Development Asset – deferred consideration	0	7,005
	<b>5,308</b>	<b>9,834</b>

The deferred consideration relates to a site acquisition payment of £7,500,000 due on 31st March 2007, which was discounted at the UK Treasury rate of 3.5% over three years. Payment was made during 2005-2006 to clear the balance in full.

### Creditors – Intra-government balances

Creditors due within one year	2005/6 £'000	2004/5 £'000
Balances with other central government bodies	14,487	8,014
Balances with local authorities	8,244	9,158
Balances with NHS organisations	0	30
Balances with public corporations and trading funds	3	0
Sub total: intra-government balances	22,734	17,202
Balances with bodies external to government	21,014	20,959
	<b>43,748</b>	<b>38,161</b>

Creditors due after one year	2005/6 £'000	2004/5 £'000
Balances with other central government bodies	2,000	0
Balances with local authorities	2,311	2,390
Balances with NHS organisations	0	0
Balances with public corporations and trading funds	0	0
Sub total: intra-government balances	4,311	2,390
Balances with bodies external to government	997	7,444
	<b>5,308</b>	<b>9,834</b>

## NOTES TO THE ACCOUNTS

### 13 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation is fully provided on timing differences arising between the recognition of gains and losses in the financial statements and in a tax computation. It is calculated based on tax rates which are enacted, or substantively enacted, as at the Balance Sheet date. There is no deferred tax liability for 2005-2006, nor was there any for 2004-2005. No provision has been made for deferred tax.

The acquisition of the GKN site in 2004 included an option for English Partnerships (EP) to purchase part of the land. If invoked, this option may involve a payment, or land transfer, by SEEDA to EP as returns for a grant awarded by EP of £4.6 million. EP has indicated they will invoke this option and SEEDA has made a full provision for this amount.

	2005/6 £'000	2004/5 £'000
Opening balance	4,600	0
Charge/credit to the Income and Expenditure account	0	4,600
	<b>4,600</b>	<b>4,600</b>

### 14 BAD AND DOUBTFUL DEBT PROVISION

	2005/6 £'000	2004/5 £'000
Opening balance	3,847	173
Provision used	(77)	(36)
Provision no longer required	(6)	(16)
Movement in provision	0	3,725
<b>Bad Debt Provision as at 31 March</b>	<b>3,764</b>	<b>3,847</b>

The Bad Debt Provision relates to amounts owed from - the Rural Development Commission loan scheme (which is now defunct), rental income from Development assets, RSA (Regional Selective Assistance) grant claw-back and the CML joint venture company. The CML amount is due to the delay in implementing the future operational strategy, although the company remains a going concern. In addition to the net movement shown above of £3,725,000 for 2004-2005, a further £640,000 was written off in that year which had not been provided for - this relates to the Regional Aggregation Board loan.

### 15 STOCK OF DEVELOPMENT ASSETS

	2005/6 £'000	2005/6 £'000	2004/5 £'000	2004/5 £'000
Opening balance		130,344		99,783
Additions in year		50,589		56,871
Disposal proceeds in year	(11,240)		(21,827)	
Profit / (Loss) on Disposal	<u>777</u>		<u>(312)</u>	
Net book value of Assets sold		(10,463)		(22,139)
Transfer to Government Grant				
Reserve on revaluation		3,074		78
Book value of development assets written down		(11,119)		(10,657)
Book value of development assets written back		3,323		6,408
		<b>165,748</b>		<b>130,344</b>

Amounts written down and back in respect of Development Assets relate to the difference between valuations at year end performed on a basis of the lower of current replacement cost and net realisable value (see note 1f), compared to historic book cost.

## NOTES TO THE ACCOUNTS

### 16 LONG-TERM LOANS

	2005/6 £'000	2004/5 £'000
Opening balance – Former Rural Development Commission	182	215
Loans repaid during the year	(35)	(33)
	<b>147</b>	<b>182</b>

### 17 GOVERNMENT GRANT RESERVE

	2005/6 £'000	Restated 2004/5 £'000
Opening balance	133,870	103,429
Movement in Valuation of Investments in Subsidiaries, Joint Ventures and Associates	54	463
Operational assets:		
Additions funded by grant in aid	300	445
Disposal - book value *	(174)	(1)
Depreciation *	(871)	(993)
Investment assets:		
Amounts written off *	0	0
Repayment of long term loans (RDC) *	(35)	(33)
Development assets:		
Additions funded by grant in aid	50,589	56,871
Disposal - book value *	(10,463)	(22,139)
Amounts written up on revaluation	3,074	78
Amounts written back on revaluation *	3,323	6,408
Amounts written down on revaluation *	(11,119)	(10,657)
* Amount released to I +E (£19,339 - allowing for rounding)		
	<b>168,550</b>	<b>133,870</b>

### 18 RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005/6 £'000	2004/5 £'000
Deficit on operating activities	(1,016)	(631)
Transfer from Government Grant Reserve	(19,339)	(27,415)
Depreciation and Amortisation	871	993
Additions to stock of development assets	(50,589)	(56,871)
Book value of development assets sold	10,463	22,139
Amounts written off - development assets	11,119	10,657
Amounts written back - development assets	(3,323)	(6,408)
Share of results in joint ventures	38	47
Share of results in associated undertakings	(55)	(12)
Decrease / (increase) in debtors	5,219	(26,587)
Increase in creditors and provisions	1,061	27,489
<b>Net cash outflow from operating activities</b>	<b>(45,551)</b>	<b>(56,598)</b>

## NOTES TO THE ACCOUNTS

### 19 TAXATION

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

	2005/6 £'000	2004/5 £'000
Current year taxation charges	(35)	(27)
Share of taxation charge of joint ventures	16	21
Share of taxation charge of associates	(8)	0
Released to income and expenditure	<u>(27)</u>	<u>(6)</u>

There is no deferred tax liability for 2005-2006

### 20 RECONCILIATION OF GROUP NET CASH FLOW TO MOVEMENT IN NET FUNDS

	£'000
Increase in cash	6,365
Cash to repurchase debt	0
Cash increase liquid resources	0
Change in net funds	<u>6,365</u>
<b>Net Funds as at 01.4.05</b>	<b><u>11,426</u></b>
<b>Net Funds as at 31.3.06</b>	<b><u>17,791</u></b>

The Agency Net funds position moved from £9,354 to £15,243 (increase £5,889)

### 21 OPERATING LEASES

As at March 2006 the Agency had annual commitments under operating leases as follows:-

	Building 2005/6 £'000	Car Leases 2005/6 £'000	Other 2005/6 £'000	Total 2005/6 £'000	Total 2004/5 £'000
Leases expiring					
- within one year	87	86	9	182	75
- between one and five years	113	122	8	243	151
- more than five years	<u>1,140</u>	<u>0</u>	<u>0</u>	<u>1,140</u>	<u>1,346</u>
	<b><u>1,340</u></b>	<b><u>208</u></b>	<b><u>17</u></b>	<b><u>1,565</u></b>	<b><u>1,572</u></b>

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

### 22 COMMITMENTS

	2005/6 £'000	2004/5 £'000
Commitments contracted for as at 31st March	30,120	22,770

The commitment figure includes commitments for Rural grants (£2,612,000), Business and other grants (£13,712,000) and for development work on Land and Property assets (£13,796,000).

## NOTES TO THE ACCOUNTS

### 23 CONTINGENT LIABILITY

A Letter of Comfort has been provided to the bankers of the Joint Venture company, Countryside Maritime Ltd (CML). This letter has been issued with approval from the Department of Trade and Industry and the Treasury, in accordance with the requirements of the Financial Memorandum. The Letter of Comfort provides support for the financing facility required for the house-building project at St. Mary's Island, Chatham. An additional £5 million funding has been provided by the Office of the Deputy Prime Minister (ODPM) in order to increase the rate of house building. This amount will be released to CML subject to a utilisation agreement with the joint venture partner, Countryside PLC, who are providing a matched £5 million.

### 24 RELATED PARTY TRANSACTIONS

SEEDA is an Executive Non-Departmental Public Body sponsored by the Department of Trade and Industry (DTI). The DTI is regarded as a related party with which, during the year, the Agency has had a significant number of material transactions.

The Office of the Deputy Prime Minister (ODPM) / Department for Communities and Local Government (DCLG) is the sponsor body of English Partnerships and therefore regarded as a related party. During the period, the Agency and English Partnerships have transacted in respect of a service level agreement under which English Partnerships provides certain support functions for the Agency. In addition, SEEDA manages the Kent coalfield regeneration programme on behalf of English Partnerships. The Agency also manages the Community Growth Area funding on behalf of ODPM/DCLG.

SEEDA has had a number of material transactions with other Government Departments and other central Government bodies, including the Department for Education and Skills. In addition, SEEDA has financial dealings with a large number of public and private sector organisations including Business Links, Learning and Skills Councils, Local Authorities, Economic Partnerships, voluntary groups and private companies.

The Agency had a number of related transactions with the undertakings it has an interest in: Ryde Business Park Management Co Ltd, East Kent Spatial Development Co Ltd, Finance South East Ltd, Hastings and Bexhill Renaissance Ltd (HBRL), South East Regional Aggregation Body and Countryside Maritime Ltd (CML) (see note 10). SEEDA made grant payments to HBRL of £10,358,529 (with a further £1,733,807 accrued), to Finance South East of £1,799,190 (with a further £97,508 accrued) during 2005-2006.

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

Board Chairman James Brathwaite is a Director at the University of Greenwich and Business Link Sussex that received payments of £155,717 and £4,539,995 in respect of various projects. He is also a partner in Brathwaite & Co. that received payment of £29,067 in respect of the Chairman's secretarial expenses. He is also a committee member of Defra's Sustainable Procurement Taskforce. Defra received £59,772 from SEEDA during 2005-2006. He is also a Director at the Environment Agency which received £894 (with a further £12,729 accrued).

## NOTES TO THE ACCOUNTS

Board Member Robert Douglas is a Board Member and was Acting Chairman in year of Surrey Economic Partnership that received a grant of £139,650 from SEEDA. He is Chairman of Surrey Learning & Skills which received a payment of £95,000 from SEEDA. He is also an Independent Board Member of the DTI Energy Group Advisory Board. The DTI fund SEEDA. The DTI received payments of £199,455 from SEEDA, (with a further £15,005 accrued).

Board Member Peter Jones is an elected Member and Leader of East Sussex County Council that received payment of £1,416,726 in grants (with a further £818,948 accrued). He is also a Board Member of Hastings and Bexhill Renaissance Ltd (HBRL). SEEDA grant funded HBRL during 2005-2006.

Board Member Rob Anderson is an elected Member of Slough Borough Council that received £352,000 (with a further £15,000 accrued).

Board Member Elizabeth Brighthouse is an elected Member of Oxfordshire County Council that received £1,576,929 (with a further £103,190 accrued).

Board Member Poul Christensen is Chair of Defra's Rural Development Service. Defra received £59,772 from SEEDA during 2005-2006.

Board Member Sarah Hohler is an elected Member and former Deputy Leader of Kent County Council that received £756,853 in respect of grants as well as the performance security payment as detailed in note 26 (with a further £95,000 accrued). During 2005-2006 Sarah was also a Board Member of Locate in Kent which received payment of £280,256, Culture South East, payment made of £30,316 and the Arts Council which received a payment of £505,933 (with a further £111,750 accrued).

Board Member Keith House is an elected Member of Hampshire County Council that received payments totalling £440,521 in respect of various activities (with a further £147,587 accrued) as well as the performance security payment as detailed in note 26.

Board Member Mary McAnally is an Independent Director of the Executive Board of the DTI that fund SEEDA. The DTI received payments of £199,455 from SEEDA (with a further £15,005 accrued). She is also a Board Member of Sport England – South East region which received payment of £17,861 (with a further £22,870 accrued).

Board Member John Peel is a Board Member of Sussex Enterprise that received payment of £355,566 (with a further £63,852 accrued). Sussex Enterprise has subsidiary companies, one of which Wired Sussex Ltd, received payments from SEEDA of £43,256. He is also a Member of the Executive Committee at the Employers Federation (EEF) South that received payment of £1,950,880 mostly in respect of the Manufacturing Advisory Scheme (with a further £442,089 accrued). John Peel is also a Director of West Sussex Economic Partnership which received a grant of £310,135 (with a further £20,870 accrued).

Board Member Bill Wakeham is a Director at Meridian Broadcasting Ltd that received £23,514 (with a further £11,633 accrued).

Board Member Phil Wood is a Board Member at Sussex Enterprise that received £355,566 (with a further £63,852 accrued). Sussex Enterprise has subsidiary companies, one of which Wired Sussex Ltd, received payments from SEEDA of £43,256.

## NOTES TO THE ACCOUNTS

During the year, SEEDA had financial transactions with organisations, with which some SEEDA staff were associated. A member of SEEDA staff is a trustee of Kent Wildlife Trust which received payment from SEEDA of £2,290. One SEEDA Executive Director is a Director of Farnborough Aerospace Consortium, which received payment of £464,241. Another Executive Director is a Board Member of Locate in Kent, which received a grant from SEEDA of £275,750 and also a Board Member of The North Kent Architecture Centre which received payment of £204,107 (with a further £54,936 shown in creditors). Another Executive Director is a board member of Hampshire Economic Partnership which received payment of £89,226.

The following SEEDA staff are also Directors of SEEDA subsidiaries, joint ventures and associates as detailed in note 10 and receive no additional remuneration for these additional responsibilities.

Pam Alexander	Countryside Maritime Ltd
Jeff Alexander	South East Regional Investment Ltd, Finance South East Ltd
Valerie Carter	East Kent Spatial Development Ltd
Peter Cusdin	East Kent Spatial Development Ltd, Ryde Business Park Management Company
Paul Hudson	Chatham Maritime Development and Construction Companies, South East England Properties Ltd, English Estates Ltd, South East Regional Investment Ltd, Ryde Business Park Management Company, Countryside Maritime Ltd, East Kent Spatial Development Ltd, Hastings and Bexhill Renaissance Ltd, Delivery 2031 Ltd
Chris Moore	East Kent Spatial Development Ltd
John Parsonage	Hastings and Bexhill Renaissance Ltd
Jonathan Sadler	Chatham Maritime Development and Construction Companies, South East England Properties Ltd, English Estates Ltd, Countryside Maritime Ltd, East Kent Spatial Development Ltd
Keith Sadler	East Kent Spatial Development Ltd
Stephen Sadler	East Kent Spatial Development Ltd
John Shaw	Hastings and Bexhill Renaissance Ltd
Duncan Straughen	Hastings and Bexhill Renaissance Ltd
David Tucker	Countryside Maritime Ltd, East Kent Spatial Development Ltd, Hastings and Bexhill Renaissance Ltd

## 25 POST BALANCE SHEET EVENTS

Defra and the Regional Development Agencies have been working together to devolve the RDA's new responsibility for delivering socio-economic funding under the European Union Rural Development Regulation. The Heads of Terms on the key principles for the transfer of responsibilities were agreed in February 2006 and the final terms of terms of the transfer will be subject to discussion over the coming months with a view to the transfer being effective from 1 October 2006.

## NOTES TO THE ACCOUNTS

### 26 FINANCIAL INSTRUMENTS

SEEDA's treasury policy is to use cash to make grant payments and to pay for goods and services. Generally, it does not make use of any other financial instruments.

SEEDA has made specific cash payments to Kent County Council totalling £1,235,000. This relates to a performance security in respect of redevelopment works at the Betteshanger colliery site. SEEDA has also made a cash payment to Hampshire County Council of £1,000,000 relating to a performance security with regards to Southmoor Park. Both of these amounts are shown as trade debtors within SEEDA's balance sheet. Provided the works are completed to the necessary standard the amount will be repaid to SEEDA. The payment was made in order to enable infrastructure works for further development to proceed. The risks associated with non compliance are considered to be low.

### 27 THIRD PARTY ASSETS

	2005/6 £'000	2004/5 £'000
Tenants rental deposits	51	40

The above relates to closing bank balances held in a client bank account. These amounts are not recorded in the financial statements.









## South East England Development Agency

### Key Offices:

#### SEEDA Headquarters

Cross Lanes, Guildford,  
Surrey, GU1 1YA, England  
Tel: +44 (0)1483 484 200 Fax: +44 (0)1483 484 247  
Email: [seeda@seeda.co.uk](mailto:seeda@seeda.co.uk) Web: [www.seeda.co.uk](http://www.seeda.co.uk)

#### Chatham Maritime Office

The Observatory, Brunel, Chatham Maritime,  
Kent, ME4 4NT, England  
Tel: +44 (0)1634 899 900 Fax: +44 (0)1634 899 901

**SEEDA is also represented  
with its partners in Brussels**

#### Brussels Office

South East England House, 35 Square de Meeus,  
1000 Brussels, Belgium  
Tel: 00 322 504 0720 Fax: 00 322 504 0722



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