

SOUTH EAST ENGLAND DEVELOPMENT AGENCY ANNUAL REPORT AND ACCOUNTS 2006/2007

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1. CHAIRMAN'S INTRODUCTION

I am very pleased to introduce this report, which sets out SEEDA's achievements and progress during the last year. SEEDA's successes are shared with the businesses, communities and other public bodies with whom we work in such close partnership, and I would like to start by thanking them for their contribution in 2006-07, SEEDA's eighth year of operation.

During the last year, I saw no better expression of working in partnership than the enthusiastic adoption of the new Regional Economic Strategy. While overall responsibility for developing and implementing the Strategy is SEEDA's task, we cannot hope to succeed unless we secure the energy and commitment of all those who have an interest in the future performance of the South East's economy. I was therefore pleased to see the new Strategy endorsed by all who attended its launch at SEEDA's annual open public meeting last October and by so many partners explicitly since then.

During the last year, my work on behalf of SEEDA has convinced me that we got the central challenges and objectives of the new RES right, and in many respects have successfully anticipated subsequent developments in policy and practice. Yet any strategy is only as good as the results it achieves on the ground, and this is the acid test of our work.

Global competitiveness lies at the heart of the new RES, and my visit to India last autumn highlighted both the tremendous strides that this new economic powerhouse is making, and the substantial opportunities that this presents for South East businesses. Indeed, the links that the region's Asian communities already have with the sub-continent represent a huge resource for making the most of these opportunities, and we must work together to make the most of these links.

The South East is a region at the forefront of defining new approaches to productivity-led growth that benefits all communities; what we know as smart growth. This has led us to work more closely with London and the East of England, collaborating across the Greater South East to make real progress in the Thames Gateway and to invest in major opportunities such as the Alphasat bid for a new generation of satellite communications which will result in commercial opportunities across the South East.

We are clearer than ever before that the future economic success of the South East must be founded on the principles of sustainable development. During my period leading England's Regional Development Agencies as Chair of Chairs I saw the speed at which central government is now moving to embrace this challenge. Throughout the year, I have been pleased to find that sustainable prosperity is a goal that chimes with the hopes and concerns of our region's communities and their elected representatives. And I have seen South East businesses take on this challenge and convert it into products, services, jobs and income that will fuel our future success.

These are all huge challenges, and we can only hope to succeed if we work together. That's why I have been so pleased to see the strong read-across between the new Regional Economic Strategy and the draft South East Plan. In the year ahead, SEEDA and the Regional Assembly are committed to converting this into a single delivery plan for the region which harnesses existing investment to maximum effect, and makes the case for further investment on the basis of genuine collaboration spanning all our work.

The year ahead will bring many new challenges, and our track record of achieving success by working together gives me great confidence that we will make the most of them.

James E Brathwaite CBE
Chairman
Date:

2. CHIEF EXECUTIVE'S REVIEW

I am pleased to introduce SEEDA's formal Report and Accounts for 2006-07. This was a year when SEEDA's success and impact were measured in a number of different ways, both through formal processes of review and evaluation and through responses to consultation, particularly on the new Regional Economic Strategy 2006-16 (RES). The evidence from these processes shows that SEEDA has clearly grown beyond its initial set-up phase, delivering a set of inherited programmes and targets and creating new projects, to a point where it has greater impact through carefully focused partnership working and collaborative funding programmes.

National Audit Office Independent Performance Assessment

The quality and impact of SEEDA's performance has been recognised by the National Audit Office in its Independent Performance Assessment where it awarded us the highest grade of 'performing strongly' with a score of 21 points out of a possible maximum 24. I was particularly pleased by the very positive and constructive comments from partners to the NAO which recognised our efforts to base our activity on wide consultation across the region and close partnership working. Working with a region of the size and diversity of the South East with the resources and staff we have at our disposal, this has to be the way forward.

New Regional Economic Strategy

The new Regional Economic Strategy 2006-16 was published at our Open Public Meeting in October 2006. The feedback we have had on it has been enormously positive, both in terms of the focus of the Strategy and the way that it has been built on wide consultation across the region. Over 2000 people had attended consultation events and we had over 200 responses during the three-month period of consultation over the summer. These responses were mainly from organisations representing many others and included Local Authorities, business representative organisations and cultural and environmental organisations, and so our coverage in terms of the numbers of people and businesses represented was clearly wide and deep. The main area of development for the RES through the consultation process was the development of 'Sustainable Prosperity' as a separate headline objective, so that it has its own specific targets, rather than being an 'add-on' to the others. The final draft then included a separate target on Sustainable Communities under the overarching Sustainable Prosperity objective.

This response and the work we have done with Partners since the publication of the RES has given us real confidence in going forward to develop the implementation plan that we have wide engagement and buy-in across the region. This RES is truly owned by partners across the South East. The single delivery plan for the Regional Economic Strategy/Regional Spatial Strategy implementation plan we will develop through the autumn with the Regional Assembly will increase the traction both plans have across all our partnerships and should lead to a much greater alignment of business plans and resources in support of them.

Output targets exceeded

We have made impressive progress against our Performance Targets for 2006-07, delivering great results for employment, business and skills. In fact, performance has been so good in these areas that we have reached some of our targets for 2005-08 after only two years of the Corporate Plan period. This impressive performance is based on both innovation and productivity gains, as it would be for any successful and growing business, reflecting the Corporate Plan goals of world class innovation and competitive enterprises.

To take two examples. In its first full year of operation, our new Innovation Advisory Service is proving to be very successful indeed. The 12 advisers supported nearly 600 companies to increase R & D collaborations between business and the knowledge base and between businesses themselves by over £16 million. Our Re-employment Unit has increased both the marketing of its services and its numbers of brokers and we have seen the numbers of people assisted to get a job exceeding our output target by over 100%. Our new integrated SEEDA/UKTI team has achieved over 1500 new or safeguarded jobs as a result of new foreign direct investment. The arrival of Boeing to establish a state-of-the-art technology centre for

collaboration and experimentation in Farnborough, for example, is particularly exciting and will lead to 300 high-quality, hi-tech jobs being created.

Despite good progress on a number of major regeneration projects from Southampton to Dover and Margate to Oxford, we have not achieved our target for completing the reclamation of Brownfield Land, because of problems and delays due to external partners on a few large and difficult sites, particularly in the former Kent coalfields and in the Thames Gateway. Meeting the full Corporate Plan target for this output remains challenging and we are considering whether it will be possible to make good the shortfall this year and the consequential shortfall in funding leveraged into these projects. Like other RDAs we also found it impossible to bring forward level 2 qualifications sufficiently quickly to meet this new target; one which we have argued does not meet the priorities of South East businesses.

Strategic Added Value

As well as its core Performance Targets, SEEDA works to a programme of Strategic Added Value set out under 24 areas of work. We have achieved very well against the 2006-07 milestones, achieving the vast majority of them. I would like to highlight three areas of strategic added value.

Firstly, we should be justly proud of the progress we have made through the RES in influencing the sustainable development agenda across the region. Our RES was groundbreaking yet its goals are now a mainstream consideration for most policy-makers and many businesses. Following the Stern Review, we have experienced an enormous shift in central government and business thinking, such that what was a brave and cutting-edge RES when we launched it has needed some rapid development to take account of new thinking. We have worked with partners to include this new thinking in the RES Implementation Plan and I look forward to responses to the Sustainability Appraisal of the RES, which is out to consultation alongside the Implementation Plan. These rapid developments have made this a hugely challenging area of work for us but it is essential to have the flow of energy and opinion behind us if we are to deliver the challenging targets for Sustainable Prosperity on which our future quality of life depend.

Secondly, our 2005-08 Corporate Plan showed a marked shift towards investment in global competitiveness through world-class innovation. An independent review of our activities has shown the impact that the action plan guided by our business-led Science and Industry Council (SESETAC) has had on business collaborations with the knowledge base. Over 250 new collaborations have been established and £22m of additional R+D funding has been levered into the region as a result. Our own R+D funds are strongly focused on emerging technologies where the South East has a clear potential lead: healthcare; sustainable technologies; intelligent transport systems; and nano-technology. Highlights of this approach are the emerging nano-cluster we are funding based around Oxford University and the Diamond Synchrotron at Harwell in Oxfordshire and the potential fuel cell technology world beater, Ceres Power, which we are helping through its development-to-market phase. This strong focus is allowing us to work increasingly well with central government to align national technology funds with regional strengths, particularly in partnership with the Technology Strategy Board, now to become a strengthened and more independent voice and resource.

Thirdly, the work we have done on harnessing diversity through our economic inclusion programme has been an important shift towards lifting the performance of those in the region not yet able to fulfil their potential contribution to 'smart growth'. The partnership created by 'Joining Forces' enabled the Agency to work throughout the year to establish a new model for delivering a regional Business Link service which retained the strategic value of having 6 Business Link Providers (BLPs) led by local business people whilst at the same time ensuring the BLPs deliver a more efficient and consistent service to customers. And I was delighted to become co-chair of the Women's Enterprise Task Force to bring national influence behind support for more women entrepreneurs growing bigger businesses – a key element in the gap in productivity between the UK and the US.

Meeting new challenges

2007-08, the last year of the current Corporate Plan period takes us into the new RES and new challenges. Alongside delivering the targets in our current Corporate Plan our first challenge will clearly be to develop a new Corporate Plan which sets out SEEDA's role in delivering the new RES. The new approaches and transformational actions described in the RES to enable South East to meet the three challenges of Global Competitiveness, Smart Growth and Sustainable Prosperity mean new approaches for SEEDA too. We have already re-organised our structure to take account of this, with three Directorates focusing on the three RES objectives (Global Competitiveness, Smart Growth and Sustainable Prosperity) and three Directorates in support (Strategy, Resources and Enabling Infrastructure).

Secondly, the Comprehensive Spending Review (CSR) settlement we are expecting in the autumn to set out new roles for the RDAs but it will certainly bring both funding constraints and efficiency targets. This year we have more than achieved our efficiency targets and this must continue. We are also involved in a new programme of impact evaluation building on work carried out for the CSR and have set targets being monitored by a Continuous Improvements Board to deliver the Improvement Plan developed during the IPA process.

Thirdly, as we go to print, the Sub-National Economic Development and Regeneration Review being conducted by Treasury alongside the CSR is expected to recommend a strengthened role in economic development for sub-regions, working across administrative boundaries and between the local and regional levels of governance. SEEDA has almost completed its review of Sub-regional Partnerships and so should be able to support partnership in the South East in developing a very strong voice for economic sub-regions.

It has been a year of hard work as well as exciting partnerships and I should like to thank my Board, our staff and all our partners for all that has been achieved and for their support in delivering a RES which sets a realistic though challenging agenda for a world class region to achieve truly sustainable prosperity.

Pam Alexander
Chief Executive
Date

3. MANAGEMENT COMMENTARY

3.1 Introduction

3.1.1 Principal Activities

The last year has been a challenging and rewarding time for SEEDA. The Agency worked hard to achieve the top grade, Performing Strongly, in the Independent Performance Assessment (IPA) review (section 3.1.5), and attracted widespread support for the new Regional Economic Strategy 2006-16 (RES), which was launched at SEEDA's annual public meeting in October 2006. We are working with the Regional Assembly to develop a single Implementation Plan to ensure that the RES and Regional Spatial Strategy, the South East Plan, are fully complementary.

Key challenges during this period were the second Comprehensive Spending Review (CSR 07) and the sub-national review of economic development and regeneration. SEEDA held the Chair of RDAs from April to September 2006 and so led the early work on the CSR. One highlight was a meeting with the Prime Minister Tony Blair on 16th May 2006, four years after RDA Chairs last met with him. Jim Brathwaite outlined how RDAs had delivered successfully on their core business, enabled in large part by the financial flexibility afforded to them by the RDA single pot and RDA Chairs suggested ways in which RDAs could make an even greater impact in the future given Prime Ministerial support in specific cross-departmental areas. RDA Chairs very much welcomed the Prime Minister's closing remark that we had demonstrated how we are collaborating effectively to add strategic value to sustainable economic growth and that we should continue to develop our role in joining up national policy frameworks and pan-regional, regional and local strategic interventions and partnerships.

In 2006/07 SEEDA fully spent its final £179.1m grant budget, performing well against output targets. The Agency exceeded targets on 7 out of 10 outputs and in addition delivered good strategic added value from programme and policy work. (Detail in sections 3.2.2 and 3.2.3).

Of particular note, SEEDA:

- Completed the 3 year Business Link contract to set the framework for flexibility to deliver at the local level, meeting local needs, as well as providing regional consistency and good value for money through efficiency savings.
- Completed the first full year of the Innovation Advisory Service (IAS) with 590 organisations helped and £16.3 million investment for R&D secured (£14M from one large investment in a biotech company).
- Supported over 250 new research collaborations for example, as part of the Collaborative R&D programme the NanoGrowth Machine funded through Surrey University which has now been assembled and installed. SEEDA's grant of £215,000 levered almost £1 million of private sector R&D investment. The market potential is enormous; Surrey NanoSystems could be a substantial company in 5-10 years.
- Led the work on the SMART (Solent, Midlands Advancement of Rail Transport) project, developing a core delivery group with private and public partners and attracting a provisional TIF-P funding package with private and public sector partners of over £50m to improve this crucial freight line.
- Has worked very closely to support Portsmouth City Council on strategic negotiations with the MOD and other regions during the Ministry of Defence's Naval Base Review.
- Worked across local authority borders on 3 Diamonds for Investment and Growth – PUSH (Portsmouth and Urban South Hampshire), Gatwick Diamond, and the Thames Gateway - supporting a wide range of local partners to develop their capacity to realise the potential of each area.

In readiness for the new RES, SEEDA embarked on an ambitious Organisational Change project which will continue to run over the next year. The first significant change was a new 'homebase' structure that aligns Directorates to the RES. From 1st April 2007 three themes of the new

Directorates bring together work on Global Competitiveness, Smart Growth and Sustainable Prosperity and provide the base for cross-cutting working too.

Within the Resources Directorate SEEDA has created a new focus on performance management now integrating the IPA improvement programme with work on efficiency savings, organisational development and continuous improvement, steered by an internal Continuous Improvement Board.

3.1.2 Important Events since the Financial Year End/Future Developments

It is anticipated that SEEDA will assume responsibility for the implementation of the European Regional Development Fund Programme from the Government Office for the South East during the financial year 2007-08

3.1.3 Significant Changes in Fixed Assets

There is no significant movement in fixed assets during the year.

3.1.4 Financial Targets

The total grant drawn down during the year was £179.1m consisting of £159m grant aid, £14.2m European funding and £5.9m other grant income which was the expected final budget and the approved grant allocation. The more significant differences between the financial results for 2006/2007 and 2005/2006 are as follows:-

| | 2006/7 £ | 2005/6 £ | Differences £ |
|--------------------------------------|-------------|-------------|----------------------|
| Group Income and Expenditure: | | | |
| Expenditure | 195.4m | 181.5m | + 13.9m ¹ |
| Income | 43.5m | 37.5m | + 6.0m ² |
| Group Balance Sheet: | | | |
| Stock of development assets | 174.3m | 165.7m | + 8.6m ³ |
| Debtors due within one year | 22.4m | 28.2m | - 5.6m ⁴ |
| Cash in bank and in hand | 34.8m | 17.8m | + 17.0m ⁵ |
| Creditors due within one year | 42.2m | 33.7m | + 8.5m ⁶ |
| Creditors due after one year | 9.1m | 5.3m | + 3.8m ⁶ |
| Reserves | 186.0m | 178.6m | + 7.4m ⁷ |

1. Programme expenditure increase reflects the release of additional funds by Government (DTI), under End of Year flexibility from previous years underspend.
2. Total income has also increased as a result of success in taking forward the European funded projects and improvement in receipts which reflects a greater success in driving income from our project portfolio.
3. As well as price increases in the property market the stock of development property assets has increased in 06/07 in accordance with SEEDA's strategic goals and priorities. In particular the opportunity was taken to consolidate land ownership in key growth areas such as Ashford, as well as targeted interventions such as the acquisition of the Hythe Marine Terminal on the Solent. An increased level of disposals is planned for 07/08.
4. Debtor reduction is mainly due to the balance of committed funding outstanding from DCLG for growth areas is lower than last year, reflecting a reduction in funds available
5. Cash balances were significantly higher, reflecting the timing of several major transactions close to year end.
6. Creditors include the year end accruals for unpaid commitments.
7. The increase in reserves is mainly related to the net movement in the stock of development property assets.

3.1.5 Independent Performance Assessment (IPA)

SEEDA achieved the grade of 'performing strongly' in the IPA, the highest grade available. The Agency scored 21 points out of a possible maximum of 24 and was singled out for its imaginative and innovative approach to sustainable economic development, its effective partnership working, and its inclusive decision-making.

The NAO concluded that:

- Overall, SEEDA has "a highly impressive record of achievement on a small budget". It is imaginative and innovative in its approach, linking physical regeneration with longer-term investment goals.
- SEEDA's Regional Economic Strategies have "become progressively clearer and more focused, drawing on a robust evidence base." The NAO singles out the "high profile commitment to contain and reduce the region's ecological footprint" which is a major feature of the RES 2006-16.
- The Agency's decision-making is "highly inclusive, with extensive consultation" – providing "the opportunity to reach best decisions on the basis of the widest possible information sources."
- SEEDA's culture of partnership working is "a real strength", with an emphasis on building strategic delivery and partnership capability: "SEEDA is particularly effective in helping partners to work together to achieve outcomes that would not have happened without SEEDA's involvement."

The NAO also reported that SEEDA showed a high degree of self-awareness and an openness to reflect and learn from experience. They thought further improvements could be achieved by increasing the transparency of its processes to external audiences and by providing more direct feedback to stakeholders. The NAO report also recommends the strengthening of the sub-regions' role and voice within SEEDA.

The IPA Improvement Programme is now being progressed and overseen by the Continuous Improvement Board which also reviews the efficiency measures and wider continuous improvement in SEEDA.

3.1.6 Efficiency Measures

As part of the Government's efficiency measures, SEEDA was required to achieve 2.5% savings a year for 3 years, adjusted for inflation, based on 2004/2005 (£3.6m) as a benchmark for administrative expenditure. This target was significantly exceeded in 2006/2007 such that the Agency has now achieved the overall 3 year target of savings. Particular areas of success have been the efficiency of increasing outputs faster than spend, improving returns from property and the continued strong performance of Business Links providing business support.

3.1.7 Organisational Development Programme

To develop the improvement areas highlighted in the IPA process and in response to the new RES and staff and stakeholder consultation SEEDA has instigated an organisational change programme. In 2006/07 the Executive Board and Organisational Development team with the support of the SEEDA Board completed the initial planning and scoping work, for implementation over the following year.

A first significant change that has been implemented is a new 'homebase' structure with the formation of 6 new Directorates to reflect the new Regional Economic Strategy.

The Organisational Development project was set-up initially as a task and finish activity and will over the coming year be integrated with the wider Continuous Improvement Programme.

3.2. Activity Report

The activity section of this report provides details of the progress SEEDA has made in 2006/2007 in relation to the second year of the 2005/2008 Corporate Plan. Progress is shown against the Strategic Influencing priority of the Corporate Plan, the Core Output targets and the milestones of the 24 Strategic Added Value programmes.

3.2.1 Strategic Influencing

This has been a major area of work during the year in terms of both planned and unplanned work. As well as planned work on the new Regional Economic Strategy, SEEDA has responded swiftly and effectively to developments in the national policy context, particularly the Treasury-led Comprehensive Spending Review (CSR) and its associated Sub-national Economic Development and Regeneration Review (SNER), and climate change policy development following the Stern Review. A highlight of the year was the visit to the region on 5th March 2007 by Gordon Brown which gave 100 key regional stakeholders the opportunity to put forward their views on economic development in the South East straight to the heart of government.

Regional Economic Strategy (RES), Evidence Base and Implementation Plan

Through the first half of 2006-2007 a new draft RES was produced. The following public consultation period produced over 200 formal written responses and 18 specific meetings were held with partner organisations. The Strategy received formal approval from the SEEDA Board and was endorsed by the Regional Assembly in early September and was launched on 31st October at the SEEDA open meeting. The most comprehensive evidence base ever produced in the region was updated between April and September to support the RES. The paper was well received by a wide range of stakeholders from the South East, and other English regions, being described as “an excellent statistical evidence base describing the overall state of the region”, and achieving full endorsement from the cross-Whitehall group.

In January 2007 a framework document was produced. This outlined the key challenges and priorities for the RES Implementation Plan and identified key partners to take forward each of the 14 targets within the RES. Consultation with partner organisations has developed this into action plans which detail the activities and key principles to test activities against to form a RES Implementation Plan in mid-2007.

A Sustainability Assessment of the Implementation Plan has also been undertaken, which has seen the development of sustainability checklists (based on the Integrated Regional Framework) for all actions within the RES. This will be used to complete a full sustainability appraisal of the RES.

Alongside development of the RES and its Implementation Plan, SEEDA has been involved in the Examination in Public (EiP) of the **Regional Spatial Strategy**, the South East Plan. This work has contributed to regional policy development by providing evidence and arguments on the key sustainable economic development impact of the spatial strategy. Much of this work has been done in conjunction with regional and sub-regional partners, including the Regional Assembly, local authorities and Economic Partnerships.

This work has resulted in a greater understanding of the RES objectives, the economic arguments (both qualitatively and quantitatively) supporting them, and the role of the planning system and policy in achieving them. This has consequently raised the profile of SEEDA as an effective contributor to the development of Regional Planning policy. The outcome of the EiP will be known when the Panel report is published in July 2007. Meanwhile SEEDA is working with the Regional Assembly to create a single Implementation Plan to build on the synergies between the RES and the RSS and to develop a Regional Infrastructure Fund to bring forward agreed infrastructure priorities more quickly and effectively

Sub-regional Partnership Working

The Treasury Sub-national Economic Development and Regeneration Review (SNER) has focused attention on the question of what is the best 'architecture' for economic development work. The review is expected to report in July and to feed into the Comprehensive Spending Review settlement expected in the autumn. In thinking through its own response to these questions in the light of the new RES, SEEDA has identified that the landscape of partnership working in the region is complex, and may lack the coherence and efficiency needed to align the economic development targets of the 19 Local Area Agreements (LAAs) in the region effectively with sub-regional opportunities and the aims of the RES and RSS.

To address these weaknesses, SEEDA commissioned work on a **Sub Regional Partnership Review** to report in the summer of 2007. The review will ensure that SEEDA funding is being used to best effect and that an effective partnership structure exists to deliver the RES. It should also put the South East in a good position to respond to the outcomes of the SNER. Consultation on the review has been wide, including all the Strategic Local Authorities, the business community and the set of primary sub regional partnerships (Economic Partnerships, Area Investment Partnerships, Local Skills for Productivity Alliances and the Small Towns Rural Programme). Early indications are that there is general support for the streamlining of partnership arrangements with recognition that change is essential if the RES is to be delivered effectively at a sub-regional level. Further work is now being undertaken to clarify how the alignment between the RES and LAAs can be improved.

Sub-regional work has clearly needed to continue whilst the Review is undertaken and in the first half of the year the Area Teams further developed their role in supporting and assessing the fourth block in the Local Area Agreements (LAAs). Effective collaborations were developed in specific localities, bringing partners such as Business Link, Learning & Skills Council, Economic Partnerships and Job Centre Plus together to develop more holistic targets and actions.

Strategic influencing across regional boundaries

SEEDA has been working increasingly closely with the other two RDAs in the **Greater South East** (GSE) area of England. Evidence supports the view that this is a Functioning Economic Region of major importance to the UK economy: it provides 42% of GDP from 35% of the population and the whole of the regional contribution to the UK balance sheet. Evidence also suggests that the GSE economy will come under increasing pressure from international competitors and that major investment will be needed if the quality of our 'offer' to the global market is to be maintained. The case for investment in the GSE has been discussed with Treasury throughout the Comprehensive Spending Review period as the thinking has developed, culminating in a high-profile launch of the prospectus by the Chairs of the three RDAs, supported by the Mayor of London, Ken Livingstone.

Joint working has also suggested areas where strategic collaboration between the three RDAs could be important. These include making the case for investment in infrastructure, skills and innovation. The first project under the last of these headings has already been agreed, the **Alphasat** project. SEEDA successfully led a co-ordinated approach by the three Greater South East RDAs in support of a bid by Inmarsat and Astrium (companies based in the GSE) to secure the contract from the European Space Agency (ESA) to provide the next generation of communication satellites. This involved the three RDAs guaranteeing the necessary UK Government contribution to the ESA. If Inmarsat/Astrium are successful, these efforts will secure over 500 highly skilled jobs and business worth £230m in the Greater South East as well as maintaining the region's global relationship in this key technology and attracting £35m of investment from the EU and the companies themselves.

The major cross-boundary area of the Greater South East which is underperforming both in relative terms and in direct comparison to the most deprived parts of England, is the growth area of the **Thames Gateway**. Joint work by the RDAs has suggested that this area could generate an extra £12bn GVA if it is treated as a full economic development project. This case was made successfully to the Communities and Local Government department in the RDAs' **Thames Gateway Economic Statement** launched at the Thames Gateway Forum in November 2006.

A tri-RDA Thames Gateway Programme Director was appointed at the same time and is now taking forward joint work to produce a full Action Plan to deliver the Economic Statement.

Chair of Chairs Period, April-October 2006

In April 2006 SEEDA took on the role of RDA Chair of Chairs for 6 months. Key challenges during this period were the preparation of the RDA submissions to the second Comprehensive Spending Review (CSR 07) and the Sub-national Review of Economic Development and Regeneration (SNER).

Naval Base Review

SEEDA has worked closely with sub-regional partners in South Hampshire on the Ministry of Defence's review of its three main surface fleet bases; HMNB Portsmouth, HMNB Devonport and HMNB Clyde/Faslane. The purpose of the Naval Base Review (NBR) was to examine "alternative infrastructure options in an attempt to close the affordability gap by eliminating over capacity in the Naval Bases". During the review SEEDA supported Portsmouth City Council and local MPs in strategic negotiations with the MOD and other UK Regions. This included commissioning an independent socio-economic impact assessment of the Portsmouth Naval Base, and working with the academics from the Portsmouth Business School on producing the report. SEEDA also produced a review of the socio-economic reports produced by the MoD and Plymouth City Council, providing several short papers on the key outputs and the methodology, which fed into the MoD review.

Other strategic influencing activities

During 2006/07 considerable work was led by 6 sub-groups under the South East Partnerships for 2012 chaired by SEEDA. This culminated in a clear and compelling vision and offer for the South East launched in May 2007 and a framework in which to compete, create and collaborate for success and a legacy beyond 2012 and the Olympic Games themselves.

The focus of **Business South East (BSE)** was on providing business input to finalising the RES, with a particular emphasis on global competitiveness and related infrastructure issues. SEEDA initiated a discussion between BSE and the Olympic Delivery Authority at which effective business engagement and strategic procurement was acknowledged as essential. Members emphasised the region's distinctive offer as a gateway, a place to stay, and highlighted its cultural offers. SEEDA also facilitated a discussion between the Environment Agency and BSE regarding the issues surrounding the water industry, water usage and shortages. BSE subsequently called on the water industry to increase investment in water storage and recycling; bring forward plans for six new reservoirs in the region (as identified in the SE Plan); and explore options such as "smart metering" and variable tariffs.

Finance South East (FSE) has been awarded the prestigious title of European Business Angel Network Manager of the year 2007 for its diverse business angel activities; helping SMEs to secure vital equity funding and driving the sector forward with pioneering new work and products. For instance, Finance South East's South East Capital Alliance (SECA) network has arranged six deals of around £1M. FSE has also been closely involved in developing the Regional Funding Escalator – a key action in the new Regional Economic Strategy.

National Lead Roles

All RDAs take on national lead role work to coordinate links between Whitehall and RDAs and to ensure that RDA views are fed into central government in a way that has the most impact on areas of critical importance to regional economic development. SEEDA held the lead role for the following areas in 2006-2007:

- Enterprise (including social enterprise and women's enterprise)
- Corporate Social Responsibility (CSR)
- Innovation
- Waste
- Energy
- Broadband

Key achievements by SEEDA this year are included under each of these headings as follows:

Enterprise

- **Business Support Simplification Programme (BSSP)**: SEEDA has worked with the Small Business Service (SBS) to develop a set of principles and processes designed to progress simplification process forward at ground level, known as the “Toolkit”. SEEDA has also worked to ensure that Business Link has been placed as the primary channel for businesses to access publicly funded business support. The first of the regional stakeholder events were held in early March 2007.
- SEEDA led the development of the **Enterprise Policy** paper which fed into the RDA CSR submission.
- SEEDA authored a national research brief, with SBS, on the brokerage of support for **social enterprise** through the Information, Diagnostic and Brokering (IDB) model. SEEDA led the development of the RDA actions for the National Social Enterprise Strategy and developed a national RDA policy positioning statement in relation to continued investment in the social enterprise sector.
- SEEDA encouraged CLG to connect Round 2 LEGI bids more effectively with business support simplification. Through SEEDA, the RDAs have worked with SBS and the National School of Government to develop an interdepartmental course on policy making in enterprise in deprived areas. This will include RDA involvement in the central policy making process.
- SEEDA led the response to the SBS proposal to devolve additional responsibilities for the **Business Link Service** to RDAs, recognising it as an opportunity to ensure control over the marketing and promotion of the Business Link brand. A national coordinator post, reporting to SEEDA, has been created to manage the identified activities and functions.
- At the invitation of Margaret Hodge, SEEDA’s Chief Executive took the co-Chair of the newly established **Women’s Enterprise Task Force**, and SEEDA is providing the resource to support it. SEEDA is leading discussions between RDAs, SBS and Enterprise Insight to recruit 1000 Women’s Ambassadors across England to help inspire more women to set up in business.
- SEEDA has led a cross-RDA network looking at the opportunities and barriers relating to **public procurement** for SMEs. Over the last year SEEDA has worked with CLG, Office of Government Commerce (OGC) and SBS to consider strategies for how Business Links can train SMEs, and improve access to public sector contracts.

Innovation

- Developing the evidence base for CSR 2007 (the comprehensive spending review) on the effectiveness and impact of RDA interventions in innovation and knowledge transfer. This includes commercialisation, networking and skills for innovation and support for the new “arms length” Technology Strategy Board (TSB). A particular achievement has been to move to a position of much closer engagement between the TSB, RDAs and the regional Science and Industry Councils.
- Helping to target more of the annual £150bn government procurement spend to SMEs to encourage growth through innovation.
- Developing, with DTI, proposals on the application of business support simplification to the innovation area, including exploring with DTI how to simplify delivery and increase effectiveness for national-regional knowledge transfer products.
- RDAs provided a collective response to the Next Steps consultation on the 10-year Framework for Science and Innovation, focusing on the RDA role in increasing innovation and releasing value from the knowledge base.
- RDAs are working closely with DTI and other government departments on the Technology Strategy Innovation Platform proposals.
- RDAs helped HEFCE to develop the pilot “Third stream and second mission” funding aimed at getting greater business-university engagement in non-research intensive universities.

RDAs participated fully in the development of the Higher Education Innovation Fund (HEIF 3) including advising on the formula funding element, and in assessing the competitive bids.

Waste

- Coordinating RDAs work with Defra on the Government's Waste Strategy Review, and on the deployment of the 'ENWORKS' data capture toolkit in the regions;
- Delivery of the RDA's £12.6m bid for BREW funding for 2007/08 for projects to deliver improvements in business resource efficiency and competitiveness.
- Facilitating exchange of information and best practice, including application of the findings of the Business Link Kent BREW pilot project, to embed resource efficiency into the diagnostic tools of business support organisations; improving resource efficiency in the construction sector; and initiatives on sustainable procurement.

Energy

- Co-ordinating the RDA's joint response to the Government's Energy Review and contributing directly to the Government's 2007 Energy White Paper;
- Working with RDAs, DTI and Defra to develop a methodology to identify RDAs carbon savings as a measurable contribution to national CO2 targets;
- Representing the RDAs:
 - a. On the Government's team which produced the Government's Response to the Report of the Biomass Task Force;
 - b. On the Government's Microgeneration and Fuel Poverty Advisory Group;
 - c. On the DTI's Regional Energy Group
 - d. On the Government's Sustainable Energy Policy Network (SEPN);
- Facilitating regional liaison with the Forestry Commission on the production of a national Wood Fuel Strategy.

Broadband and ICT

- Production of a joint RDA response to Ofcom consultation on possible increases in power of wireless broadband transmitters.
- Representing the RDAs on the joint DTI/IAP (Information Age Partnership) ICT and Productivity Board. SEEDA has been particularly involved in developing the ICT skills workstream working alongside e-Skills UK, focusing on three main areas; ICT professional skills, ICT user skills and management skills. Regionally this agenda is being joined up through the RSPA and its Higher Education Task Force, and the Learning and Skills Councils.
- Representing the RDAs as part of the UK delegation to the EU Ministerial Conference on e-Inclusion in Riga in June 2006 and continuing to represent the RDAs on the DTI's e-Inclusion Group.

3.2.2 Core Outputs 2006/2007

The table below shows the progress made over the first two years of the Corporate Plan period against the Core Outputs targets set for SEEDA in the RDA Tasking Framework. Whilst the targets are expressed in three bands (lower, mid and upper) this table compares progress against the upper target only. Column 4 shows that upper level outputs for the whole Corporate Plan period have already been delivered and exceeded for outputs 2 and 4a. Progress is well ahead of schedule for outputs 1, 4, 6 and 6a and to target for output 3. Although progress is behind schedule for outputs 5, 5a and 6b only 5a is behind schedule on the mid-range target

Table 1: Progress against Core Output targets

| | Actual 2005/6 | Actual 2006/7 | Target 2006/07 | %age of 3 Year CP upper target |
|---|------------------|------------------|-------------------|--|
| 1. Employment Opportunities Jobs created and safeguarded through SEEDA funded projects | 4240 | 5,667 | 4,700 | 73% |
| Jobs created and safeguarded through Foreign Direct Investment | 1122 | 1,662 | - | |
| 2. Employment Support People assisted to get a job through SEEDA funded projects | 8770 | 11,122 | 5,000 | 201% |
| 3. Business Creation New business created and demonstrating growth after 12 months and businesses attracted to the region | 2027 | 2,910 | 2,040 | 65% |
| 4. Business Support Businesses assisted to improve their performance Inward investment companies | 35700 | 45,190 | 33,000 | 84% |
| 4a. Knowledge Base Collaborations Businesses within the Region engaged in new collaborations with the knowledge base | 627 | 1,631 | 950 | 123% |
| 5. Regeneration Public & Private Regeneration Infrastructure investment levered | £261M | £197M | £220M | 62% |
| - £M | 21% | 40% | 50% | 48% |
| - % private | | | | |
| 5a. Brownfield Land Reclamation of brownfield land (Hectares) | 101 | 13 | 100 | 33% |
| 6. Skills People assisted in their skills development as a result of RDA Programmes | 41784 | 42,794 | 19,900 | 85% |
| 6a. Basic Skills Adults gaining basic skills as part of the Skills for Life Strategy that count towards the Skills PSA Target | 5248 | 2,581 | 2,450 | 88% |
| 6b. Higher Level Skills Adults in the workforce who are supported in achieving at least a Full Level 2 qualification or equivalent | 437 | 348 | 500 | 56% |

Key Comments

Strong performance against the **Employment Support** and **Knowledge Base** targets and compared with 2005/06 is due to the success of new measures introduced during the Corporate Plan period. New marketing and brokering activities have led to a large increase in the amount of support given to assist people into work through the Re-employment Unit. The Innovation Advisory Service, in its first full year of operation, has been very successful in increasing business collaborations, in R & D.

Skills delivery has been enhanced by a series of highly successful workshops on working with finance and increased activity under the Rural Leader+ programme.

The output target on **Brownfield Land** relies on a small number of highly complex projects and is also reliant on partners for progress, specifically in the Kent coalfields and the Thames Gateway. Serious delays have been experienced this year and we are assessing how these targets could be met through the final year of the Corporate Plan. Success in achieving the target for public and private regeneration infrastructure investment leveraged is closely related to these projects

3.2.3 Strategic Added Value Milestones 2006/7

The table below shows progress against the Strategic Added Value milestones for 2006/7 as set out in the Corporate Plan. Good progress has been made in all 24 programme areas.

Table 2: Progress against Strategic Added Value Milestones

| SEEDA Programme | 2006/7 Milestones | Strategic Added Value |
|---|--|---|
| 1. Review of Regional Economic Strategy | Publication of new RES | Alignment of regional partners behind shared view of objectives and priorities achieved through RES review now expressed in published strategy. |
| 2. Housing and Construction | <p>Housing: identify solutions to poor private sector housing through meetings with private sector housebuilders and landlords</p> <p>Construction: Host series of inter-RDA Construction Meetings and feed back construction issues to central government and others</p> <p>Brownfield Land: Acquire and remediate a total of 19 hectares of fragmented brownfield land</p> | <p>Studies completed to inform work of Regional Housing Board in updating of SE Housing Strategy</p> <p>SE Excellence Advisory Board recruited, drawn from highly regarded professionals. Website reached average of 11,000 hits per month against target of 3,000</p> <p>Brownfield Land Assembly Company officially formed January 2007. 13 hectares acquired and remediated.</p> |
| 3. Planning and Transport | <p>Transport: lever in additional funding for projects beyond the HST one</p> <p>Planning: consultation on the Regional Spatial Strategy and Local Development Frameworks</p> | <p>Continued development of SMART project (Solent-Midlands Advancement of Rail Transport) under SEEDA leadership. £55m TIF-P funding has 'minded to approve' status</p> <p>Evidence and arguments on sustainable economic development impact given at Examination in Public of RSS</p> |
| 4. Culture | <p>Cultural agency collaboration: with Culture SE produce a model of business support for cultural industries; contribute cultural elements to the Regional Centre of Excellence for Regeneration; hold an event on culture in rural areas</p> <p>Cultural Observatory: implement the cultural observatory</p> <p>Evidence base: produce an evaluation toolkit and a good practice website within the Observatory</p> | <p>4 major themes identified for collaboration: learning and skills; major sports events including 2012 Olympic Games; evidence base for cultural and creative industries; focus on Growth Areas.</p> <p>Observatory implemented and has received nearly 160,000, since September 2006.</p> <p>Launch of cultural framework and toolkit for the Thames Gateway.</p> |

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| | <p>Sports and cultural events strategy: implement sports strategy and develop cultural events strategy</p> | <p>Priorities and activities defined for regional 'offer' for 2012 Games, launched by Jonathan Edwards: 'Compete, Create, Collaborate'.</p> |
| <p>5. European Union influence and funding opportunities</p> | <p>Regional representation in Brussels: agree new model for representation</p> <p>Policy influencing: mainstream EU issues into the RES; identify other key areas of interest for the SE</p> <p>Creating and using funding opportunities: devise strategic framework for new structural funds; manage GROW programme; promote FP7 university/business collaboration opportunities</p> <p>Strategic alliances: continue to create strategic alliances based on Global Regions work</p> | <p>New model agreed and implemented.</p> <p>EU issues mainstreamed into RES and its IP; SEEDA invited to become member of two task forces of European Policy Centre on innovation and energy</p> <p>ERDF Competitiveness and Employment Operational Programme under development; ESF final tendering round held; GROW programme selected as best practice example of inter-regional co-operation; Framework Programme Number 7</p> <p>Membership of Peri-Urban Regions Platform Europe which is contributing to the debate on the Common Agricultural Policy</p> <p>SE seen as benchmark region on bringing young people back into employment</p> |
| <p>6. Voluntary and community sector infrastructure and partnership</p> | <p>VCS infrastructure: support regional infrastructure with Home Office and GOSE; establish good practice models policy of investment in community infrastructure in regeneration and growth areas</p> <p>Strategic partnerships: evaluate faith initiative and embed findings with local and regional partners; pilot NHS procurement initiative in targeted area</p> | <p>Regional Action and Involvement South East (RAISE) position strengthened through re-defined service level agreement in extension to contract. Provided on-going management of Social Inclusion Partnership SE, membership support to 1600 vcs organisations</p> <p>The faith sector has been re-aligning itself and is now ready to re-engage through the South England Faith Forum in Q1 2007; NHS procurement pilot still under consideration</p> |
| <p>7. Sustainable development</p> | <p>Awareness, promotion and tools: SEEDA Sustainable Business Awards; full integration of sustainable construction best practice in SEEDA development projects; strategic environmental assessment and sustainability appraisal of the RES; interim technical assessment of EU-funded SuRCaSE project to promote sustainable water management in SE river catchments</p> | <p>Enhanced version of Sustainability Checklist launched January 2007; virtual network developed for property and construction professionals to share best practice; green roof and sustainable drainage system at Rolls Royce's Goodwood plant; development of bio-kit with Berkeley Homes to encourage wildlife in new housing developments; SEA and SA for RES completed; planning and preparation for Waste Market Development Implementation Group; four</p> |

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| | <p>Environmental capital: Development of regional Action Plan for the Environmental Economy</p> <p>Energy: Demonstration biomass plant</p> <p>Materials resource and management: 3 further integrated resource parks; anaerobic digestion demonstration plant</p> | <p>specialist project advisors appointed for SuRCaSE project focusing on rivers Kennet, Darent, Great Stour</p> <p>Work being developed to feed into RES Implementation Plan</p> <p>Biomass heat network being developed for Queenborough and Rushenden development</p> <p>Resource Parks being taken forward through Waste Market Development Implementation Group</p> |
| <p>8. Skills for innovation, enterprise and regeneration</p> | <p>RSPA: regional network of professional generalist brokers established across business support organisations; annual joint regional cycle for skills implemented; Regional Skills Summit held; explore expansion of Action for Business Network to other forms of provision beyond FE colleges</p> <p>Leadership for innovation: wider development of public sector leadership programme; complete Great Ideas in Science and Technology programme and establish best practice</p> <p>Sector Skills: maintain the regional network of 6 Sector Skills managers; facilitate partners to plan and deliver skills support for AIF priorities; work with a further 6 sectoral employer panels; fund secondees to SE from 5 Sector Skills Councils</p> <p>Basic Skills Academy: implementation phase completed</p> | <p>Work outlined in delivery framework for April 2005-7 being delivered: successful bid to deliver Train to Gain through Skills Advice Service in Business Links – programme levers in £16m LSC funding over 3 years; 5 task groups taking forward joint work (employment and skills for 2012; 14-19 delivery; HE; and the ESF Strategic Delivery Framework); 24 colleges now accredited under Action for Business Colleges programme and programme evaluated as improving the way colleges work for employers and improved levels of employer engagement; 6 Local Skills for Productivity Alliances have now developed their delivery frameworks for April 07 to March 09</p> <p>MAD Ideas Competition designed to encourage universities to present original products and services aimed at tackling some of the most pressing challenges facing the world today</p> <p>Following a reprioritisation, the network of six sector skills managers was disbanded, and replaced with six LSPA managers with a responsibility for engaging employers and stakeholders to define and resolve local employment and skills issues.</p> <p>This was overtaken by changes in Skills for Life tutor qualifications and the LSC quality initiative so work refocused on low skilled, low paid workplaces with a particular drive around embedding skills for life in organisations, including the NHS and LAs.</p> |

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| | <p>Access to Learning: regional contracts and delivery with partners completed</p> <p>Education-led Regeneration: implement support for planning and intelligence</p> | <p>This has become the Skills Escalator, acknowledging that funding is in place to support skills for life, but unless businesses use it as part of a proper embedded workforce development strategy, it would have very little impact on productivity</p> <p>Studies supported assessing the feasibility of an HE presence in Milton Keynes and Ashford; Experian Consulting commissioned to scope the feasibility of developing a modelling tool to inform investment in higher education in the South East.</p> |
| 9. Knowledge Transfer | Milestones to be developed with evaluation and guidance from SESETAC | <p>Knowledge Networks: 7 knowledge networks established through Sector Consortia</p> <p>PoCKeT (Proof of Concept of Knowledge Transfer) fund addresses the funding gap for SMEs at proof of concept stage – 35 loans approved to SE SMEs; CommercialiSE project launched with 11 SE HEIs using £1m from the Higher Education Innovation Fund;</p> <p>Collaborative R+D further 3 calls issued for priority sectors of Healthcare, Sustainable Technologies and Intelligent Transport Systems; funding continued for 3 projects identified from nano-technology call</p> <p>Innovation Platforms: SEEDA is working with DTI, DfT and EPSRC on the first innovation platform call, 'Intelligent Transport Systems and Services'</p> |
| 10. Enterprise Hubs, Enterprise Gateways and Sector Consortia | <p>Enterprise Hubs: commercialisation route completed</p> <p>Enterprise Gateways: 15 enterprise gateways established; web portal completed; commercialisation route completed</p> | <p>Brand Development programme has developed 'network' working practice amongst the Hubs; showcase events attracting 72 investors held in February 2007; Client Management Tool implemented</p> <p>16 now established with target of 20 by end 2007</p> |

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| | Sector Consortia: Creative Industries Consortium established | 6 sector consortia published first Annual Report; Creative Industries Consortium still in development taking account of both the role of associated networks and new work on design |
| 11. Manufacturing Advisory Service, LEAN Office | | 3300 companies assisted achieving £42m gross value added; Manufacturing Insights launched involving companies hosting visits by other companies; SE Manufacturing Forum formed - will provide direction to the National Skills Academy for Manufacturing programme to be set up over next year |
| 12. Global Regions, Investor Development and International Trade Advice | Global Regions: Investor Development: | Merger of UKTI's South East Trade Team and SEEDA Inward Investment Team secured early results 600 key corporate organisations account managed; 'Open Innovation' events run in partnership with Innovation Advisory Service |
| 13. Finance for Business: Finance SE, R+D grant, and selective finance for investment | Finance SE: R+D grant: SFIE: consider exit strategy for scheme closure in December 2006 and consider potential SME business support product packages to replace scheme within the EC Regional Aid Reform and Horizontal Framework boundaries | Investment Readiness service launched at Venturefest in July 2006; 56 grants awarded to value of £4.3m; pre-application service introduced to give early indication of chances of success Scheme now closed; 25 grants awarded in final year associated with £86.8m capital investment and forecast to create 400 jobs; SEEDA working with partners on possibility of maintaining some limited coverage in SE |
| 14. Business Support, Business Links | A common charging policy developed during 2005/6 for implementation in 2006/7 dependent on the National Framework | Joining Forces Initiative provides integrated framework for business support; one SE Business Link service being created to link services delivered through the 6 Business Link Providers |
| 15. Economic Inclusion | Enterprise in deprived areas: integration into sub-regional plans with piloting of model and agreed policy framework | Cultural Shift SE programme influenced National Strategy, developed draft international protocol for state aid and social enterprise and started an additional 8 demonstration pilots in the culture, creative industries and housing sectors |

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| | <p>Social Economy Development: social investment taskforce product and infrastructure development phase; sectoral development action plan implementation</p> <p>Harnessing diversity: appointment of Ethnic Minority Business Advisor; regional action plan agreed for BME business; renewal of regional Women's Enterprise Co-ordinator; research completed and disseminated on opportunities for disabled entrepreneurs</p> | <p>IFCIC created, a regional Community Development Consortium to deliver enterprise financial inclusion across the region</p> <p>South East Ethnic Minority Business forum (SEMEDA) created; South East Multi-Ethnic Development Agency launched</p> <p>Disability Equality Scheme published December 2006.</p> |
| 16. Tourism | <p>Capitalise on agreed brands within a focused marketing strategy</p> <p>5000 tourism businesses effectively using EnglandNet, 5% booking on line</p> <p>Convergence of business advice and services with Business Links</p> <p>Continued promotion of nationally agreed quality standards</p> | <p>Work underway through Tourism South East Board and business plan</p> |
| 17. E-agenda | <p>Pilot Fibre in the Home projects established in the growth areas of Milton Keynes, Ashford and the Thames Gateway</p> <p>First three Broadband Partnership programmes concluded and evaluated</p> <p>Full teleworking strategy defined and rolled out, dependent upon positive results of 2005-6 pilot</p> <p>SEEOne Partner Network has minimum of 40 partner organisations on board by March 2007, with sustainable income generation strategies in place</p> | <p>Significant progress achieved for Ashford and parts of the Thames Gateway</p> <p>Sub-regional network of 9 Broadband Partnerships completed with Kent and Milton Keynes partnerships</p> <p>Wireless Hotspots Initiative being launched – by December 2007 no tourist or travelling business person further than 10 minutes or 5 miles from nearest wireless broadband access point</p> <p>Target met but SEEOne now being wound down because such solutions are now met in other ways. Its database of SEEDA-sponsored projects will be part of the new SEEDA corporate website</p> |
| 18. Rural programmes | <p>Business Support: with partners, evaluate the support services to farmers since the start of Single Farm Payment regime came into place in April 2005 and identify gaps and needs with a view to integrate any new support with the new EU-led support schemes that will come to SEEDA in April 2007</p> | <p>New Rural Development Programme in place and work being taken forward to integrate European funding</p> |

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| | <p>Redundant Buildings in Regeneration Areas: evaluation of benefits study</p> <p>Land-based support: design for amalgamation of SEEDA with Defra schemes ready for April 2007</p> <p>Local Produce: evaluation of benefits of the current contracts</p> <p>Protected Landscapes: agreement on common specific objectives</p> <p>Leader+: evaluation of first 3 years' Leader+ support from SEEDA</p> <p>Market Towns: full profile of the 7 year programme for all the 9 county areas agreed</p> <p>Community services and facilities: evaluation of Countryside Agency projects and new programme in place to start in April 2007</p> <p>Skills: extension of RBAT across the region; Skills Gaps study in rural sector businesses</p> | <p>Full evaluation undertaken and will help direct the delivery of targeted regeneration around the coast under the new RES</p> <p>England Rural Development Programme closed and projects to value of £5m transferred</p> <p>Evaluation concluded and new programme of support approved; new Defra fisheries post working with SEEDA on improving the value-add of the SE catch</p> <p>Regional Officer now in place to facilitate this process</p> <p>Evaluation commissioned and will complete in 2007-8</p> <p>Programme emerging and to be further developed in preparation for delivery of new RES</p> <p>New Rural Access to Services Programme (RASP) developed and in final approval stage</p> <p>Entrepreneurial Leadership project set up 12 employer groups and networks for rural start up businesses across the region</p> |
| <p>19. Urban Renaissance</p> | <p>Regional Design Panel:</p> <p>Shaping places: model for work with schools developed and disseminated across the region to inform teaching practice using the built environment</p> <p>Architecture Centres: formal review of activity of the Solent Centre for Architecture and Design to agree future funding</p> | <p>Target met to review a minimum of 70 significant schemes per year. Panel recognized in CABA's guide to design review and has been the model for a number of panels recently established in other regions.</p> <p>Project concluded with production of a booklet setting out lessons learned and providing a resource for teachers. SE architecture and built environment centres have used lessons learnt in their programmes going forward. Booklet can be downloaded from the South East Excellence website.</p> <p>Solent core funding grant ends 2007-8 so progress will be reviewed shortly.</p> |

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| | <p>Creating quality places:</p> <p>Institute of Urban Renaissance:</p> | <p>SEEDA development team worked with Dover District Council to select preferred developer for Ayiesham scheme, which must take forward the masterplan principles developed through the Creating Quality Places programme (developed using the Enquiry By Design process of the Prince's Foundation)</p> <p>Joined SEEDA's advisory board for South East Excellence and played an active role in developing a programme to improve dialogue between councillors and the development industry</p> |
| 20. Strategic direct delivery of sites and developments | <p>Coastal Towns Initiative: joint venture in place with development partner for Cowes Waterfront and Woolston Riverside</p> <p>Local priority remediation projects</p> <p>Kent Coalfield:</p> | <p>Outline planning consent secured for both projects</p> <p>Daedalus consultation being prepared by Groundwork Solent and masterplan being developed; Harts Farm Way junction project will facilitate the redevelopment of Southmoor Park and Harts Farm Way area Hampshire for industrial use creating 2000 jobs by 2008; building on successful work at Oxford Castle and Prison, partnerships are being developed to take forward regeneration of Oxford West End - SEEDA funding will help to leverage in £300-500m investment.</p> <p>Community consultation held on Snowdown Coalfields site; Betteshangar work recognised as example of national best practice at English Partnerships conference</p> |
| 21. Hastings and Bexhill 10-year regeneration programme | Milestones as set out in Seaspaces Business Plan | <p>Innovation Centre opened July 2006 with 50% of 71 spaces already let; ongoing development of Creative Media Centre; Seaspaces took over management of Hastings and Eastbourne Hub in July 2006 and university liaison officer being appointed; University Centre Hastings vision to 2013 being developed; Hastings Millennium Community funding increased to £15.1m and site preparation ongoing; additional £1.4m secured for Havelock Road and Queensway developments; Station Plaza site made available for construction of new £80m college; Pelham</p> |

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| | | stakeholder group formed to progress Pelham Place scheme ; commitments to future investment in the Hastings and Bexhill Link Road have been secured from the Highways Agency |
| 22. Growth areas | <p>Thames Gateway: Rochester Riverside - prepare site including construction of flood defence protection; Chatham Maritime</p> <p>Ashford: complete site assembly of Dover Place/Tannery Lane</p> <p>Milton Keynes/Aylesbury Vale:</p> | <p>Rochester Riverside: Most of new river wall completed, land raising work and decontamination of former gasworks ongoing. Short-listing of potential development partners completed for phase 1 housing and hotel development; Chatham Maritime milestones include full conversion of former Naval Canteen for Universities at Medway; practical completion on two HQ buildings and imminent opening of Dickens World visitor and entertainment attraction; Dartford Town Centre/Northern Gateway stage 2 masterplan completed; masterplan for Queenborough and Rushenden submitted for planning consent to provide 2000 new homes and 180,000 sq m of employment space</p> <p>Priorities for Growth economic action plan refined; dedicated Economic Coordinator appointed; site assembly complete for Elwick Road; International House being developed as best practice in Disability Discrimination Act issues</p> <p>Framework for Economic Priorities launched at MKSM Moving Forward Conference in March 2007</p> |
| 23. Development advice and support | | Working in close collaboration with local authority partners to enable locally led regeneration of key brownfield sites in Eastleigh, Oxford and Portsmouth |
| 24. Single regeneration budget, AIFs and Areas Programmes | Further assessment of AIFs to inform directions on future funding | Coastal West Sussex developing to achieve greater focus on a smaller number of 'bigger impact' projects; 5 Town Network (Selsey, Littlehampton, Bognor, Worthing and Shoreham) has been established to share best practice, improve skills and carry out joint initiatives; Hastings AIF Board has developed in the Hastings Economic Alliance, taking over responsibility for managing regeneration projects in the area, including LEGI; Southampton and SE Hampshire |

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| | <p>SRB programme successfully concluded</p> <p>Improved inter-AIF collaboration and leveraging of external funds</p> | <p>AIFs have set up a Joint Review Board to evaluate projects over their lifetime</p> <p>Several evaluations completed; two projects (CHP project in Southampton and Central St; Leonards, Hastings) have continued beyond the final year due to exceptional delays</p> <p>Continued development of three devolved delivery Area Programmes in Oxfordshire, Milton Keynes and the Thames Valley. All three have community learning and skills programmes as the backbone and primary mechanism to tackle unemployment and low skills on deprived estates</p> |
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New areas of work

It is clearly not possible to plan all activities over the three year life of the Corporate Plan and there have been some areas where SEEDA has either been asked to take on new responsibilities or has seen the potential for new activities to contribute to its corporate objectives. This has been particularly true in the sustainable development and science and innovation areas, new areas of activity for SEEDA and where the national context of policy development has been particularly fast moving. Area Teams have also been starting to work on the Diamonds for Investment and Growth in preparation for the delivery of the new RES.

Sustainable Development

The major programme not detailed in the Corporate Plan is the **Business Resource Efficiency and Waste (BREW)** programme which the RDAs were asked to take on by Defra. The BREW Coordinator took up post in November 2006 and in year two of this programme, key activities have included:.

- A mapping of Business Resource Efficiency Advice Expertise across the South East and of the region's recycling and reprocessing infrastructure to increase the evidence base and contribute to broader policy development. This assisted in the development of a robust rationale and forward plan for a bid for year 3 funding from Defra.
- SEEDA has been participating in the Construction Resource Efficiency (CoRE) programme (with EEDA and the LDA) to provide leadership to the construction industry to improve resource efficiency and the competitiveness of the sector in the South East. The project has initiated a cross-regional partnership which is hoped will lead to behavioural change in the construction sector across the Greater South East through encouraging the prudent use of natural resources and promoting the economic value of waste as a resource.
- Working with the South East Business Links, and in collaboration with EEDA, to develop a pilot for a streamlined business resource efficiency advice service to be delivered through the Business Links. This work has influenced the development of a national pilot scheme in 2007-08, which was announced in the Chancellor's Budget Statement.

Progress has also been made on the **Corporate Social Responsibility (CSR) and Sustainable Businesses** agenda. SEEDA has formed a Regional Steering Group to deliver a Regional Strategy for Sustainable Business aimed at encouraging businesses to adopt sustainable business practices. SEEDA is supporting a team of six Sustainable Business Advisers creating a single point of access for businesses to source information on sustainability, mainstream sustainability within the Business Link offering and provide a brokerage service to specialist delivery partners such as the Carbon Trust, Business in the Community (BITC), and Envirowise. This approach is now being rolled out nationally to deliver the BREW programme. SEEDA has also facilitated the delivery of a regional marketing strategy to raise awareness of the business benefits of sustainability and created a website to provide direct support to business

Science and Innovation

Work in this area has been developing rapidly under the guidance of the **South East Science, Engineering and Technology Advisory Council (SESETAC)**. An independent review has indicated that SEEDA interventions initiated and overseen by SESETAC has already led to 250 business university collaborations, assisted over 600 business and levered ca. £22M of additional funding for R&D and business development. This finding strongly suggests that the interventions made to date are appropriate and are delivering what was expected in terms of added strategic value and outcomes/impacts. Significant economic benefits are expected to accrue and will be the subject of a separate independent review at a later date. A new science and innovation plan is now being prepared in the light of these findings.

The Innovation Advisory Service is focused on increasing innovation within South East businesses. Since its establishment in autumn 2005, the IAS has assisted 590 organisations and helped to secure £16.3M investment for R&D and innovation-related work in these organisations. (It should be noted that £14M of this total relates to one large investment in a bio-tech company).

SEEDA has been working closely with the Design Council to develop the **Designing Demand** programme aimed at the involvement of 400 companies and designers in seminars and workshops intended to raise awareness of the importance of design and its link to business growth and profitability. This was launched in October 2006 at the Thames Valley Enterprise Innovation conference to over 200 businesses

The **London Technology Network Business Fellows** project aims to ensure that the most research-intensive university departments in the region have at least one academic who has a dedicated business development role to engage academics in knowledge transfer. Since this project was established in 2005 65 collaborative projects between SEEDA businesses and universities have been instigated. Three quarters of these projects have involved new investment in R&D activities, with an estimated value of £4.5M.

In response to the Roberts' report, "SET for Success", SEEDA, together with Yorkshire Forward, has piloted a regional STEM Support Centre, **Science, Technology, Engineering and Mathematics (STEM) Support Centre South East**. Its main objective is to ensure that businesses, universities and the public sector can recruit and retain the skilled scientists, technologists and engineers. To support the pilot, SEEDA developed a new partnership with the National body, SETNET (Science, Engineering, Technology and Mathematics Network) resulting in a jointly funded SETNET Regional Director post for the South East Region. SEEDA has also provided advice to DFES and other RDAs on establishing similar structures in other regions.

SEEDA established a network of 5 **Regional Resource Centres (RRCs)** to address STEM skills in priority sectors needed for increased innovation and improved business performance. The centres are working with public/private sector alliances across the South East to offer coherent programmes of industry training modules, specialist short upskilling programmes and accredited courses for employers and individuals.

Diamonds for Investment and Growth

Area teams have been developing partnership working in these areas in anticipation of the new RES. Progress of particular note is as follows.

Thames Gateway - As already detailed above, SEEDA has collaborated with the other Greater South East RDAs to produce the Thames Gateway Economic Statement and is now developing this work into an Action Plan. **[progress on partnerships in Thames Gateway – Susan Priest]**

Partnership for Urban South Hampshire (PUSH) - The Hampshire & IOW Area Team has continued to support PUSH as a Diamond for Investment and Growth. The team has been involved in shaping the governance structure and action plans, developing thinking on potential areas of investment and encouraging discussions on the possible benefits of a Multi Area Agreement. A wider group of partners are now engaged in the working groups and SEEDA has played a key role in bringing senior people to the table.

Gatwick Diamond - SEEDA has helped the Gatwick Diamond business-led group to engage with six local authorities to develop the capacity and realize the potential of the Gatwick Diamond as an area for growth and investment. The stronger grouping has helped raise the game of the Diamond building on its strengths and working to align the original idea with the SE Diamonds for Investment and Growth initiative. A business plan is under development and will realise the potential for economic growth in the Diamond area through increased productivity, innovation and investment, particularly in education and skills.

The **Ashford** programme has received a number of setbacks in recent months on issues including the reduced Channel Tunnel Rail Link service, Imperial College pulling out of the Wye College improvement project, and questions raised by the Campaign for Rural England (CPRE) about the progress of jobs growth in the town. Recognising the challenges these issues raise, SEEDA is working closely in partnership with Ashford's Future to mitigate any effects, and ensure the programme continues to move forward with confidence. An effective communications strategy is now a high priority to build a positive impression of Ashford with both the public and key stakeholders, and cement buy-in for the Growth Area.

4. DIRECTORS' REPORT

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. 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 published in 2007. 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, 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 set out in the Government Financial Reporting Manual have been followed; and disclose and explain any material departures in the financial statements;
- Prepare the accounts on 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 costs incurred in relation to services provided by the Comptroller and Auditor General in 2006/2007, were Audit Services £ 55,000, Independent Performance Assessment (IPA) and report £100,000 and £4,500 for audit work undertaken for the European funded Finesse Project Programme Expenditure. 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 the SEEDA website and on request from the Board Secretary, 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 2006/2007 were:-

| | |
|-----------------------|-------------------------------------|
| Jim Brathwaite CBE | Chairman |
| Robert Douglas CBE | Deputy Chairman |
| Peter Jones | Deputy Chairman |
| Rob Anderson | |
| Elizabeth Brighthouse | (contract expired December 2006) |
| Pamela Charlwood | (contract commenced December 2006) |
| Poul Christensen CBE | |
| Imtiaz Farookhi | |
| Robert Goldfield | (contract commenced December 2006) |
| Sarah Hohler | (contract expired December 2006) |
| Keith House | |
| Susan John | (contract commenced December 2006) |
| Mary McAnally | (contract expired December 2006) |
| John Peel CBE | |
| Fiona Pollard | (contract commenced September 2006) |
| Alex Pratt | (contract commenced December 2006) |
| Dr Peter Read CBE | (contract expired December 2006) |
| Prof. Bill Wakeham | |
| Phil Wood | |

Biographical notes of the Board members can be found on the SEEDA website 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. During 2006/07 the Board Committee structure was 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

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 2006/2007 the members were the following:

- Rob Douglas (Chair)
- Rob Anderson
- Imtiaz Farookhi
- Phil Wood
- Bob Goldfield (from 2007)

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 2006/2007 the Audit Committee met on four 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.

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

During 2006/07, 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:

| | | |
|------------------|---|---|
| Pam Alexander | - | Chief Executive. |
| Jeff Alexander | - | Executive Director, Business and International, with geographical responsibility for Milton Keynes, Oxfordshire, Berkshire and Buckinghamshire. |
| Lee Amor | - | Director, Development and Infrastructure, with geographical responsibility for Kent. (Appointed October 2006) |
| Paul Hudson | - | Director, Development and Infrastructure, with geographical responsibility for Kent. (Resigned June 2006) |
| Paul Lovejoy | - | Executive Director, Strategy and Sustainability, with responsibility for rural issues. |
| John Parsonage | - | Executive Director, Learning and Skills, with geographical responsibility for Surrey and Sussex. |
| Duncan Straughen | - | 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 74 new employees (this figure includes six employees who transferred in from DEFRA on 1 October 2006 for a rural grant programme). A number of these new posts 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 employer branding including a new electronic application form. As an indicator of SEEDA commitment to career development, 21 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 14%.

Learning and Development

This year SEEDA made good use of its panel of external training providers to achieve value for money in a range of training delivery. SEEDA corporate learning and development plan identified the year's priorities. These included a continuation of our development programmes with the introduction of a new Leadership Development pilot course for new and aspiring managers (alongside this programme a network of new and aspiring managers has continued to flourish); and an Introduction to Successful Project, Contract and Budget Management programme. In addition a new Project Management Foundation Course was introduced. This was scoped and delivered to 30 staff (with further delivery planned for 2007/08). The programme was delivered by an external organisation but was written in close collaboration with SEEDA staff. Nine members of staff received SEEDA sponsorship for qualification-based training during the year.

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 13 of the Annual Accounts and in the Remuneration Report on page 38 of this Annual Report.

Staff consultation

SEEDA's Joint Staff Council met regularly during 2006/2007 to discuss a range of employee-related issues. SEEDA also maintained a productive working relationship with its two recognised unions, PCS and Prospect.

Equality and Diversity

SEEDA wholly supports the principles and practices of equal opportunities in employment and service provision and opposes all forms of unlawful or unfair discrimination on grounds of gender, colour, marital status, race, nationality or ethnic/national origin, religion and belief, sexual orientation, disability, age, membership of a trade union and working arrangements. 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 Equal Pay Act 1970 (amended 1984), Sex Discrimination Act 1975, Race Relations Act 1976, Disability Discrimination Act 1995, Sex Discrimination (Gender Reassignment) Regulations 1999, Part-time Workers Regulations 2000, Race Relations (Amendment) Act 2000, Employment Equality (Religion or Belief) Regulations 2003, Employment Equality (Sexual Orientation) Regulations 2003, Equality Act 2006 and Employment Equality (Age) Regulations 2006.

At the end of March 2007 41% 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.

During 2006/2007 SEEDA had an average total workforce on the payroll of approximately 344 and recorded the ethnic origin of all staff. 6% of staff identified themselves as being Black or Minority Ethnic (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 for 2006/2007 was as follows:

- 12% of external applicants for SEEDA roles were BME
- 5% of staff promoted were BME.
- 100 % of staff of BME participated in learning and development activities.
- 100% of staff of BME benefited from SEEDA's performance assessment procedures (ie received a performance-related pay award if eligible).
- No staff of BME suffered a detriment from SEEDA's performance assessment procedures (ie did not receive a performance-related pay award if eligible).
- One member of staff of BME was involved in grievance procedures.
- No staff of BME were the subject of disciplinary procedures.
- Three members of staff of BME left SEEDA (and five joined SEEDA).

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

SEEDA published its Disability Equality Scheme in December 2006 and this will be subject to six monthly review.

During 2006/2007 SEEDA also commenced work on its Gender Equality Scheme (including an equal pay audit), to be published in April 2007.

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.

Open Government

The Agency received 41 individual requests in 2006/2007 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 1 million visits per year of which approx 72% 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 2006/2007 the Agency paid 97% of invoices within 30 days, based on payments from the date the invoices are received. The average time to pay an invoice is 8 days.

Commitment to Customer and Stakeholder Service

SEEDA 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, SEERA (South East England Regional Assembly) and GOSE (Government Office for the South East). 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. 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 ten 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 and are made available to the Board.

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

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 2007 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 Coalfields 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 2007. The value of net Balance Sheet reserves, as at 31st March 2007 is £186.2m for the SEEDA agency. This is an increase in the reserve from last year of £7.6m mainly as a result of development site acquisitions.

During 2006/2007, SEEDA received and applied a grant in aid amounting to £159m. In addition, SEEDA received grants from the European Community and other Government departments including English Partnerships grants for coalfields and brownfield sites. (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 2006/2007.

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

It is anticipated that SEEDA will assume responsibility for the implementation of the European Regional Development Fund Programme from the Government Office for the South East during the financial year 2007-08

5. REMUNERATION REPORT

5.1 Remuneration Committee

The SEEDA Remuneration Committee comprises four Board members, Jim Brathwaite SEEDA Chairman, Rob Douglas SEEDA Deputy Chairman, Peter Jones Deputy Chairman, Liz Brighthouse (to December 2006) and Phil Wood (from December 2006).

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.

The remuneration framework of the Chief Executive and Executive Directors is set by the Board and agreed by the Department of Trade and Industry and takes 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 (audited)

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

| Name | Position | Date of Appointment | Contract Expiry Date | Salary £ | Pension/ other £ | Total 2006/07 £ | Total 2005/06 £ |
|-----------------------|-----------------|---------------------|----------------------|----------|------------------|-----------------|-----------------|
| James Brathwaite CBE | Chairman | 14.12.02 | 13.12.08 | 77,964 | 0 | 77,964 | 76,875 |
| Robert Douglas CBE | Deputy Chairman | 14.12.01 | 13.12.07 | 16,536 | 0 | 16,536 | 16,305 |
| Peter Jones | Deputy Chairman | 14.12.03 | 13.12.09 | 18,914* | 0 | 18,914* | 8,153 |
| Rob Anderson | Board Member | 14.12.03 | 13.12.08 | 8,268 | 0 | 8,268 | 8,153 |
| Elizabeth Brighthouse | Board Member | 14.12.01 | 13.12.06 | 5,843 | 0 | 5,843 | 8,153 |
| Pamela Charlwood | Board Member | 14.12.06 | 13.12.09 | 2,426 | 0 | 2,426 | 0 |
| Poul Christensen CBE | Board Member | 14.12.02 | 13.12.08 | 8,268 | 0 | 8,268 | 8,153 |
| Imtiaz Farookhi | Board Member | 14.12.04 | 13.12.07 | 8,268 | 0 | 8,268 | 8,153 |
| Robert Goldfield | Board Member | 14.12.06 | 13.12.09 | 2,426 | 0 | 2,426 | 0 |

| Name | Position | Date of Appointment | Contract Expiry Date | Salary £ | Pension/ other £ | Total 2006/07 £ | Total 2005/06 £ |
|-------------------|--------------|---------------------|----------------------|----------|------------------|-----------------|-----------------|
| Sarah Hohler | Board Member | 14.12.02 | 13.12.06 | 5,843 | 0 | 5,843 | 8,153 |
| Keith House | Board Member | 14.12.02 | 13.12.08 | 8,268 | 0 | 8,268 | 8,153 |
| Susan John | Board Member | 14.12.06 | 13.12.09 | 2,426 | 0 | 2,426 | 0 |
| Mary McAnally | Board Member | 01.11.00 | 13.12.06 | 5,843 | 0 | 5,843 | 8,153 |
| John Peel CBE | Board Member | 14.12.02 | 13.12.08 | 8,268 | 0 | 8,268 | 8,153 |
| Fiona Pollard | Board Member | 01.09.06 | 13.12.09 | 4,837 | 0 | 4,837 | 0 |
| Alex Pratt | Board Member | 14.12.06 | 13.12.09 | 2,426 | 0 | 2,426 | 0 |
| Dr Peter Read CBE | Board Member | 01.11.00 | 13.12.06 | 5,843 | 0 | 5,843 | 8,153 |
| Bill Wakeham | Board Member | 14.12.04 | 13.12.07 | 8,268 | 0 | 8,268 | 8,153 |
| Phil Wood | Board Member | 14.12.03 | 13.12.09 | 8,268 | 0 | 8,268 | 8,153 |

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.

*includes £2,378 arrears for 2005/2006 – appointed Deputy Chairman 14th December 2005

5.3 Emoluments of Chief Executive and Executive Directors (audited)

| Name | Salary £ | Bonus £ | Sub Total £ | Car Benefit £ | Pension £ | Total 2006/07 Including Pensions and Other Benefits £ | Total 2005/06 Including Pensions and Other Benefits £ |
|--|-----------------------|------------|-------------------|---------------------|--------------|---|---|
| Pam Alexander Chief Executive | 135,861 | 17,404 | 153,265 | 0 | 39,535 | 192,801 | 195,084 |
| Jeff Alexander Director of Business and International | 92,301 | 8,733 | 101,034 | 3,552 | 23,285 | 127,871 | 122,512 |
| Lee Amor Director of Development and Infrastructure | 52,500 (105,000) | 0 | 52,500 | 0 | 13,388 | 65,888* | 0 |
| Paul Hudson Director of Development and Infrastructure | 20,026*** (91,700) | 8,235 | 24,221 | 717 | 4,076 | 33,055** | 130,521 |
| Paul Lovejoy Director of Strategy and Sustainability | 85,996 | 6,592 | 92,588 | 3,809 | 21,929 | 118,326 | 106,565 |
| John Parsonage Director of Learning and Skills | 90,582 | 7,860 | 98,442 | 1,991 | 23,090 | 123,523 | 120,988 |
| Duncan Straughen Director of Resources | 115,965 | 9,580 | 125,545 | 2,778 | 25,671 | 153,994 | 125,914 |

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 framework pay 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 2006/2007 refer to performance against agreed targets for 2005/2006.

*Refers to part year only as a new SEEDA employee commencing 2 October 2006. The bracketed figure refers to full year's salary.

** Refers to part year only as he resigned on 2 June 2006.

*** Includes £4,040 paid in respect of outstanding annual leave. The bracketed figure refers to full year's salary.

5.4 Emoluments of Chief Executive and Executive Directors–Pension Information (audited)

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|---|---|--|------------------------------------|-------------------------------------|---|--------------------------------|---|--|
| | Real increase In pension (£k) | Real increase In lump sum (£k) | Pension at 31/03/07 (£k) | Lump sum at 31/03/07 (£k) | Cash Equivalent Transfer Value at 31/3/06 (£k) | CETV at 31/3/07 (£k) | Employee Contributions And Transfers In (£k) | Real increase In CETV Funded by Employer (£k) |
| Pam Alexander Chief Executive | 0 - 2.5 | 0 | 50 – 55 | 0 | 769 | 830 | 2.5 – 5 | 34 |
| Jeff Alexander Director of Business and International | 0 – 2.5 | 5 - 7.5 | 30 - 35 | 100 - 105 | 561 | 610 | 0 – 2.5 | 35 |
| Lee Amor* Director of Development and Infrastructure | 0 – 2.5 | 0 | 0 - 5 | 0 | 0 | 11 | 2.5 – 5 | 9 |
| Paul Hudson** Director of Development and Infrastructure | 0 – 2.5 | 0 – 2.5 | 5 – 10 | 20-25 | 186 | 194 | 0 – 2.5 | 10 |
| Paul Lovejoy Director of Strategy and Sustainability | 0 – 2.5 | 0 | 5 – 10 | 0 | 108 | 131 | 2.5-5.0 | 18 |
| John Parsonage Director of Learning and Skills | 0 – 2.5 | 2.5 - 5 | 35 - 40 | 110 - 115 | 841 | 915 | 0 – 2.5 | 33 |
| Duncan Straughen Director of Resources | 0 – 2.5 | 0 | 0 – 5 | 0 | 38 | 72 | 2.5-5.0 | 29 |

* Member started on 2/10/06

** Member resigned on 2/6/06

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 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. 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).

- **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 as applicable to the opted scheme. 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

James E Brathwaite CBE
Chairman

Pam Alexander
Chief Executive and Accounting Officer

Date:

Date:

6. STATEMENT ON INTERNAL CONTROL

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 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 31 March 2007 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 2006/07 by way of the following:

- A main 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 the monthly Directors' Performance Review Group 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 types 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, the main Board (with effect January 2007), 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 Continuous Improvement Group review progress on risk management issues, discuss and resolve problems and 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 and regular review meetings with line managers are held. 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 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 which determines all single major project proposals above £3m and the Major Projects Committee of the main Board that reviews my decisions on all single projects above £1m;
- The Board also receives reports from, and advises 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 monthly financial performance and advise on required actions;

- The Audit Committee reviews all audit reports and related recommendations, reviews risk management issues and advises on actions as necessary;
- The systems in place were able to provide all of the information required to monitor financial performance throughout the year. These systems continue to be refined and improved as a reliable source of essential information. A division of the IT Department has been established to support and improve all systems.
- A system whereby Board members, staff and contractors declare any interest in related parties.

6.6 Significant internal control problems

With consideration to the above, no significant internal control problems were highlighted during the year.

Pam Alexander
Chief Executive and Accounting Officer

Date:

7. 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 certify that I have audited the financial statements of the South East England Development Agency for the year ended 31 March 2007 under the Regional Development Agencies Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, Chief Executive/ Accounting Officer and auditor

The Agency and Chief Executive as 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 thereunder by the Secretary of State and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Agency's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited 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 thereunder by the Secretary of State. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Chairman's Introduction, the Chief Executive's Review, the Management Commentary, the Directors' Report and the unaudited parts of the Remuneration Report, is consistent with the financial statements. 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.

In addition, I report to you if the 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 HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers 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. 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

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Regional Development Agencies Act 1998 and the directions made thereunder by the Secretary of State, of the state of the South East England Development Agency's affairs as at 31 March 2007 and of its net expenditure 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 the directions made thereunder by the Secretary of State; and
- information given within the Annual Report, which comprises the Chairman's Introduction, the Chief Executive's Review, the Management Commentary, the Directors' Report and the unaudited parts of the Remuneration Report, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

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

**SOUTH EAST ENGLAND DEVELOPMENT
AGENCY**

PART TWO

ANNUAL ACCOUNTS

YEAR END 31 MARCH 2007