

South East England Development Agency

**Annual Report and Accounts
2009-10**

HC 206

£13.75

South East England Development Agency

Annual Report and Accounts 2009-10

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

Ordered by the House of Commons to be printed on 19th July 2010

HC 206

London: The Stationery Office

£13.75

© South East England Development Agency Copyright (2010)

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as South East England Development Agency copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

ISBN: 9780102966756

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID: 2371425 07/10

Printed on paper containing 75% recycled fibre content minimum.

South East England Development Agency

Annual Report and Accounts 2009-10

CONTENTS

PART ONE – ANNUAL REPORT	Page 5
1. CHAIRMAN'S INTRODUCTION	Page 6
2. CHIEF EXECUTIVE'S REVIEW	Page 8
3. MANAGEMENT COMMENTARY	Page 10
4. DIRECTORS' REPORT	Page 23
5. REMUNERATION REPORT	Page 35
6. STATEMENT ON INTERNAL CONTROL	Page 41
7. REPORT OF THE COMPTROLLER AND AUDITOR GENERAL	Page 45
PART TWO – ANNUAL ACCOUNTS	Page 47

SOUTH EAST ENGLAND DEVELOPMENT AGENCY

PART ONE

ANNUAL REPORT

1. CHAIRMAN'S INTRODUCTION

I became the Chair of SEEDA in November 2009 and as I review the work outlined in this report I am struck how, as an organisation, we have risen to the enormous economic challenges and stuck firmly to our sole purpose – supporting industries in the South East to grow strong out of recession. We have discharged this mission with commitment and achieved positive outcomes – providing the expert and strategic input needed to create wealth, minimising the impact of the global recession and investing in growth.

At the time of my arrival, we were still some months away from the GDP figures that told us the economy was making its first tentative steps towards recovery. SEEDA itself, having analysed the economic challenges, was finalising a refocus of its activities. Our work with local authorities on the South East England Partnership Board was beginning to bear fruit. For example, through research and consultation we identified the key challenges for the South East to assist future growth and the key skills that businesses need; a piece of work that is informing national funding decisions and the decision making of individual colleges and training providers.

We had an evidence base and strategy for realising the economic benefits of innovation and for exploiting the potential of the key growth sectors. We were providing businesses with the support needed to grow and finding smart, efficient ways to do that. We were attracting new global companies to set up operations in the South East.

With a smaller budget and some 90 fewer staff our focus has had to become sharper, while simultaneously increasing our impact. Our research and economics team helped us understand what areas of business would drive the country out of recession and our business experts told us exactly what was needed to ensure businesses had the tools they needed to grow. We talked to businesses and collaborated with our fellow RDAs, we worked with local authorities, business representative organisations and national Government.

This report shows we achieved our goals - we have beaten most of our targets. I say that, not to congratulate ourselves, but because it means more jobs, more skilled people and more thriving businesses in the South East.

Our work with UKTI has secured 65 foreign investments. The Manufacturing Advisory Service has invested some £2m and seen the companies it works with return £65m in productivity improvements and increased turnover. Our bids for EU funding have brought over £19.5m during 2009/10 into the South East and secured agreement in principle from the European Investment Bank for a £100m loan fund for energy efficiency in public buildings across the South East. The money we have already secured is being invested in a range of rural business, skills and low-carbon programmes.

At the end of the financial year, however, we find that the much desired economic recovery is still fragile. While we have played our part in mitigating, at least in part, the impact of the recession, we all know that much more needs to be done. I have spent many years involved in the economy of the South East and I understand the critical contribution that our economy makes to the country as a whole. As we move into the new financial year, the new Government has announced its intention to abolish RDAs by March 2012, proposing to replace us with a combination of Local Enterprise Partnerships and by transferring certain functions to a national level. In the meantime our budget has been cut even more deeply. These will be challenging times for our partners and for our staff. I am proud of the way the staff rose to the challenge of the reductions in budget and staff numbers during the year to 31st March 2010. I am confident that they will similarly handle the proposed abolition of SEEDA and the transfer of our functions to successor bodies in a wholly professional and committed way, with the interests of the South East's economy at the heart of what they do. I want to thank them for their performance during the year. I also want to thank my Board for their commitment and help in supporting the executive and staff.

We remain totally committed to supporting the economy of the South East. We also know that the national recovery will be fuelled by our businesses, our skilled and talented people and our drive. In these challenging times our business critical infrastructure needs to be maintained and investment needs to be strategic and smart. Above all we need to work in partnership. It is through partnership – of businesses, local and national Government and the people of the South East – that we will continue to build on the foundations laid for national economic recovery.

A handwritten signature in black ink, appearing to read "Rob Douglas".

Rob Douglas, CBE
Chairman

Date: 15th July 2010

2. CHIEF EXECUTIVE'S REVIEW

Responding to Change

2009/10 was a year of change in response to a difficult climate across all sectors of the economy. I am pleased to report that SEEDA rose to this challenge to deliver strong results in tough economic circumstances. During spring 2009 we refreshed our Corporate Plan to respond to the recession and in the light of reduced funding. Funding for SEEDA's programmes for 2009-2011 was reduced by £52m due to budget cuts and reduced receipts - resulting from the crash in the market. Our 'single pot' budget for 2009/10 was £160m. Our programme budget for 2010/11 was cut from £148m to £107m and since the end of the financial year we have had to manage a further £28m cut. This has meant working closely with local authorities and other partners throughout the last 18 months to make tough choices, and I am grateful to them for co-operating with us in finding new ways to progress projects and accepting that in some cases projects may no longer proceed. We are not alone in having to make these decisions and we want to proceed together to align budget cuts so as to minimise the impact on our objectives for the South East economy.

SEEDA's Research and Economic team played a key role in interpreting economic conditions, helping partners across the South East to understand the impact of the recession and identify where their own efforts should best be directed. Again, this work was carried out in close collaboration with local authorities, helping to inform their own work in developing local economic assessments.

Delivering Results

Having developed a package of practical assistance for businesses and individuals during 2008, our efforts last year were focused on delivering results. I am pleased to report that we exceeded 14 out of 16 key targets in 2009/10, in many cases, very substantially. Through Business Link, over 150,000 businesses were supported last year, with nearly 19,000 benefiting from intensive assistance. Meanwhile, working with JobCentre Plus, the Learning and Skills Council and local authorities, the Continuing Employment Support Service provided a rapid response to companies facing the prospect of redundancies. Nearly 250 businesses and their employees were assisted, with over 11,000 people helped to find new employment opportunities, for example through job matching companies downsizing with those taking on new employees. We also maintained our efforts in securing foreign direct investment, with 65 projects together accounting for nearly 7,000 jobs created or safeguarded. This contributed to our total of over 10,100 jobs created or safeguarded in 2009/10 in the South East.

We also maintained our commitment to helping ensure that the South East enters the upturn in a position of strength in key sectors for the future. We helped Vestas Technology to develop a global R&D centre on the Isle of Wight which will develop, test and do prototype manufacture of the next generation of offshore wind turbine technology. We also assisted GKN Aerospace and Rolls-Royce to establish a pre-production facility for new environmentally efficient aero-engine technology on the Island. We led work to develop the International Space Innovation Centre at Harwell in Oxfordshire, including securing £12m Strategic Investment Funding from the Department of Business, Innovation and Skills. Our focus has been on securing business investment in export-orientated, high technology markets that will deliver high value jobs and prosperity in the years ahead.

SEEDA's support for sector consortia has helped to drive these projects. In 2009/10 SEEDA worked with local authorities, universities and business partners to set up eight locally-led Innovation and Growth Teams to support potential high growth businesses. The first results are extremely promising, with over £26m raised already for the innovation businesses they have worked with in their first few months in operation.

As part of our focus on high growth sectors and businesses we have continued to build on the considerable strengths of the marine sector, in line with the economic strategy of the Partnership for Urban South Hampshire. This year has seen the completion of the first stage of the Marine Park at Hythe in the New Forest, with the employment space being taken up by innovative companies. We have invested, with other sponsors, in companies and graduates at Hythe through the national Knowledge Transfer Partnership scheme, so that the marine sector has benefited from the injection of new talent.

We also maintained our commitment to investing in under performance in the South East, helping to ensure that vulnerable areas are not left behind. For example, work started on building a second phase of the successful University Centre Hastings, which will support the local economy by providing capacity for over 1,000 students, and the new Enviro21 business centre in Hastings which will attract new businesses and create jobs in new environmental industries.

SEEDA used European funding to support high growth companies in the more deprived areas. In rural east Kent, Mansfield's received a £1m grant towards a £7.6m investment in state of the art fruit packing and cold storage facility. This project will create 80 new full time jobs.

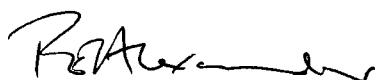
Following the abolition of the South East Regional Assembly, the Agency was held to account for its performance by local authorities in the new South East England Partnership Board and by the Regional Select Committee of Parliament. A new Economic Development and Skills Board was set up, chaired by a SEEDA Board Member to advise the South East England Partnership Board on delivery of the Regional Economic Strategy as part of the planned integrated regional strategy. We led the production of six "think pieces" for discussion in preparatory workshops; work which will be of value to local authorities and their partners in planning future support for economic development and growth.

Reshaping SEEDA

In 2009/10 we restructured SEEDA to create a smaller, flexible and agile Agency focused on foreign direct investment, innovation in key sectors for the future, business support and business critical infrastructure. SEEDA's new structure, implemented from November 2009, reduced our permanent and non-permanent workforce from 413 to 324 people by March 2010, reducing further to some 250 in early 2010/11. This will reduce SEEDA's annual staff costs by £3.4m per annum.

Transition to New Arrangements

The coalition Government has announced that RDAs will close by March 2012, as part of a change in arrangements which will see local authorities and businesses coming together in Local Enterprise Partnerships to lead delivery of economic development. As SEEDA prepares for its final phase, I know that we are all committed to working to support the South East's economy ensuring that our expertise and experience is available to our partners as required. We are also determined to deliver an orderly transition to new arrangements so that valued programmes and mechanisms are taken over by national or local partners where they are needed, to ensure continued support for prosperity across the South East.



Pam Alexander
Chief Executive

Date 15th July 2010

3. MANAGEMENT COMMENTARY

SUPPORTING BUSINESS AND THE ECONOMY THROUGH RECESSION

During 2009/10 SEEDA focused on taking decisive action to support the South East economy through recession by ensuring that businesses survived the downturn and were ready to exploit the opportunities presented by economic recovery. The final quarter of 2009 saw the UK economy return to growth following 18 months of contraction.

Refocusing SEEDA programmes and activities

To support the South East economy during an historically challenging period, SEEDA refocused its spending programmes and expertise to support businesses through the recession. The Corporate Plan Refresh, published in June 2009, set out clear priorities for SEEDA's activity for 2009-2011 with a significantly reduced budget as funding was withdrawn by Government to attend to other priorities. It set out a number of key actions to assist businesses to come through the downturn whilst building on opportunities to emerge from the recession in a stronger position for the future:

- Building on our existing strengths in research and intelligence to provide foresight, interpret prospects and draw on relevant policy experience from across the globe to ensure that our activities are effective;
- Moving away from small scale projects to scaleable and 'transformational' type activities in new programmes, focusing on those that would achieve greatest increases in productivity and competitiveness across key industry sectors;
- Targeting inward investment towards high value businesses in growth sectors aligned to the South East's industrial strengths - these being Advanced Engineering and Marine; Aerospace and Defence; Environmental and Energy Technologies; Financial and Professional Services; ICT and Digital Media; Pharmaceuticals; Life Sciences and Health Technologies - and with clear linkages to the South East's research base wherever appropriate; and
- Facilitating the creation of globally competitive 'business critical infrastructure' including transport, broadband and physical developments such as industry-specific incubation and laboratory space.

The refocused SEEDA exceeded 14 out of 16 targets during 2009/10. For example:

- Over 10,000 jobs created or safeguarded, including 7000 jobs created or safeguarded through inward investment work
- 65 inward investment successes
- Some 52,000 businesses were supported to improve performance
- 5,700 businesses attracted, new businesses created and businesses demonstrating growth
- Nearly 16,000 people assisted to improve their skills and over 15,000 assisted to gain employment

SEEDA worked at a strategic level with local authority partners to understand the drivers and issues around economic growth. Working with local authorities and stakeholders the Agency produced a set of six "think pieces" setting out the key challenges for the South East, on vital issues such as driving economic growth, securing a low carbon future, and funding infrastructure as preparations for the integrated Regional Strategy. These informed two successful workshops involving 100 participants. Although the Government has now decided that the work on a new Regional Strategy will stop, the think-pieces will still be available as a resource for local authorities and others across the South East to use in their future strategy development.

This year the primary focus of the three South East Delivery Boards, covering Transport, Housing & Regeneration and Economic Development & Skills, was to ensure the successful delivery of the investments as set out in the Regional Funding Advice submitted to Government in February 2009. The Boards oversaw the successful delivery of £150m of transport funding including the first schemes funded through the Regional Infrastructure Fund, which will enable major development to go ahead at Ashford in Kent.

The Economic Development and Skills Board was a new venture this year, bringing together SEEDA, local authorities, business organisations and key agencies involved in skills and employment delivery to analyse the needs of the South East and act as customer for South East employers and businesses. The Board focused particularly on Business Development and Innovation and Skills, with working groups covering each of these. A key output was the South East Skills Priorities Statement informing how funding should be targeted, and how colleges and training providers should develop their curriculum so as to support business productivity and growth. The South East Skills Priorities Statement identified key skills needs from a business perspective, from specialist key growth sectors such as renewable energy to the broad range of skills needs at all levels.

A. SURVIVING THE DOWNTURN

Economic Intelligence

SEEDA's research and economic analysis has always been at the heart of policy-making and came into its own during the downturn. Following the publication in August 2008 of the 'SEEDA/BIS Joint Response to the Economic Downturn in the South East,' SEEDA significantly increased the scope of data collection, and has collected more data, from new sources, more frequently.

Throughout 2009/10 business specific intelligence has been captured from a wide variety of sources across the region on a monthly basis, and analysed to provide the basis for policy options and business decisions. Every month local intelligence from business networks including our own network of SEEDA funded sub-regional partnerships, showed the trends in the economy and the difficulties faced by businesses in coming through the recession, such as problems with bank lending. SEEDA's monthly report included a business specific confidential annex providing more detailed information which drew on input from partners across the South East. This was shared with, amongst others, BIS and the Treasury to inform Government decisions on measures to tackle the recession.

In addition to the monthly reports, SEEDA has provided the region with recession specific reports such as the 'Kent Economy Updates' for the Kent Public Services Board; scenario planning; economic dashboards showing key data trends; and labour market updates. All these, and up-to-the-minute intelligence and interpretation, have been used by businesses and policy makers to identify key challenges to growth such as access to finance or increasing raw materials. Feedback provided by stakeholders as part of a National Audit Office inspection indicates that these products were used by both the private and public sectors as a valuable source of consistent and appropriate information, providing practical value to a variety of businesses and partners.

Financial support to help businesses grow, filling a gap in bank lending

Finance South East's role was increasingly important during the recession when a serious gap developed in the availability of loans and finance for growth companies. The South East Funding Escalator, a series of funds managed by Finance South East and financed by SEEDA and other public and private sector partners, provides these growth companies with an injection of early stage finance where other funds are not available, enabling them to access private and other public sector funding streams at a later stage in their development.

Funds under the management of Finance South East created and safeguarded nearly 500 jobs, assisted 48 businesses to improve their performance and levered in over £8m of private sector investment in 2009/10. Almost £6m in grants were awarded for Research & Development and Grant for Business Investment between them created and safeguarded over 100 jobs and levered in over £11m of private sector investment. A recent Finance South East research report 'Meeting the Funding Gap: a Regional Response' (January 2010) showed that the turnover of Finance South East backed companies increased by an average of 34% per annum compared with a figure of 7.8% for all businesses across the South East.

- *Path Intelligence Ltd*: following on from proof of concept funding from Finance South East, the company has subsequently raised significant development funding for its innovative technology to track foot traffic in shopping centres via mobile phones from a US Venture Capitalist and business angels. It was also approved for an Accelerator Fund loan in April 2009 (this is a mezzanine loan fund for business expansion). The business continues to operate successfully out of Portsmouth, demonstrating innovation and growth in the South East.
- *Eykona Technologies Ltd*: this micro-sized spin-out company from Oxford University was awarded a development grant of nearly £194,000 in October 2009 to develop a wound imaging device. The project is seen as key to developing its first product and providing a competitive edge in a growth market, key to an ageing population and increased number of chronic wound sufferers. The aim of the project is to provide precise, three-dimensional imaging in an easy to use, hand-held device coupled with software for assessment. The company has been working closely with the Oxfordshire Innovation and Growth Team and Finance South East's Seed Fund in order to raise the required equity funding needed to complete the project.
- *Telefonix*: established for over 20 years, this company based, in Surrey, found itself caught in a cashflow squeeze as the credit crunch worsened, caused mainly by a single significant customer postponing a major capital expenditure programme. In the knowledge that 50% of turnover was derived from recurring revenues the company approached Finance South East for a Transition Loan in 2009. The funding received assisted in dealing with the short term cashflow issues which could not be tackled through more traditional funding routes until a large contractual payment was received by the client.

Advice and support to businesses to increase productivity

During 2009/10 the Business Link service exceeded its targets. Over 150,000 customers used the service which provided in-depth support for nearly 19,000 businesses. Customer satisfaction with the service was a very high 92%. Notable achievements include the continued take up of the Health Check - with 18,500 businesses benefiting during 2009/10. The take up of skills development and improvement through the Train to Gain offer was enthusiastic with 8,500 businesses engaged. The Leadership and Management offer led to more than 4,000 senior managers of small and medium sized companies adopting a personal development plan.

The Business Link contract was put out to competitive tender, resulting in a successful transition from six sub-regional providers and one regional provider, Skills South East, to a single South East provider. This will result in a cost saving of 18% over the new contract period and enables a refocus to deliver efficiencies alongside qualitative and quantitative improvements to the service.

Increasing productivity and profit margins in manufacturing

SEEDA guaranteed access to, and invested more than £2m in the Manufacturing Advisory Service in 2009/10. This investment returned £65m in productivity improvements for more than 1500 businesses supported. The service focuses on improving productivity and competitiveness in areas such as new product development, supply chain, supplier sourcing, production, logistics and, a key theme this year, sustainability. Over 1200 individual

manufacturers attended innovation seminars and training sessions on areas such as lean design, sustainable manufacturing and new product commercialisation.

"Working closely with MAS South East we have invested heavily in lean manufacturing and combined with the help of our raw material suppliers we have been able to implement a "just in time" system reducing costs and lead times. With the help of our close-knit team of engineers and production staff we are now confident of delivering our products on time to exacting specifications."

Richard Palmer, Managing Director, Repro Engineering

Minimising unemployment in the downturn

Through its Continuing Employment Support Service, SEEDA, in partnership with Job Centre Plus and the then Learning and Skills Council and local authorities, supported 244 companies. This service helps companies of any size that need to downsize or are unable to continue trading. Through rapid and early support, including job matching of individuals to businesses taking on recruits, the service helped some 11,250 people to find new employment opportunities.

Building on this highly successful Continuing Employment Support Service, the Agency launched Rapid Response Taskforces in late 2008 involving JobCentre Plus, local authorities and the Learning and Skills Council. Led by SEEDA, these taskforces continue to coordinate support to assist companies dealing with over 200 redundancies or where there is a significant economic impact to an area. During 2009/10 SEEDA led nine taskforces operating with various companies and supporting over 4,600 employees. The assistance to a range of companies and their employees included Vestas on the Isle of Wight, Linde in Hampshire, BMW in Oxford, Lloyds Banking Group in Brighton and Hove, and Parker Pen in Sussex.

B. GOING FOR GROWTH

A More Enterprising Future

The National Enterprise Academy – headquartered in Buckinghamshire

SEEDA supported the establishment of the National Enterprise Academy in the South East. The £2.2m investment will allow some 4,000 young people to gain the skills and experience needed to become the wealth-generators of tomorrow. SEEDA helped the Academy develop the business case that won investment from the Learning and Skills Council and brokered the agreement between the Academy, Buckinghamshire County Council and Aylesbury District Councils, which led to the siting of the Academy in Buckinghamshire. Already the Academy has opened a satellite in Manchester and we expect to see the training rolled out across the South East to local colleges who wish to offer enterprise on their curricula. Between the two centres in the UK, the Academy is set to enrol nearly 18,000 learners in its first five years.

"There is arguably no better time to create a National Enterprise Academy than during a recession. The UK needs entrepreneurs to stimulate the economy and businesses need inspired employees to help their companies recover quickly. With the continued support of Government and public sector, the National Enterprise Academy will create both."

Peter Jones CBE, Entrepreneur and founder of NEA

Supporting Innovation and Growth

UK Test Turbine Facility – keeping ahead of international competition in aviation

SEEDA supported a consortium including the University of Oxford, QinetiQ and Rolls Royce to secure the retention of the UK Test Turbine Facility in the South East. SEEDA's contribution of just under £1m has allowed the facility to be moved to the University of Oxford.

The facility will offer research into advanced cooling technologies for the next generation of aircraft and validation of design technologies for future engines, especially more fuel-efficient engines, particularly important for the low carbon agenda.

The facility is an exciting project for the South East, as an international leader of innovation and the UK economy as a whole. Centering research activities at the University of Oxford will have a significant impact on SMEs across the South East who provide supporting roles in high-tech manufacture or the supply of bespoke, specialist measurement and instrumentation devices. The benefits are not limited to the South East. Long-term, the facility will enhance the competitive benefits of the UK's aerospace and defence industry and strengthen the UK's position as an effective research sector in the EU economy. There is also real potential for its research to impact other technologies.

By securing the future of the Test Turbine Facility in the UK, SEEDA has helped to ensure the South East maintains its academic base in world-class research into aircraft technology and that the UK's historic success in aircraft engineering is maintained. This facility would otherwise undoubtedly have moved to another country, with the industrial benefits following.

Pathway to Zero Waste

SEEDA has continued to lead a partnership of national, regional and local bodies across the public and private sectors to tackle the twin problems of wasting money and polluting the environment - resulting from putting unused and waste construction material into landfill sites rather than designing out waste and recycling material. The target for improving material efficiency through waste recycling was met, and through a partnership between SEEDA and the Environment Agency, an innovative funding bid totalling more than £3m from the European Union to expand this work has been won.

Canterbury Innovation Centre – nurturing the hi-tech companies of tomorrow

The Canterbury Innovation Centre, initiated and funded by SEEDA, opened in 2009/10 on the University of Kent campus. East Kent has historically suffered from significant levels of deprivation. Developing links between businesses working at the cutting-edge of new technology and the University of Kent will have benefits across the local economy by providing start-up companies with direct access to academic input and access to physical infrastructure, such as laboratories, which they need to exploit their ideas. SEEDA developed the Centre in partnership with the University of Kent, Kent County Council, Canterbury City Council, Dover, Thanet and Shepway District Councils. The Centre provides 85 offices, studios/labs and workshops that have attracted, and are meeting the needs of, start-up and high-growth potential local businesses. The close links with the University provide opportunities for businesses to access research facilities and share knowledge with academics and are already paying dividends. The businesses locating there include specialists in nanotechnology, low carbon technology and molecular diagnostics.

Robert Muir, Managing Director of Naneum Ltd said: “*For Naneum to be based at the Canterbury Innovation Centre means our business has access to first class facilities. For example we are working with the electronic workshop of University of Kent which gives us opportunities for rapid prototype testing. We also have relationships involving the academic staff at the University, looking at developing the technology further.*”

“*The Innovation Centre is an integral part of the University’s strategy to support the local economy and to encourage innovation and enterprise, making the region more attractive for graduates to stay and work locally.*”

Professor Dame Julia Goodfellow, Vice-Chancellor of the University of Kent

Innovation and Growth Teams – intensive support to local high growth potential companies

In 2009/10 SEEDA established eight locally based Innovation and Growth Teams to provide the intense, specialised support needed to help galvanise high-growth potential businesses.

Nearly 440 businesses have already received intensive support, collectively raising over £26m of new investment to support product/service innovation and increasing business growth. A further 860 businesses were engaged in network events and activities. The experienced business professionals in the Teams coach the management in the client businesses to increase their capacity to innovate and grow. They encourage business-to-business collaborations and connections with the knowledge base in the universities and research centres of excellence. The Teams are backed by local partnerships involving over 70 organisations across the South East that include local authorities, universities, economic partnerships and business representatives.

One client of the service, businessman Professor Gordon Murray, Chief Executive of Gordon Murray Design Ltd based in Surrey, said: *"More often than not the UK has been responsible for innovative concepts and technologies only to have the end benefits seen abroad. In this case, we are working together to keep the technology and the production in this country."*

The MINI-E and electric vehicle infrastructure

SEEDA is working in partnership with BMW on the Mini-E demonstrator study for the South East as part of the Technology Strategy Board's Ultra-Low Carbon Vehicles Programme. The study involves 80 drivers using 40 test electric vehicles over a 12-month period. The results will help the industry to understand what is needed for an electric vehicle charging infrastructure and how people react to and use the vehicles. In turn this will accelerate development of the technology, create jobs and develop a more highly skilled workforce. Ultimately this will help to improve the take-up of electric vehicles among consumers across England. This project is part of a broader programme of work on low-carbon vehicles in the RDAs, notably in the North East and East Midlands

SEEDA's work with the South East-based car manufacturer BMW and Oxford Brookes University is part of our Low Carbon strategy and is helping this highly congested region make its contribution to national carbon reduction targets.

SEEDA also encouraged Milton Keynes to bid successfully for a 'Plugged in Places' financial award and then itself invested £500,000 to widen out the electric vehicle infrastructure from Milton Keynes across to Oxford, Bicester and Aylesbury. This will help remove the main obstacle to increasing take-up of electric cars – the fear of running out of battery power.

Green Finance

Finance South East has continued to develop innovative funding solutions, including funds supporting the low carbon agenda. This includes the recent launch of the European Regional Development Fund's South East Sustainability Loan Fund. This funding, secured by SEEDA, added £2m to a total fund of £4m providing additional finance to companies operating in ecologically driven market sectors or delivering products or technologies that will contribute to a reduction in the region's ecological footprint.

SEEDA has created a Community Generation Fund via Finance South East: a new model for helping community based companies to develop out micro-generation such as photovoltaics across a town or city. This fund will be open to venture capital and will deliver payback through the new Feed in Tariff and energy savings enabling it to become a self-financing, revolving fund.

Tourism South East

Tourism is a growth area for the South East economy. In 2009/10 Tourism South East's work, with over £2m funding from SEEDA, generated a GVA of between £70m and £80m for the region. Its work included training 2,800 people and supporting over 2,200 businesses. Tourism South East's Family Fun campaign focused on the strength of the South East as a family friendly destination. It delivered a return on investment of 50:1 and an increase in visitor spend in the South East of over £6.75m.

Rural communities and businesses

SEEDA has supported rural-based businesses in a number of ways.

Business Link advised more than 800 rural-based businesses through a series of targeted workshops on issues such as reducing energy costs and preparing planning applications for future development.

The SEEDA Food Programme provided more than £400,000 to support local food partnerships with more than 800 members to become more self sufficient for future years. This included support for the Regional Food Group Board, highlighted by Defra as an example of good practice. The board works with local groups, supports sustainable fishing and local fish markets around the region. It also helped Covent Garden to become an outlet for South East produce.

Rural communities were further supported by SEEDA with funding of £2m in 2009/10 alone through two programmes devolved to, and delivered by, local partnerships across the South East. The Small Rural Town and Access to Services programmes levered in match funding for all projects which supported the regeneration of rural towns and improvement to local services in smaller communities. For example, a local school in Queenborough, Kent, underwent a major restoration and refurbishment programme to provide a community arts centre. Another example is the help given to a project in Hampshire to improve the viability of village shops.

London 2012

SEEDA's Chief Executive, Pam Alexander, chairs the South East Partnership for 2012. The Partnership is working to deliver a lasting economic, social and environmental legacy for the South East. Nearly 20,000 businesses have registered with CompeteFor, an RDA-funded online purchasing service, which provides access to opportunities relating to the Games for small and medium sized businesses. More than 2,800 South East companies are on the shortlist for contracts with more than 240 already won. Workshops held by SEEDA have helped more than 2000 SMEs develop their skills to bid for 2012 contracts and gain skills which will also be useful in bidding to other potential customers. SEEDA has worked with partners to secure agreements for Pre-games Training Camps from 13 countries in the South East and is supporting local authorities to attract more. SEEDA is also funding Accentuate, a programme that will create facilities for people with disabilities and ensure positive economic, cultural and attitudinal changes for the 2012 Olympic and Paralympic games.

Knowledge Transfer Activity

In July 2009, the Technology Strategy Board launched the national shorter Knowledge Transfer Partnerships scheme - supporting projects of between 10 and 40 weeks. The scheme is based upon the successful Business+ scheme developed in the South East and delivered on behalf of SEEDA between 2007 and 2009 by a consortium of nine regional universities led by the University of Portsmouth.

SEEDA continued to fund its Knowledge Network Programme, establishing new networks in Advanced Materials for Challenging Environments, Marine Energy Exploitation & Use and Security joining other established networks in Air Traffic Management, Digital Content and Satellite Communications & Earth Navigation Systems. Over the last 12 months the Knowledge Networks have been instrumental in encouraging new partnerships between businesses and the knowledge base leading to the submission of successful bids (for Framework Panel 7 and other European funding), exceeding £2m levered into the South East.

SEEDA established three pilot Innovation Voucher Schemes aligned with its Science & Innovation Campus activity around Assisted Living, Harwell and sustainability in the built environment. 35 vouchers at approximately £4,000 each were issued to SMEs to purchase Knowledge Base expertise and use of its facilities to get help with projects that they themselves do not have the technology or expertise to complete.

Inward investment

SEEDA assisted 65 international investments, creating or safeguarding nearly 7000 jobs in 2009/10. While the number of successful projects was lower than in the previous year, the number of jobs secured is significantly higher. The ICT sector created the largest number of new jobs. Some of the deals are commercially confidential accounting for over 75% of jobs created or safeguarded. Examples of smaller investments are illustrated below:

- Talend, a French-owned market leader in open source data integration software, recently opened an office in Maidenhead, Berkshire. The company, which achieved record revenues in 2009 and aims to double its size in 2010, intends its British base to serve as an international hub for its business in the UK, the Nordics and the Middle East. Talend received considerable support from SEEDA through its Thames Valley UK LaunchPad programme. Assistance included connecting Talend to experienced legal and property service providers and identifying suitable office space. Martin James, UK Sales Director for Talend, said: *"We would recommend the support of SEEDA and their Thames Valley UK LaunchPad initiative to any technology business considering setting up in the UK."*
- New Zealand company iMall Brands is making Kent its UK HQ after SEEDA provided advice, guidance, information and introductions to key service providers. SEEDA worked in partnership with Locate in Kent to overcome difficulties with basic infrastructure and property leasing to secure this growing business.

Transforming places

SEEDA has prioritised major programmes on key schemes in 2009/10:

Hastings and Bexhill Taskforce

Revitalising places is a long-term process requiring leadership and persistence. In 2002 SEEDA brought national, regional and local parties together as a taskforce to pool resources for lasting change. The result was a 10-year programme to revitalise a failing local economy characterised by an historic lack of private sector investment, strong reliance on public sector employment, low economic activity, wages, business survival rates and skills and deep-rooted deprivation.

The taskforce, chaired by SEEDA, focuses on a small number of priority projects, which would be catalysts for regeneration as opposed to spreading resources thinly across too many areas. SEEDA invested in the taskforce's 5 point plan, which persuaded the Government to approve a first-phase investment of £38m. SEEDA added a further £19m.

Between 2001 and 2009 Hastings and Bexhill has seen a rise in average earnings from 69% of the South East average to over 80%, with 1000 jobs created or safeguarded. In 1994 business 'deaths' exceeded business 'births' by 13%. By 2007 this had been turned round with new businesses exceeding closing businesses by 15%.

Now the reliance on public sector funding has shifted, with the first injections of private sector capital, including a loan facility with Allied Irish Bank of nearly £12m for the completion of the second phase of Lacuna Place, a new commercial quarter near the station, managed through a joint venture.

By the end of 2009/10 achievements include: education, with funding secured for the second phase of the University Centre Hastings which offers hard to reach groups access to places accredited by the University of Brighton in both Hastings and Brighton. In addition, the first Enviro21 business park, designed to encourage environmental businesses, nears completion. The Creative Media Centre has 38 businesses on board and 40 companies have located in

the Innovation Centre Hastings. Both have kept high levels of occupancy throughout the recession and are closely linked into the students of the University Centre Hastings. Beyond the statistics one only has to step out of the train station at Hastings to see the evidence of positive change – the new business district being developed, the new Sussex Coast College which is now open and the University Centre, the second phase of which will be open for students in 2011.

Queenborough and Rushenden, Isle of Sheppey, Kent

SEEDA's key objective at Queenborough and Rushenden is to provide critical business infrastructure to unlock the huge development potential on this Thames Gateway site.

The project started in 2003 and will provide around 180,000sqm of space to accommodate 2,800 jobs, 2000 new homes (50% family houses), a new 1.2km relief road, a 180-berth marina, and new community and health facilities. A new school and public open spaces, all to the highest sustainability standards, will also be included.

SEEDA has invested over £14m, making a total public sector investment of £32m, which will leverage £800m of private sector investment over the lifetime of the scheme.

Milestones for 2009/10 were the approval and adoption of the Masterplan, putting together various land packages, and progress on the relief road and services connections to the development site. The commercial sector enabling works are due for completion towards the end of 2010, with the final stage of the relief road, to be part funded by Kent County Council, due to finish in 2011.

Isle of Wight

This year has seen two major achievements on the Isle of Wight, both supported by SEEDA: the development of the environmental lightweight fan project at GKN which will bring up to 250 jobs to the Island by 2015, and the development of a Technology Centre around wind turbine technology at Vestas. SEEDA worked to secure the latter investment by helping Vestas Technology to find a site, and to secure a Government Environmental Technologies grant to develop new, bigger and more efficient off-shore wind turbines. Our match-fund grant of £5m on top of the Government's £5m has released some £90m of Vestas Technology's own investment – a high tech building under construction, and cutting edge machinery and test facilities. Without SEEDA's work over a number of years this project is likely to have gone elsewhere in Europe. The centre will lead to 400 hi-tech jobs building up over a couple of years; 250 by 2011.

This focus on modern technology to facilitate the growth of the Island's economy can be traced back to its strong traditional manufacturing base associated with defence, aerospace and marine industries. The defence sector has steadily declined over the years, leaving behind an opportunity – a significant number of people with high-level skills and experience that could transfer to new hi-tech, high-growth potential sectors.

SEEDA identified the potential for developing a centre of composites technology on the Island, by attracting a critical mass of companies and addressing the infrastructure issues that had deterred the private sector from investing independently. An early step in harnessing this potential was the creation of a business park, working with a developer. This provided space for companies such as the Vestas Blades wind turbine factory and the composites experts Gurit and an innovation centre to increase the number of start-up businesses. SEEDA worked with the Isle of Wight Council and companies with high-growth potential, offering our expertise, encouraging and facilitating the evolution of a thriving composites industry.

In 2009/10, SEEDA brought together and led a multi-agency taskforce to support employees through the closure of the existing Vestas blade factory on the Island: this closure was

separate from the development of a global Vestas R&D Centre although some prototype manufacturing has been saved and switched to support the cutting edge wind turbine R&D. The Taskforce helped over 70 employees find new jobs quickly and provided training, advice and guidance with several employees starting new companies on the Isle of Wight. The Isle of Wight is now recognised globally for its composites expertise and world-class companies are being attracted by the skills base among the Islanders, the supply chain and the ability to share technology with other businesses. For the people, it's about high-value jobs, new businesses and a sustainable future.

SEEDA is also working with partners in the redevelopment of East Cowes, enhancing the worldwide image and potential of Cowes as a sailing venue, as well as creating businesses and jobs within the marine and tourism sector.

The Case for Space

The Space sector has grown by around 9% each year since 1999 and currently contributes about £6.5bn a year to UK GDP. If the UK can exploit the economic opportunities of space this figure can grow substantially. Many world-class companies in the space industry are based in the greater South East but as yet the UK has only 6% of a £160bn global market. Recognising the importance of the sector to the South East and the UK economy, SEEDA commissioned a research document, 'The Case for Space', in July 2009, which brought focus to the enormous growth potential of the industry nationally. Soon afterwards the Space Innovation and Growth Team was formed in BIS, the Space Leadership Council was established, and the Technology Strategy Board also gave support to this key sector.

SEEDA has already driven forward the UK's share of this competitive industry. In 2008 a £36m grant from SEEDA, EEDA and the LDA ensured the success of the Alphasat consortium bid, against European competition, for a European Space Agency contract to deliver the most advanced commercial telecommunications satellite, payloads and equipment. By the end of 2009 nearly 300 jobs were created at EADS Astrium in Portsmouth and 15 further contracts awarded to companies in the South East.

SEEDA also coordinated the work of a cross-industry group to secure £12m of Government funding for an International Space Innovation Centre at Harwell. The centre will create a critical mass of Space capability in the UK through a Hub and Spoke model. Successful delivery will mean the UK has the ability to capitalise on a significant international market opportunity in a sector that has out performed all other sectors of the UK economy by three times, throughout the recession. The total value of the project is more than £40m and in addition to the funding from Government a further £28m has been secured from SEEDA, the Technology Strategy Board, Science & Technologies Facilities Council, and £11.5m levered in from industry. The centre builds on opportunities created by the European Space Agency's decision to locate at Harwell, following the work done by SEEDA, EEDA and the LDA. The technology focus of the project reflects their priorities for the UK - Earth Observation, Climate Change and Security. The project will fund a Ground Control station (to control Space missions and receive data back from the satellites), business accommodation, a business incubation facility and a Collaborative R&D programme to encourage South East based SMEs to access new business opportunities in downstream Space. There is the potential to roll out the project across the UK and this is being developed at present. The project is expected to create around 1000 new jobs over the next four years.

European Programmes

Low Carbon Economy Programme (POWER) - the EU's International Programme Steering Committee approved five SEEDA projects. Each is aimed at developing viable business propositions and jobs in the high-growth/low carbon economy. Projects funded include biomass fuel generation, the use of electric vehicles in urban transport and the supply of electricity charging points. Partners in the projects include Kent County Council, the University of Portsmouth, Ngage Solutions and Oxford Brookes University.

PEOPLE Programme - SEEDA leads on this programme, delivering skills and retraining for targeted sectors of the European population. Nearly €4m funding is allocated across seven European regions. In the South East SEEDA worked with the University of Surrey, the Hampshire Economic Partnership and the South East Health Technologies Alliance among others to deliver projects such as the 'Silver Economy' – which provides the aging population with enterprising alternative employment – and a telecare project testing new technologies in different care settings. SEEDA's leadership also brought together key organisations to share best practice and develop policy recommendations on digital inclusion, civil society empowerment and social entrepreneurship.

During 2009, through the South East European Regional Development Fund Competitiveness Programme 2007-13, SEEDA committed nearly £7m to eight projects and one loan fund, all of which support SMEs. The projects address retrofitting, supporting micro and small businesses, and sustainable transport. The South East Sustainable Loan Fund provides access to finance for SMEs that can demonstrate how their products or services contribute to reducing the carbon footprint.

Rural Development Programme for Europe - SEEDA invested almost £10m in 46 projects. These included an anaerobic digester at Barfoot Farms and a combined heat and power unit to utilise waste mushroom compost at Sussex Mushrooms. The projects are expected to create 200 new jobs and ensure the South East horticultural sector can meet the increasing demands of the UK supermarket sector and fight competition from abroad. SEEDA also launched a rural broadband project to make funding available to rural communities to upgrade their communications.

Business Critical Infrastructure INTERREG - SEEDA attracted €15m to help commercial ports adjust to new market conditions and diversify into the renewable energy market. An aspect of this work is the continued expansion of rail freight capacity on the South East network to achieve greater sustainability and diversity in the logistics sector. INTERREG funding has also supported the SMART rail freight line enhancement project, which will provide access for larger containers on the Midlands to Southampton line.

Research Framework Programme 7 - a €1.7m grant being managed by SEEDA's Marine South East consortium will support project work between Southampton University and partners in Sweden and France to identify new business opportunities in the maritime and environmental technology sectors.

LIFE - SEEDA worked with the Environment Agency to lever over €3m into its 'Pathways to Zero Waste' programme which aims to create resource efficiency in the South East, reduce waste volumes, and have more materials recycled or converted to energy instead of being sent to landfill.

Progress against Core Output Targets

SEEDA made significant progress through the year against the core output targets set out in its Corporate Plan 2008-11. The figures demonstrate the Agency's success in focussing on business development and innovation in addition to support provided to help people back into employment.

Output Indicator	Actual	Target	Variance
1. Employment Opportunities			
Jobs created and safeguarded through SEEDA funded projects	10,138	4,998	5,140
Jobs created and safeguarded through Foreign Direct Investment included in the above	6,932	-	-

2. Employment Support People assisted to get a job through SEEDA funded projects	15,263	14,835	428
3. Business Creation New business created and demonstrating growth after 12 months and businesses attracted to the region	5,730	5,015	715
4. Business Support Businesses assisted to improve their performance	52,226	50,858	1,368
4a. Knowledge Base Collaborations Businesses within the Region engaged in new collaborations with the knowledge base	910	820	91
5. Regeneration Public & Private Regeneration Infrastructure investment levered - £M - % private	£175.95m 91%	£268.41m 76%	(£92.47m) 15%
5a. Brownfield Land Reclamation of Brownfield land (Hectares)	7.44	18.80	(11.36)
6. Skills Development People assisted in their skills development as a result of RDA Programmes	15,914	9,598	6,316
6a. Basic Skills Adults gaining basic skills as part of the Skills for Life Strategy that count towards the Skills PSA Target	1,962	853	1,109
6b. Higher Level Skills Adults in the workforce who are supported in achieving at least a Full Level 2 qualification or equivalent	719	283	436
7. Assisted to Start Up Individuals that request and receive from Business Link, non-trivial information or a service about starting up a business	24,515	16,806	7,709
8. Business Networks New business networks in place	3	2	1
9. Partnerships New partnerships in place	63	37	26
10. Sustainability in Action Planning Sustainability considered by businesses in their Action Planning	6,278	3,466	2,812
11. Construction Materials Construction waste materials diverted from Landfill sites through re-use and recycling (Tonnes)	815,315	300,000	515,315

Key Comments for 2009/10

SEEDA met all but two of its targets, substantially exceeding 14 out of 16 while absorbing significantly increased demand for a range of services in response to the recession.

National Lead Roles

SEEDA is the Regional Development Agency (RDA) lead for the RDA Network's policy and relationship with Government departments in three key areas:

Innovation – SEEDA led work across the RDAs to produce a report for the Department for Business Innovation and Skills – ‘The Role of Universities in raising the UK’s Business Competitiveness’, in liaison with Vice Chancellors across the UK. The links between the RDAs and the Technology Strategy Board have deepened, enabling an alignment of over £400m of RDA innovation funding for the period of 2008-2011 with that of the Board to drive economic growth through business innovation. This active collaboration supports projects of national significance, with international standing and strong regional delivery. In February, the Technology Strategy Board published ‘Accelerating business innovation across the UK’, which sets out the priorities for joint working, building on the strengths of businesses and universities in every part of the UK.

Skills – In 2009 the RDAs were asked by the Government to take on a new role coordinating business and employer demand for skills to support growth, and to provide the evidence base for decisions for investment in adult skills.

In January 2010 all RDAs published as part of this work, the first ever regional Skills Priorities Statements setting out distinctive requirements based on local need, current and future. Each statement is based on the skills needed to drive economic recovery and growth with reference to what is required of providers, stakeholders and employers. In the South East the statement captured major investments and developments over the next 18 months requiring skills support, and also identified concentrations of skills needs at Levels 3 and 4 for action, particularly to support the adoption of new technologies and expansion of high growth sectors.

Employment – On behalf of the RDAs SEEDA contributed to thinking in the Department for Work and Pensions (DWP)'s Welfare Reform White Paper, December 2009. The paper acknowledged the role of RDAs in job creation, industrial activism, creating employment opportunities and supporting businesses. SEEDA also worked with the DWP on the ‘Integrating Employment and Skills’ programme, advising on the development of a new integrated offer to business. The RDA Employability Group, chaired by SEEDA, completed the mapping of RDA employment activity and associated investment to inform future joint work with the DWP and JobCentre Plus nationally and locally. SEEDA worked with DWP and JobCentre Plus to shape a pilot project to provide early access to advice to JobCentre clients wanting to start their own businesses.

4. DIRECTORS' REPORT

4.1 Introduction

The South East England Development Agency was established under the provisions of the Regional Development Agencies Act 1998. The Agency is a Non-Departmental Public Body sponsored by the Department for Business, Innovation and Skills. 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 1st April 1999.

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 2006. The Regional Economic Strategy is the framework for 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 a going concern basis, unless it is inappropriate to assume that the Agency will continue in operation. Note 23 to the accounts gives the Accounting Officer's assessment of the appropriateness of the going concern assumption.

The Accounting Officer for the Department for Business, Innovation and Skills 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 Managing Public Money.

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 SEEDA'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 2009/10, were £66,250 for the statutory audit, £77,000 for undertaking an independent supplementary review and £11,000 for work on the adoption of International Financial Reporting Standards. 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 Business, Innovation and Skills, comprises the Chairman, 13 members and one vacancy as at 31st March 2010. 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.

Accountability of the Board and Agency

The Board is accountable to the Government and to Parliament. Following the abolition of the South East Regional Assembly on 31st March 2009, parliamentary scrutiny of SEEDA was undertaken via the South East (Parliamentary) Regional Select Committee. Regional Select Committees were established in 2008 to allow Ministers to examine regional strategies and the work of regional bodies. SEEDA provided evidence at three Regional Select Committees during 2009/10.

The first concerned the role of SEEDA in developing and delivering a Regional Economic Strategy which would meet the long term economic needs identified by the region's businesses and other key stakeholders. This committee also explored how SEEDA had responded to the economic downturn by reprioritising support to business to allow them to survive the recession and to ensure that the region approaches the ensuing upturn from a position of strength. This was followed by a post-appointment hearing for the new Chairman, which gave SEEDA the opportunity to respond to points raised in the committee's first report and to provide the committee with an update on progress since the first meeting.

SEEDA was one of a number of organisations that provided evidence at the final Regional Select Committee, which focused on 'Housing in the South East' and the impact of the recession on the housing targets presented in the South East Plan.

All Members of Parliament are able to raise Parliamentary Questions regarding SEEDA's activities, in 2009/10 SEEDA provided responses to 62 individual requests for information.

In April 2009, as part of the new regional governance arrangements, the South East England Partnership Board was established comprising Local Authority Leaders and SEEDA Board members. A new regional committee structure was put in place in support: a Strategy Board; Economic Development and Skills Board; Regional Transport Board, and Regional Housing and Regeneration Board. SEEDA Board members were represented on all these committees. The Economic Development and Skills Board is particularly important to SEEDA's focus and activities and is therefore chaired by a SEEDA Board member.

SEEDA maintains a Register of Board Members Interests, which is available on the SEEDA website and on request from: 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.

SEEDA Board Members

The SEEDA Board members during 2009/2010 were:-

Robert Douglas CBE	Chairman (Commenced as Chairman 2 nd November 2009)
Jim Brathwaite CBE	Chairman (Retired 1 st November 2009)
Keith Riley	Senior Board Member until becoming Deputy Chairman from December 2009
Cllr Peter Jones	Deputy Chairman (Contract expired December 2009)
Richard Ascough	(Contract commenced December 2009)
Zenna Atkins	(Resigned November 2009)
Cllr Jeremy Birch	
Dr Dolores Byrne OBE	
Pamela Charlwood	
Prof. Julian Crampton	(Contract commenced December 2009)
Les Dawson OBE	
Imtiaz Farookhi	
Cllr Andrew Finney	(Contract commenced December 2009)
Robert Goldfield	
Cllr Keith House	(Contract commenced December 2009)
Susan John	(Contract expired December 2009)
Cllr Keith Mitchell CBE	
Alex Pratt OBE	
Prof. Sir William Wakeham	(Resigned September 2009)
Phil Wood	(Contract expired December 2009)

SEEDA Non Executive Board Members at 31st March 2010

Rob Douglas CBE, appointed in 2009, is the SEEDA Chairman. He is a business consultant with wide experience in both the public and private sectors.

Prior to his consultancy, Rob was a senior executive with Royal Dutch Shell where he held a number of senior general management positions.

Rob is currently Chairman of the South East England Partnership Board, and a member of SEEDA's Remuneration Committee. He is a Board Member of the Higher Education Funding Council for England, and a Governor of CILT, the National Centre for Languages. He was non-executive Director of SEEDA from 2001 to 2007, becoming a Deputy Chair in 2003. Since 2004 he has been on various advisory boards at the Department for Business, Innovation and Skills and its predecessor bodies, DTI and BERR. Rob's full biography can be found on SEEDA's website.

Keith Riley appointed 2007, is SEEDA's Deputy Chair. He is Managing Director, Group Technical Services of Veolia Environmental Services plc he has a wide experience in recycling & waste management, particularly working with local authorities. Keith advises on Sustainable Prosperity. Keith chairs the Major Projects Committee and is a member of the Remuneration Committee and of the South East England Partnership Board. Keith leads on the Berkshire and Surrey area.

Cllr Jeremy Birch appointed 2008, is a member of Hastings Borough Council and East Sussex County Council and led the former from 2000-2006. He also serves on the regional council of the Arts Council for the South East and is a non-executive director of Hastings and Rother Primary Care Trust. Jeremy leads on East Sussex. He is also a member of the regional Economic Development and Skills Board.

Pamela Charlwood appointed 2006, is Council member of the South East Learning and Skills Council (LSC) and brings to the Board the perspective of the voluntary and community sector. She is also a non executive director and Vice Chair on the Board of the Hampshire Partnership NHS Trust. She advises on Sustainable Prosperity and chairs the Audit Committee. She is also a member of the South East England Partnership Board. Pamela leads on the Hampshire and Isle of Wight area.

Les Dawson OBE appointed 2008, is CEO of Southern Water, the largest supplier of water and wastewater services in the South of England. Les is a member of the Major Projects Committee and advises on Sustainable Prosperity matters. He is also a member of the regional Strategy Board. Les leads on the Kent and Medway area.

Cllr Andrew Finney appointed 2009 is Leader of Basingstoke and Dean Borough. Andrew is currently Vice Chair of the Local Strategic Partnership; Chair of the South East Diamonds for Investment and Growth Board; and Trustee Queen Mary's Foundation Trust and education charity. Andrew is a member of the Audit Committee and leads on the Berkshire and Surrey area.

Richard Ascough appointed 2009 is Regional Secretary of the GMB Southern Region. Richard is the Trade Union representative on the Board. Richard is a member of SEEDA's Audit Committee and Remuneration Committee. Richard leads on the Berkshire and Surrey area.

Dr. Dolores Byrne OBE appointed 2007, is MD Innovation for QinetiQ, an international defence and technology company. She is currently a board member of the Association of Independent Research and Technology Organisations. She chairs the Science, Engineering and Technology Advisory Council (SESETAC) of SEEDA and is a member of the South East England Partnership Board. Dolores advises on Competitiveness and Growth. Dolores leads on the Hampshire and Isle of Wight area.

Professor Julian Crampton appointed 2009 is the Vice-Chancellor of the University of Brighton and has a special interest in molecular biology and biotechnology. Professor Crampton is Chairman of Hastings and Bexhill Renaissance Limited; Chairman of Higher Education South East; a member of SESETAC, the South East England Partnership Board and the CBI's Innovation, Science and Technology Committee. Professor Crampton leads on West Sussex and Brighton and Hove.

Imtiaz Farookhi appointed 2004, is Chief Executive of the National House Building Council, which provides warranty, risk management and regulatory services to the UK house building and construction industry. Imtiaz sits on the Regional Housing Board. Imtiaz is a member of the Major Projects Committee and leads on the Milton Keynes, Oxfordshire and Buckinghamshire area.

Bob Goldfield appointed 2006, is Chief Executive of Dover Harbour Board and represents the business sector. Bob sits on the Regional Transport Board and Regional Infrastructure Fund Investment Panel. Bob is a member of the Major Projects Committee and the South East England Partnership Board. He advises on Competitiveness and Growth and leads on the Kent and Medway area.

Cllr Keith House appointed 2009 is the Liberal Democrat Leader of Eastleigh Borough Council in Hampshire. Keith was a SEEDA Board Member from 2002-2008. Keith is a member of the Major Projects Committee and leads on Hampshire and the Isle of Wight.

Cllr Keith Mitchell CBE appointed 2008, is a qualified Chartered Accountant. He has served as a County Councillor for the Bloxham Division comprising the villages of Adderbury, Bloxham, Bodicote, Milcombe and Milton and has been Leader of Oxfordshire County Council since 2001. Keith is a member of the Audit Committee and advises on Strategy and Communications. He also sits on the regional Strategy Board. Keith leads on the Milton Keynes, Oxfordshire and Buckinghamshire area.

Alex Pratt OBE appointed 2006, is founder of Serious Brands Ltd, which manufactures high-grade reading and task lights. He has worked in a number of areas including global innovation, exports, and business support for BIS and represents the business sector. Alex advises on Competitiveness and Growth. He was Chair of the South East Business Support Advisory Board and is Chair of the Business Development Advisory Group and Chair of the regional Economic Development and Skills Board. He was a member of the Joint Europe Committee and the regional Strategy Board. Alex leads on the Milton Keynes, Oxfordshire and Buckinghamshire area.

4.3 Board Committees

The Board Committees assist in informing and monitoring the implementation of the Regional Economic Strategy. A clearer distinction is set out below between the 'Advisory' SEEDA Board Committees and those Committees that assist in the management of the Agency. During 2009/10 the Board Committee structure was as follows:

Advisory Committees

South East Business Support Advisory Board (SEBSAB), a SEEDA managed Board responsible for the oversight of BSSP transition/implementation. The Board was chaired by a SEEDA Board member (independent business person) and drew its membership from Local Authorities; HEI; Business Representative Organisations and Business Link.

In January 2010 SEBSAB was replaced by the Business Development Advisory Group (BDAG). BDAG has strategic oversight of the publicly funded business support offer in the South East, and provides advice on the effectiveness and relevance of business support in the South East to the needs of business. BDAG's membership is made up of senior leaders from the regions: six Business Membership Organisations, Local Authorities, Government Office for the South East (on behalf of BIS) and SEEDA.

South East Science Engineering and Technology Advisory Council. The members of the Council are representative of small business, industry, academic leaders and the public sector who contribute from their personal knowledge and experience to advancing the South East's ambition for economic growth underpinned by support for innovation.

Management Committees

Major Projects Committee. Members as at 31st March 2010 are Keith Riley (Chair), Imtiaz Farookhi, Les Dawson and Bob Goldfield.

Remuneration Committee. Members as at 31st March 2010 are Keith Riley (Chair), Rob Douglas, Keith Mitchell and Richard Ascough.

Audit Committee. Members as at 31st March 2010 are Pamela Charlwood (Chair), Richard Ascough, Andrew Finney and Keith Mitchell.

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 2008/09 the members were the following:

- Phil Wood (to December 2009)*
- Pamela Charlwood*
- Richard Ascough (from December 2009)
- Zenna Atkins (to December 2009)
- Andrew Finney (from December 2009)
- Keith Mitchell (from December 2009)

* Phil Wood chaired the Audit Committee until he retired in December 2009. He was succeeded as Chair in December 2009 by Pamela Charlwood.

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 2009/10 the Audit Committee met on four occasions to perform its functions in accordance with 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.

Key Performance Indicators

Key performance indicators relevant to the Audit Committee are the grading given in internal audit reports and the number of outstanding internal audit recommendations.

Stakeholder Relationships

Effective working arrangements are in place with the National Audit Office and the Government Office for the South East whose representatives attend Audit Committee meetings on a regular basis. Both the National Audit Office and Government Office for the

South East value the insight they get into SEEDA's operations from Audit Committee attendance.

Internal Financial Control and Risk Management Systems

Audit Committee reviewed the Audit reports covering these areas presented to it by the Internal Audit and the Corporate Services Director.

Internal Audit Function

During 2009/10 the internal audit function was taken on by South Coast Audit, a consortium hosted by the South Downs NHS Trust

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 Senior Executive

The Executive Directors are responsible for: driving forward the implementation of the Corporate Plan and relevant elements of the Regional Economic Strategy; for delivering the programmes through which the Agency delivers economic development outcomes for the South East; and for taking corporate responsibility with the Chief Executive for the running of the Agency.

Members of the SEEDA senior executive including functional and geographic responsibilities as at 31st March 2010:

Pam Alexander	- Chief Executive and Accounting Officer
Lee Amor	- Executive Director, Enabling Infrastructure and Development
Robert Crawford	- Group Executive Director, Operations, with area responsibility for Hampshire
Paul Lovejoy	- Executive Director, Strategy, with area responsibility for East Sussex, West Sussex and Brighton & Hove
Oona Muirhead CBE	- Group Executive Director, Strategy and Resources, with area responsibility for Milton Keynes, Oxfordshire and Buckinghamshire, and the Isle of Wight
Susan Priest	- Executive Director, Business Development (from November 2009), with area responsibility for Kent and Medway, Berkshire and Surrey

4.6 People and Organisational Development

SEEDA's people and organisational development programme during 2009/10 was in support of delivering our transformational change programme to significantly enhance our potential to effectively and quickly deliver the new agenda of a more focused, flexible and agile Agency built firmly around competitiveness and productivity, with a strong business bias.

Resourcing

The critical focus for resourcing this year in SEEDA was to:

- deliver an effective workforce through the restructuring process, ensuring business and knowledge continuity; while at the same time
- making significant efficiencies and cost savings.

The restructuring resulted in our workforce numbers reducing from 325 permanent staff (314 Full Time Equivalents) and 99 non-permanent workforce on 31st March 2009 to 251 permanent staff (242 Full Time Equivalents) and 73 non-permanent workforce on 31st March

2010. The number of non-permanent workforce dropped significantly soon after the start of financial year 2010/11.

Since early 2010, given the likelihood of public sector cost reductions, permanent posts have been filled by non-permanent workers, and the number of these continues to reduce rapidly, with a full recruitment freeze now in place.

Staff absence due to sickness was 2.55% during 2009/10 (2008/09: 2.7%)

Organisational Development

SEEDA's organisational development priorities during 2009/10 were to support the refocusing of SEEDA's economic development work for the South East by upskilling and driving culture change.

Two key development programmes were devised and rolled out: a ground-breaking Economic Development programme, a first for any RDA, and a Leadership and Management programme.

Remuneration and Pension

SEEDA received approval from BIS to an increase in the pay remit for the year. The treatment of pension liabilities and the relevant pension scheme details are set out in Note 4 to the Annual Accounts and in the Remuneration Report on page 35 of this Annual Report.

Staff consultation

SEEDA's Joint Staff Council met regularly during 2009/10 to discuss a range of employee-related issues, including the major restructuring and organisational development programme. SEEDA also maintained a productive working relationship with its recognised union, PCS.

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.

At the end of March 2010 39% of staff who fell within the Agency's senior management pay ranges (Group Executive Director, Executive Director, Director and Head of Department pay bands) were female.

As part of the Equality Impact Assessment, SEEDA recorded the ethnic origin of all staff. This was carried out in February 2010. 4% of staff identified themselves as being Black or Minority Ethnic (BME). This compares to our BME population of 6.95% in the South East region (source: 2005 Census, Office of National Statistics).

The staff profile for 2009/10 was as follows:

- 14% of external applicants for SEEDA roles were BME
- 100% of BME staff participated in learning and development activities.
- 100% of BME staff benefited from SEEDA's performance assessment procedures (and received a performance-related pay award if eligible).
- 0% of BME staff suffered a detriment from SEEDA's performance assessment procedures (did not receive a performance-related pay award if eligible).
- 0% of BME staff was the subject of disciplinary procedures.
- Eight members of BME staff left SEEDA (and four joined SEEDA).

SEEDA also recorded during 2009/10 the number of staff registered as disabled. Of those who have informed SEEDA of their disability, 4% of staff identified themselves as registered disabled. This compares to our registered disabled workers population of 7.65% (source: 2007 DWP Working Age Audit)

SEEDA also continued its “Access to SEEDA” disability awareness campaign, with a number of workshops throughout the year.

SEEDA published its Disability Equality Scheme in February 2010 and its Gender Equality Scheme (including an equal pay audit), in April 2007. Both are subject to six monthly reviews.

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 the Head of Facilities. The management process involves training and cooperation of all employees to identify hazards that could be a risk and production of risk assessments to necessarily include control measures. These control measures are used to assist in implementing standards to consistently improve the workplace. Staff are provided with familiarisation and training programmes through the management process and the increased use of e-learning modules are constantly being developed.

Open Government

In 2009/10 the Agency received and answered 119 requests for information made under the Freedom of Information Act. This represents a 60% increase from the 2008/09 level of 72. All responses are publicly available via the Disclosure Log on our website. The Agency also handled a substantial volume of correspondence, much of which concerned requests for information.

Better Payment Practice Code

Until April 2010 the Agency was committed to pay all undisputed invoices within eight working days or on the terms agreed with the supplier. During the year from April 2009 the Agency paid 97% of invoices within eight days of receipt. Since April 2010, the average time to pay an invoice has been three days, with 95% of undisputed invoices paid within the Government’s new five day target.

Communications

SEEDA’s website is intended as a resource to help businesses, partners, the public and media, by providing information on how to access innovation support to information on the South East. In 2009/10 SEEDA significantly improved the usability of the website to ensure that its comprehensive range of publications, reports and news can easily be accessed. The site now incorporates the latest new media tools to cater for a diverse audience and reduce search time. Moreover, the new website demonstrates an unprecedented level of transparency that provides all visitors with access to an unrestricted Freedom of Information requests archive, expert research and up to date industry and economic data.

Environmental Management

SEEDA is determined to show leadership in the region by bearing down on its own carbon costs. In accordance with the Agency’s environmental policy to minimise the impact of its operations, in 2008 we were awarded the prestigious ISO14001 Environmental Management System certificate and have retained accreditation for 2009/10. During the year the Agency introduced a range of measures to reduce its carbon footprint, including a move to virtual servers to reduce energy consumption, a continuing reduction in business mileage and a pilot project with BMW to test a fleet of six electric Minis for business travel.

The sustainability management system developed through the achievement of ISO14001 will also provide SEEDA with an opportunity to promote the sustainability model to partners and businesses across the region.

4.7 Risk Management

Risk Strategy

SEEDA has in place a well-established strategy for risk management, which was reviewed and refreshed during 2009/10, leading to endorsement by Audit Committee and SEEDA Board. 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 concentrated 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 assessed at project appraisal stage before any commitment is undertaken.
- Risk registers list the identified risks, the accountable and responsible persons.
- Risk registers for each Directorate reviewed quarterly and fed into a register of higher corporate risks reported to: the Executive Board, including the Accounting Officer; the Audit Committee and the SEEDA Board.
- Legal and other professional advice taken on all significant contractual matters.

In addition to the Directorate Risk Registers, a list of the Top 6 Corporate Risks has been regularly reviewed by the Executive, the Audit Committee and the Board. At the end of each year the Executive Directors must provide a Statement of Internal Control to the Chief Executive that risk management has been properly handled during the year. The Statement of Internal Control procedure has been reviewed during the year and further improvements are scheduled for next year.

Risk Policy and key risks and uncertainties

Given SEEDA's purpose of generating wealth for the region through support to business and a focus on high-growth sectors, the organisation needs to have a culture of risk appetite, combined with a culture of strong and effective risk management as befits an organisation focused on business with an aspiration to be fleet of foot. Following implementation of its major restructuring programme in 2009, the Executive Board reviewed SEEDA's approach to risk (our risk appetite) and reviewed the corporate risk register. The principal risks set out in the corporate risk register related to:

- The uncertain economic circumstances arising from the recession
- The difficulty in an environment of increasing political uncertainty of delivering and demonstrating added value and impact
- The impact of the major restructuring on the ability of the Agency to deliver
- The reduced ability of the private sector to invest during the recession on the Agency's own ability to deliver deals and investment
- The uncertainty caused by in-year budget reductions.

All projects are appraised in accordance with the Government approved GRADE (Guidance for RDAs in Appraisal, Delivery and Evaluation) process.

4.8 Subsidiary companies

A list of subsidiary companies is included in the full financial statements.

4.9 Financial Review

The financial results for the year ended 31st March 2010 are set out in the attached financial statements. The Agency operates a net expenditure basis. Most expenditure has been covered by grant in aid which is taken directly to reserves. The format of the Accounts conforms to the Government Financial Reporting Manual.

SEEDA was mainly funded by Central Government via the Department for Business, Innovation and Skills. The funding resource for RDAs is indicated in the Treasury's three year Comprehensive Spending Review. A 'Single Pot funding' formula is applied by BIS, which provides the total allocation of the annual resource – including direct grant in aid and capital receipts. The BIS resource allocation is provided in a 'Single Pot', including any ring fenced amounts.

Apart from the BIS resource allocation described above, SEEDA acts as an accounting body for a number of other funding streams. These include the Kent Coalfields programme, which is administered by SEEDA on behalf of the Homes and Communities Agency, the ERDF Competitiveness Programme, the European Social Fund, EU Interreg Programme, DEFRA Rural Programme and the CLG Sustainable Communities Fund for growth areas in Kent.

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

The capital structure of SEEDA is shown by way of taxpayers' equity reserves, mainly funded by the BIS annual resource allocation. The attached audited Financial Statements provide more information about the specific figures for SEEDA as at 31st March 2010. The value of taxpayers' equity as at 31st March 2010 is £131.7m for SEEDA. This is a decrease in the reserves from last year of £4.2m (2009 £135.9m), mainly as a result of the fall in the market value of inventories.

SEEDA's 2009/10 budget

For 2009/10, SEEDA had a Single Pot grant-in-aid budget from BIS of £159,961m which included both the programme and administrative budgets. In addition, SEEDA attracted European funding of £9.8m and secured in addition, £11.8m from other Government bodies including the Homes and Communities Agency, grants for Coalfields and Brownfield sites.

SEEDA had an administration budget for the year of £23m, of which it spent £21.1m. During the year a major restructuring exercise was undertaken as a consequence SEEDA's staff numbers reduced from 325 permanent staff plus 99 non-permanent employees on 31st March 2009 to 251 permanent and 73 non-permanent employees on 31st March 2010. The restructuring required exit costs of £4.3m and will deliver savings of £3.4m per year, giving a pay-back period of 1.3 years.

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 BIS and, subject to approval by Parliament, rolled over into the following year.

Looking to the Future

The recent election results and the formation of the coalition Government have led to announcements about the future of Regional Development Agencies. This is covered in Note 23 to the Annual Accounts.

Compliance with financial control framework

The overall financial control regulations are contained in the Accountability and Financial Framework which is published by BIS under authority provided in the RDA Act 1998. A revised paper was issued by BIS, with effect from October 2008. Under the Act and as stated in the Accountability and Financial Framework, 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 framework during 2009/10.

The accounting policies followed by SEEDA are in accordance with Managing Public Money guidance and Government Financial Reporting Manual. There is Financial Procedures guidance in operation which includes a delegation scheme which is regularly updated.

5. REMUNERATION REPORT

5.1 Remuneration Committee

The SEEDA Remuneration Committee, which met on 18th May 2009 and 23rd June 2009, comprises four Board members. At the time of the 2009 meetings these were Peter Jones, SEEDA Deputy Chairman and Chair of the Remuneration Committee; Jim Brathwaite (then SEEDA Chairman); Phil Wood, Board Member; and Keith Riley, Board Member.

The Committee's duties are to:-

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

Remuneration of the Chief Executive and Executive Directors is set by the Board and agreed by the Department for Business, Innovation and Skills, and take into account recommendations of the Senior Salaries Review Body. 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)

Name	Position	Date of Appointment	Contract Expiry Date	Salary £	Pension Contribution £	Total inc. pension contributions 2009/10 £	Total inc. pension contributions 2008/09 £
Rob Douglas CBE	Chairman	*2.11.09	13.12.12	31,779	3,464	35,243	0
James Brathwaite CBE	Chairman	14.12.02	1.11.09	47,669	11,412	59,081	190,504
Keith Riley	Board Member and Deputy Chair from 14/12/09	14.12.07	13.12.10	17,331	0	17,331	11,044
Peter Jones	Deputy Chairman to 13/12/09	14.12.03	13.12.09	12,276	0	12,276	17,187
Richard Ascough	Board Member	14.12.09	13.12.12	2,527	0	2,527	0
Zenna Atkins	Board Member	15.12.08	30.11.09	5,777	0	5,777	2,490
Jeremy Birch	Board Member	15.12.08	13.12.11	8,666	0	8,666	2,490
Dolores Byrne OBE	Board Member	14.12.07	13.12.10	8,666	0	8,666	8,554
Pamela Charlwood	Board Member	14.12.06	13.12.11	8,666	0	8,666	8,593

Professor Julian Crampton	Board Member	14.12.09	13.12. 12	2,527	0	2,527	0
Les Dawson OBE	Board Member	15.12.08	13.12.11	8,666	0	8,666	2,490
Imtiaz Farookhi	Board Member	14.12.04	13.12.10	8,666	0	8,666	8,593
Andrew Finney	Board Member	14.12.09	13.12.12	2,527	0	2,527	0
Robert Goldfield	Board Member	14.12.06	13.12.11	8,666	0	8,666	8,593
Keith House	Board Member	14.12.09	13.12.12	2,527	0	2,527	6,103
Susan John	Board Member	14.12.06	13.12.09	6,138	0	6,138	8,593
Keith Mitchell CBE	Board Member	15.12.08	13.12.11	8,666	0	8,666	2,490
Alex Pratt OBE	Board Member	14.12.06	13.12.12	8,666	0	8,666	8,593
Professor Sir William Wakeham	Board Member	14.12.04	30.09.09	4,333	0	4,333	8,593
Phil Wood	Board Member	14.12.03	13.12.09	6,138	0	6,138	8,593

* Chair-designate from 1st September 2009 to 1st November 2009 (non-pensionable); Chair from 2nd November 2009

Board members are appointed for a fixed term of three years and contracted to carry out two days work per month. The current Chairman is contracted to carry out two days per week, while the previous Chairman had been contracted to carry out three days per week. The Deputy Chairman is contracted for one day per week. At the end of their first fixed term period Board Members may be re-appointed for a further period of up to three years. No Board Members are entitled to receive performance related pay or any other taxable benefit as a result of employment with the Agency.

The Chairman is the only Board Member entitled to receive pension contributions. In 2009/10 Jim Brathwaite's pension contribution was £11,412 (the 2008/09 figure of £109,476 represented the sum accrued over the previous six years from 2002. This was paid before Ministers extended his contract for one further year).

5.3 Emoluments of Chief Executive and Executive Directors (Audited)

Name	Salary £	Bonus £	Sub Total £	Other Benefits £	Pension Contribution £	Total 2009/10 Including Pension Contribution and Other Benefits £	Total 2008/09 Including Pension Contribution and Other Benefits £
Pam Alexander Chief Executive	*149,775	21,852	171,627	3,883	43,876	219,386	218,433
Jeff Alexander Executive Director, Competitiveness and Growth	**87,174	12,242	99,416	2,288	21,170	122,874	141,829
Lee Amor Executive Director, Enabling Infrastructure and Development	114,568	11,151	125,719	0	27,589	153,308	146,774
Robert Crawford Group Executive Director, Business Programmes	125,674	6,875	132,549	4,922	30,538	168,009	***80,406
Paul Lovejoy Executive Director, Strategy	100,174	11,673	111,847	0	24,342	136,189	133,785
Oona Muirhead CBE Group Executive Director, Strategy and Resources	117,388	14,496	131,884	0	28,165	*****160,049	146,919
Susan Priest Executive Director, Business Development	41,315	0	41,315	1,544	8,885	*****51,744	0

* Arrears paid in 2009/10. In addition, payments of a total of £7,487 arrears of salary were made in 2009 to correct underpayments, some since April 2004. These payments were made without any interest or enhancement for late payment.

** Part year to 31/1/2010 due to early retirement. In addition a compensation lump sum of £51,000 was paid and an ongoing annual pension of £48,000 p.a. will be paid in accordance with the Principal Civil Service Pension Scheme.

*** Appointed 29/09/2008

**** Promoted to Group Executive Director 16/11/2009. Executive Director between 1/4/2009 and 16/11/09

***** In post at Executive Director level from 16/11/2009 only.

The Chief Executive and all other Executive Directors are employed under permanent, full time employment contracts. The contractual notice period for the Chief Executive is six months, for the Executive Directors the notice period is three months. For the Chief Executive and Executive Directors early termination, other than for misconduct, will be under the terms of the Principal Civil Service Pension Scheme. The terms of this scheme come under the terms of the Civil Service Compensation Scheme.

The Chief Executive's 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 of up to 15% as determined by the Chief Executive in consultation with the Remuneration Committee. The bonus payments paid in 2009/10 refer to performance against agreed targets for 2008/09.

The Chief Executive and Executive Directors have volunteered not to take bonuses earned in respect of performance in 2009/10 which would have been paid in 2010/11.

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

Name	Real increase In projected pension (£k ranges)	Real increase In projected lump sum (£k ranges)	Projected Pension at 31/03/10 £k ranges)	Projected Lump sum at 31/03/10 £k ranges)	Cash Equivalent Transfer Value at 31/3/09 (nearest £k)	CETV at 31/3/10 (nearest £k)	Employee Contributions and Transfers In (£)	Real increase In CETV Funded by Employer (nearest £k)
Pam Alexander Chief Executive	5-10	N/A	75-80	N/A	1,190	1,378	19,718	103
*Jeff Alexander Executive Director, Competitiveness and Growth	0-5	5-10	40-45	120-125	762	873	1,307	47
Lee Amor Executive Director, Enabling Infrastructure and Development	0-5	N/A	5-10	N/A	62	96	3,974	26
Robert Crawford Group Executive Director, Business Programmes	5-10	N/A	5-10	N/A	22	121	64,152	34
Paul Lovejoy Executive Director, Strategy	0-5	N/A	15-20	N/A	210	259	3,506	32
Oona Muirhead Group Executive Director, Strategy and Resources	0-5	10-15	40-45	130-135	781	912	1,739	81
**Susan Priest Executive Director, Business Development	0-5	0-5	10-15	35-40	148	159	547	13

*Part year to 31/1/2010 due to early retirement

**In post at Executive Director level from 16/11/09.

Cash Equivalent Transfer Value

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. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Civil Service Pension Scheme

Although not 'civil servants', SEEDA staff are able to take part in the Civil Service pension arrangements. From October 2002, SEEDA staff may be in one of four statutory based 'final salary' defined benefit schemes (Classic, Premium, Classic Plus and Nuvos). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year.

Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with changes to the Retail Price Index. New entrants after 30 July 2007 may choose between membership of Nuvos or a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined scheme but SEEDA is unable to identify its share of underlying assets and liabilities. The scheme actuary, Hewitt Bacon & Woodrow, valued the scheme as at 31st March 2007. 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. 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 1st October 2002 calculated broadly as per Classic. Pensions payable under Classic, Premium and Classic Plus are increased in line with the Retail Prices Index.

Nuvos Scheme

Benefits accrue at the rate of 2.3% of pensionable salary for each year of service. The maximum that Nuvos will provide is 75% of pensionable earnings. As with the Premium scheme, there is no automatic lump sum but members may commute part of their pension for a lump sum up to a maximum of 7/30th of their pension. Unlike the other schemes, which have a pension age of 60, Nuvos has a pension age of 65. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are paid to the surviving spouse, civil partner or eligible partner at the rate of 37.5% of the member's pension (before any commutation) for the rest of their life. Children's pensions are paid to children up to the age of 18 (or up to age 23, if they are in full-time education).

On death in service the scheme pays a lump-sum benefit of twice your pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them under taking any gainful employment, service may be enhanced to what they would have accrued at age 65.

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



Rob Douglas
Chairman

Date: 15th July 2010



Pam Alexander
Chief Executive and Accounting Officer

Date: 15th July 2010

6. STATEMENT ON INTERNAL CONTROL

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 Managing Public Money, the Government's Financial Reporting Manual. I also share responsibility with the Board for ensuring that SEEDA continues to operate within the framework specified by the Secretary of State and the Department for Business, Innovation and Skills (BIS) in SEEDA's accountability and Financial Framework. The Board and I use a common mechanism for obtaining assurance on the adequacy, effectiveness and efficiency of SEEDA's risk management, control and governance process.

SEEDA has a number of subsidiary and joint venture undertakings. In each case approval is given by BIS in accordance with the RDA Act 1998. Assurance on the operation of these undertakings is achieved through the participation of SEEDA staff as Directors of the undertakings. This participation also provides assurance that objectives are achieved with the correct level of accountability and control, and with due attention to regularity and propriety.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed:

- to identify and prioritise the risks to the achievement of SEEDA's policies, aims and objectives,
- to evaluate the likelihood of those risks being realised and the impact should they be realised, and
- to manage them efficiently, effectively and economically.

The system of internal control has been in place in SEEDA for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts and accords with Treasury guidance.

Capacity to Handle Risk

SEEDA recognises that it is in a unique position in its relationship to private enterprise and public accountability. On the one hand, SEEDA's *raison d'être* is to lead, innovate and provide a catalyst for the development of the region – to take risks that others will not. Calculated risk-taking to enhance investment performance and to achieve the desired outcomes is fundamental to SEEDA's way of working and aligns the Agency in the Risk Management Strategy with some types of private enterprise. This is reflected in and symbolised by the membership of SEEDA's Board.

At the same time SEEDA is a public body, accountable to Parliament and the people of the South East, and operating in a governance framework set and monitored by the Treasury and the sponsoring Department. This, rightly, requires compliance with the highest standards on legal and financial matters, and to be able to account in detail for decisions and actions.

Taking the above into account, SEEDA's Risk Management Strategy is to achieve the balance between the need for a robust internal control environment and governance framework and the need to support the Agency's culture, people and partners in achieving SEEDA's objectives. Setting and promulgating this overall approach to risk management is the responsibility of the Board through the Risk Management Policy, but must be implemented across the Agency.

The Risk and Control Framework

Our management of risk is embedded in policymaking, planning and delivery by consideration of risk by the Executive team in establishing strategy and in managing operational activities. The main processes which we have in place for identifying, evaluating and managing risk are:

Our Risk Management Policy which sets the over-arching principles behind risk management and is approved by the Board annually. The Risk Management Strategy reflects the Policy and is updated annually, approved by the Audit Committee and adopted by the Board. The Risk Management Strategy sets out our approach to the different stages of the risk management process including risk identification, analysis, evaluation and control.

During the year advice was provided to staff on risk management practices and the maintenance of risk management registers.

Fraud

This risk crosses all areas of activity. The Agency has a number of Policy Documents to mitigate risk associated with Fraud:

- Corporate Governance / Anti Fraud and Corruption Policy and Guidance;
- Code of Conduct for Staff; and
- Whistle-Blowing Policy and Procedure.

Financial Planning and Control

The risks that the Agency faces in relation to the ability to plan and spend the funds allocated appropriately are managed through a number of mechanisms – financial planning, financial management, project appraisal, monitoring and evaluation.

Financial Planning

We have procedures in place to ensure that the Agency is able to plan and prioritise its activities within a tightening fiscal environment. Planning for periods beyond April 2011 has been considered at a strategic level by the Executive Board, and measures have been implemented to manage contractual liabilities beyond this date.

Financial Management

We operate in accordance with an Accountability and Financial Framework, underpinned by a Corporate Governance Manual. The Corporate Governance Manual is regularly updated and contains terms of reference for all relevant committees and the documentation of all key processes and policies.

Project Appraisal and Monitoring

The Agency manages project risk by adopting the guidance offered by BIS under the Single Programme. As part of project appraisal, an assessment of potential challenges and risks is undertaken and alternative options for delivery are considered. Our Programme and Knowledge Office provides a specialist appraisal service to our key partners and also covers SEEDA's own internal projects. The results of project and programme evaluations completed in prior years are built into the appraisal process, and inform investment decisions.

The Programme and Knowledge Office took on a new assurance and compliance role during 2009/10 to further enhance the project monitoring governance framework in the region. In addition, as part of the Agency's major restructuring in 2009, we have created the posts of Assurance Manager and Account Managers to provide guidance in those areas. These posts came into being at the end of the consultation period in November 2009. Monitoring is undertaken by all delivery teams on a risk basis, to provide evidence of expenditure and outputs during delivery and completion.

Programme Management

Outputs and spend are measured against budget on a regular basis and performance is managed through performance reporting and Board reporting. In addition, activities under each of the Strategic Priorities in the Business Plan are managed by a Director, and performance under each Strategic Priority is assessed by the Directors and Executive Director in conjunction with the Chief Executive through a formal review at Executive Board meetings.

Business Continuity

The Agency has a Business Continuity Plan incorporating all areas of the business and has undertaken a number of Business Continuity exercises during the year.

Information Security

During 2009/10 SEEDA reviewed existing Information Security policies and procedures, in line with guidance issued by the Cabinet Office. In the main the Agency holds data on businesses in the South East, with a much lesser amount of sensitive personal data. However, SEEDA's responsibility to keep data and the systems secure is a key area for compliance. The Group Executive Director, Strategy & Resources is the Senior Information Risk Officer, with the Audit Committee overseeing all developments. This is supported by the Business Risk Group, chaired by the Group Executive Director of Strategy & Resources and responsible for drafting policy in this area and managing any compliance related issues. During 2009/10, all SEEDA staff have been informed about their role in managing information security, and an Information Risk Policy has been introduced that places a duty of care on all staff to protect data and information.

We have identified all the Information Asset Owners (IAO) during 2009/10 and they have confirmed that a review of all information within their areas is subject to appropriate controls to minimise risk of disclosure.

Outcome of the General Election

As we approached the general election, we faced the prospect of major changes to our structure, responsibilities and budget. These changes have now been clarified by the coalition Government. Our task now is to continue to deliver, despite reductions to our budget, until legislation is passed to abolish the RDAs by 31st March 2012. I believe our response to the recession and to earlier budget cuts demonstrates that, while we cannot eliminate risk, our risk and control framework prepares us for the challenges that lie ahead.

Significant Internal Control Problems

There are no significant internal control issues to report.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the Audit Committee's Annual Report to the Board, the work of the Internal Auditors and the executive managers within SEEDA who have responsibility for the development and maintenance of the internal control framework, and comments made by the External Auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

The Board is independently advised by an Audit Committee which has met quarterly during the year and received assurance on SEEDA's systems of corporate governance, risk management and internal control. Clear responsibility for managing risk lies with the Board, Directors and staff of SEEDA. Internal Audit plays a crucial role in the risk management process by:

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

All staff operate to agreed annual objectives and regular review meetings with line managers are held. Delegations are issued for specific purposes and to named individuals. These delegations 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.

During 2009/10 SEEDA outsourced its internal audit function and after competition appointed South Coast Audit (SCA) as independent Internal Auditors. SCA operate in accordance with Government Internal Audit Standards and to an Internal Audit Plan approved by the Audit Committee. Internal Audit submit regular reports on the adequacy and effectiveness of the Agency's systems of internal control and the management of key business risks together with recommendations for improvement. Recommendations have been accepted and turned into action by management, and implemented or progressed in accordance with agreed timetables. The status of Internal Audit recommendations, and the collection of evidence to verify their implementation, is regularly reported to the Audit Committee.

Following completion of the planned work for 2009/10, the Head of Internal Audit issued an independent and objective Head of Internal Audit Opinion on the adequacy and effectiveness of the Agency's system of internal control. This concluded, based on the audit work completed during the year, that a 'satisfactory' level of assurance can be given on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. The Head of Internal Audit recognises that this has been achieved in a year of significant organisational change during which the vision and objectives of the agency were reshaped; key processes revised; and a large number of roles and individuals changed. Internal Audit's work identified a number of opportunities for improving controls and procedures to which management has responded positively and action plans have been put in place to address areas for improvement.



15th July 2010

Pam Alexander
Chief Executive

Date:

7. REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of SEEDA for the year ended 2009/10 under the Regional Development Agencies Act 1998. These comprise the Group Net Expenditure Account, the Group and Agency Statement of Financial Position, the Group and Agency Statement of Cash Flows, the Group and the Agency Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive/ Accounting Officer and auditor

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

Scope of the Audit of the Financial Statements

An audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to SEEDA's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by SEEDA; and the overall presentation of the financial statements.
- In addition, I am required to obtain sufficient evidence to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

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

Emphasis of matter: Going Concern

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in Note 23 to the financial statements concerning the application of the going concern principle. This is in light of the Government's announcement in the June 2010 budget that it intends to abolish the Regional Development Agencies through the Public Bodies Bill, and that it will issue a White Paper in summer 2010 setting out details of these proposals. These circumstances indicate the existence of a material uncertainty which may cast doubt upon the ability of the Agency to continue as a going concern. The financial statements do not include the adjustments that would result if the Agency was unable to continue as a going concern.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

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

16th July 2010

SOUTH EAST ENGLAND DEVELOPMENT AGENCY

PART TWO

ANNUAL ACCOUNTS

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

GROUP NET EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010

Expenditure	Notes	2009/10 £000's	2008/09 £000's Restated
Programme expenditure	3	(133,008)	(137,535)
European funded programme expenditure		(9,788)	(4,789)
Staff costs including costs of severance	4	(22,702)	(20,360)
Other administration expenditure	5	(5,629)	(5,805)
Depreciation	10	(676)	(585)
Impairments and other losses	5	(23,930)	(75,923)
Book value of inventories sold		(327)	0
Book value of PPE sold	10	(12)	0
Total Expenditure		<u>(196,072)</u>	<u>(244,997)</u>
 Income			
European funded income	6	9,788	4,148
Other income	6	26,735	44,277
Proceeds from sale of inventories		344	0
Proceeds from sale of PPE		12	0
Total income		<u>36,879</u>	<u>48,425</u>
 Net expenditure		<u>(159,193)</u>	<u>(196,572)</u>
Cost of capital		(4,779)	(6,059)
Interest receivable	6	532	1,343
Surplus from share in JVs / Associates		(190)	1,969
Net expenditure before tax		<u>(163,630)</u>	<u>(199,319)</u>
Taxation	7	9	(7)
Net expenditure after tax		<u>(163,621)</u>	<u>(199,326)</u>
Reversal of notional cost of capital		4,779	6,059
Minority Interest	11	(3)	(10)
Net expenditure taken to reserves		<u>(158,845)</u>	<u>(193,277)</u>

Total expenditure for 2009/10 includes £26.11m (2008/09: £78.682m) in respect of impairments of inventories.

Severance costs in 2009/10 include those associated with a major downsizing of the Agency.

The notes on pages 55 to 80 form part of these financial statements.

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

GROUP STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2010

	Notes	31-March-10 £000's	31-March-09 £000's Restated	31-March-09 £000's Restated	31-March-08 £000's Restated	31-March-08 £000's Restated
<u>Non-current Assets</u>						
Property , Plant & Equipment	10	12,820		10,269		14,636
Financial Assets						
- Investments in associates	11	4,216		3,798		1,267
- Investments in joint ventures	11	246		423		450
- Utility Loans	13	5,858		6,997		7,337
Trade and other receivables due > 1 year	12	1,376		1,588		4,694
Total non-current assets		24,516		23,075		28,384
<u>Current Assets</u>						
Utility Loans	13	1,625		312		357
Inventories	14	97,406		102,898		168,105
Trade & Other Receivables	15	15,887		13,124		23,526
Cash & Cash Equivalents	16	24,538		29,102		33,285
Total Current Assets		139,456		145,436		225,273
Total assets		163,972		168,511		253,657
<u>Current liabilities</u>						
Trade & Other Payables	17	(25,248)		(27,313)		(38,259)
Provisions for Liabilities and Charges	18	(263)				
Total Current Liabilities		(25,511)		(27,313)		(38,259)
Non current assets plus			138,461		141,198	
Net current assets						215,398
Non current liabilities						
Provisions for Liabilities and Charges	18	(3,793)		(2,788)		(5,708)
Total Non Current Liabilities		(3,793)		(2,788)		(5,708)
Assets less liabilities		134,668		138,410		209,690
Reserves						
Government Grant Reserve		(37,450)		(40,470)		(56,646)
Revaluation reserve		(7,128)		(9,949)		(25,983)
General reserve		(87,164)		(85,464)		(124,626)
Minority Interest		(2,926)		(2,527)		(2,435)
		(134,668)		(138,410)		(209,690)

The notes and financial statements on pages 48 to 80 were approved and authorised for issue by the Board on 14th July 2010 and were signed on its behalf by:

Robert Douglas CBE

Chairman

Pam Alexander

Chief Executive and Accounting Officer

The notes on pages 55 to 80 form part of these financial statements

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010**

AGENCY STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH 2010

	Notes	31-March-10 £000's	31-March-09 £000's Restated	31-March-08 £000's Restated	31-March-08 £000's Restated
<u>Non-current Assets</u>					
Property , Plant & Equipment	10	11,301	10,268	14,634	
Financial Assets					
- Investment in Subsidiary undertakings	11	7,309	6,313	6,084	
- Investments in Associates	11	4,216	3,798	1,267	
- Investments in Joint Ventures	11	246	423	450	
Trade and Other Receivables due > 1 year	12	1,376	1,588	4,694	
Total non-current assets		24,448	22,390		27,129
<u>Current Assets</u>					
Inventories	14	97,406	102,898	168,105	
Trade & Other Receivables	15	15,543	12,987	23,516	
Cash & Cash Equivalents	16	23,313	26,715	32,450	
Total Current Assets		136,262	142,600		224,071
Total assets		160,710	164,990		251,200
<u>Current Liabilities</u>					
Trade & Other Payables	17	(24,913)	(26,318)	(38,235)	
Provisions for Liabilities and Charges	18	(263)			
Total Current Liabilities		(25,176)	(26,318)		(38,235)
Non current assets plus Net current assets		135,534	138,672	212,965	
<u>Non current liabilities</u>					
Provisions for Liabilities and Charges	18	(3,793)	(2,788)	(5,708)	
		(3,793)	(2,788)	(5,708)	
Assets less liabilities		131,741	135,884		207,256
<u>Reserves</u>					
Government Grant Reserve		(36,297)	(40,180)	(56,646)	
Revaluation reserve		(7,128)	(9,949)	(25,983)	
General reserve		(88,316)	(85,755)	(124,627)	
		(131,741)	(135,884)		(207,256)

The notes and financial statements on pages 48 to 80 were approved and authorised for issue by the board on 14 July and were signed on its behalf by:

Robert Douglas CBE

Chairman

Pam Alexander

Chief Executive and Accounting Officer

The notes on pages 55 to 80 form part of these financial statements.

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

GROUP STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2010

	Note	2009/10 £000	2008/09 £000
Net Cash Outflow From Operating Activities		(165,199)	(161,936)
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	10	(2,485)	(474)
Net Cash Outflow From Investing Activities		(2,485)	(474)
Cash Flows From Financing Activities			
Proceeds from sale of property, plant and equipment		12	
Grants HCA		1,938	4,264
Grants EKSDC		1,209	406
Grant in Aid received		159,961	153,558
Net Financing		163,120	158,228
Net Increase In Cash and Cash Equivalents In The Period		(4,564)	(4,182)
Cash and Cash Equivalents At The Beginning Of The Period	16	29,102	33,285
Cash And Cash Equivalents At The End Of The Period	16	24,538	29,102
Net expenditure		(158,845)	(193,277)
Depreciation		677	585
Write (up) / off on revaluation of PPE		(493)	4250
(Profit)/ Loss on sale of PPE/ Inventories		(17)	6
(Increase)/ Decrease in trade & other receivables		(2,551)	13,508
(Increase)/ Decrease in inventories		5,492	65,207
Increase/ (Decrease) in trade & other payables		(2,065)	(10,943)
Increase/ (Decrease) in provisions		1,268	(2,920)
Change in other financial assets		(416)	(2,119)
Transfer from revaluation reserve on revaluation of inventory		(3,083)	(16,034)
Share in results of subsidiaries / associates / Joint Ventures		431	534
Transfer from Government Grant Reserve		(5,821)	(20,730)
Movement on receivables not passed through NEA		221	(13)
Minority Interest		3	10
Net Cash Outflow From Operating Activities		(165,199)	(161,936)

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

AGENCY STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 MARCH 2010

	Note	2009/10 £000	2008/09 £000
Net Cash Outflow From Operating Activities		(164,345)	(163,083)
Cash Flows From Investing Activities			
Purchase of property, plant and equipment	10	(968)	(474)
Net Cash Outflow From Investing Activities		(968)	(474)
Cash Flows From Financing Activities			
Proceeds from sale of property, plant and equipment		12	
Grants HCA		1,938	4,264
Grant in Aid received		159,961	153,558
Net Financing		<u>161,911</u>	<u>157,822</u>
Net Increase In Cash and Cash Equivalents In The Period		(3,402)	(5,735)
Cash and Cash Equivalents At The Beginning Of The Period	16	26,715	32,450
Cash And Cash Equivalents At The End Of The Period	16	<u>23,313</u>	<u>26,715</u>
Net expenditure		(158,667)	(195,270)
Depreciation		626	585
Write (up) / off on revaluation of PPE		(442)	4,250
(Profit)/ Loss on sale of Inventories		(17)	6
(Increase)/ Decrease in trade & other receivables		(2,344)	13,635
(Increase)/ Decrease in inventories		5,492	65,207
Increase/ (Decrease) in trade & other payables		(1,405)	(11,917)
Increase/ (Decrease) in provisions		1,268	(2,920)
Transfer from revaluation reserve on revaluation of inventory		(3,083)	(16,034)
Transfer from Government Grant Reserve		(5,821)	(20,730)
Movement on receivables not passed through NEA		48	105
Net Cash Outflow From Operating Activities		<u>(164,345)</u>	<u>(163,083)</u>

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

GROUP STATEMENT OF TAX PAYERS EQUITY AS AT 31ST MARCH 2010

2009/10	Govt.Grant Reserve £000's Restated	Reval Reserve £000's	General Reserve £000's Restated	Minority Interest £000's Restated	Total Reserves £000's Restated
Balance at 01/04/09	40,470	9,949	85,464	2,527	138,410
Funding re East Kent Spatial Dev Co	863				863
Increase in Fair Value EKSDC debtors			124		124
Reversal of discounting			30		30
HCA funding	1,938				1,938
Increase in investment in JV's and Assoc			431		431
Increase in revaluation reserve - PPE		262			262
Decrease in revaluation reserve - Inventories		(3,083)			(3,083)
GIA received			159,961		159,961
Released to NEA	(5,821)				(5,821)
Net expenditure for the year			(158,845)		(158,845)
Change in Minority interest				399	399
Balance at 31/03/10	<u>37,450</u>	<u>7,128</u>	<u>87,164</u>	<u>2,926</u>	<u>134,668</u>

AGENCY STATEMENT OF TAX PAYERS EQUITY AS AT 31ST MARCH 2010

2009/10	Govt.Grant Reserve £000's Restated	Reval Reserve £000's	General Reserve £000's Restated	Total Reserves £000's Restated
Balance at 01/04/09	40,180	9,949	85,755	135,884
Reversal of discounting			30	30
HCA funding	1,938			1,938
Increase in investment in Subsidiaries, JV's and Assoc			1,237	1,237
Increase in revaluation reserve - PPE		262		262
Decrease in revaluation reserve - Inventories		(3,083)		(3,083)
GIA received			159,961	159,961
Released to NEA	(5,821)			(5,821)
Net expenditure for the year			(158,667)	(158,667)
Balance at 31/03/10	<u>36,297</u>	<u>7,128</u>	<u>88,316</u>	<u>131,741</u>

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

GROUP STATEMENT OF TAX PAYERS EQUITY AS AT 31ST MARCH 2009

2008/09	Govt.Grant Reserve £000's Restated	Reval Reserve £000's	General Reserve £000's Restated	Minority Interest £000's Restated	Total Reserves £000's Restated
Balance at 31/03/08	49,715	25,983	124,469	(239)	199,928
Prior year adjustment EKSDC accounting policy	6,931			2,777	9,708
Prior year adjustment EKSDC ownership percentage 80% to 71.4%			103	(103)	
Prior year adjustment investment FSE Group			819		819
Payroll accrual			(575)		(575)
Discounting debtors > 1 year			(190)		(190)
Restated balance at 01/04/08	<u>56,646</u>	<u>25,983</u>	<u>124,626</u>	<u>2,435</u>	<u>209,690</u>
Funding re East Kent Spatial Dev Co	290				290
Decrease in Fair Value EKSDC debtors			(84)		(84)
Reversal of discounting			107		107
HCA funding	4,264				4,264
Increase in investment in JV's and Assoc			534		534
Decrease in revaluation reserve - Inventories		(16,034)			(16,034)
GIA received			153,558		153,558
Released to NEA	(20,730)				(20,730)
Net expenditure for the year			(193,277)		(193,277)
Change in Minority interest				92	92
Balance at 31/03/09	<u>40,470</u>	<u>9,949</u>	<u>85,464</u>	<u>2,527</u>	<u>138,410</u>

AGENCY STATEMENT OF TAX PAYERS EQUITY AS AT 31ST MARCH 2009

2008/09	Govt.Grant Reserve £000's Restated	Reval Reserve £000's	General Reserve £000's Restated	Total Reserves £000's Restated
Balance at 31/03/08	49,715	25,983	124,470	200,168
Prior year adjustment EKSDC accounting policy	6,931			6,931
Prior year adjustment EKSDC ownership percentage 80% to 71.4%			103	103
Prior year adjustment investment FSE Group			819	819
Payroll accrual			(575)	(575)
Discounting debtors > 1 year			(190)	(190)
Restated balance at 01/04/08	<u>56,646</u>	<u>25,983</u>	<u>124,627</u>	<u>207,256</u>
Reversal of discounting			107	107
HCA funding	4,264			4,264
Increase in investment in Subsidiaries, JV's and Assoc			2,733	2,733
Decrease in revaluation reserve - Inventories		(16,034)		(16,034)
GIA received			153,558	153,558
Released to NEA	(20,730)			(20,730)
Net expenditure for the year			(195,270)	(195,270)
Balance at 31/03/09	<u>40,180</u>	<u>9,949</u>	<u>85,755</u>	<u>135,884</u>

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES

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

This is the first time that the entity has prepared its financial statements in accordance with International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Details of how the transition from UK GAAP to IFRS has affected the groups reported financial position has been disclosed in note 2.

1.1 Accounting convention

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

1.2 Basis of consolidation

The group financial statements incorporate those of the Agency and its subsidiary undertakings, Ryde Business Park Management Company Ltd and East Kent Spatial Development Company Ltd.

The group's joint ventures and associate undertakings are all incorporated entities in which the group has 20% or more of the equity voting rights and over which it has either joint control or significant influence. In the group financial statements investments in joint ventures and associates are accounted for using the equity method.

The share of net assets and profit or loss of the associates is based on audited financial statements as at 31 March 2010.

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

1.3 Property, plant and equipment

Information technology and fixtures and fittings are recognised at depreciated historic cost as they are all assets with a short life or low value. Items of property, plant and equipment costing over £1,000 are capitalised.

When applying International Financial Reporting Standards (IFRS) the question of investment assets was revisited. It was decided the properties shown as Investment assets should be shown as Property Plant and Equipment.

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

The value Investment properties is based on an independent valuation as at 31st March 2010 by Drivas Jonas, Chartered Surveyors.

1.4 Depreciation

Depreciation is provided to write off the cost of items of property, plant and equipment over their anticipated useful lives on a straight line basis at the following annual rates.

Information Technology – over three years

Fixtures and Fittings – over five years

Buildings - 30 years

Land is not depreciated as it is considered to have an unlimited useful life.

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

1.5 Investments

The Agency holds investments in a number of subsidiaries, associates and joint ventures. The investments comply with section 5 of the Regional Development Agencies Act 1998 and enable the Agency to undertake activities with partners in specific areas. Investments are valued at fair value (represented by net assets) rather than cost.

1.6 Inventories

Inventories are development assets (land and property which is currently under development) and are held for the short term. The Agency's policy is to revalue each year to current cost (fair value). A valuation of the whole portfolio was carried out as at 31st March 2010 by Drivas Jonas, Chartered Surveyors.

The net gain or loss following revaluation is calculated for each development asset on an individual basis.

Increases in the carrying value of development assets as a result of a revaluation are credited to the revaluation reserve, unless they reverse an earlier revaluation decrease which was recognised in the net expenditure account.

Decreases in the carrying value of development assets as a result of a revaluation are written off against the revaluation reserve up to the value of any credit balance in that reserve, and are shown in the net expenditure account thereafter.

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

1.7 Government grants received

The Agency's activities are funded primarily by the grant in aid provided by the Department for Business, Innovation and Skills for specified types of expenditure. Grant in aid received to finance activities and expenditure is treated as financing and credited to the General Reserve because they are regarded as contributions from a controlling party.

Grants to finance assets are credited to the Government Grant Reserve.

1.8 Capital charge

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

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

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

1.9 Third party assets

The Agency holds deposits on behalf of tenants to ensure that rental obligations are fulfilled. These are assets for which the Agency acts as custodian but in which the Agency has no direct beneficial interest. Third party assets are not recognised in the financial statements, but are disclosed by way of note.

1.10 Pensions

Employees of the Agency can participate in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is a defined benefit scheme; further information is included in the Remuneration Report within the Annual Report.

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

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

1.11 Revenue recognition

Following IAS 18 any revenue is accounted for only when it is due.

1.12 Reserves

Government Grant Reserve

The Government Grant Reserve represents grants received in advance from UK and EU funding sources for the purchase of assets.

General Reserve

Grant in Aid is credited directly to the General Reserve as it is regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest in the agency.

Revaluation Reserve

The Revaluation Reserve reflects any upward valuation of development assets and property, plant and equipment. Downward valuations are charged directly to the Net Expenditure Account to the extent that there is no credit on the revaluation reserve against which such losses can be charged.

Non-controlling Interest

This deduction in reserves represents the external interest in the ownership of East Kent Spatial Development Company Ltd and so does not form part of the group position.

1.13 Financial instruments

The agency has no borrowings; it relies primarily on Grant in Aid for its cash requirements, and is therefore not exposed to liquidity risk. All material assets and liabilities are denominated in sterling, so it is not exposed to currency risk.

Operating leases

Operating lease rentals are spread over the period of the lease term. There are no financial leases.

1.14 Foreign currency transactions

Transactions in foreign currencies are recorded in sterling at the rate prevailing at the date of transaction. Monetary assets and liabilities in foreign currency are translated into sterling at the rate prevailing at year end. Resulting exchange gains and losses are taken to the Net Expenditure Account.

1.15 Provisions

Provisions for future liabilities are made when there is a present obligation arising from past events, the settlement of which is expected to result in an outflow of resources.

1.16 Value Added Tax

The financial statements are prepared net of recoverable VAT.

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

2 FIRST-TIME ADOPTION OF IFRS

	General Reserve	Govt.Grant Reserve	Revaluation Reserve	Agency Reserves	Minority Interest	Group Reserves
	£000's	£000's	£000's	£000's	£000's	£000's
Taxpayers' equity at 31.03.09						
UK GAAP restated	85,836	40,470	9,949	136,256	2,527	138,783
IAS 39 to discount non current CML debtor	(83)			(83)		(83)
IAS 19 to create holiday pay accrual	(289)			(289)		(289)
	<u>85,464</u>	<u>40,470</u>	<u>9,949</u>	<u>135,884</u>	<u>2,527</u>	<u>138,410</u>
Net Expenditure for 2008/09 under UK GAAP restated						£000's
IAS 19 Movement on holiday pay accrual						193,563
Net Expenditure for 2008/09 under IFRS						(286)
						<u>193,277</u>

3 EXPENDITURE

	2009/10 £000's	2008/09 £000's
<u>Programme expenditure</u>		
Programme costs	19,274	42,878
Public sector grants	16,694	17,268
Private sector grants	<u>97,040</u>	<u>77,389</u>
	<u>133,008</u>	<u>137,535</u>

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

4 STAFF NUMBERS AND RELATED COSTS

Staff costs comprise	2009/10	2008/09		
	Total	Permanent Staff	Others	Total
	£000's	£000's	£000's	£000's
Wages and salaries	14,768	12,888	1,880	15,757
Wages and salaries severance	2,915	2,915		262
Sub Total	<u>17,683</u>	<u>15,803</u>	<u>1,880</u>	<u>16,019</u>
Social security	1,161	1,161	0	1,183
Other pension costs	2,548	2,548	0	2,801
Other pension costs severance	1,439	1,439		460
Sub Total	<u>3,987</u>	<u>3,987</u>	<u>0</u>	<u>3,261</u>
Sub Total	<u>22,831</u>	<u>20,951</u>	<u>1,880</u>	<u>20,463</u>
Less recoveries in respect of outward secondments	(129)	(129)	0	(103)
Total Net Costs	<u>22,702</u>	<u>20,822</u>	<u>1,880</u>	<u>20,360</u>

Average number of people employed	2009/10	2008/09
-----------------------------------	---------	---------

The average number of full-time equivalent employees employed during the year was as follows

	Total	Total
Permanent staff	286	314
Non permanent employees	73	99
Total	<u>359</u>	<u>413</u>

Severance and early retirement costs

The severance costs above relate to a major downsizing exercise. The exercise is expected to have a payback period of 1.3 years. Pensions costs include £1.4m (2008/09: £0.5m) relating to the early retirement of staff of which £1.3m has been provided for future pension costs (2008/9: £0.3m).

Pensions

The Principal Civil Service Pension Scheme (PCSPS) 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 31 March 2007. Details can be found in the resource accounts of the Cabinet Office; Civil superannuation (www.civilservice-pensions.gov.uk).

For 2009/10, employers contribution of £2,497,737 were payable to the PCSPS (2008/09 £2,654,048) at one of four rates in the range of 16.7% to 24.3% (2008/09: 17.1% to 25.5%) of pensionable pay, based on salary bands. The Scheme Actuary reviews the employer contributions every four years following a full valuation. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred and they reflect past experience of the scheme.

Employer contributions of £33,615 (2008/09: £32,731) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (2008/09 3%-12.5%) of pensionable pay. Employers also match

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

employee contributions of up to 3% (2008/09 3%) of pensionable pay. In addition, employer contributions of £2,195 (2008/09: £2,082), 0.8% (2008/09 0.8%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were no contributions due or prepaid to the partnership pension providers at the date of the Statement of Financial Position.

SEEDA made employer contributions of £ 11,412 in respect of James Brathwaite (2008/09: £109,476 to cover 6 years) and £ 3,464 in respect of Rob Douglas (2008/09: nil) as its Chairman is entitled to receive pension contributions. Rob Douglas succeeded James Brathwaite as Chairman on 2nd November 2009.

5 OTHER EXPENDITURE

	2009/10 £000's	2008/09 £000's
<u>Other administration expenditure</u>		
Travel and subsistence	492	691
Other staff costs (recruitment, training etc.)	395	523
Office and rent expenses	2,697	2,981
Operating lease rentals (excluding Office Leases)	138	146
Publications, events and media	221	277
Professional fees	560	392
IT and communication	613	604
Subsidiary company expenditure	301	126
Auditors' remuneration - statutory	68	58
Auditors' remuneration - IFRS compliance	4	7
Auditors' remuneration - ISR	77	0
Auditors' remuneration - Internal audit (SCA)	56	0
Irrecoverable VAT Provision	7	0
	<hr/> <u>5,629</u>	<hr/> <u>5,805</u>

Impairments & Other losses

Movement in provisions	(34)	(2,920)
Write down of Inventories	26,110	78,682
Reversal of previous write downs - Inventories	(2,155)	0
Reversal of previous write downs - PPE	(493)	0
Non-cash costs bad debt provision	404	76
Non-cash costs bad debt written off	0	2
Non-cash costs net exchange losses	98	83
	<hr/> <u>23,930</u>	<hr/> <u>75,923</u>

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

6 INCOME

	2009/10 £000's	2008/09 £000's
<u>European grant funding</u>		
European Regional Development Fund	6,600	3,776
European Social Fund	<u>3,188</u>	<u>372</u>
	<u>9,788</u>	<u>4,148</u>

Other Income

Rental Income	6,712	7,675
Clawback from grants	3	213
Learning and Skills Council	4,909	8,998
HCA (CLG) growth areas	5,579	5,208
The Crown Estate	1,290	0
Release from Government Grant Reserve	5,821	20,730
Other contributions	2,119	1,326
Subsidiary company income	<u>302</u>	<u>127</u>
	<u>26,735</u>	<u>44,277</u>

Interest receivable

Bank Interest	530	1,301
Share of Interest Receivable by Subsidiaries	<u>2</u>	<u>42</u>
	<u>532</u>	<u>1,343</u>

7 TAXATION

The Group taxation charge baes on a Group taxable profits for the year.

	2009/10 £000's	2008/9 £000's
Current year taxation charges subsidiaries	(9)	(7)
	<u>(9)</u>	<u>(7)</u>

There is no deferred tax liability for 2009/10

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

8 ANALYSIS OF NET EXPENDITURE BY SEGMENT

	Income £'000	Gross Expenditure £'000	Net Expenditure £'000
Competitiveness & Growth	5,619	84,541	78,922
Enabling Infrastructure and Development	23,924	54,134	30,210
Skills & Sustainable Prosperity	6,657	20,446	13,789
Hastings and Bexhill	0	15,187	15,187
Strategy	31	5,341	5,310
Resources	346	16,141	15,795
Other & Subsidiaries	302	282	(20)
	<u>36,879</u>	<u>196,072</u>	<u>159,193</u>

A whole Agency restructuring took place towards the end of 2009/10 leading to new directorates. This note reflects the structure that was in place for most of the year.

9 IMPAIRMENTS

	2009/10 £000's	2008/09 £000's
Charged to the Net Expenditure Account	26,110	78,682
Charge/(Credit) to the Revaluation Reserve	3,083	16,034
Reversal of previous write down	(2,155)	0
Closing balance 31 March 2010	<u>27,038</u>	<u>94,716</u>

The above represents impairments incurred as a result of the reduction in market valuation of inventories due to the fall in land and property prices.

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

10 PROPERTY PLANT & EQUIPMENT

2009/10

Group	Land	Buildings	Information Technology	Fixtures and fittings	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	2,180	7,647	2,271	2,435	14,533
Additions in year	0	1,993	180	312	2,485
Revaluation	572	183	0	0	755
Disposals	(12)	0	(273)	0	(285)
At 31 March 2010	2,740	9,823	2,178	2,747	17,488
Depreciation					
	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	0	247	2,136	1,881	4,264
Depreciation in year	0	309	149	219	677
Disposals	0	0	(272)	0	(272)
At 31 March 2010	0	556	2,013	2,100	4,669
Net book value at 31 March 2010	2,740	9,267	165	647	12,820
Asset Financing - owned	2,740	9,267	165	647	12,820
Net book value at 31 March 2009	2,180	7,400	135	554	10,269

As a consequence of the application of IAS 16 Investment properties have been reclassified as Property, Plant and Equipment. Depreciation has been charged against the building element.

2009/10

Agency	Land	Buildings	Information Technology	Fixtures and fittings	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	2,180	7,647	2,271	2,433	14,531
Additions in year	0	476	180	312	968
Revaluation	572	132	0	0	704
Disposals	(12)	0	(273)	0	(285)
At 31 March 2010	2,740	8,255	2,178	2,745	15,918
Depreciation					
	£'000	£'000	£'000	£'000	£'000
At 1 April 2009	0	247	2,136	1,880	4,263
Depreciation in year	0	258	149	219	626
Disposals	0	0	(272)	0	(272)
At 31 March 2010	0	505	2,013	2,099	4,617
Net book value at 31 March 2010	2,740	7,750	165	646	11,301
Asset Financing - owned	2,740	7,750	165	646	11,301
Net book value at 31 March 2009	2,180	7,400	135	553	10,268

As a consequence of the application of IAS 16 Investment properties have been reclassified as Property, Plant and Equipment. Depreciation has been charged against the building element.

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

10 Property Plant and Equipment (Cont...)

Group	2008/09				
	Land	Buildings	Information Technology	Fixtures and fittings	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2008	3,173	10,767	2,308	2,822	19,070
Additions in year	0	137	71	266	474
Revaluation	(993)	(3,257)	0	0	(4,250)
Disposals	0	0	(108)	(653)	(762)
At 31 March 2009	2,180	7,647	2,271	2,435	14,533
<hr/>					
Depreciation	£'000	£'000	£'000	£'000	£'000
At 1 April 2008	0	0	2,109	2,325	4,434
Depreciation in year	0	247	134	204	585
Disposals	0	0	(107)	(648)	(755)
At 31 March 2009	0	247	2,136	1,881	4,264
<hr/>					
Net book value at 31 March 2009	2,180	7,400	135	554	10,269
Asset Financing - owned	2,180	7,400	135	554	10,269
<hr/>					
Net book value at 31 March 2008	3,173	10,767	199	497	14,636

The Agency note for 2008/9 has not been produced as the Group note contains only £1k of subsidiary assets

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

11 INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Name of Undertaking	Interest	Class of shares	Value	Nature of Business	SEEDA Share of net assets (£000)	2009/10	2008/09	2007/08
Subsidiaries								
Ryde Business Park Management Co. Ltd	100%	Ordinary Share £1	£2	Property Management	6	5	6	
East Kent Spatial Development Co Ltd	71%	Nil Limited by Guarantee	0	Regeneration of Thanet and Dover	7,304	6,308	6,078	
South East England Properties Ltd	100%	Ordinary Share £1	£100	Dormant	0	0	0	
Total Investment in Subsidiaries					7,309	6,313	6,084	
Associates								
Finance South East Group	50%	Nil Limited by Guarantee	0	Venture Capital Management	1,560	1,217	886	
Hastings and Bexhill Renaissance Ltd	20%	Nil Limited by Guarantee	0	Regeneration of Hastings & Bexhill	2,618	2,562	368	
Aylesbury Vale Advantage Ltd	20%	Nil Limited by Guarantee	0	Regeneration of Aylesbury Vale	38	12	5	
Brownfield Land Assembly Co Ltd	20%	Nil Limited by Guarantee	0	Land Assembly	0	7	8	
Total Investment in Associates					4,216	3,798	1,267	
Joint Ventures								
Countryside Maritime Ltd	50%	Ordinary Share £1	£ 4,950	Joint Venture	302	423	450	
	75%	Income Share 5p	£74	Property Development				
Ashford's Future Company Ltd	25%	Nil Limited by Guarantee	0	Regeneration of Ashford	(56)	0	0	
Total Investment in Joint Ventures					246	423	450	

South East England Properties Ltd is a dormant company. A strategic business plan is presently being developed to invoke the operational use of this company.

Ryde Business Park Management Co Ltd is a subsidiary undertaking. It has no fixed assets and collects rental and service income from tenants of the business park. .

East Kent Spatial Development Co Ltd is a subsidiary undertaking. The other participants are three Kent local authorities and the Homes and Communities Agency.

Finance South East Group is a joint venture with Business Links Wessex. The management structure of the company allows for it to be considered as an associate undertaking.

Hastings and Bexhill Renaissance Ltd (HBRL) is a regeneration company with the East Sussex County Council, Rother District Council, Hastings Borough Council, Sussex Enterprise and the University of Brighton. HBRL has two joint ventures Coastal Innovation and Coastal Land Sussex.

Aylesbury Vale Advantage Ltd is a regeneration management company for the Aylesbury Vale area. In addition to SEEDA, members of the company include Buckinghamshire County Council,

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010**

NOTES TO THE ACCOUNTS

Aylesbury Vale District Council, Homes and Communities Agency and the Vale of Aylesbury Primary Care Trust (NHS).

The Brownfield Land Assembly Company Ltd was registered in February 2007. Other members are the Hyde Housing Association and RJ Barwick Construction Services Ltd.

Countryside Maritime Ltd is a joint venture with Countryside Properties PLC to build houses on St Mary's Island, Chatham.

Ashford's Future Company Ltd was incorporated on 20th November 2008 and commenced trading shortly thereafter to undertake transformation in Ashford. Other members are Kent County Council, Ashford Borough Council and the Homes and Communities Agency.

Agency Investments in Subsidiaries

Investments in subsidiaries are calculated on the basis of the agency's share in net assets/(liabilities). Details of the Subsidiaries assets and liabilities are shown below.

	2009/10 £000's	2008/09 £000's	2007/08 £000's
Non Current Assets			
Ryde Business Park Management Company Ltd	0	0	0
East Kent Spatial Development Company Ltd	<u>7,375</u>	<u>6998</u>	<u>7338</u>
	<u><u>7,375</u></u>	<u><u>6,998</u></u>	<u><u>7,338</u></u>
Current Assets:			
Ryde Business Park Management Company Ltd	7	10	11
East Kent Spatial Development Company Ltd	<u>3,187</u>	<u>2,826</u>	<u>1,192</u>
	<u><u>3,194</u></u>	<u><u>2,836</u></u>	<u><u>1,203</u></u>
Gross Assets:			
Ryde Business Park Management Company Ltd	7	10	11
East Kent Spatial Development Company Ltd	<u>10,562</u>	<u>9,824</u>	<u>8,530</u>
	<u><u>10,570</u></u>	<u><u>9,834</u></u>	<u><u>8,541</u></u>
Current Liabilities			
Ryde Business Park Management Company Ltd	1	5	5
East Kent Spatial Development Company Ltd	<u>333</u>	<u>989</u>	<u>18</u>
	<u><u>334</u></u>	<u><u>994</u></u>	<u><u>23</u></u>
Non Current Liabilities			
Ryde Business Park Management Company Ltd	0	0	0
East Kent Spatial Development Company Ltd	<u>0</u>	<u>0</u>	<u>0</u>
	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Gross Liabilities:			
Ryde Business Park Management Company Ltd	1	5	5
East Kent Spatial Development Company Ltd	<u>333</u>	<u>989</u>	<u>18</u>
	<u><u>334</u></u>	<u><u>994</u></u>	<u><u>23</u></u>
Net Assets/(Liabilities):			
Ryde Business Park Management Company Ltd	6	5	6
East Kent Spatial Development Company Ltd	<u>10,229</u>	<u>8,835</u>	<u>8,513</u>
Total	<u><u>10,235</u></u>	<u><u>8,840</u></u>	<u><u>8,519</u></u>

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

Ryde Business Park Management Co Ltd – Profit £750 Reserves £5,814
East Kent Spatial Development Co Ltd – Profit £11,170 Reserves £10,229,152

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

Agency Investment in Joint Ventures and Associates (Cont...)

Non – controlling Interest's share of the operating profit of subsidiary companies

	2009/10 £'000	2008/09 £'000	2007/08 £'000
Non-controlling Interest of 28.6% East Kent Spatial Development Company:	<u>3</u>	<u>10</u>	<u>7</u>

Non – controlling Interest in subsidiary companies as at 31st March 2010

	2009/10 £'000	2008/09 £'000	2007/08 £'000
Non-controlling interest of 28.6% in East Kent Spatial Development Company - Net assets of £10,229K (2009/10), net assets of (2008/09 £8,835K) and (2007/08 £8,513K)	<u>2,926</u>	<u>2,527</u>	<u>2,435</u>

Group Interest in joint ventures

	2009/10 £'000	2008/09 £'000	2007/08 £'000
Share of gross operating income of joint ventures	2,304	1,566	5,462
Share of gross expenditure of joint ventures	(2,528)	(1,597)	(5,155)
Share of operating (deficit) in joint ventures	<u>(224)</u>	<u>(31)</u>	<u>307</u>

The following are SEEDA's share of the audited results for 2009/10 of the joint ventures Countryside Maritime Ltd and Ashford's Future Company Ltd. These figures are based on the agreed control: sharing ratio which is, in respect of Countryside Maritime Ltd, 50% for turnover, assets and net borrowing, while taxation and profit/loss is 66.7%, and the project management fees are split on an actual basis. The Agency share of Ashford's Future Company is 25% for all aspects.

Countryside Maritime Ltd

	£'000		£'000
Turnover	1,622	Non Current Assets	0
Loss before taxation	(167)	Current Assets	5,000
Taxation	46	Current Liabilities	4
Loss after taxation	(121)	Non Current Liabilities	(4,702)
		Reserves	302

Ashford's Future Company Ltd

	£'000		£'000
Turnover	682	Non Current Assets	9
Loss before taxation	(2)	Current Assets	377
Taxation	0	Current Liabilities	(393)
Loss after taxation	(2)	Non Current Liabilities	(49)
		Reserves	(56)

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

Agency Investment in Joint Ventures and Associates (Cont...)

Group interest in Associates:

	2009/10 £'000	2008/09 £'000
Group share of operating profit after tax	<u>(13)</u>	<u>1,995</u>

SEEDA's share of the results of associate companies:

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

	2009/10 £'000	2008/09 £'000		2009/10 £'000	2008/09 £'000
Turnover	2440	343	Fixed assets	2109	2,117
Operating Profit	59	2,153	Current assets	2371	1,592
Interest receivable	4	47	Liabilities due within	(1,863)	(1,146)
Profit before tax	63	2,200			
Taxation	(8)	(7)	Liabilities due after	0	(1)
Profit after taxation	56	2,193	Reserves	2618	2,562

Brownfield Land Assembly Company Ltd (20% SEEDA)

	2009/10 £'000	2008/09 £'000		2009/10 £'000	2008/09 £'000
Turnover	0	0	Fixed assets	0	0
Operating Loss	(7)	(3)	Current assets	531	525
Interest receivable	0	4	Liabilities due within	(207)	(368)
Loss before tax	(6)	1			
Taxation	0	(2)	Liabilities due after	(323)	(150)
Loss after taxation	(6)	(1)	Reserves	0	7

Finance South East Group (50% SEEDA)

	2009/10 £'000	2008/09 £'000		2009/10 £'000	2008/09 £'000
Turnover	1,466	1,176	Fixed assets	2295	2,196
Operating Profit	(91)	(213)	Current assets	986	526
	3	10	Liabilities due within	(605)	(391)
Interest receivable			one year		
Profit before tax	(88)	(203)			
	0	0	Liabilities due after	(1,116)	(1,114)
Taxation			more than one year		
Profit after taxation	(88)	(203)	Reserves	1560	1217

Aylesbury Vale Advantage (20% SEEDA)

	2009/10 £'000	2008/09 £'000		2009/10 £'000	2008/09 £'000
Turnover	205	169	Fixed assets	1	0
Operating Profit	26	7	Current assets	44	48
Interest receivable	0	0	Liabilities due within	(7)	(36)
Profit before tax	26	7			
Taxation	0	1	Liabilities due after	0	0
Profit after taxation	26	6	Reserves	38	12

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

12 TRADE RECEIVABLES AND OTHER CURRENT ASSETS DUE AFTER MORE THAN ONE YEAR

	2009/10 £000's	2008/09 £000's	2007/08 £000's
Amounts falling due after more than one year			
Trade receivables	1,317	872	974
Deposits and advances	59	66	90
Prepayments and accrued income	0	650	3,630
	<u>1,376</u>	<u>1,588</u>	<u>4,694</u>

Receivables – Intra Government balances

	2009/10 £'000	2008/09 £'000	2007/08 £'000
Receivables due after more than one year			
Balances with public corporations and trading funds		0	2,690
Balances with bodies external to Government	<u>1,376</u>	<u>1,588</u>	<u>2,004</u>
	<u>1,376</u>	<u>1,588</u>	<u>4,694</u>

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

13 UTILITY LOANS

	2009/10 £000's	2008/09 £000's	2007/08 £000's
Current financial assets available for sale	1,625	312	357
	<u>1,625</u>	<u>312</u>	<u>357</u>
Non current financial assets available for sale	5,858	6,997	7,337
	<u>5,858</u>	<u>6,997</u>	<u>7,337</u>

Financial assets available for sale comprise loans made to a utility provider to finance new infrastructure networks in East Kent. The loans (utility loans) are index linked to the Retail Price Index and are repayable as and when third parties pay the utility provider to connect to the new utility infrastructure. The amount of utility loan repayable is proportionate to the capacity connected as a percentage of the total capacity of the new utility network.

The utility loans are funded by grants from the Single Regeneration Budget administered through Thanet District Council, the Homes and Communities Agency and the European Regional Development Fund.

The utility loans are treated as an available for sale financial asset and are measured at fair value. Fair value is taken as the directors' best estimate of the discounted future income stream arising from the repayment of the utility loans, based on advice from independent consultants. The directors do not envisage 100% connection to the network and therefore they have reduced the value of the utility loans to their estimated fair value. The estimate of fair value is based on assumptions of a maximum 75 percent connectivity over 20 years, discounted at the Retail Price Index. The value of utility loans reported within other receivables is £7,482,877, split between current (£1,624,981, 08-09: £312,137) and non-current (£5,857,896, 08-09: £6,997,137). These amounts reflect the fair value adjustment and this increased the reported value by £173,603 in 2009-10 (total fair value reduction of £1,404,936) due to higher than estimated connectivity and recovery rates. The fair value adjustments are reported as movements within the General Fund.

Management do not consider the uncertainty over the timing and connectivity to the utility network gives rise to material uncertainty to the group accounts.

14 INVENTORIES

	2009/10 £000's	2008/09 £000's	2007/08 £000's
Opening balance	102,898	168,105	160,500
Additions	21,872	25,259	10,935
Disposals	(327)	0	(2,969)
Revaluation	(27,037)	(90,466)	(361)
Closing balance	<u>97,406</u>	<u>102,898</u>	<u>168,105</u>

Inventories are property assets held for development. It is intended that these assets will be sold and their value realised after further development work.

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

14 TRADE RECEIVABLES AND OTHER CURRENT ASSETS DUE WITHIN ONE YEAR

	2009/10 £'000's	2008/09 £'000's	2007/08 £'000's
Amounts falling due within 1 year			
Trade receivables	4,451	6,757	16,461
Deposits and advances	774	1,253	4,508
Other receivables	9	4	6
Prepayments and accrued income	9,049	4,240	2,417
Value added tax	1,593	864	130
Income Tax	11	6	4
Group debtors	<u>15,887</u>	<u>13,124</u>	<u>23,526</u>
Subsidiary trade receivables	(343)	(137)	(10)
Agency Debtors	<u>15,543</u>	<u>12,987</u>	<u>23,516</u>

Receivables – Intra Government balances

	2009/10 £'000	2008/09 £'000	2007/08 £'000
Receivables due within one year			
Balances with other central Government bodies	8,176	7,059	5,700
Balances with local authorities	<u>97</u>	<u>267</u>	<u>5,066</u>
Sub total: intra-Government balances	<u>8,273</u>	<u>7,326</u>	<u>10,766</u>
Balances with bodies external to Government	<u>7,614</u>	<u>5,798</u>	<u>12,760</u>
	<u>15,887</u>	<u>13,124</u>	<u>23,526</u>

16 CASH AND CASH EQUIVALENTS

	2009/10 £'000's	2008/09 £'000's	2007/08 £'000's
Group position			
Balance at 1st April	29,102	33,285	34,771
Net change in cash and cash equivalent balances	(4,564)	(4,183)	(1,486)
Balance at 31st March 2010	<u>24,538</u>	<u>29,102</u>	<u>33,285</u>
Agency position			
Balance at 1st April	26,715	32,450	34,113
Net change in cash and cash equivalent balances	(3,402)	(5,735)	(1,663)
Balance at 31st March 2010	<u>23,313</u>	<u>26,715</u>	<u>32,450</u>

All cash balances shown above, were held in commercial banks.

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

17 TRADE PAYABLES AND OTHER CURRENT LIABILITIES DUE MORE THAN ONE YEAR

	2009/10 £000's	2008/09 £000's	2007/08 £000's
Amounts falling due within 1 year			
Other taxation and Social Security	304	382	406
Trade payables	532	1,491	172
Other payables	1,573	2,312	5,236
Accruals and deferred income	22,839	23,128	32,445
Group payables	<u>25,248</u>	<u>27,313</u>	<u>38,259</u>
Group Trade payables	(335)	(995)	(24)
Agency payables	<u>24,913</u>	<u>26,318</u>	<u>38,235</u>
Payables due within one year			
	2009/10 £'000	2008/09 £'000	2007/08 £'000
Balance with other central Government bodies	932	2,868	1,201
Balances with local authorities	<u>2,393</u>	<u>502</u>	<u>8,236</u>
Sub total: intra-Government balances	3,325	3,370	9,437
Balances with bodies external to Government	<u>21,923</u>	<u>23,943</u>	<u>28,822</u>
	<u>25,248</u>	<u>27,313</u>	<u>38,259</u>

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

18 PROVISIONS FOR LIABILITIES AND CHARGES

		As at 1st April 2009 £000's	Provision in year £000's	Amount written back £000's	As at 31st March 2010 £000's
2009/10					
Future Pension Costs	**	0	263	0	263
Total		0	263	0	263

Provisions > 1 year

		As at 1st April 2009 £000's	Provision in year £000's	Amount written back £000's	As at 31st March 2010 £000's
2009/10					
GKN	*	2,788	0	(34)	2,754
Future Pension Costs	**	0	1,039	0	1,039
Total		2,788	1,039	(34)	3,793

		As at 1st April 2008 £000's	Provision in year £000's	Amount written back £000's	As at 31st March 2009 £000's
2008/09					
GKN	*	5,380	0	(2,592)	2,788
Redundancy	***	328	0	(328)	0
Total		5,708	0	(2,920)	2,788

		As at 1st April 2007 £000's	Provision in year £000's	Amount written back £000's	As at 31st March 2008 £000's
2007/08					
GKN	*	4,500	880	0	5,380
Redundancy	***	0	328	0	328
Total		4,500	1,208	0	5,708

* The acquisition of the GKN Isle of Wight site in 2004 included an option for English Partnerships (now HCA) to acquire part of the land. If invoked, this option involves a land transfer by SEEDA to HCA, as a return for a grant awarded by HCA of £4.5m. HCA has indicated they will invoke this option and SEEDA has made provision for £2.75m which reflects the land value as at 31st March 2010. Previous years provisions were made at higher levels. This reflects the fall in land values since 1st April 2008.

** The provision for future pension costs made in 2009/10 relates to the future pension payments due to employees who took early retirement as part of a total restructuring of SEEDA which led to a reduction in staff numbers. These represent pension payments due to an employee from the termination of employment till they reach the age of 60.

*** A provision made in 2007/8 and used in 2008/9

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

19 CAPITAL COMMITMENTS

	2009/10 £000's	2008/09 £000's
	<u>5,433</u>	<u>11,300</u>

Legal commitments are based on open purchase orders issued to suppliers

20 COMMITMENTS UNDER LEASES

Obligations under operating leases comprise:	2009/10 £000's	2008/09 £000's
<u>Buildings</u>		
Not later than 1 year	1,420	1,506
Later than 1 year and not later than 5 years	5,549	5,680
Later than 5 years	<u>1,289</u>	<u>8,475</u>
	<u>6,969</u>	<u>8,475</u>
<u>Cars</u>	£000's	£000's
Not later than 1 year	109	149
Later than 1 year and not later than 5 years	29	117
Later than 5 years	<u>0</u>	<u>0</u>
	<u>138</u>	<u>266</u>
<u>Office equipment</u>	£000's	£000's
Not later than 1 year	19	0
Later than 1 year and not later than 5 years	10	10
Later than 5 years	<u>0</u>	<u>0</u>
	<u>29</u>	<u>10</u>

21 CONTINGENT LIABILITIES

The Department for Communities and Local Government (DCLG) has provided £5m, as collateral security, in order to increase the rate of house building by the Joint Venture Company, Countryside Maritime Ltd (CML). This amount will be used as working capital for the CML building activity. A matching amount will be provided by the JV partner, Countryside Properties PLC, in accordance with the signed utilisation agreement.

22. RELATED PARTY TRANSACTIONS

SEEDA is an Executive Non Departmental Public Body sponsored by the Department for Business, Innovation and Skills. BIS is regarded as a related party with which, during the year, the Agency has had significant number of material transactions. Other Regional Development Agencies are also sponsored by BIS and so are regarded as related parties.

The Agency also received growth area funding from the Homes and Communities Agency; ERDF funding from the Department for Communities and Local Government (DCLG) and European Social Fund (ESF) grants, were received from the Department for Work and Pensions (DWP). All these bodies are regarded as related parties of SEEDA.

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

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010**

NOTES TO THE ACCOUNTS

The Agency had a number of related transactions with the undertakings it has an interest in: Finance South East Ltd, Hastings and Bexhill Renaissance Ltd (HBRL), Countryside Maritime Ltd

(CML) and Brownfield Land Assembly Co Ltd. SEEDA made grant payments to HBRL of £15.9m, Finance South East Ltd of £2.2m, and Brownfield Land Assembly Co Ltd of £500k in 2009/10. At 31st March CML owed £1,317,204 and HBRL owed £ 1,000,000 to SEEDA.

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

The list below covers all transactions with third party organisations in which SEEDA board members have an interest. The payments are made to the third party organisation not the individual and it is SEEDA policy that where a conflict of interest exists the Board member would take no part in the decision to contract with that third party

Jim Brathwaite CBE - (Director) Environment Agency which received £140,813 for fees and £200,000 grants.

(Director) University of Greenwich which received £92,237 for grants and owed £ 10,401 to SEEDA at 31st March.

(Member) University of Sussex which received £50,437 for grants.

Rob Douglas – (Member) Learning and Skills Council which received £80,503 for grants, £29,932 for economic research and owed £ 415,976 to SEEDA at 31st March. SEEDA provided £516 of secretarial support to the chairman relating to non SEEDA business for which he reimbursed SEEDA .

Jeremy Birch – (Councillor) Hastings Borough Council which received £250,000 for grants.

(Councillor) East Sussex County Council which received £111,088 for grants.

Dolores Byrne O.B.E – (M.D. Innovation QuinetiQ Ltd) which received £1,849,056 consisting of grants of £962,766 as part of a consortia of businesses in respect of a next generation wing project and £886,290 as part of a second consortia of businesses dealing with the "Health Map" programme.

Pamela Charlwood – (Council Member and Vice Chair – Audit Committee for the Learning and Skills Council) which received £80,503 for grants and £29,932 for economic research and owed £ 415,976 to SEEDA at 31st March.

Professor Julian Crampton – (Vice Chancellor) University of Brighton which received £220,658 for grants.

(Chairman) Hastings and Bexhill Renaissance Ltd which received £ 15,937,059 for grants and owed £1,000,000 to SEEDA at 31st March 2010.

(Member) Brighton and Hove Economic Development and Enterprise Board which received £ 100,135 for grants.

Les Dawson – (CEO) Southern Water which received £1,526,336 for the provision of new water mains and the supply of water to various sites.

Andrew Finney – (Member) Thames Valley Innovation and Growth Ltd which received £468,245 for grants.

(Leader) Basingstoke and Deane Borough Council which received £ 50,000 for grants.

Bob Goldfield - (Chief Executive) Port of Dover Harbour Board which received £131,092 for grants.

(Board Member) Kent Economic Board which received £25,000 for grants.

Keith House - (Councillor) Hampshire County Council which received £3,551,915 for grants, £29,375 for project management. (Leader) Eastleigh Borough Council which received a £3,500 contribution towards project costs.

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010**

NOTES TO THE ACCOUNTS

Sue John – (Post Graduate student) University of East London which received £6,000 for a subscription to the Thames Gateway Further & Higher Education Action Group.

Peter Jones - (Leader) East Sussex County Council which received £111,088 for grants.

Keith Mitchell – (Council leader) Oxfordshire County Council which received £175,000 for grants.
(Member of Court) Oxford Brookes University which received £2,165,000 for grants.

Alex Pratt OBE - (Chairman) Buckinghamshire Economic Partnership which received £170,000 for grants.

(Member) South East England Partnership Board which received £ 149,000 for grants and owed £230 to SEEDA at 31st March.

Keith Riley – (Director and Trustee) Institute of Sustainability which received £356,924 for grants.

Phil Wood – (Member) Learning and Skills Council which received £80,503 for grants and £29,932 for economic research and owed £ 415,976 to SEEDA at 31st March.

The following SEEDA staff are also Directors of SEEDA subsidiaries, joint ventures and associates as detailed in note 11 but receive no additional remuneration.

Pam Alexander	Countryside Maritime Ltd
Lee Amor	Countryside Maritime Ltd. Hastings and Bexhill Renaissance Ltd Ashford's Future Company Ltd
Valerie Carter	East Kent Spatial Development Ltd
Robert Crawford	Hastings and Bexhill Renaissance Ltd. Coastal Innovation Ltd Coastal Land (Sussex) LLP
Peter Cusdin	Ryde Business Park Management Ltd East Kent Spatial Development Ltd
Chris Moore	East Kent Spatial Development Ltd Brownfield Land Assembly Company Ltd
Oona Muirhead CBE	Aylesbury Vale Advantage Ltd
Susan Priest	Finance South East Ltd East Kent Spatial Development Ltd
Jonathan Sadler	South East England Properties Ltd Countryside Maritime Ltd East Kent Spatial Developments Ltd
John Shaw	Hastings and Bexhill Renaissance Ltd Coastal Innovation Ltd Coastal Land (Sussex) LLP
David Tucker	Countryside Maritime Ltd East Kent Spatial Development Ltd Hastings and Bexhill Renaissance Ltd.

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

23 EVENTS AFTER THE REPORTING PERIOD

Authorisation for issue

The South East England Development Agency's financial statements are laid before the Houses of Parliament by the Secretary of State of the Department for Business, Innovation and Skills, formerly the Department for Business, Enterprise and Regulatory Reform. IAS10 requires the Agency to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Agency to the Secretary of State of the Department for Business, Innovation and Skills. The relevant date was 19 July 2010.

Going Concern

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

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

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

Pensions

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that SEEDA provides to employees.

24 FINANCIAL INSTRUMENTS

The Financial Assets of the Agency consist of cash, assets available for sale, deposits, trade and other receivables. These have fixed and determinable payments which are not quoted in an active market.

The Financial Liabilities of the Agency consist of short term trade and other payables.

SEEDA's treasury policy is to use cash to make grant payments and to pay for goods and services. Generally it does not make use of any other financial instruments. SEEDA has no borrowings and relies primarily on departmental funding for its cash requirements so is not exposed to liquidity risks.

SEEDA leads a number of European projects and manages the risk from exposure to foreign currency fluctuations between the Euro and the Pound by holding in Euro bank accounts the required level of cash to fund project activities on an ongoing basis. The Value held in Euros at the Balance Sheet date is 5.4m Euro. The value of the Euro denominated cash held at the Balance Sheet date has been translated into Pounds sterling and included in the balance sheet value of cash. The pound sterling value of Euro-denominated cash was £4.8m.

There is no material difference between the book value and fair value of assets and liabilities as at 31st March 2010.

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

25 THIRD PARTY ASSETS

	2009/10 £000's	2008/09 £000's	2007/08 £000's
Tenant's rental deposits	<u><u>41</u></u>	<u><u>116</u></u>	<u><u>132</u></u>

The above relates to closing bank balances held in client bank accounts. These amounts are not recorded in the financial statements but simply shown by way of note.

26 PRIOR PERIOD ADJUSTMENTS

East Kent Spatial Development Company

The FReM diverges and overrides FRS and IFRS with regard to accounting for grants received to fund the purchase of assets. Instead of showing these as deferred creditors, the FReM requires these to be credited to a government grant reserve. This accounting treatment was not previously applied in the consolidation of East Kent Spatial into the SEEDA group accounts.

Previously the company was consolidated on the basis that SEEDA controlled 80% of the company. SEEDA's control reduced to 71.4% on 1st April 2008 and the accounts have been restated to reflect this.

Finance South East

Finance South East is an associated company in which SEEDA has a 50% interest. Finance South East has in turn a number of wholly owned subsidiaries. Previously only the company accounts of Finance South East have been consolidated using the net investment method. The accounts have now been restated to incorporate the Finance South Group accounts using the same method.

Reserve Transfers

Last year's accounts deducted all losses relating to the downward valuation of inventories and PPE from the General Reserve. This was an error as certain assets have been financed by grants received from other government bodies; thus revaluation losses on properties financed by these grants should have been offset against the Government Grant Reserve.

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

Prior Period Adjustments (Cont...)

Below are the adjustments made in restating the 2007/8 and 2008/9 accounts.

2008/9 GROUP

	Previously Reported £000's	IFRS Adj £000's	FSE Adj £000's	EKSDC A.Policies £000's	EKSDC Ownership £000's	Reserve Transfer £000's	Restated £000's
<u>Non-current Assets</u>							
Investments in associates	2,653		1,145				3,798
Trade and other receivables due > 1 year	1,671	(83)					1,588
Available for sale financial assets				6,997			6,997
<u>Current Assets</u>							
Available for sale financial assets				312			312
Trade & Other Receivables	20,552			(7,427)			13,125
<u>Current Liabilities</u>							
Trade & Other Payables	(27,670)	(289)		646			(27,313)
Creditors due more than one year	(9,469)			9,469			
Reserves							
Government grant reserve	(56,185)			(7,137)		22,852	(40,470)
General reserve	(61,739)	372	(1,145)		(101)	(22,852)	(85,464)
Minority Interest	232			(2,860)	101		(2,527)

2008/09 AGENCY

	Previously Reported £000's	IFRS Adj £000's	FSE Adj £000's	EKSDC A.Policy £000's	EKSDC Ownership £000's	Reserve Transfer £000's	Restated £000's
<u>Non-current Assets</u>							
Investment in Subsidiary undertakings	(925)			7,137	101		6,313
Investments in Associates	2,653		1,145				3,798
Trade and Other Receivables due > 1 year	1,671	(83)					1,588
<u>Current Liabilities</u>							
Trade & Other Payables	(26,029)	(289)					(26,318)
Reserves							
Government grant reserve	(56,185)			(7,137)		23,142	(40,180)
General reserve	(61,739)	372	(1,145)		(101)	(23,142)	(85,755)

SOUTH EAST ENGLAND DEVELOPMENT AGENCY
FINANCIAL STATEMENTS FOR THE YEAR TO 31ST MARCH 2010

NOTES TO THE ACCOUNTS

2007/8 GROUP

	Previously Reported £000's	IFRS Adj £000's	FSE Adj £000's	EKSDC A.Policies £000's	EKSDC Ownership £000's	Reserve Transfer £000's	Restated £000's
<u>Non-current Assets</u>							
Investments in associates	449		819				1,267
Trade and other receivables due > 1 year	4,884	(190)					4,694
Available for sale financial assets					7,337		7,337
<u>Current Assets</u>							
Available for sale financial assets				357			357
Trade & Other Receivables	31,220			(7,694)			23,526
<u>Current Liabilities</u>							
Trade & Other Payables	(38,216)	(575)		532			(38,259)
Provisions for Liabilities and Charges							
Creditors due more than one year	(9,176)			9,176			
<u>Reserves</u>							
Government grant reserve	(49,715)			(6,931)			(56,646)
General reserve	(124,470)	765	(819)	(103)			(124,626)
Minority Interest	239			(2,777)	103		(2,435)

2007/8 AGENCY

	Previously Reported £000's	IFRS Adj £000's	FSE Adj £000's	EKSDC A.Policy £000's	EKSDC Ownership £000's	Reserve Transfer £000's	Restated £000's
<u>Non-current Assets</u>							
Investment in Subsidiary undertakings	(952)			6,931		103	6,084
Investments in Associates	449		819				1,267
Trade and Other Receivables due > 1 year	4,884	(190)					4,694
<u>Current Liabilities</u>							
Trade & Other Payables	(37,660)	(575)					(38,235)
<u>Reserves</u>							
Government grant reserve	(49,715)			(6,931)			(56,646)
General reserve	(124,470)	765	(819)	(103)			(124,627)



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online
www.tsoshop.co.uk

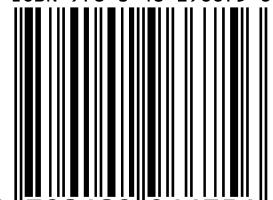
Mail, telephone, fax and email
TSO
PO Box 29, Norwich NR3 1GN
Telephone orders/general enquiries: 0870 600 5522
Order through the Parliamentary Hotline Lo-Call 0845 7 023474
Fax orders: 0870 600 5533
Email: customer.services@tso.co.uk
Textphone: 0870 240 3701

The Parliamentary Bookshop
12 Bridge Street, Parliament Square,
London SW1A 2JX
Telephone orders/general enquiries: 020 7219 3890
Fax orders: 020 7219 3866
Email: bookshop@parliament.uk
Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other accredited agents

Customers can also order publications from:
TSO Ireland
16 Arthur Street, Belfast BT1 4GD
Telephone orders/general enquiries: 028 9023 8451
Fax orders: 028 9023 5401

ISBN 978-0-10-296675-6



9 780102 966756