

**Annual Report and Accounts 2011-2012**  
HC 159



**One North East Annual Report and Accounts 2011-2012**

**Annual Report and Accounts presented to Parliament pursuant to Section 15(2)  
and Section 17(3), Part 1 of the Regional Development Agencies Act 1998**

**Ordered by the House of Commons to be printed on 27 June 2012**

**© ONE North East (2012)**

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 One North East copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries regarding this publication should be sent to Department for Business, Innovation and Skills, Enquiry Unit, 1 Victoria Street, SW1H 0ET

This publication is also for download at [www.official-documents.gov.uk](http://www.official-documents.gov.uk) and from the BIS website at [www.bis.gov.uk/](http://www.bis.gov.uk/)

ISBN: 9780102977639

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

ID 2489040

06/12

Printed on paper containing 75% recycled fibre content minimum

## **Contents**

Management Commentary	
– by Alan Clarke CBE	2
– by Paul Callaghan	6
Directors' Report	10
Remuneration Report	16
Governance Statement	23
The Certificate and Report of the Comptroller and Auditor General	30
Group Statement of Comprehensive Net Expenditure	32
Group Statement of Financial Position	33
Agency Statement of Financial Position	34
Group Statement of Cash Flows	35
Agency Statement of Cash Flows	36
Group Statement of Changes in Taxpayers' Equity	37
Agency Statement of Changes in Taxpayers' Equity	38
Notes to the Financial Statements	39

## **Annual Report – Management Commentary by Alan Clarke CBE**

In our final year of operation, One North East was allocated a budget of £90m to fund the transition and closure of our business.

The primary focus of all employees has been to professionally close down One North East on time and to budget while leaving a strong economic legacy for the region going forward. The Agency successfully achieved these aims and as Chief Executive and Accounting Officer, I led the closure process.

Closing an organisation of more than 400 employees which has been driving economic change at the heart of regional development over the past 13 years, has presented its own unique challenges.

Both myself and Chairman Paul Callaghan have continued during this financial year to work closely with the Business, Innovation and Skills (BIS) sponsor minister and senior civil servants across BIS, HM Treasury (HMT), the Department for Communities and Local Government (DCLG) and the Homes and Communities Agency (HCA).

We have led all activity at a national level for the regional development agencies since October 2010 and we will continue to fulfil this role until the planned final abolition of RDAs in June 2012.

Since the beginning of this financial year, One North East has not been allowed to spend any money on new economic activity, but has focused on completing existing commitments and projects.

The final year budget of £90m was exclusively to allow One North East to meet our existing obligations and to support the closure of our business.

Even in our final few months, One North East continued to support business where we could by meeting our on-going obligations.

The Agency invested a final £4.3m into the Manufacturing Advisory Service North East to continue the delivery of manufacturing and productivity support to regional firms.

In addition, a total of nearly £34m is expected to be committed, through a combination of Single Programme, European Regional Development Fund (ERDF) and Energy Technologies Institute funding into the further development of the National Renewable Energy Centre's offshore wind, turbine blade and marine testing facilities in Blyth.

Live programmes and activity has reduced as projects have closed and staff either transferred to other organisations or left the business.

Several phases of staff exits have taken place through secured transfers and redundancies. In June 2010, 415 people were employed at One North East. By March 2012, this number had been managed down to 11.

To continue their work on programmes such as the ERDF and the Rural Development Programme for England (RDPE), 78 staff have transferred from One North East to other public bodies.

And to ensure all legal and audit requirements are completed, core financial funding and 10 support staff have been secured through to June 2012 to enable this final work to be completed.

Project and staff transfers completed to date are:

- Inward Investment and Strategic Account Management teams transferred to PA Consulting (1 May 2011)

- Rural Development Programme for England transferred to Department for Environment, Food and Rural Affairs (DEFRA) (1 July 2011)
- ERDF transferred to DCLG (1 July 2011)
- Grant for Research and Development transferred to the Technology Strategy Board (TSB) (1 September 2011)
- Grant for Business Investment transferred to BIS (1 September 2011)
- Coalfields portfolio transferred to HCA (1 August 2011)
- Land and Property portfolio transferred to HCA (19 September 2011)
- Access to Finance activities transferred to Capital for Enterprise (BIS) and North East Access to Finance (NEA2F) (1 October 2011)
- Plugged in Places to Charge Your Car Ltd, at Gateshead College (1 December 2011)
- Portfolio Management Office (PMO) to BIS (1 January 2012)
- Manufacturing Advisory Service (MAS) to BIS (16 January 2012)
- Olympics activity to Department for Culture, Media & Sport (DCMS) (1 February 2012)
- NaREC Land to TSB (30 March 2012)

Further details of the activities that transferred can be found in Accounting Note 27.

Retaining the skills and professionalism of these staff in the North East is an important step in helping to deliver the new business programmes.

One North East employees who expertly managed the RDA's multi-million pound land and property portfolios will also not be lost to the region - having transferred to the HCA offices in Gateshead in September 2011.

The programmes closed during this financial year are:

- Innovation and Business Development - including healthcare and innovation
- Business Investment - including tourism/promoting the region, digital and creative and the overseas offices network

- Enterprise and Business Support - including Business Link, skills and economic inclusion
- Tees Valley Industrial Programme
- The Northern Way

The Plugged in Places programme promoting the development of electric vehicle infrastructure across the North East has transferred to a new home at Charge Your Car Ltd in Gateshead College.

Oversight and funding for the Centre for Process Innovation and National Renewable Energy Centre has transferred to the Technology Strategy Board and both have received national recognition by the Technology Strategy Board.

NGI and the Tourism Alliance is taking forward the award winning 'Passionate people, Passionate places' marketing campaign which still resonates with many people across the region and beyond.

Staff at One North East have continued to deliver for the regional economy in a professional way, working to support partners in our final year. I pay the highest tribute to all of them.

Our aim is to leave a legacy from which our partners will benefit, to help drive the future development of the North East economy.

Alan Clarke CBE,  
Chief Executive.

14 June 2012



## **Management Commentary by Paul Callaghan**

Over its lifetime, One North East has invested £3bn into the regional economy.

During this 13 year period, the RDA's strategic programme of investment into business, people and place helped stabilise the economic gap between the North East and the UK average, after many years of growing disparity.

One North East:

- created or protected 160,000 jobs;
- created or protected 19,000 businesses;
- established a £125m fund to support hundreds of small firms;
- reprioritised £52m into frontline support to help companies during the recession; and
- transformed North East tourism into a £4bn a year industry.

In isolation, these achievements would simply not have been possible, and the close working relationships forged with public and private sector partners have transformed the economic landscape of the region.

The Regional Economic Strategy (RES) set out the road map to success - with clear and understandable aims and objectives securing buy in from hundreds of businesses and partners.

A strong private sector led board at One North East with a deep understanding of the regional economy used the RES as its yardstick to make the big investment decisions to spark new growth.

The evidence of this investment in close partnership with public and private sector organisations is clear for all to see.

NewcastleGateshead Quayside, Middlesbrough's Boho Zone, Newcastle Science Central, Sunderland's Software City and a remodelled Durham City marketplace are all prime examples of a reinvigorated North East.

The region's business base is now far more diverse than just a decade ago, underpinned by traditional manufacturers but with an ever growing crop of bright young companies forging a successful future in digital and creative industries.

Industries such as new and renewable energy, low carbon and the process sector all offer significant new investment and job opportunities for the North East.

On the Northumberland coast, the National Renewable Energy Centre in Blyth (NaREC) continues to help industry drive forward the development of technology in this vital sector, as do the cutting-edge facilities of the Centre for Process Innovation (CPI) at Wilton.

National Catapult Centre status for CPI and NaREC brings recognition by government of their importance to the national economy, and a further vote of confidence in the North East economy.

These facilities are two links in a chain of industry hubs called innovation connectors which position the North East as an attractive proposition to investors.

Newcastle Science City, the Northern Design Centre, Sunderland Software City, NetPark, DigitalCity and the Wilton Centre offer world class investment and research and development facilities.

One North East's investment into the region's business base is proving more vital than ever as companies face up to the biggest economic challenges in a generation.

To help all entrepreneurs, both old and new, One North East with ERDF and European Investment Bank support established the £125m Finance for Business North East Fund which has been a resounding success, helping plug a funding gap left by risk averse banks.

In its first year of operation, the fund concluded 88 deals valued at £17m, creating 100 new jobs and protecting a further 500.

One North East administered the Grant for Business Investment scheme, which in 2010 alone backed 156 small firms with nearly £14m worth of support to create more than 1,500 jobs.

And our Inward Investment team helped secure 56 investments during 2010-11 resulting in £670m worth of capital expenditure from investing firms with the potential to create nearly 3,500 new jobs.

The common thread running through all these examples of regional success is the collaboration between One North East and its public and private sector partners, working closely together to secure new business, jobs and prosperity for the region.

Our tourism sector is now a £4bn success story, thanks in no small part to the substantial investment from One North East into marketing the region nationally and internationally under the 'Passionate people, Passionate places' banner.

Global players like Nissan are continuing to invest substantially in the North East.

They recognise the opportunities that lie here, the quality of the workforce and are prepared to commit hundreds of millions of pounds to make sure that the development of the world's first mass produced electric vehicle from its Sunderland base is a success.

And in Newton Aycliffe - a potential 'new Nissan' is ready to go live following Hitachi's decision to make a new generation of rail carriages there.

The hundreds of direct jobs and indirect jobs in the supply chain for the plant promise many years of prosperity in an area which gave birth to rail travel.

Thai firm SSI's decision to buy the Redcar TCP plant and begin making steel again is tribute to its world class workforce.

To have this region once more making steel for export across the world is a huge boost to the entire North East economy and proof positive that we are still very much an attractive business location to major overseas investors.

One North East has also worked closely with the world class expertise in our businesses and universities to invest heavily in areas of new growth in an effort to ensure economic advantage for the region.

Such areas are now the focus of the new Local Enterprise Partnerships and One North East will continue to do all it can in its final few months to help them with their plans for the future.

We are proud of what we have achieved at One North East and of the legacy we will leave behind.

But the far greater prize for us all is the on-going success of the North East economy we all care so deeply about.

Paul Callaghan,

Chairman.

14 June 2012

## **One North East Directors' Report**

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

### **Statutory Background**

One North East, the Development Agency for the North East of England, was established under the provisions of the Regional Development Agencies Act 1998. It came into existence on 14 December 1998, following Parliamentary approval of the Regional Development Agencies Act 1998 and the appointment of Board Members.

The Agency became fully operational on 1 April 1999 when it took over the regional activities of English Partnerships, the Rural Development Commission and the SRB Challenge Fund formerly administered by the Government Office for the North East and the Northern Development Company Limited under the provisions of the Regional Development Agencies Act 1998.

### **Review of Principal Activities and Results for the Year**

The results for the year ended 31 March 2012 are set out in the Financial Statements. The principal activity of the Agency during the year was to ensure the BIS objective of a solvent compliant closure of the Agency was achieved.

The Agency's income receivable from grants, disposals of assets, rents and other sources totalled £25.6 million. After taking account of disposals, the Agency's income was applied to its principal activity in paying grants.

During the year the Agency's reserves decreased to -£1.3m after the transfer of the majority of the Agency's Assets and associated reserves to the HCA as a consequence of the planned closure of the Agency.

### **Going Concern**

The Public Bodies Act, which paves the way for the abolition of all Regional Development Agencies (RDAs) received Royal Assent on 14 December 2011. The Department for Business, Innovation and Skills (BIS) issued two individual Transfer Schemes for each RDA under the Act, the first came in to effect on 1 January 2012, transferring remaining projects and some staff to BIS so that they can be completed. A second Transfer Scheme was made on 30 March to take away any remaining assets and liabilities so that RDAs achieved operational closure by 31 March 2012. BIS is currently drafting the formal Abolition Order which is expected to take effect on 30 June 2012.

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

We have reviewed the impact of this on the accounting policies, and where relevant, this has been reflected.

A small team of people will remain employed after 31 March 2012 with the purpose of concluding the 2011-12 Annual Report and Accounts and preparing accounts for the final reporting period.

As part of the planned closure of the Agency, those subsidiaries and joint ventures previously owned by the Agency and comprising part of the Group have either been sold, closed or transferred as shown in note 13.

As the Statement of Financial Position at 31 March 2012 shows a position of net liabilities, BIS have confirmed that they will provide funding to settle any liabilities.

## Events after the Reporting Period

One North East's financial statements are laid before the House of Parliament by the Secretary of State for Business, Innovation and Skills (BIS). *IAS 10 – Events after the Reporting Period* requires One North East to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date the audit report is signed by the Comptroller & Auditor General.

## Board Membership

One North East held six Board meetings during the course of the year. During the year the Agency had twelve Board Members who are appointed by the Secretary of State who are representatives from Local Authorities, Trade Unions, the voluntary sector and the private sector.

**Board Members during the year and the number of board meetings they attended during the year are as follows:**

Name	Attended	Name	Attended
Paul Callaghan (Chairman)	6 of 6	Gill Hale	5 of 6
Ruth Thompson OBE (Deputy Chair)	6 of 6	Lord John Shipley OBE	4 of 6
Ian Brown	6 of 6	Graham Thrower	6 of 6
Cllr Peter Jackson	4 of 6	Cllr Bob Symonds	6 of 6
Kate Welch OBE	6 of 6	Ian Dormer	4 of 6
Alison Thain OBE (resigned 31/12/11)	3 of 4	Professor Christopher Higgins (resigned 13/11/11)	0 of 3

**Board representation on Audit Committee and Remuneration Committee were as follows:**

Audit Committee		Remuneration Committee	
Name	Attended	Name	Attended
Ian Dormer (Chairman)	4 of 4	Paul Callaghan (Chairman)	2 of 2
Ruth Thompson OBE	2 of 4	Ruth Thompson OBE	2 of 2
Lord John Shipley OBE	4 of 4	Ian Dormer	1 of 2
Alison Thain OBE (resigned 12/5/11 before first meeting in year)	n/a		
Kate Welch OBE	4 of 4		
Graham Thrower	4 of 4		

One North East maintains a Register of Board Members' Interests, which is available for inspection on request to BIS. Members declare their interests to the Board in any transactions involving the relevant organisations and do not participate in any discussions or vote on any related matters. Related party transactions of Board Members and senior members of staff are detailed further in note 25.

During the course of the year, the Board Members have been involved in a range of Agency activity and as well as attending full Board meetings, the members are involved in a number of its committees focusing on specific issues.

The Agency operates a Code of Practice for Board and Committee Members to ensure that they observe the highest standards of conduct as outlined in the Nolan Report for openness, honesty, integrity, selflessness and objectivity in relation to stewardship of public funds and management of the Agency whilst at the same time acting in accordance with Government policy of openness.

## Audit Committee

The Board is independently advised by an Audit Committee whose role is to provide the Board with advice and information and to undertake a governance and supervisory role as required in accordance with Corporate Governance Best Practice. The Audit Committee produce an annual report for the Board which informs them of the adequacy of the Agency's systems of control and governance and highlights any issues of concern.

The Audit Committee met four times during the year to receive assurance on the Agency's systems of corporate governance, risk management and internal control. The Committee also received regular reports from KPMG as independent Internal Auditors. The range of Audit Committee activity carried out during the year has provided positive assurance about the Agency's governance and control environment and has supported the Agency in producing a satisfactory Governance Statement for the year.

The Committee was active in managing the governance agenda by requiring updates of Agency policies to ensure they remained at the leading edge of best practice, including Risk Management arrangements, Financial Regulations, the Scheme of Delegations and Whistle-blowing and anti-fraud arrangements

### **Remuneration Committee**

The work of the Remuneration Committee is detailed in the Remuneration Report.

### **Prompt Payment Policy**

The Agency is committed to the Better Payment Practice Code and aims to pay all invoices either within 30 days or in accordance with the terms agreed with the supplier.

The Agency aims to comply with the HM Treasury target by paying at least 95% of all undisputed invoices within 30 days. In the year ended 31 March 2012 the Agency paid 100% of invoices within 30 days of their receipt (2011: 99.9%).

The Agency aims to comply with the Government's announcement in the March 2010 budget to pay our suppliers within 5 days to support the region in the current economic climate. One North East subscribes to the "Prompt Payment Code" to reflect our continuing commitment to this payment code. From 1 April 2011 to 31 March 2012 the Agency paid 98.1% of undisputed invoices within 5 days of their receipt.

### **Work Undertaken from the One North East Strategic Research Budget**

Due to the abolition and closure of the Agency the Strategic Research budget was wound down during 2010-11. There was no further activity in this area in 2011-12.

### **Agency Accommodation**

One North East owned an office at Newburn until its sale on 31 January 2012 and occupied a part of it until the end of March 2012. It also leased an office at Stockton on Tees from April – September 2011. Operating costs during 2011-12 were £491,751 and £48,514 respectively.

### **Employment, Health and Safety and Environment Policies**

#### **Health and Safety**

The Agency has in place health and safety policies and procedures that set out how we fulfil our health and safety responsibilities. These apply to all staff, visitors, contractors and anyone else that may be affected by our activities, including our offices, commercial and industrial properties and projects. All safety walks and evacuations are carried out in accordance with current legislation.

The Agency's internal Health and Safety Committee met regularly up to 31 December 2011 to receive reports on health and safety matters and to agree future action, after this date this function was performed by the Directors Team. The Committee was chaired by the Deputy Chief Executive. The Head of HR and Facilities reported to the Corporate Resources Committee on a bi-monthly basis. All Property Preventative Maintenance (PPM) is carried out in accordance with legal requirements.

### **Sustainable Development Duty and Environmental Policy**

The Agency continued to deliver on its Sustainable Development Duty where appropriate in the transition and closure context. This included continuing work on low carbon vehicle projects. We have also worked closely with Government to secure an appropriate future for our renewable energy investments, such as the NAREC site. The Agency due to the size and nature of our activity is exempt from having to produce a detailed environmental impact statement.

### **Employee Information and Consultation**

Since the announcement in July 2010 to abolish Regional Development Agencies, the Agency has been working with staff, our trade union partner, PCS, and BIS to ensure the smooth closure of the Agency and the transfer of staff to successor organisations where appropriate. A robust workforce plan was developed based on forecast spend and closure of project activity and this was used to determine individual exit dates based on business need. All operational activity ceased on 31 March 2012 with a small team of 10 remaining until June 2012 to finalise the statutory accounts.

Throughout this period, the Agency has met with our PCS Branch Executive Committee on a regular basis and briefed staff through regular staff briefings and Keep in Touch sessions. Employee relations remained positive, in what was a challenging period.

Outplacement support services was secured for all staff and the Agency was able to offer a number of training opportunities to help staff update their skills to assist them in their future job search activities.

The Agency contacted staff who left the Agency's employment prior to 31 March 2012 and has established that, of those respondents, the majority of which have secured employment.

### **Accountability and Financial Framework**

The Secretary of State issued to One North East a Financial Framework on its formation setting out the financial framework under which the Agency should operate. The Memorandum was updated by the RDA Accountability Framework in October 2011 and the Agency has complied, in all material respects, with the Memorandum during the course of the 2011-12 financial year.

### **Audit Services**

The external auditor of One North East is the Comptroller and Auditor General (C&AG) who acts as the principal auditor of the group. He is appointed by statute to undertake the audit of the financial statements. The total amount due to the National Audit Office (NAO), the body that undertakes the audit on behalf of the C&AG, for 2011-12 was £82,000 (2010-11: £70,000). This entire sum related to external audit work undertaken by NAO.

### **Risk Management**

Risk management includes identifying, assessing and judging risks, taking actions to mitigate them, and monitoring and reviewing progress.



To ensure that the Agency has a culture and a set of behaviours which are conducive to the demands of risk management, a Risk Management Strategy, which is available from BIS and widely communicated throughout the Agency, is in place and is updated annually. The Agency has ensured that high quality risk management is at the core of our decision making at all levels.

The Risk Management Strategy includes the identification of operational, transitional and strategic risks, all of which are monitored on an ongoing basis by Strategic Support and Assurance. An update on all risks, including mitigating action taken, is considered by every meeting of the Audit Committee. Directors Team also consider progress in mitigating strategic risks on a monthly basis.

### **Pension Costs**

The pension scheme details are set out in the accounting policies note 1.3, in the Staff Numbers and Related Costs note to the Financial Statements (note 4) and in the Remuneration Report.

### **Political and Charitable Donations**

No political or charitable donations were made during the year.

### **Statement of Disclosure to Auditors**

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

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

Under Section 14 of the Regional Development Agencies Act 1998 the Group is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year end and of its income and expenditure, changes in taxpayers' equity and cash flow for the financial year.

The Accounts have been prepared in the form directed by the Secretary of State for BIS.

### **The Accounting Officer has carried out his responsibilities to ensure that:**

- so far as he is aware, there is no relevant audit information (as defined) of which the Agency auditors are unaware;
- he has taken all steps he ought to ensure that he is aware of any relevant audit information; and
- he has taken all steps he ought to establish that the entity's auditors are aware of the information.

### **In preparing the accounts the Agency is required to:**

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

The Accounting Officer for BIS has designated the Chief Executive as the Accounting Officer for One North East. His responsibilities as Accounting Officer include responsibility for ensuring propriety, and regularity and value for money of the public finances and for the keeping of proper records and advising and informing the Board of financial considerations, controlling and monitoring expenditure and income and ensuring effective systems are maintained for internal management, financial control, and internal audit. The Agency and the Chief Executive are also responsible for ensuring that there are appropriate controls over any publication of the Financial Statements, including the publication of the National Audit Office audit report on the Agency's website and on closure of the Agency this will pass to BIS. These requirements are set out in the "Non-Departmental Public Bodies' Accounting Officers' Memorandum" issued by the Treasury and published in Government Accounting.

## **One North East Remuneration Report**

### **Introduction**

This report for the year ended 31 March 2012 is produced by the Board on the recommendation of the Remuneration Committee and deals with the remuneration of the Chairman, Board Members, Chief Executive and Executive Management Team and the pension arrangements in place for all Agency employees.

### **Remuneration of the Chairman and of the Board Members**

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

### **Remuneration of the Chief Executive**

The Remuneration Committee has delegated authority from the Board of the Agency to make recommendations to BIS on the pay progression and performance related pay of the Chief Executive. The cost of living increase awarded to the Chief Executive is set according to a national scale approved by BIS. The Remuneration Committee also has delegated authority from the Board of the Agency to advise the Chief Executive in setting the remuneration of the Executive Management Team. Three members of the Board sat on the Remuneration Committee during the financial year; Paul Callaghan, Ruth Thompson OBE and Ian Dormer. The Remuneration Committee met on 1 June 2011 and 22 March 2012.

### **Service Contracts**

All Board members have been appointed on fixed term contracts and, except for the Chairman and Deputy Chairman, are contracted to carry out two days work per month. The Chairman and Deputy Chairman are contracted to carry out three days work per week and four days work per month respectively for the Agency.

Details of the terms of appointment of the Board Members are shown in the emoluments table below. Board Members appointments are made in accordance with The Office of the Commissioner for Public Appointments.

There are no provisions in place for Board Members' early termination of appointment.

The Chief Executive and all other members of the Executive Management team are employed under permanent full time employment contracts. Early termination of employment for the Chief Executive and Executive Management team, other than for misconduct, will be under the terms of Civil Service Compensation Scheme, as amended by the Superannuation Act 2010.

## Audited Part of the Remuneration Report

The following sections provide details of the remuneration and pension interests of Board Members, Chief Executive and Executive Management Team:

### Emoluments of Board Members

Board Member	Salary	Pension Contribution	Total 2012	Total 2011	Annual Salary Rate 2011/12	Months Paid
	£	£	£	£	£	
Paul Callaghan (Chair) (Appointed Chair 16/08/10 to 30/06/12)	81,858	19,857	101,715	81,325	81,718	12
Margaret Fay (Chair until 16/08/10)	0	0	0	73,587	0	0
Ruth Thompson OBE (Deputy Chair) (Appointed 01/10/10 to 30/06/12)	17,332	0	17,332	12,999	17,332	12
Cllr Bob Symonds (3 year appointed extended to 30/06/12)	8,666	0	8,666	8,666	8,666	12
Alison Thain OBE (resigned 31/12/11)	6,500	0	6,500	8,666	8,666	9
Ian Dormer (3 year appointment extended to 30/06/12)	8,666	0	8,666	8,666	8,666	12
Ian Brown (3 year appointment extended to 30/06/12)	8,666	0	8,666	8,666	8,666	12
Lord John Shipley OBE (3 year appointment extended to 30/06/12)	8,666	0	8,666	8,666	8,666	12
Kate Welch OBE (3 year appointment extended to 30/06/12)	8,666	0	8,666	8,666	8,666	12
Cllr Peter Jackson (Appointed 13/12/09 to 30/06/12)	8,666	0	8,666	8,666	8,666	12
Gill Hale (3 year appointment extended to 30/06/12)	8,666	0	8,666	8,666	8,666	12
Prof Chris Higgins (resigned on 13/11/11)	5,354	0	5,354	8,666	8,666	8
Graham Thrower (3 year appointment extended to 30/06/12)	8,666	0	8,666	8,666	8,666	12
Cllr Alex Cunningham (resigned 06/04/10)	0	0	0	722	0	0

No Board Members received any taxable non-cash benefits during the period

## Emoluments of Chief Executive and Executive Management Team

Name	Salary	Performance related Salary	Other Benefits	Pension Contribution	Exit Package	Total 2012	Total 2011	Annual Salary Rate 2011/12	Months Paid
	£	£	£	£	£	£	£	£	
Alan Clarke CBE (Chief Executive)	142,660	13,500	728	31,493	106,510	294,891	186,161	140,772	12
Ian Williams (Deputy Chief Executive) (to 16/12/11)	124,639	600	3,805	22,345	374,542	525,931	138,234	120,000	9
Trevor Waggett (Director of Finance)	93,172	375	0	22,641	57,745	173,933	26,103	84,000	12
Charles Peter Judge (Director of Legal and Procurement) (to 31/03/12)	182,624	600	0	22,768	62,695	268,687	27,634	88,927	12
Malcolm Page (to 31/12/10)	0	0	0	0	0	0	123,170	0	0
Stacy Hall (to 15/09/10)	0	0	0	0	0	0	201,885	0	0
David Cramond (to 03/12/10)	0	0	0	0	0	0	91,029	0	0
Alan Welby (to 30/09/10)	0	0	0	0	0	0	137,213	0	0

Salary received includes amounts relating to annual salary, holiday and notice pay for all staff, in accordance with accounting requirements including IAS 19, and include all exit packages and retention payments, for staff leaving up to 31 March 12.

Exit Package covers redundancy payments made under the appropriate approved civil service schemes and reflects rights accrued by staff, in some cases over many years and including preserved civil service rights.

### Remuneration of Highest Paid Director

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions. The calculation is based on staff in post as at 31 March 12, and does not include leavers during the financial year.

Remuneration of Highest Paid Director	£263,398
Median Total Remuneration	£65,291
Ratio	4.0

## Redundancy Compensation Packages (Disclosed in Cost Bands):

### Agency Staff

Exit Package Cost Band	Total Compulsory Redundancy Packages	Total Other Departures	Total Exit Packages	Total Exit Packages 2010/11
Up to £10,000	26	6	32	29
£10,001 - £25,000	65	12	77	40
£25,001 - £50,000	40	13	53	21
£50,001 - £100,000	7	4	11	11
£100,001 - £150,000	1	0	1	1
£150,001 - £200,000	0	1	1	0
Over £200,000	1	1	2	0
Total number of exit packages	140	37	177	102
Total resource cost / £	3,549,523	1,473,150	5,022,673	2,335,515

### Additional Information

#### Other Benefits to Board and Executive Directors

An estimated taxable benefit for 2011-12 of £439 (2010-11:£431) has been calculated in relation to Board members which relate to mileage claims for meetings held at Stella House (which was classified as their permanent place of work).

Other benefits to the Chief Executive and Executive Management Team comprise lease car, provided to the Chief Executive, and a monthly car user allowance, provided to one member of the Executive Management Team.

#### Non-Cash Remuneration

Apart from the use of lease cars described above, no non-cash remuneration was provided during the year to Board members, the Chief Executive or members of the Executive Management Team.

#### Compensation paid, significant awards to former Executive Management Team members.

No amounts of compensation or significant awards were paid during the period to former Executive Management Team Members who left in prior periods.

#### Amounts paid to third party for Executive Team services

No amounts were paid to third parties during the year for Executive Management Team services.

#### Payments made for loss of office

Payments during the year for loss of office other than disclosed above were £nil (2010-11:£nil)

## Pension benefits

### Pension benefits of Board Members

A pension scheme has been established for the Chairman with the approval of BIS. The contribution rates and benefits of this scheme, which is funded directly by the Agency, are identical to the Principal Civil Service Pension Scheme (PCSPS). The Agency is not permitted to pay these contributions to a personal pension scheme or other pension plan provider. On retirement, payment of the Chairman's pension will be the responsibility of BIS. No other Board members are eligible for pension contributions, performance related pay or any other taxable benefit as a result of their employment with the Agency.

### Pension benefits of Chief Executive and Executive Management Team

The Chief Executive and members of the Executive Management Team are members of the PCSPS.

**The pension entitlements of the Chief Executive and Executive Management Team at the last date at which they could be evaluated (31 March 2012) are as follows:**

Name of Officer	Pension Scheme	Accrued Pension at age 60 as at 31/03/12 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31/03/12 £000	CETV at 31/03/11 £000	Real increase in CETV as funded by employer £000
C P Judge	Premium	16-20	0-2.5	188	151	14
T Waggett	Premium	11-15	0-2.5	197	155	26
I Williams	Classic	36-40 + lump sum of 116-120	2.6-5 + lump sum of 10-15	596	491	74
A Clarke CBE	Premium	76-80	0-2.5	1,421	1,327	0

Accumulated accrued pensions on retirement are based on current pensionable salary and the number of years membership of the current scheme, excluding any transfers in.

### Cash Equivalent Transfer Values

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

The CETV figures 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 Civil Service 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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.

The actuarial factors used in calculating these amounts were changed during 2011-12 to reflect the government's decision to change the basis of uplifting pension increases from RPI to CPI. The balances at 31 March 12 reported here have been adjusted to reflect these changed factors and therefore are not the same as the corresponding figures in the 2010-11 Annual Report and Accounts.

### **Real increase in CETV**

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

### **Pension Arrangements**

Permanent staff of the Agency are members of either the PCSPS or the Homes & Communities Agency Pension Scheme (formerly English Partnerships Scheme). The PCSPS is a non contributory defined benefit scheme (with the exception of the Partnership Pension Account), and the Homes & Communities Agency Pension Scheme and defined benefit schemes where members contribute 5% or 6% of pensionable salary.

### **Homes & Communities Agency Pension Scheme**

The Homes & Communities Agency Pension Scheme (formerly English Partnerships Scheme) is a multi-employer defined benefit scheme, and the scheme's nature is such that individual member employers are unable to identify their share of underlying assets and liabilities. For 2011-12, normal employer contributions of £16,715 were payable to the Homes & Communities Agency Pension Scheme (2010-11: £19,061) at the rate of 29.1% of pensionable pay. On 30 March 2012 the liabilities (contingent) on this scheme were transferred to BIS (see Accounting Note 28).

### **Principal Civil Service Pension Schemes (PCSPS)**

The PCSPS is an unfunded multi-employer defined benefit scheme but One North East is unable to identify its share of underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2011-12, employers' contributions of £966,120 were payable to the PCSPS (2010-11: £2,430,313) at one of four rates in the range of 16.7% to 24.3% of pensionable pay, based on salary bands and will remain the same for the next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

From 30 July 2007, civil servants may be in one of four statutory-based final salary defined benefit schemes (classic, premium, classic plus and nuvos). The scheme which the Agency's staff are in is dependant on the date they joined One North East. New entrants after 30 July 2007 may choose between membership of nuvos or joining a good quality money purchase stakeholder based arrangement with a significant employer contribution (partnership pension account).

#### **(a) Classic Scheme**

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. Increases to employee contributions will apply from 1 April 2012. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of



twice pensionable pay and also provides a service enhancement on commuting the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

#### **(b) Premium Scheme**

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. During 2011-12 members paid contributions of 3.5% of pensionable earnings. Increase to employee contributions will apply from 1 April 2012. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump sum benefit of three times pensionable earnings and also provides a service enhancement on commuting the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

#### **(c) Classic Plus Scheme**

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

#### **(d) Nuvos**

On 30 July 2007 the government introduced a new pension scheme called nuvos for new entrants to the civil service. Under this scheme benefits accrue at the rate of 2.3% of pensionable earnings for each year of service with the amount increasing by Pensions Increase Legislation. Members will pay contributions of 3.5% of pensionable earnings. Increases to employee contributions will apply from 1 April 2012. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 37.5% of the members pension to date. Children's pensions are payable to members' children and any other dependent children up to the age of 18 or up to the age of 23 if they are in full-time education. On death in service, the scheme pays a lump sum benefit of twice pensionable earnings.

#### **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. 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% (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of risk benefit cover (death-in-service and ill-health retirement). The member may retire at any time between the ages of 50 and 75 and use the accumulated fund to purchase a pension. The member may choose to take up 25% of the fund as a lump sum. For 2011-12, normal employer contributions of £7,230 were payable to the Partnership Pension Account (2010-11: £13,871).

#### **North East Development Agency Retirement Benefit Scheme (NEDARBS) & One North East By Analogy Scheme for Chairs with Rules Equivalent to those of PCSPS**

Both of these schemes were transferred to BIS on 30 March 2012.

## **Governance Statement**

### **1. Introduction and Key Issues**

One North East ('the Agency') is a Regional Development Agency (RDA), classified as a non-departmental public body of the sponsoring Department for Business, Innovation and Skills (BIS). The Secretary of State is accountable to Parliament for the activities and performance of the Agency, although the Government Office for the North East undertook the sponsorship and monitoring role from a regional perspective until its abolition in March 2011.

### **2. Key Challenges Facing the Agency**

The closure of the Agency within almost a two year closure timescale presented a substantial challenge to maintaining an effective control environment throughout the closure period. In 2011-12 the Agency faced 'business as usual' risks, transition risks and risks arising from the closure process. The prime activities of the Agency during 2011-12 were therefore centred around the closure of the Agency and, where appropriate, the transfer of its activities and assets. In particular these areas included:

- the transfer of assets to HCA and other receiving organisations;
- the establishment of the Portfolio Management Office and other residual arrangements;
- gradual reduction of the workforce including ensuring appropriate human resource planning;
- the transfer of functions and activities such as ERDF and RDPE; and
- financial arrangements surrounding closure including the maintenance of financial control.

Key management and Board oversight arrangements were put in place to ensure the Agency performed well in relation to each of the above areas. These arrangements included the creation and monitoring of formal plans, regular reporting to Directors Team and the Board, the introduction of additional operational controls and the enhancement of risk management arrangements.

### **3. Significant Strategic Risks**

The Agency approach to risk management was to have a hierarchy of risks and associated risk registers, which mirrored the hierarchy of objectives and management structure within the Agency. The most significant, strategic risks were owned by a director. Strategic risk management procedures were enhanced in 2011-12 to reflect the uncertainty regarding closure. In particular additional ongoing reporting to Director's Team was introduced. In addition the Audit Committee and the Board were provided with regular updates as to the status of risks and the actions taken to manage them.

Strategic risks for 2011-12 focused on the key challenges facing the Agency and included:

- The transfer of activities including people, assets and liabilities - the Agency responded to this risk in a number of ways including the creation and implementation of Workforce and Assets and Liabilities Disposal plans. Each of these plans was monitored closely by Director's Team with ongoing reporting to the Board.
- Guidance from central government and the Agency's ability to influence at the national level – the Agency took the Chair of Chairs role and was able to provide constructive and timely feedback to central government regarding progress and new initiatives. The Agency was also able to maintain dialogue with central government via peer review and representation on the National Transition Board.

- Maintaining financial control and ensuring the orderly financial closure of the Agency – operational activity was driven by detailed and robust planning arrangements. Additional budgetary controls were also implemented including the adoption of cash accounting for management reporting to ensure a robust control over cash balances and spend, and the further enhancement of existing project expenditure controls.

#### **4. Financial Performance and Resource Management**

The Agency has a history of sound financial and resource management arrangements built on a platform of strong financial control and robust operational and planning arrangements. These processes and procedures were enhanced and adapted to minimise any risks associated with the closure of the Agency. Key elements of control included:

- the creation of a robust Workforce Plan that was used to drive operational budgets;
- additional project closure financial arrangements including the introduction of project dashboards which facilitated financial monitoring of project expenditure;
- focus on cash rather than accruals accounting which minimised the risk of unforeseen budget variances;
- increased reporting to the Audit Committee and Board;
- extra Internal Audit coverage ensured all key financial processes were covered during the year; and
- regular changes to corporate governance arrangements ensured the continual application of financial delegations and controls during the rapid organisational change.

Sound overall financial performance and resource management arrangements resulted in a satisfactory out-turn combined with an optimum, reducing, level of staffing during the year, which has seen all remaining corporate activity delivered to a high standard.

#### **5. The Agency's Governance Framework**

The Agency has corporate responsibility for ensuring that it fulfils the aims and objectives set by the Secretary of State, and for promoting the efficient and effective use of resources by the organisation. The Agency was committed to the pursuit of economy, efficiency and effectiveness and sought to adopt good practice and incorporate value for money principles in all of its activities. The Agency has ensured that it maintained these core principles as it approached closure. The Accounting Officer advised the Board on the Agency's performance compared with its aims and objectives and ensured that its governance responsibilities were discharged in accordance with established criteria.

The Agency's Board has corporate responsibility for ensuring that the Agency fulfils the aims and objectives set by the Secretary of State, and for promoting the efficient and effective use of staff and other resources by the Agency. To this end, the Board played a major role in the risk management and internal control processes. The Board met regularly to consider the Agency's plans and strategic direction, in which it was supported by the Corporate Resources Committee and the Audit Committee. Attendance at these meetings was recorded and absences reported. Each Board member also had an individual annual meeting with the Chairman of the Agency to discuss their performance, training requirements and any required actions.

The Board delegated the detailed review of assurance on the Agency's systems of Corporate Governance, Risk Management and Internal Control to the Audit Committee, which met regularly during the year. The Terms of Reference of the Audit Committee, including its role and the authority delegated to it by the Board, were made available on the Agency's website, and are available from BIS post our closure.

As a result of the Government's decision to abolish RDAs by March 2012, the Agency was operationally closed from 31 March 2012 with expected abolition on 30 June 2012, consequently the Agency's priorities changed significantly, with focus shifting to ensuring an orderly closure of the organisation and an effective transfer of those functions that will continue. To meet these new priorities, as well as continuing to meet day to day business requirements and manage the changing risk environment, changes were made to the internal governance structure. Since September 2010, a Project Board, chaired by the Chief Executive and comprising all executive directors and key transition officers, has been in place to review all aspects of closure and transition on a weekly basis. A Transition Board Sub-group, consisting of the Chairman plus Chairs of each standing committee, was also established to provide non-executive oversight. The Transition Board Sub-group reports directly to the Agency Board on overall progress.

The Agency has comprehensive policies and procedures in place covering financial, legal, human resource and information security management, together with appropriate appraisal and approval procedures governing Agency programmes and projects. Adherence to the Agency's policies and procedures is subject to ongoing review under the Joint Assurance Plan.

The Agency learned from best practice in relation to governance arrangements through close working with its external and internal auditors, and links to the RDA Internal Audit Network. The Agency also established close links with other public sector bodies and relevant forums in order to share experiences and knowledge. For example, the Chair of the Audit Committee attended the regular RDA Audit Committee Chairs meetings.

## **5.1 The Agency Board and Committee Structure**

The Board met regularly to consider the Agency's plans and strategic direction, in which it was supported by the Corporate Resources Committee and the Audit Committee. The Transition Board Sub-group, created to oversee transition issues, reported directly to the Agency Board on overall progress.

During 2011-12 the Agency monitored its resources, both human and financial, on an ongoing basis so as to prioritise its efforts to ensure a timely and orderly closure. Direction and oversight continued to be provided by the Board and its committees. Directors established a weekly meeting which solely focused on the proper and orderly closure of the Agency. Weekly meetings of a core Directors group, SHAPE, chaired by the Chief Executive, also focused on staffing issues associated with closure. Key elements of the meetings included KPI and financial monitoring. There has been intensive Internal Audit coverage including reviews of all core financial processes each of which produced a good or satisfactory result. The Agency also created a Workforce Plan which was used to ensure appropriate resources were maintained to deliver remaining Agency activities.

Key reports and issues considered by the Board related to:

- disposal of Assets and Liabilities;
- transfer of Functions and Activities such as ERDF;
- workforce Planning;
- financial Monitoring;
- closure Planning; and
- knowledge Management and Legacy.

Each of the above reports was designed to ensure that the Agency transferred or closed its activities in line with central government guidance whilst ensuring value for money and suitable control of public funds was attained throughout the process.

Workforce planning reports were designed to ensure the Agency was able to deliver quality performance through to closure. This was done by ensuring, within budget, that key skills were maintained within the Agency and matched with the core priorities through to closure.

During 2011-12 the Board met on six occasions and the Audit Committee on four occasions. Attendance at the Board stood at 92% for non-executive directors, whilst executive director attendance stood at 97% further details are available in the Directors' Report.

Board members have undertaken an individual assessment of Board performance and considered their findings at the March 2012 Board meeting. The key points noted by the Board members were:

- The Board was well established, well informed and continued to work closely.
- Decision making priorities changed as the key aim of the Board was to correctly manage the process of closing the Agency. However it was noted that lack of clarity from external organisations on key issues was often frustrating.
- Members of the Board felt that both the Chair and Chief Executive were working well despite the obvious challenges.
- The Board was very appreciative of the high standard to which Agency staff continued to work.
- The quality of Board papers had been maintained and information received from the Executive was excellent.

Processes were in place at all meetings ensuring that Directors understood their obligations in relation to actual or potential conflicts of interest.

## **5.2 Corporate Governance Performance**

On 22 June 2010, the Coalition Government confirmed its intention to abolish Regional Development Agencies by 31 March 2012 through the Public Bodies Bill. The Agency immediately took action and put plans in place to manage the Agency's closure, whilst ensuring the effective delivery of its remaining economic development activity. This approach has continued to be implemented throughout 2011-12.

During 2012 the Agency has continued to implement its Closure and Transition Plan, which set out how the Agency would manage the process of winding down its business by 31 March 2012. The plan had been reviewed by our sponsor department (BIS), who consider our approach to provide an appropriate framework for the closure process. As part of this work, the Agency continued to review and enhance its system of internal control in response to the new business context.

There were no significant internal control weaknesses.

The Scheme of Delegated Authority continued to be reviewed, on an ongoing basis, to ensure decision making on final programme investments, operations, transfers and disposals were made at the appropriate senior level. The Scheme of Delegated Authority continues to be updated on a regular basis as corporate and staffing structures changed in line with the transfer and closure of activities and associated changes to the Workforce Plan.

The Agency's system of internal control was 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 was based upon an ongoing and embedded process designed to identify and prioritise the risks to the achievement of the Agency'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. This system was in place in One North East for the whole of 2011-12.



### **5.3 Compliance with the Corporate Governance Code**

The Agency has assessed its governance arrangements in respect of the Corporate Governance Code and has demonstrated ongoing compliance with the Code as relevant to the Agency. The Agency has maintained a sound governance and assurance framework which facilitated compliance with the Code. In view of the closure of the Agency existing robust governance arrangements were further enhanced during 2011-12 with additional controls over expenditure and extra audit activity.

The inter-relationship between the Agency and BIS is codified in formal documents issued by BIS, such as the Accountability & Financial Framework. The Agency also ensured compliance with Managing Public Money and relevant Dear Accounting Officer letters, both of which are issued by HM Treasury, in addition to the Government Financial Reporting Manual (FReM). Although the Code of Good Practice for Corporate Governance (DAO 09/05) does not apply to NDPBs, the Agency has considered and adopted the relevant principles of best practice identified within the code to further enhance its system of internal control.

In general, the Agency adopted the Corporate Governance in Central Government Departments: Code of Good Practice 2011 issued in July 2011, and continued adherence is reviewed and reported annually to the Audit Committee. The Agency has an independent Internal Auditor, KPMG, which operated in accordance with Government Internal Audit Standards and delivered a programme in accordance with a Joint Assurance Plan. This plan was prepared and delivered in conjunction with the Strategic Support & Assurance team and was approved by the Audit Committee before the financial year commenced.

## **6. Internal Audit**

Internal Audit played an important role in the risk management process by;

- focusing audit activity on areas linked with key business risks;
- facilitating Directors in identifying and defining strategic risks; and
- routinely reviewing the Agency's risk management process and its application.

Internal Audit submitted 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. During 2011-12 all core financial and closure processes were reviewed by Internal Audit. Throughout the year recommendations have been accepted by management and have been implemented or progressed in accordance with agreed timetables. Following completion of the planned work for 2011-12, the Head of Internal Audit has issued an independent and objective Statement of Assurance confirming the adequacy and effectiveness of the Agency's system of internal control.

The status of Internal Audit recommendations, and the collection of evidence to verify their implementation, was regularly reviewed by the Strategic Support & Assurance team in line with follow-up protocol, the outcomes of which are regularly reported to the Audit Committee.

In the past the Agency also had responsibility for several external funding streams, notably ERDF and RDPE. This responsibility ceased at the start of July 2011. During the first three months of the year the Agency successfully implemented its programme of mandatory Article 13 project verifications for projects in receipt of ERDF funding, which was delivered by Mazars and complemented existing Project Verification Service for Single Programme funding. The annual Internal Audit review of the management and scheme arrangements Rural Development Programme for England (RDPE) was also undertaken, and concluded positively.

## **7. Risk Assessment and Management Arrangements**

The Agency had a continuous process for identifying, assessing, evaluating and managing significant risks, which had been in place and operating for the period to which this statement

relates. The Audit Committee, on behalf of the Board, provided leadership of the risk management process.

The Management Team and Board led on the identification and consideration of strategic risks and this provided assurance that the high-level, overarching risks faced by the Agency were identified, reported and effectively managed.

The Risk Management Strategy was subject to annual review and a revised strategy for 2011-12 was approved in March 2011. The Strategy reflected the fact that the management of risk formed an integral part of the Agency's performance management and business planning processes. It was designed to ensure that it is clear where ownership and accountability for risk lies. The Strategy closely followed the guidelines as set out in Dear Accounting Officer letters. In addition, the Agency has incorporated the key elements of the latest British Standard on Risk Management to ensure its arrangements continue to adhere to best practice.

At an operational level, risk registers and risk reduction measures for all parts of the Agency continued to be monitored and reported on a quarterly basis. Significant risks, those above the Agency's risk appetite, were addressed as a matter of priority and brought to senior management's attention until mitigating actions reduced the risk to an acceptable level.

The Agency approach was to have a hierarchy of risk management and associated risk registers, which mirrored the hierarchy of objectives and management structure within the Agency. In this way, lower level risks informed the consideration of risks at the next level in a 'bottom up' approach. Those significant risks identified by the Directorate were then reported to and managed by the appropriate Director. The Directors' Team, Audit Committee and the Board were provided with regular updates as to the status of risks and the actions taken to manage them.

The Directors also identified a concise register of key strategic risks faced by the Agency, providing a high-level, overarching approach which identified more general risks to the achievement of the Agency's objectives.

## 7.1 Risk Appetite

Using a simple high/medium/low categorisation, the following definitions for probability and impact were adopted by the Agency:

	<b>Probability</b>	<b>Impact</b>
<b>High</b>	Very likely to happen. Immediate action required.	Critical threat to the achievement of objectives. Risk of a significant impact.
<b>Medium</b>	Quite likely to happen. The situation should be closely monitored.	Moderate threat to the achievement of objectives. Risk of a substantial impact.
<b>Low</b>	Unlikely that event will happen.	Little threat posed to the achievement of objectives.

Risks which were deemed to fall into the High Probability/High Impact or High Probability/Medium Impact areas were judged to be above the Agency's risk appetite. These were designated as significant risks and drawn to the attention of senior management. For these risks, focus was placed on ensuring effective mitigating action was taken until the risk could be managed to a point below the appetite level, although it was recognised that in some rare cases there were external factors which compromised the Agency's ability to do this. In these areas, the risk and its current status were very closely monitored.

## 7.2 Emerging Risks

In response to the announcement of the Government's decision to abolish the RDAs by 31 March 2012, the Agency identified a number of transition and closure risks which were managed throughout the year via existing risk management processes. The Agency also established a group of transition lead officers, including an officer with responsibility for managing and monitoring transition risks. A series of Key Performance Indicators relating to transition and closure were developed to monitor and manage the key areas of closure and transition. These performance indicators include 10 strategic risks each of which was personally managed by a Director. These strategic risks included risks associated with:

- the transfer of activities including people, assets and liabilities;
- guidance from central government and the Agency's ability to influence at the national level; and
- maintaining financial control and ensuring the orderly financial closure of the Agency.

Each strategic risk was managed by an Executive Director who ensured that appropriate action was taken to monitor, manage and mitigate the risks. Progress in relation to each risk is reported to, and considered by, directors on a monthly basis. Each Audit Committee receives a report on progress in managing strategic risks.

As the Statement of Financial Position at 31 March 2012 shows a position of net liabilities, BIS have confirmed that they will provide funding to settle any liabilities.

## 8. Significant Lapses of Data Security

Information security and the importance of safeguarding information was an important part of the internal control agenda, which is led by the Finance & Information Management & Technology team. As in previous years, all employees had to adhere to the Agency's ICT Security Policy, which ensured the continued delivery of appropriate standards of collection, use, control and access to the organisation's information. The Agency continued to comply with the Government's Security Policy Framework, a requirement of BIS. There were no significant lapses of data security during the year.

## 9. Conclusion

As Accounting Officer, I have responsibility for maintaining a sound Governance framework, including systems of internal control, that support the achievement of One North East'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*.

As Accounting Officer, I also have responsibility for reviewing the effectiveness of systems for governance, management and risk control. My review is informed by the work of the Strategic Support & Assurance team, Internal Audit, Directors, and Heads of Teams within the organisation, who have responsibility for the development, maintenance and operation of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have advised the Board and the Audit Committee on the importance of effective internal controls and plans are in place to ensure the current robust systems operate for the remaining weeks of the Agency prior to formal closure.

On the basis of the information provided above, I, as Accounting Officer, conclude that the Agency has had a satisfactory system of governance, supported by sound internal controls, in operation for the financial year 2011-12.

Alan Clarke CBE  
Chief Executive  
One North East  
14 June 2012



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

I have audited the financial statements of One North East for the year ended 31 March 2012 under the Regional Development Agencies Act 1998. These financial statements comprise the Group Statement of Comprehensive Net Expenditure, the Group and Agency Statements of Financial Position, the Group and Agency Statements of Cash Flows and the Group and Agency Statements of Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that Report as having been audited.

### **Respective responsibilities of the Board, the Accounting Officer and auditor**

As explained more fully in the Statement of the Agency's and Chief Executive's Responsibilities, the Board and the Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with the Regional Development Agencies Act 1998. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the Audit of the Financial Statements**

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

In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

### **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 One North East's affairs as at 31 March 2012 and of its net expenditure for the year then ended; and

- the financial statements have been properly prepared in accordance with the Regional Development Agencies Act 1998 and Secretary of State directions issued thereunder.

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

Without qualifying my opinion, I draw attention to the disclosures made in note 1.1 of the financial statements concerning management's decision to apply a basis other than going concern in the preparation of the financial statements. This was made following Royal Assent to the Public Bodies Act 2011 which contains provision for the abolition of all Regional Development Agencies.

### **Opinion on other matters**

In my opinion:

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

### **Matters on which I report by exception**

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

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

Date 18 July 2012.

## FINANCIAL STATEMENTS 2011-12

### GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2012

		Continuing Activity £000	Discont- inuing Activity £000	Year Ended 31 March 2012 £000	Restated Year Ended 31 March 2011 £000 *
<b>Expenditure</b>	<b>Note</b>				
European Funded Programme Expenditure	2	0	1,016	1,016	3,563
Programme Expenditure	2	7,200	32,622	39,822	181,738
Staff Costs	2/4	465	12,431	12,896	20,130
Depreciation	9	0	370	370	452
Other Expenditure	6	9	5,831	5,840	13,054
Write Downs and Impairments	19	0	2,144	2,144	5,925
Book Value of Inventories Sold	7	0	3,067	3,067	3,677
European Funded Expenditure, Managing Authority Role	2/10	13,958	0	13,958	22,874
<b>Total Expenditure</b>		<b>21,632</b>	<b>57,480</b>	<b>79,112</b>	<b>251,413</b>
<b>Income</b>					
European Funded Income	10	0	875	875	5,151
Other Income	10	624	3,150	3,774	62,554
European Funding, Managing Authority Role	2/10	13,958	0	13,958	22,874
Proceeds From Disposals	10	0	8,149	8,149	1,258
<b>Total Income</b>		<b>14,582</b>	<b>12,174</b>	<b>26,756</b>	<b>91,837</b>
<b>Net Expenditure</b>		<b>7,050</b>	<b>45,306</b>	<b>52,356</b>	<b>159,576</b>
Interest Receivable	10	0	(190)	(190)	(610)
Loss / (Gain) from share in Joint Ventures	13	0	(15)	(15)	(9)
Loss / (Gain) on Disposal of Joint Ventures and Subsidiaries	13	0	55	55	0
Loss / (Gain) on Transfers to Government **	28	223	(4,996)	(4,773)	0
<b>Net Expenditure after Interest</b>		<b>7,273</b>	<b>40,160</b>	<b>47,433</b>	<b>158,957</b>
Corporation Tax Recovered	11	0	(1,580)	(1,580)	(1,313)
<b>Net Expenditure Taken to the General Reserve</b>		<b>7,273</b>	<b>38,580</b>	<b>45,853</b>	<b>157,644</b>
<b>Other Comprehensive Expenditure</b>					
Net loss on revaluation of property, plant and equipment	9	0	1,210	1,210	0
Net loss on revaluation of financial assets	8	0	0	0	43
Net loss on disposals		0	297	297	1,391
Corporation Tax relating to items included in revaluation reserve		0	0	0	30
<b>Total Comprehensive Expenditure for the period</b>		<b>7,273</b>	<b>40,087</b>	<b>47,360</b>	<b>159,108</b>

Net expenditure is financed by Grant in Aid as explained in accounting policy note 1.11.

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

\*\* The Loss / (Gain) on transfer primarily arises as a consequence of the transfer of assets and liabilities, valued at their fair valuation, to other parts of Government for Nil consideration. Further details are available in Note 28.

**FINANCIAL STATEMENTS 2011-12**  
**GROUP STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2012**

		31 March 2012	Restated Year Ended 31 March 2011	Restated Year Ended 31 March 2010
	Note	£000	£000 *	£000 *
<b>NON CURRENT ASSETS**</b>				
Intangible Assets	12	0	13	49
Property, Plant and Equipment	9	0	9,275	9,818
Loans and Receivables at fair value	14	0	3,882	7,748
Investments in Joint Ventures (Assets)	13	0	1,734	1,508
Investments in Joint Ventures (Liabilities)	13	0	(1,694)	(1,490)
Financial Assets	8	0	17	64
Pension Asset	1.3	0	518	0
<b>Total Non Current Assets</b>		<u>0</u>	<u>13,745</u>	<u>17,697</u>
<b>CURRENT ASSETS**</b>				
Inventories	7	0	5,084	16,141
Trade Receivables	16	1	12,589	3,150
Financial Assets	8	0	49	162
Other Current Assets	16	282	30,516	17,837
Cash and Cash Equivalents	17	1,715	41,766	46,607
<b>Total Current Assets</b>		<u>1,998</u>	<u>90,004</u>	<u>83,897</u>
<b>Total Assets</b>		<u>1,998</u>	<u>103,749</u>	<u>101,594</u>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	18	(3,268)	(68,768)	(83,172)
<b>Total Current Liabilities</b>		<u>(3,268)</u>	<u>(68,768)</u>	<u>(83,172)</u>
<b>Assets less Current Liabilities</b>		<u>(1,270)</u>	<u>34,981</u>	<u>18,422</u>
<b>NON CURRENT LIABILITIES</b>				
Provisions	5	0	(8,131)	(4,276)
Deferred Tax Provision	5	0	(4,430)	(5,768)
Trade and Other Payables	18	0	(13,276)	(15,056)
Pension Liability	1.3	0	0	(221)
<b>Total Non Current Liabilities</b>		<u>0</u>	<u>(25,837)</u>	<u>(25,321)</u>
<b>ASSETS LESS LIABILITIES</b>		<u>(1,270)</u>	<u>9,144</u>	<u>(6,899)</u>
<b>TAXPAYERS' EQUITY</b>				
Capital Reserve		(0)	7,639	6,261
Revaluation Reserve		0	1,507	2,971
General Reserve		(1,270)	(2)	(16,131)
<b>Total Taxpayers' Equity</b>		<u>(1,270)</u>	<u>9,144</u>	<u>(6,899)</u>

Approved by the Board on 14 June 2012, and signed on their behalf by:

Paul Callaghan  
Chairman

Alan Clarke CBE  
Chief Executive / Accounting Officer

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

\*\* Following the change in the status of our going concern (see Note 3) all the assets and liabilities for 2012 have been reclassified as current

**FINANCIAL STATEMENTS 2011-12**  
**AGENCY STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2012**

		31 March 2012	Restated Year Ended 31 March 2011	Restated Year Ended 31 March 2010
	Note	£000	£000 *	£000 *
<b>NON CURRENT ASSETS**</b>				
Intangible Assets	12	0	13	49
Property, Plant and Equipment	9	0	9,268	9,802
Investments in Subsidiaries	13	0	(1,124)	(995)
Investments in Joint Ventures (Assets)	13	0	1,734	1,508
Investments in Joint Ventures (Liabilities)	13	0	(1,694)	(1,490)
Financial Assets	8	0	17	64
Pension Asset	1.3	0	518	0
<b>Total Non Current Assets</b>		<b>0</b>	<b>8,732</b>	<b>8,938</b>
<b>CURRENT ASSETS**</b>				
Inventories	7	0	5,067	16,079
Trade Receivables	16	1	14,429	1,929
Financial Assets	8	0	49	162
Other Current Assets	16	282	26,563	13,377
Cash and Cash Equivalents	17	1,715	25,097	31,111
<b>Total Current Assets</b>		<b>1,997</b>	<b>71,205</b>	<b>62,658</b>
<b>Total Assets</b>		<b>1,998</b>	<b>79,937</b>	<b>71,596</b>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	18	(3,268)	(63,750)	(73,457)
<b>Total Current Liabilities</b>		<b>(3,268)</b>	<b>(63,750)</b>	<b>(73,457)</b>
<b>Assets less Current Liabilities</b>		<b>(1,270)</b>	<b>16,187</b>	<b>(1,861)</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions	5	0	(5,674)	(2,183)
Deferred Tax Provision	5	0	(4,430)	(5,768)
Pension Liability	1.3	0	0	(221)
<b>Total Non Current Liabilities</b>		<b>0</b>	<b>(10,104)</b>	<b>(8,172)</b>
<b>ASSETS LESS LIABILITIES</b>		<b>(1,270)</b>	<b>6,083</b>	<b>(10,033)</b>
<b>TAXPAYERS' EQUITY</b>				
Capital Reserve		0	4,578	3,127
Revaluation Reserve		0	1,507	2,971
General Reserve		(1,270)	(2)	(16,131)
<b>Total Taxpayers' Equity</b>		<b>(1,270)</b>	<b>6,083</b>	<b>(10,033)</b>

Approved by the Board on 14 June 2012, and signed on their behalf by:

Paul Callaghan  
Chairman

Alan Clarke CBE  
Chief Executive / Accounting Officer

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

\*\* Following the change in the status of our going concern (see Note 3) all the assets and liabilities for 2012 have been reclassified as current

**FINANCIAL STATEMENTS 2011-12  
GROUP STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2012**

	Year Ended 31 March 2012	Restated Year Ended 31 March 2011
Note	£000	£000 *
<b>Cash Flows from Operating Activities</b>		
Net Deficit after Interest	(47,433)	(158,957)
Decrease/(Increase) in Trade and Other Receivables	16 42,822	(22,118)
Decrease in Inventories	7 2,017	6,055
Decrease in Trade Payables	18 (78,776)	(14,404)
Depreciation and Amortisation	9 370	481
Corporation Tax Charges	11 1,580	(59)
Use of Provisions	5 (12,561)	2,592
Other Operating recharges	6 0	(162)
Book Value of Inventories Sold	7 3,067	3,677
Loss on withdrawal from Joint Ventures	13 41	0
Surplus from share in Joint Ventures	13 (1,912)	(9)
<b>Net Cash Outflow from Operating Activities</b>	<b>(90,787)</b>	<b>(182,904)</b>
<b>Relating to Continuing Activities as shown in Note 27</b>	<b>(28,931)</b>	<b>(3,683)</b>
<b>Relating to Discontinuing Activities</b>	<b>(61,856)</b>	<b>(179,221)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant and Equipment	9 0	(39)
Disposal/Revaluation of Property, Plant and Equipment	9 7,695	130
Increase in Other Assets	8/12 597	124
Loan Repayments from Other Bodies	14/15 3,883	3,960
<b>Net Cash Flow from Investing Activities</b>	<b>12,174</b>	<b>4,175</b>
<b>Relating to Continuing Activities as shown in Note 27</b>	<b>0</b>	<b>0</b>
<b>Relating to Discontinuing Activities</b>	<b>12,174</b>	<b>4,175</b>
<b>Cash Flows from Financing Activities</b>		
Grants from Parent Department	38,561	175,198
Subsidiary Activities	0	(1,310)
Bank Loans (Subsidiaries)	0	0
<b>Net Cash Outflow from Financing Activities</b>	<b>38,561</b>	<b>173,888</b>
<b>Relating to Continuing Activities as shown in Note 27</b>	<b>7,080</b>	<b>3,331</b>
<b>Relating to Discontinuing Activities</b>	<b>31,481</b>	<b>170,557</b>
<b>Increase / Decrease in Cash and Cash Equivalents in period</b>	<b>(40,051)</b>	<b>(4,841)</b>
<b>Relating to Continuing Activities as shown in Note 27</b>	<b>(21,851)</b>	<b>(352)</b>
<b>Relating to Discontinuing Activities</b>	<b>(18,200)</b>	<b>(4,489)</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>41,766</b>	<b>46,607</b>
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>17 1,715</b>	<b>41,766</b>
	<b>(40,051)</b>	<b>(4,841)</b>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**FINANCIAL STATEMENTS 2011-12  
AGENCY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2012**

	Year Ended 31 March 2012	Restated Year Ended 31 March 2011
Note	£000	£000 *
<b>Cash Flows from Operating Activities</b>		
Net Deficit after Interest	(45,889)	(158,868)
(Increase)/Decrease in Trade and Other Receivables	16 40,710	(25,686)
Decrease in Inventories	7 1,999	6,009
Decrease in Trade Payables	18 (60,482)	(9,707)
Depreciation and Amortisation	9.1 365	471
Corporation Tax Charges and Changes to Deferred Tax Provision	11 0	(66)
Use of Provisions	5 (10,104)	2,752
Other Operating recharges	6 0	0
Book Value of Inventories Sold	7 3,067	3,677
Loss on withdrawal from joint ventures	41	0
(Surplus)/Loss from share in Joint Ventures	13 1,185	(9)
<b>Net Cash Outflow from Operating Activities</b>	<b>(69,108)</b>	<b>(181,427)</b>
<b>Relating to Continuing Activities as shown in Note 27</b>	<b>(28,931)</b>	<b>(3,683)</b>
<b>Relating to Discontinuing Activities</b>	<b>(40,177)</b>	<b>(177,744)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property, Plant and Equipment	9.1 0	(39)
Disposal/Revaluation of Property, Plant and Equipment	9.1 7,692	130
Increase in Other Assets	8/12 597	124
Investments in Subsidiaries	13 (1,124)	0
<b>Net Cash Flow from Investing Activities</b>	<b>7,165</b>	<b>215</b>
<b>Relating to Continuing Activities as shown in Note 27</b>	<b>0</b>	<b>0</b>
<b>Relating to Discontinuing Activities</b>	<b>7,165</b>	<b>215</b>
<b>Cash Flows from Financing Activities</b>		
Grants from Parent Department	38,561	175,198
<b>Net Cash Outflow from Financing Activities</b>	<b>38,561</b>	<b>175,198</b>
<b>Relating to Continuing Activities as shown in Note 27</b>	<b>7,080</b>	<b>3,331</b>
<b>Relating to Discontinuing Activities</b>	<b>31,481</b>	<b>171,867</b>
<b>Decrease in Cash and Cash Equivalents in period</b>	<b>(23,382)</b>	<b>(6,014)</b>
<b>Relating to Continuing Activities as shown in Note 27</b>	<b>(21,851)</b>	<b>(352)</b>
<b>Relating to Discontinuing Activities</b>	<b>(1,531)</b>	<b>(5,662)</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>25,097</b>	<b>31,111</b>
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>17 1,715</b>	<b>25,097</b>
	<b>(23,382)</b>	<b>(6,014)</b>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.



**FINANCIAL STATEMENTS 2011-12**  
**GROUP STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2012**

		Restated Year Ended 31 March 2012	Restated Year Ended 31 March 2011 *	Restated Year Ended 31 March 2010 *
<b>CAPITAL RESERVE</b>	<b>Note</b>	<b>£000</b>	<b>£000 *</b>	<b>£000 *</b>
Balance at 1 April				7,792
Restated for MOG transfer	26			(3,930)
Restated Balance at 1 April		7,639	6,261	3,862
Transfers between reserves		(5,764)	755	(10)
Corporation Tax	11	0	61	266
Transfers between Joint Ventures and Subsidiaries	13	37	0	(1,177)
Change in share of net assets of Subsidiaries & Joint Ventures	13	(1,912)	562	3,320
		<b>(0)</b>	<b>7,639</b>	<b>6,261</b>
<b>REVALUATION RESERVE</b>				
Balance at 1 April				8,670
Restated for MOG transfer	26			(6,112)
Restated Balance at 1 April		1,507	2,971	2,558
Net gain/(loss) on revaluation of property, plant and equipment	9	(1,210)	0	460
Net loss on revaluation of financial assets	8	0	(43)	(51)
Net gain on revaluation of inventories	7	0	0	5
Net loss on disposals		0	(1,391)	0
Transfers between reserves		(297)	0	0
Corporation Tax	11	0	(30)	(1)
<b>Balance at 31 March</b>		<b>0</b>	<b>1,507</b>	<b>2,971</b>
<b>GENERAL RESERVE</b>				
Balance at 1 April				141,018
Restated for MOG transfer	26			(148,277)
Restated Balance at 1 April		(2)	(16,131)	(7,259)
Total recognised income and expenditure		(45,853)	(157,644)	(247,882)
Transfers between reserves		6,024	(1,423)	10
Grant in Aid received from BIS applied to purchase of assets		0	(142)	12,323
Grant in Aid received from BIS applied to resource expenditure		38,561	175,338	226,677
<b>Balance at 31 March</b>		<b>(1,270)</b>	<b>(2)</b>	<b>(16,131)</b>
<b>TOTAL TAXPAYERS' EQUITY</b>		<b>(1,270)</b>	<b>9,144</b>	<b>(6,899)</b>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.



**FINANCIAL STATEMENTS 2011-12**  
**AGENCY STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2012**

		Restated	Restated
	Year	Year	Year
	Ended 31	Ended 31	Ended 31
	March	March	March
	2012	2011	2010
	£000	£000 *	£000 *
<b>CAPITAL RESERVE</b>	<b>Note</b>		
Balance at 1 April			4,778
Restated for MOG transfer	26		<u>(3,930)</u>
Restated Balance at 1 April		4,578	848
Transfers between reserves		(5,763)	(56)
Corporation Tax	11	0	266
Change in share of net assets of Subsidiaries & Joint Ventures	13	1,185	(116)
		<u>0</u>	<u>2,069</u>
		<u>0</u>	<u>3,127</u>
<b>REVALUATION RESERVE</b>			
Balance at 1 April			8,670
Restated for MOG transfer	26		<u>(6,112)</u>
Restated Balance at 1 April		1,507	2,558
Net gain/(loss) on revaluation of property, plant and equipment	9	(1,210)	0
Net loss on revaluation of financial assets	8	0	(43)
Net gain on revaluation of inventories	7	0	0
Net loss on disposals		0	(1,391)
Transfers between reserves		(297)	0
Corporation Tax	11	0	(30)
<b>Balance at 31 March</b>		<u>0</u>	<u>1,507</u>
		<u>0</u>	<u>2,971</u>
<b>GENERAL RESERVE</b>			
Balance at 1 April			141,018
Restated for MOG transfer	26		<u>(148,277)</u>
Restated Balance at 1 April		(2)	(7,259)
Total recognised income and expenditure		(45,889)	(157,562)
Transfers between reserves		6,060	(1,505)
Grant in Aid received from BIS applied to purchase of assets		0	(142)
Grant in Aid received from BIS applied to resource expenditure		38,561	175,338
<b>Balance at 31 March</b>		<u>(1,270)</u>	<u>(2)</u>
<b>TOTAL TAXPAYERS' EQUITY</b>		<u>(1,270)</u>	<u>6,083</u>
		<u>(1,270)</u>	<u>(10,033)</u>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 March 2012

### 1. Accounting Policies

#### 1.1 Basis of Accounting

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) 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 the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts. Following the passing of the Public Bodies Act on 14 December 2011 to close the Agency, whilst Management are planning for a solvent compliant closure the accounts have been prepared on the basis that the Agency will cease operational activities from 31 March 2012.

The closure of the Agency means that with the exception of those activities being transferred under acquisition accounting transfers (see notes 27 and 28) all other activities of the Agency have been deemed to be discontinued with effect from 30 June 2012.

#### Going Concern

The Public Bodies Act, which paves the way for the abolition of all Regional Development Agencies (RDAs) received Royal Assent on 14<sup>th</sup> December 2011. The Department for Business, Innovation and Skills (BIS) issued two individual Transfer Schemes for each RDA under the Act, the first came in to effect on 1<sup>st</sup> January 2012, transferring remaining projects and some staff to BIS so that they can be completed. A second Transfer Scheme was made on 30<sup>th</sup> March to take away any remaining assets and liabilities so that RDAs achieved operational closure by 31<sup>st</sup> March 2012. BIS is currently drafting the formal Abolition Order which is expected to take effect on 30<sup>th</sup> June 2012.

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

We have reviewed the impact of this on the accounting policies, and where relevant, this has been reflected.

A small team of people will remain employed after 31 March 2012 with the purpose of concluding the 2011-12 Annual Report and Accounts and preparing accounts for the final reporting period.

As part of the planned closure of the Agency, those subsidiaries and joint ventures previously owned by the Agency and comprising part of the Group have either been sold, closed or transferred as shown in note 13.

As the Statement of Financial Position at 31 March 2012 shows a position of net liabilities, BIS have confirmed that they will provide funding to settle any liabilities.

#### 1.2 Basis for Consolidation

No separate Statement of Comprehensive Net Expenditure is presented for the Agency as provided by Section 408 of the Companies Act 2006.

The consolidated accounts incorporated the accounts of the Agency and its subsidiary undertakings: North East Regional Investment Fund Three Limited, The North East Regional Investment Fund Partner Limited, Enterprise Development North East Limited, North East Regional Aggregation Body LLP, DOTT07/Designs of the Time Limited and North East England Trading Limited.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 31 March 2012**

Joint ventures relating to Sunderland ARC Limited, Tees Valley Regeneration Limited, NEL Fund Management Group Limited, Hadrian's Wall Heritage Limited, 1NG Limited and Newcastle Science Company Limited have been accounted for using the equity method under IAS 31, Interests in Joint Ventures and IAS 28, Investments in Associates.

The Subsidiaries and Joint ventures activities are included up to the date on which the Agency ceased to be a member.

#### **1.3 Pensions**

Employees and ex-employees of One North East are predominantly members of the following defined benefit schemes: Homes and Communities Agency Scheme, Principal Civil Service Pension Scheme (PCSPS) and the North East Development Agency Retirement Scheme (NEDARBS).

The first two of these are multi-employer schemes in which it is impossible to identify the share of the underlying assets and liabilities relating to One North East. Employer contributions to these schemes are accounted for in the period to which they relate.

These schemes are subject to regular valuations by independent, professionally qualified actuaries. These determine the level of contributions required to fund future benefits.

#### **"By Analogy" scheme and NEDARBS**

The NEDARBS and By Analogy Schemes were transferred to BIS on 30 March 2012..

#### **1.4 Land and Buildings**

Land and buildings and undeveloped land are shown on the Statement of Financial Position on a Market Value basis. Valuations are carried out in accordance with the appropriate sections of the current practice statements contained within the Royal Institute of Chartered Surveyors Valuation Standards, 6th Edition.

Disposals and purchases of land and buildings are accounted for on the earlier of the date of legal completion and the date of transfer of the significant risks and rewards of ownership.

All expenditure is capitalised relating to acquisition fees, legal fees to purchase the property, development work and reclamation work to land.

#### **1.5 Loans and Receivables at Fair Value**

Loans and receivables at fair value were held by the non-Agency group companies in the form of unsecured loans and redeemable preference shares held in shares of high-risk small and medium sized enterprises. Provisions against investments are charged to the Statement of Comprehensive Net Expenditure in line with the expected risk of loss to the projected net book value of the investments at each year end.

#### **1.6 Website Development Costs**

Website development costs are written off to the Statement of Comprehensive Net Expenditure in the period which the cost is incurred.

#### **1.7 Tangible operating assets and intangible assets**

Assets used by the Agency are capitalised at their cost of acquisition and installation.

Software licenses are capitalised as intangible assets on this same basis.

Assets are capitalised where the costs are greater than £1,000 (including irrecoverable VAT) on a grouped basis where appropriate.

## NOTES TO THE FINANCIAL STATEMENTS

### For the year ended 31 March 2012

#### 1.8 Depreciation/amortisation

Depreciation/amortisation is provided to write off the historic cost of furniture and fittings, intangible assets and information technology over their anticipated useful lives on a straight line basis at the following annual rates and reflects the writing down of the assets to net realisable value as at 31 March 2012 as a consequence of the closure of the Agency :

##### **Tangible Assets:**

Leasehold buildings with less than 25 years to run	Period of Lease
Computer Equipment	3 years
Office equipment and plant	5 years
Office furniture and fittings	10 years

##### **Intangible Assets:**

Software licences	3 years
-------------------	---------

Depreciated historical cost is used as a proxy for the current value of named classes of non-property assets because it would cost more to value these items than they are worth.

The properties occupied by the Agency are reviewed for impairment and no depreciation charge is made if it is considered to be immaterial owing to the residual values of the properties being not materially different from the book values.

#### 1.9 Long Term Loans

Loans are shown net of provision for amounts considered doubtful and of write-offs for amounts considered irrecoverable. Provision has been made for all loans where recovery appears doubtful. No loan is written off until the possibility of no recovery is beyond doubt. Approval from BIS is obtained for any write-off in excess of £250,000.

#### 1.10 Inventories

Inventories, consisting of development land and buildings, are shown at fair value. The Agency treats valuations of inventories individually with upward revaluations being credited to the Revaluation Reserve and downward revaluations being charged to the Statement of Comprehensive Net Expenditure to the extent that there is no credit on the Revaluation Reserve against which such a loss can be charged.

As a consequence of the closure of the Agency, with the exception of operational assets, the majority of our interest in Land and Buildings has been transferred to the Homes and Communities Agency under the terms of a Machinery of Government change. The impact on our accounts is to remove the current and prior year balances for transferred assets in accordance with Merger Accounting rules. The remaining land and buildings were either disposed of or transferred before 31 March 2012 and as a consequence the Agency held none at the year end.

The effect on the current year and the previous years comparative which have to be restated are shown in note 26.

#### 1.11 Government Grants Receivable and Payable

One North East's activities are funded primarily by Grant-in-Aid provided by BIS for specified types of expenditure. Grant-in-Aid used to finance activities and expenditure which support the statutory and other objectives of One North East is treated as financing, and credited to the General Reserve, because it is regarded as contributions from a controlling party. Other grants relating to capital expenditure used to acquire specific capital items are credited to a Capital Reserve and grants to fund revenue expenditure are credited to the Statement of Comprehensive Net Expenditure.

#### 1.12 Income

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 31 March 2012**

Income related to the Agency's role as the managing authority for ERDF is recognised when the validity and correctness of the claim is assured. Other Grant income and European funding is recognised when the funding becomes due in accordance with the Agency's contractual rights.

Rental income and income from loan investments is recognised in accordance with the timing as set out in the relevant contracts, and other income is recognised when it is due under contractual rights or when it has been earned according to agreement, is reliably measurable and receipt is reasonably assured.

#### **1.13 Taxation**

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

#### **1.14 Foreign Currency Transactions**

Transactions in foreign currencies are recorded in sterling at the rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rates prevailing at the Statement of Financial Position date. Resulting exchange gains and losses are taken to the Statement of Comprehensive Net Expenditure. All material assets and liabilities are denominated in sterling, therefore the group is not exposed to currency risk.

#### **1.15 Leases**

Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure over the period of the lease on a straight line basis. There are no Finance Leases.

#### **1.16 Financial Instruments**

The Agency has no borrowings and relies primarily on departmental grants for its cash requirements and is therefore not exposed to liquidity risks.

The subsidiary companies North East Regional Investment Fund Three Limited and The North East Regional Investment Fund Partner Limited were formed to provide access into an investment and loan fund for Small and Medium Enterprises (SMEs) in key industrial/commercial sectors in the region. These companies aim to facilitate the creation, diversification and expansion of SMEs in the region by providing access to finance where risks are in excess of normal market considerations and on terms which will encourage take up. See note 13 for details of disposal of subsidiaries and joint ventures.

Given the subsidiary companies role as a 'gap funder' to support SME businesses seen to be viable, but with an inability to obtain all their funding requirements from traditional sources these investments are evaluated as high risk. In the subsidiary companies provisions are charged to the profit and loss account in line with the expected risk of loss to the fund.

The provisions against investments will only be increased if the provision basis shown above does not reflect an adequate provision in the financial statements. The increase in the provision will only be made if specific investments are seen as not being fully recoverable.

These subsidiaries have been funded by the Agency, bank loans and ERDF funding.

Partnership workspace schemes, the Agency's investment with partners who are mainly local authorities, to provide rural workspace are included in the Statement of Financial Position at a valuation based on present value of estimated future rental income. Expenditure on these projects is written off in the year of spend.

#### **1.17 Other Operating Recharges**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **For the year ended 31 March 2012**

Funding is received by North East Regional Investment Fund Three Limited and The North East Regional Investment Fund Partner Limited for the purpose of investing in SMEs. Until the funding is applied to investments the funding is repayable.

Subsequently as investments are realised, the recycled money must be rolled into a legacy fund together with all interest and dividends received plus capital gains and impairment losses. Such movements flow through the group financial statements and are allocated to the resulting legacy funds as other operating charges.

#### **1.18 Future IFRS amendments and early adoption**

The Agency applies new or amended International Financial Reporting Standards (IFRS) in line with their adoption in the Financial Reporting Manual (FReM).

There are no changes to the Government Financial Reporting Manual (FReM) effective for the financial year beginning 1 April 2011 identified as having an impact on the Agency's accounts for that year.

There has been no early adoption of IFRS changes

Changes to IFRS effective for future financial years (unless adopted earlier by the Financial Reporting Manual) that may be relevant but are not expected to have an impact on the Agency's accounts

#### **1.19 Critical Accounting Judgements and Uncertainty**

The Agency applies a policy of estimation for the impact of uncertainty where the transaction is sufficiently certain for it to be necessary to include in the accounts, but still uncertain to such an extent that this needs to be reflected in the amounts disclosed, and it is possible to quantify the impact on the figures. This is done by applying a weighting to reflect the uncertainty to the underlying amount.

#### **1.20 Merger and Acquisition Accounting**

The closure of the Agency has given rise to a number of assets, liabilities and activities being transferred to other areas of Government. These transfers have been accounted for under the relevant rules of either Merger or Acquisition accounting as determined by IFRS and direction from our sponsoring department – BIS. Further details are provided in Notes 26 and 28.

#### **1.21 Continuing and Discontinued Activity**

In accordance with IFRS and other guidance the Agency is required to report how much of its activity will continue as a result of being transferred to other sections of the public sector and how much will discontinue as a result of the closure of the Agency.

Due to the closure of the Agency, all of our activities are classified as discontinued with the exception of certain specific ones being transferred to government departments as detailed in Note 27

#### **1.22 Rounding and consistency**

As the Financial Statements are presented in £000 there may be minor rounding differences within the notes and financial statements. These are not errors but arise because each of the underlying figures has been rounded to the nearest £000 as has any associated total.

Any differences in the sum of a column of figures or between the supporting notes and where that figure is used in other tables are due to these roundings.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**2. Segmental Analysis**

	Year Ended 31 March 2012 £000	Restated Year Ended 31 March 2011 £000 *
<b>Core Agency Programmes</b>		
Programme 1 - Business Investment	11,417	27,839
Programme 2 - Innovation and Business Development	6,969	74,407
Programme 3 - Enterprise and Business Support	18,423	37,456
Programme 4 - Skills and Economic Inclusion	2,288	9,254
Programme 5 - Tees Valley Investment Programme	0	15,237
Programme 6 - City Regions and Rural	2,857	8,292
Programme 7 - Promoting the Region	1	571
Programme 8 - Culture and Tourism	821	6,889
Less: Capitalised items included in programme expenditure above	(2,445)	183
Other group programme net expenditure	507	5,173
<b>Group Programme Expenditure</b>	<b>40,838</b>	<b>185,301</b>
Write Downs and Impairments	2,144	5,925
Staff Costs	12,896	20,130
European funded expenditure, managing authority role	13,958	22,874
Other non-programme expenditure, Agency	9,090	12,714
Other non-programme expenditure, group companies	186	4,469
<b>Total Group Expenditure</b>	<b>79,112</b>	<b>251,413</b>

£875,467 (2011:£3,563,000) of the Agency programme expenditure was funded by European funding. The additional £13,958,059 (2011:£22,874,000) of European funded expenditure included in Total Group Expenditure above is outflows related to the Agency's role as a managing authority for the European Regional Development Fund and was entirely offset by an equal amount of income (for more information see Note 10).

Programme expenditure included £34,518,000 (2011:£166,893,000) in grant funding. Grants to private sector recipients were £31,677,000 (2011:£148,841,000) and grants to public sector recipients were £2,841,000 (2011:£18,052,000).

In its operations, the Agency does not assign assets and liabilities to any segments, and no one segment uses any designated portion of the assets or creates any designated portion of liabilities. Therefore, separating the assets and liabilities by segment could only be done as a result of an arbitrary allocation, which would be misleading as to the segmental operations of the Agency.

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.



## **Notes to the Financial Statements for the year ended 31 March 2012**

### **3. Going Concern**

The Public Bodies Act, which paves the way for the abolition of all Regional Development Agencies (RDAs) received Royal Assent on 14 December 2011. The Department for Business, Innovation and Skills (BIS) issued two individual Transfer Schemes for each RDA under the Act, the first came in to effect on 1 January 2012, transferring remaining projects and some staff to BIS so that they can be completed. A second Transfer Scheme was made on 30 March to take away any remaining assets and liabilities so that RDAs achieved operational closure by 31 March 2012. BIS is currently drafting the formal Abolition Order which is expected to take effect on 30 June 2012.

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

We have reviewed the impact of this on the accounting policies, and where relevant, this has been reflected.

A small team of people will remain employed after 31 March 2012 with the purpose of concluding the 2011-12 Annual Report and Accounts and preparing accounts for the final reporting period.

As part of the planned closure of the Agency, those subsidiaries and joint ventures previously owned by the Agency and comprising part of the Group have either been sold, closed or transferred as shown in note 13.

As the Statement of Financial Position at 31 March 2012 shows a position of net liabilities, BIS have confirmed that they will provide funding to settle any liabilities.



**Notes to the Financial Statements  
for the year ended 31 March 2012**

**4. Staff Numbers and related Costs**

	Year Ended 31 March 2012 £000	Restated Year Ended 31 March 2011 £000 *
<b>Board Members</b>		
Fees and Salaries	200	239
Pension - Chairman	20	20
Social Security	15	16
	<b>235</b>	<b>275</b>
<b>Staff</b>		
Staff - Salaries	4,500	11,855
Staff - Pension	1,596	3,027
Staff - Social Security	379	954
	<b>6,475</b>	<b>15,835</b>
Staff - Redundancy	5,893	2,611
Staff - Seconded	-86	149
Staff - Temporary	0	25
	<b>5,807</b>	<b>2,785</b>
<b>Total Agency Salaries and Wages</b>	<b>12,517</b>	<b>18,895</b>
Staff - Subsidiaries	350	901
Staff - Northern Way	30	298
Redundancy - Subsidiaries	0	36
	<b>12,896</b>	<b>20,130</b>

Total costs of Northern way staff housed at the Agency, including secondees were £29,975 (2011:£442,000)

The Agency redundancy cost figures above includes £870,425 (2011:£275,000) in payments and pension compensation in lieu of notice. Cash paid in relation to redundancy costs amounted to £5,125,323 (2011:£1,313,171). No staff retired early on ill-health grounds during the year.

The total number of days lost to sickness absence during the period was 635 (2011:2,299), this represented 2.18% (2011:2.71%) of potential staff sick days during the period, of which 326 days (2011:1,188) related to long-term illness.

Details of the pension scheme are disclosed in the Remuneration Report.

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**4.1 Average number of persons employed**

The average number of whole-time equivalent persons employed during the most recent two years follows. Staff numbers are reducing due to the pending closure of the Agency.

	<b>Total</b>
<b>2011-12</b>	
Total Agency Staff Numbers	121
Northern way	0
Subsidiaries	5
<b>2010-11</b>	
Total Agency Staff Numbers	324
Northern way	6
Subsidiaries	17

All staff above were permanent with the exception of 1 temporary staff member in 2010-11

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**4.2 Seconded Staff**

Staff were seconded from the following organisations during the period and were funded from operating cost expenditure:

**Staff seconded to the Agency**

<b>Name of Organisation</b>	<b>2012</b>	<b>Cost</b>	<b>2011</b>	<b>2011 Cost</b>
	<b>No. of Staff</b>	<b>£000</b>	<b>No. of Staff</b>	<b>£000</b>
Government Office North East	0	0	1	57
North Tyneside Council	0	0	2	92
	<b>0</b>	<b>0</b>	<b>3</b>	<b>149</b>

**Staff seconded to the Northern Way**

<b>Name of Organisation</b>	<b>2012</b>	<b>Cost</b>	<b>2011</b>	<b>2011 Cost</b>
	<b>No. of Staff</b>	<b>£000</b>	<b>No. of Staff</b>	<b>£000</b>
Department for Communities and Local Government	0	0	0	46
Government Office North East	0	0	1	98
	<b>0</b>	<b>0</b>	<b>1</b>	<b>144</b>

In addition staff were seconded from the following organisations for which no charge was made, but in respect of which there was an estimated benefit to the Agency:

<b>Name of Organisation</b>	<b>2012</b>	<b>Cost</b>	<b>2011</b>	<b>2011 Cost</b>
	<b>No. of Staff</b>	<b>£000</b>	<b>No. of Staff</b>	<b>£000</b>
Skills Funding Agency	0	0	1	69
	<b>0</b>	<b>0</b>	<b>1</b>	<b>69</b>

Where amounts appear with no corresponding No. of Staff, this indicates that the secondment provided an average over the period of less than 1/2 of a Full Time Equivalent staff member.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**5. Provisions for Liabilities and Charges**

	<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>	<b>Restated Year Ended 31 March 2010 £000*</b>
<b>GROUP</b>			
Balance at 1 April	12,561	10,044	8,562
Provided in the year	924	3,152	2,436
Provisions not required due to transfer	(2,311)	0	0
Subsidiary's Provisions no longer required due to disposal	(2,456)	0	0
Other provisions not required written back	(6,698)	0	(329)
Provisions utilised in the year	(2,020)	(635)	(625)
<b>Balance at 31 March</b>	<b>0</b>	<b>12,561</b>	<b>10,044</b>
<b>Analysis as at 31 March</b>			
Deferred Tax	0	4,430	5,768
ERDF Provision	0	600	1,000
Other Provisions	0	7,531	3,276
<b>Balance at 31 March</b>	<b>0</b>	<b>12,561</b>	<b>10,044</b>
<b>AGENCY</b>			
Balance at 1 April	10,104	7,951	8,562
Provided in the year	924	2,788	343
Provisions not required due to transfer	(2,311)	0	0
Other provisions not required written back	(6,698)	0	(329)
Provisions utilised in the year	(2,020)	(635)	(625)
<b>Balance at 31 March</b>	<b>0</b>	<b>10,104</b>	<b>7,951</b>
<b>Analysis as at 31 March</b>			
Deferred Tax	0	4,430	5,768
ERDF Provision	0	600	1,000
Other Provisions	0	5,074	1,183
<b>Balance at 31 March</b>	<b>0</b>	<b>10,104</b>	<b>7,951</b>

The major components of the provision for deferred taxation which has been fully provided at a corporation tax rate of 28% (2011:28%) are the same for both Group and Agency and are as follows:

Capital Gains on Buildings for Business Partnership Assets	0	4,163	5,465
Accelerated Capital Allowances	0	1	1
Investment Properties and Revaluations	0	266	302
<b>Balance at 31 March</b>	<b>0</b>	<b>4,430</b>	<b>5,768</b>

Provisions are made when the Agency has a present obligation as a result of a past event and it is more than 50% probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Therefore, the amounts provided are, by their nature, uncertain in terms of exact value and timing of related cash outflows.

The Deferred Tax provision was used to provide for corporation tax amounts to be paid in relation to future taxable income. As shown in the schedule above, most of the anticipated future taxable income relates to revaluations on land and buildings. Therefore, the amounts will come due only when capital gains are realised through the sale of the land and buildings. The provision has been written back as a consequence of the transfer of the land and buildings to the HCA (see Note 26).

The ERDF provision was used to provide for any clawback of grants made that may not have been utilised for their correct purpose or in the time scale agreed. Clawback claims are usually settled within less than a year, but they can be made until the date of the end of the programme, which is 31 December 2025.

Other Provisions is used to provide for various potential liabilities that may occur in future. Cash flows related to these provisions would normally be expected to arise within a one year period.

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**6. Other Expenditure**

	Year Ended 31 March 2012 £000	Restated Year Ended 31 March 2011 £000 *
<b>Agency:</b>		
Other Provisions	(2,661)	3,009
Operating Lease Rentals	13	20
Book value of Property Plant and Equipment sold	5,173	140
Auditor Remuneration - Statutory Work	82	70
Auditor Remuneration - Non Statutory Work	47	0
Bad Debts Written Off and Debt Impairments	(142)	799
Amortisation of Intangible Assets	13	29
Professional Fees and Project Costs	324	334
Travel and Subsistence	132	441
Administration Costs	360	449
IT and Communication	998	772
Marketing and PR	131	596
Office Costs	1,182	1,926
<b>Total Agency</b>	<b>5,653</b>	<b>8,585</b>
<b>Subsidiaries:</b>		
Bad Debts Written Off and Debt Impairments	(282)	185
Auditor Remuneration - Statutory Work	21	18
IT and Communication	11	13
Travel and Subsistence	5	16
Office Costs	57	165
Professional Fees and Project Costs	186	681
Administration Costs	50	234
Other Operating Costs	0	3,548
Amounts Provided against Non-current Asset Investments	137	(754)
Other Provisions	0	363
<b>Total Subsidiaries</b>	<b>186</b>	<b>4,469</b>
<b>Total</b>	<b>5,840</b>	<b>13,054</b>

Other Operating Recharges as described in accounting policy Note 1.17 were £Nil (2011:£162,000)

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**7. Inventories**

	<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>	<b>Restated Year Ended 31 March 2010 £000 *</b>
<b>GROUP</b>			
Valuation at 1 April	5,083	16,141	17,960
Additions	0	(183)	1,669
Book Value of Disposals	(3,067)	(3,677)	(139)
Net loss on disposals	0	(1,390)	0
Transfers to BIS	(2,445)	0	0
Revaluation / (Impairment)	428	(5,808)	(3,349)
<b>At 31 March</b>	<b><u>0</u></b>	<b><u>5,083</u></b>	<b><u>16,141</u></b>
<b>AGENCY</b>			
Valuation at 1 April	5,066	16,079	17,960
Additions	0	(183)	1,607
Book Value of Disposals	(3,067)	(5,067)	(139)
Transfers to BIS	(2,445)	0	0
Revaluation / (Impairment)	446	(5,763)	(3,349)
<b>At 31 March</b>	<b><u>0</u></b>	<b><u>5,066</u></b>	<b><u>16,079</u></b>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**8. Financial Assets**

	<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>	<b>Restated Year Ended 31 March 2010 £000 *</b>
<b>GROUP</b>			
At 1 April	66	226	317
Transfers to BIS	(14)	0	0
Write off to SOCNE	(52)	(117)	(40)
Revaluation	0	(43)	(51)
<b>At 31 March</b>	<b><u>0</u></b>	<b><u>66</u></b>	<b><u>226</u></b>
<b>AGENCY</b>			
At 1 April	66	226	317
Transfers to BIS	(14)	0	0
Write off to SOCNE	(52)	(117)	(40)
Revaluation	0	(43)	(51)
<b>At 31 March</b>	<b><u>0</u></b>	<b><u>66</u></b>	<b><u>226</u></b>
<b>GROUP AND AGENCY</b>			
Financial Assets receivable within one year	0	49	162
Financial Assets receivable more than one year	0	17	64
<b>At 31 March</b>	<b><u>0</u></b>	<b><u>66</u></b>	<b><u>226</u></b>

Financial Assets consisted of partnership workspace that was inherited by the Agency on its inception from the Rural Development Commission. The Commission awarded grants to Local Authorities to purchase commercial property for rent, and as successor to the Commission, the Agency holds contractual rights to receive 50% of annual rental income within a set period of time and 50% of any disposals. These contractual rights are valued by discounting the forecasted related income stream at the treasury rate of 3.5%.

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

Notes to the Financial Statements  
for the year ended 31 March 2012

9. Property, Plant and Equipment - GROUP

	31 March	Restated Year Ended 31 March 2011	Restated Year Ended 31 March 2010
	2012	£000 *	£000 *
<b>Land and Buildings</b>			
<b>Valuation</b>	<b>£000</b>	<b>£000 *</b>	<b>£000 *</b>
At 1 April	8,730	8,730	8,270
Impairments through SOCNE	(2,520)	0	0
Impairment through Reserve	(1,210)	0	460
Disposals	(5,000)	0	0
<b>At 31 March</b>	<b>0</b>	<b>8,730</b>	<b>8,730</b>
<b>Information Technology</b>			
<b>Cost</b>			
At 1 April	3,082	3,306	2,614
Additions	0	37	726
Disposals	(2,273)	(261)	(34)
<b>At 31 March</b>	<b>809</b>	<b>3,082</b>	<b>3,306</b>
<b>Depreciation</b>			
At 1 April	2,826	2,776	2,468
Charged in Year	250	311	342
Disposals	(2,266)	(261)	(34)
<b>At 31 March</b>	<b>809</b>	<b>2,826</b>	<b>2,776</b>
<b>Net Book Value At 31 March</b>	<b>0</b>	<b>256</b>	<b>530</b>
<b>Furniture and Fittings</b>			
<b>Cost</b>			
At 1 April	1,671	2,082	2,121
Additions	0	2	77
Disposals	(1,631)	(413)	(116)
<b>At 31 March</b>	<b>40</b>	<b>1,671</b>	<b>2,082</b>
<b>Depreciation</b>			
At 1 April	1,382	1,524	1,394
Charged in Year	120	141	191
Disposals	(1,463)	(283)	(61)
<b>At 31 March</b>	<b>40</b>	<b>1,382</b>	<b>1,524</b>
<b>Net Book Value At 31 March</b>	<b>0</b>	<b>289</b>	<b>558</b>
<b>Total Property, Plant and Equipment</b>			
<b>Cost or valuation</b>			
At 1 April	13,483	14,118	13,005
Additions	0	39	803
Impairments through SOCNE	(2,520)	0	0
Impairment through Reserve	(1,210)	0	460
Disposals	(8,904)	(674)	(150)
<b>At 31 March</b>	<b>849</b>	<b>13,483</b>	<b>14,118</b>
<b>Depreciation</b>			
At 1 April	4,208	4,300	3,862
Charged in Year	370	452	533
Disposals	(3,729)	(544)	(95)
<b>At 31 March</b>	<b>849</b>	<b>4,208</b>	<b>4,300</b>
<b>Net Book Value At 31 March</b>	<b>0</b>	<b>9,275</b>	<b>9,818</b>
<b>Asset Financing: Owned</b>	<b>0</b>	<b>9,275</b>	<b>9,818</b>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

Notes to the Financial Statements  
for the year ended 31 March 2012

9.1 Property, Plant and Equipment - AGENCY

	31 March 2012 £000	Restated Year Ended 31 March 2011 £000 *	Restated Year Ended 31 March 2010 £000 *
<b>Land and Buildings</b>			
<b>Valuation</b>			
At 1 April	8,730	8,730	8,270
Impairments through SOCNE	(2,520)	0	0
Impairment through Reserve	(1,210)	0	460
Disposals	(5,000)	0	0
<b>At 31 March</b>	<b>0</b>	<b>8,730</b>	<b>8,730</b>
<b>Information Technology</b>			
<b>Cost</b>			
At 1 April	3,040	3,264	2,572
Additions	0	37	726
Disposals	(2,231)	(261)	(34)
<b>At 31 March</b>	<b>809</b>	<b>3,040</b>	<b>3,264</b>
<b>Depreciation</b>			
At 1 April	2,781	2,737	2,435
Charged in Year	258	305	336
Disposals	(2,229)	(261)	(34)
<b>At 31 March</b>	<b>809</b>	<b>2,781</b>	<b>2,737</b>
<b>Net Book Value At 31 March</b>	<b>0</b>	<b>259</b>	<b>527</b>
<b>Furniture and Fittings</b>			
<b>Cost</b>			
At 1 April	1,618	2,029	2,092
Additions	0	2	51
Disposals	(1,612)	(413)	(114)
<b>At 31 March</b>	<b>5</b>	<b>1,618</b>	<b>2,029</b>
<b>Depreciation</b>			
At 1 April	1,339	1,484	1,369
Charged in Year	108	138	175
Disposals	(1,442)	(283)	(60)
<b>At 31 March</b>	<b>5</b>	<b>1,339</b>	<b>1,484</b>
<b>Net Book Value At 31 March</b>	<b>0</b>	<b>279</b>	<b>545</b>
<b>Total Property, Plant and Equipment</b>			
<b>Cost or valuation</b>			
At 1 April	13,388	14,023	12,934
Additions	0	39	777
Impairments through SOCNE	(2,520)	0	0
Impairment through Reserve	(1,210)	0	460
Disposals	(8,844)	(674)	(148)
<b>At 31 March</b>	<b>814</b>	<b>13,388</b>	<b>14,023</b>
<b>Depreciation</b>			
At 1 April	4,120	4,221	3,804
Charged in Year	365	443	511
Disposals	(3,671)	(544)	(94)
<b>At 31 March</b>	<b>814</b>	<b>4,120</b>	<b>4,221</b>
<b>Net Book Value At 31 March</b>	<b>0</b>	<b>9,268</b>	<b>9,802</b>
<b>Asset Financing: Owned</b>	<b>0</b>	<b>9,268</b>	<b>9,802</b>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.



**Notes to the Financial Statements  
for the year ended 31 March 2012**

**10. Income**

	Year Ended 31 March 2012 £000	Restated Year Ended 31 March 2011 £000 *
<b>European Funding</b>		
European funded income - Agency	875	5,151
	<b>875</b>	<b>5,151</b>
<b>Other Government Grants</b>		
Other Government Grants - Agency	418	50,351
	<b>418</b>	<b>50,351</b>
European funding, managing authority role	13,958	22,874
	<b>13,958</b>	<b>22,874</b>
<b>Other Income</b>		
Other Income	2,739	11,388
Investment Income from Loan Investments	0	401
Rents and maintenance charges	616	414
	<b>3,356</b>	<b>12,203</b>
<b>Proceeds from Disposals</b>		
Proceeds from disposal of inventories	3,067	1,250
Proceeds from disposal of property, plant and equipment	5,082	8
	<b>8,149</b>	<b>1,258</b>
<b>Total Income</b>	<b>26,756</b>	<b>91,837</b>
<b>Interest</b>		
Interest Receivable and Other Finance Income	190	610
	<b>190</b>	<b>610</b>

**European Funded Income and Expenditure, Managing Authority Role.**

During the period 1 April 2010 to 30 June 2011, One North East was delegated certain managing authority tasks by the Department for Communities and Local Government for the European Regional Development Fund (ERDF) in the North East of England. In this role, the Agency acted as intermediary between the Department for Communities and Local Government and final beneficiaries, which were applicant businesses throughout the region, for the payment of ERDF grants. The amount shown does not include ERDF funding where the Agency was also the beneficiary for the funds, which is included in the European funded income - Agency line above. As part of the closure of the Agency, from 1 July 2011 the delegated authority was withdrawn and the tasks performed by the Agency were performed by the Department for Communities and Local Government. In accordance with Governmental guidance, expenditure and income are recognised simultaneously in offsetting amounts upon confirmation that the validity and correctness of the expenditure is assured.

The Agency also receives funding from ERDF and the European Commission, as shown in this note on the line item 'European Funded Income', most of which is applied to Programme Expenditure. The amount of European funded expenditure differs from the related income by the accrued income amounts and funding clawback by the grantors.

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**11. Taxation**

	<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>
<b>Corporation Tax</b>		
Current Year	2,839	25
Prior Year	11	0
	<u>2,850</u>	<u>25</u>
<b>Deferred Taxation</b>		
Current Year	(4,090)	(926)
Prior Year	(340)	0
Rate Change	0	(412)
	<u>(4,430)</u>	<u>(1,338)</u>
	<u>(1,580)</u>	<u>(1,313)</u>

The Corporation Tax charge for the current year is lower than the standard rate of Corporation Tax for the UK of 26% (2011:28%). The differences are explained below:

**Reconciliation to tax at current rate**

	<b>31 March 2012 £000</b>	<b>2011 £000</b>
Net Expenditure on Ordinary Activities after Interest for the Group	47,433	158,957
Tax Arising on Net Expenditure at 26% (2011: 28%)	(12,264)	(44,615)
2011 Tax relating to MOG transfer at 28% (see Note 26)	0	(13,083)
Utilisation of Tax Losses	(522)	(1,608)
Prior Year Corporation Tax Charge	(340)	(412)
Non-deductible expenditure	(350)	5,484
Non-allowable Deficit on Non Taxable Activities	11,896	52,921
<b>Corporation Tax Current Year Change for the Period</b>	<u>(1,580)</u>	<u>(1,313)</u>

No deferred tax provision has been made in respect of trading losses, as calculated for tax purposes, carried forward at 31 March 2012 estimated at £25,473,000 gross (2011: £26,863,000) are potentially available to relieve future trading profits. The potential deferred tax asset on these losses has not been recognised as the Agency does not consider it likely that the losses will be utilised in the foreseeable future due to closure.

Under IFRS deferred tax assets should only be recognised if it is probable that the asset will be recoverable. At the reporting date it is our view that it was not probable that the Agency would incur any future profits or capital gains in order to offset these losses carried forward due to closure.

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**12. Intangibles**

		<b>Restated Year Ended 31 March 2011</b>	<b>Restated Year Ended 31 March 2010</b>
<b>Software Licenses</b>	<b>31 March 2012</b>		
<b>Cost or valuation</b>	<b>£000</b>	<b>£000 *</b>	<b>£000 *</b>
At 1 April	1,304	1,342	1,306
Additions	0	2	36
Disposals	(509)	(40)	0
<b>At 31 March</b>	<b><u>795</u></b>	<b><u>1,304</u></b>	<b><u>1,342</u></b>
<b>Amortisation</b>			
At 1 April	1,291	1,292	1,157
Charged in year	13	29	136
Disposals	(509)	(30)	0
<b>At 31 March</b>	<b><u>795</u></b>	<b><u>1,291</u></b>	<b><u>1,293</u></b>
<b>Net Book Value at 31 March</b>	<b><u>0</u></b>	<b><u>13</u></b>	<b><u>49</u></b>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**13. Investments in Jointly Controlled Entities**

**WHOLLY OWNED SUBSIDIARIES**

**North East Regional Investment Fund Three Limited**

[Company Limited by Guarantee] - (Incorporated 5 March 2002)

(Principal place of business:

Stella House, Goldcrest Way, Newburn Riverside,  
Newcastle upon Tyne, NE15 8NY)

Nature of Business - Provision of unsecured loans and redeemable preference shares  
for SME's based in the North East.

Ceased to be a member of the entity at 30 September 2011.

**Enterprise Development North East Limited**

(formerly North East Regional Portal 2001 Limited)

[Company Limited by Guarantee] - (Incorporated 29 October 2001)

(Principal place of business :

Kielder House, Lakeside Court,  
5th Avenue Business Park, Team Valley Trading Estate,  
Tyne and Wear, NE11 0NL)

Nature of Business - General purpose incubator company.

Ceased to be a member of the entity at 30 September 2011.

**The North East Regional Investment Fund Partner Limited**

[Company Limited by Guarantee] - (Incorporated 20 June 2006)

(Principal place of business:

Stella House, Goldcrest Way, Newburn Riverside,  
Newcastle upon Tyne, NE15 8NY)

Nature of Business - Participation in equity investment funds.

Ceased to be a member of the entity at 30 September 2011.

**North East Regional Aggregation Body LLP**

(Incorporated 13 January 2004)

(Principal place of business:

Kielder House, Lakeside Court,  
5th Avenue Business Park, Team Valley Trading Estate,  
Tyne and Wear, NE11 0NL)

Nature of Business - To facilitate the redeployment of universally available and  
affordable broadband infrastructure.

Entity ceased trading as of 31 May 2011.

**North East England Trading Limited**

(Incorporated 3 March 2008)

(Principal place of business:

Stella House, Goldcrest Way, Newburn Riverside,  
Newcastle upon Tyne, NE15 8NY)

Nature of Business - Dormant Company

Interest in entity disposed of at 30 September 2011.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**13. Investments in Jointly Controlled Entities (cont.)**

**JOINT VENTURES**

**Sunderland Arc Limited**

[Company Limited by Guarantee] - (Incorporated 1 May 2002)  
(Principal place of business:  
North Sand Business Centre, Liberty Way, Sunderland, SR6 0QA)  
Nature of Business - Urban Regeneration Company  
Ownership Interest - 33.33%  
Company put into liquidation April 2011.

**Tees Valley Regeneration Limited**

[Company Limited by Guarantee] - (Incorporated 2 April 2002)  
(Principal place of business;  
Cavendish House, Teessdale Business Park, Tees Valley,  
Stockton on Tees, TS17 6QY)  
Nature of Business - Dormant Company (ceased trading 31 March 2010)  
Ownership Interest - 33.3%  
Company dissolved 1 November 2011.

**1NG Limited**

(Incorporated 3 March 2009)  
(Principal place of business:  
9th Floor, Baltic Place East,  
South Shore Road, Gateshead, NE8 3AE)  
Nature of Business - An economic development and regeneration company focused on delivery.  
Ownership Interest - 33.3%  
Ceased to be a member from 17 August 2011.

**Newcastle Science Company Limited**

[Company Limited by Guarantee] - (Incorporated 24 February 2009)  
(Principal place of business:  
Time Central, 32 Gallowgate  
Newcastle upon Tyne, NE1 4BF)  
Nature of Business - To capitalise on cutting edge scientific research for the economic  
and social benefit of Newcastle and the surrounding area.  
Ownership Interest - 33.33%  
Ceased to be a member from 29 September 2011.

**Hadrian's Wall Heritage Limited**

[Company Limited by Guarantee]  
(Incorporated 17 May 2006)  
(Principal place of business:  
East Peterel Field, Dipton Mill Road, Hexham, NE46 2JT)  
Nature of Business - To co-ordinate protection, development and promotion of  
Hadrian's Wall World Heritage Site.  
Ownership Interest - 33.33% (25% prior to 1 April 2011)  
Ceased to be a member from 8 August 2011.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**13. Investments in Jointly Controlled Entities (cont.)**

The financial results of the subsidiaries and joint ventures as disclosed below have been restated in 2011 and 2010 to reflect the Agency transfer to the Homes and Communities Agency (HCA) of our interest in the Joint Ventures - North East Property Partnership LP and Onsite North East General Partner Limited as at 31 August 2011. The transfer is considered by management to have taken place under the rules governing a Machinery of Government Change (MOG). Accordingly, all the transactions and balances relating to this activity have been stripped out of our accounts as if they had been performed by HCA from inception, consequently the comparative figures for 2010-2011 have had to be restated as shown below.

The HCA is a non departmental public body sponsored by the Department for Communities and Local Government. Further details are provided in Note 26.

	<b>2012</b>		<b>Restated</b>		<b>Restated</b>	
	<b>2012</b>	<b>Agency</b>	<b>2011</b>	<b>Agency</b>	<b>2010</b>	<b>Agency</b>
	<b>Total</b>	<b>Share</b>	<b>Total</b>	<b>Share</b>	<b>Total</b>	<b>Share</b>
	<b>£000</b>	<b>£000</b>	<b>£000*</b>	<b>£000*</b>	<b>£000*</b>	<b>£000*</b>
<b>Key Financial Results of Subsidiaries:</b>						
North East Regional Aggregation Body LLP	138	138	(123)	(123)	32	32
Enterprise Development North East Limited	(101)	(101)	(8)	(8)	10	10
North East Regional Investment Fund Three Limited	0	0	0	0	0	0
The North East Regional Investment Fund Partner Limited	0	0	0	0	0	0
<b>Total Profit/(Loss) of Subsidiaries for the Year after Taxation</b>	<b>37</b>	<b>37</b>	<b>(131)</b>	<b>(131)</b>	<b>42</b>	<b>42</b>
<b>Key Financial Results of Joint Ventures:</b>						
Tees Valley Regeneration Limited	0	0	0	0	(110)	(37)
Newcastle Science Company Limited	0	0	0	0	0	0
Hadrians Wall Heritage Limited	45	15	26	6	2	1
Sunderland ARC Limited	0	0	10	3	8	3
1NG Limited	0	0	0	0	0	0
<b>Total Profit/(Loss) of Joint Ventures after Taxation</b>	<b>45</b>	<b>15</b>	<b>36</b>	<b>9</b>	<b>(100)</b>	<b>(33)</b>

**Loss / (Surplus) arising on withdrawal from membership**

	<b>£'000</b>
Enterprise Development North East Limited	38
Hadrians Wall Heritage Limited	32
Sunderland ARC Limited	(15)
1NG Limited	0
	<u>55</u>

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**13. Investments in Jointly Controlled Entities (cont.)**

In relation to Joint Ventures the Assets and Liabilities comprised:	2012	2012	Restated	Restated	Restated	Restated
	2012	Agency	2011	Agency	2010	Agency
	Total	Share	Total	Share	Total	Share
	£000	£000	£000*	£000*	£000*	£000*
<b>Non Current Assets:</b>						
Tees Valley Regeneration Limited	0	0	0	0	0	0
Newcastle Science Company Limited	0	0	4	1	7	2
Hadrian's Wall Heritage Limited	0	0	1,496	374	1,006	251
Sunderland ARC Limited	0	0	0	0	35	12
1NG Limited	0	0	177	59	257	86
	<b>0</b>	<b>0</b>	<b>1,678</b>	<b>435</b>	<b>1,305</b>	<b>351</b>
<b>Current Assets:</b>						
Tees Valley Regeneration Limited	0	0	0	0	879	293
Newcastle Science Company Limited	0	0	790	263	213	71
Hadrian's Wall Heritage Limited	0	0	496	124	535	134
Sunderland ARC Limited	0	0	909	303	1,254	418
1NG Limited	0	0	1,829	610	723	241
	<b>0</b>	<b>0</b>	<b>4,024</b>	<b>1,300</b>	<b>3,604</b>	<b>1,157</b>
<b>Current Liabilities:</b>						
Tees Valley Regeneration Limited	0	0	0	0	413	138
Newcastle Science Company Limited	0	0	794	265	220	73
Hadrian's Wall Heritage Limited	0	0	428	107	492	123
Sunderland ARC Limited	0	0	837	279	1,192	397
1NG Limited	0	0	1,911	637	804	268
	<b>0</b>	<b>0</b>	<b>3,970</b>	<b>1,288</b>	<b>3,121</b>	<b>999</b>
<b>Non Current Liabilities:</b>						
Tees Valley Regeneration Limited	0	0	0	0	568	189
Newcastle Science Company Limited	0	0	0	0	0	0
Hadrian's Wall Heritage Limited	0	0	1,497	374	1,006	252
Sunderland ARC Limited	0	0	0	0	(29)	(10)
1NG Limited	0	0	95	32	176	59
<b>At 31 March</b>	<b>0</b>	<b>0</b>	<b>1,592</b>	<b>406</b>	<b>1,721</b>	<b>490</b>
<b>Gross Assets:</b>						
Tees Valley Regeneration Limited	0	0	0	0	879	293
Newcastle Science Company Limited	0	0	794	265	220	73
Hadrian's Wall Heritage Limited	0	0	1,992	498	1,541	385
Sunderland ARC Limited	0	0	909	303	1,289	430
1NG Limited	0	0	2,006	669	980	327
	<b>0</b>	<b>0</b>	<b>5,702</b>	<b>1,735</b>	<b>4,909</b>	<b>1,508</b>
<b>Gross Liabilities:</b>						
Tees Valley Regeneration Limited	0	0	0	0	981	327
Newcastle Science Company Limited	0	0	794	265	220	73
Hadrian's Wall Heritage Limited	0	0	1,924	481	1,498	375
Sunderland ARC Limited	0	0	837	279	1,163	387
1NG Limited	0	0	2,006	669	980	327
	<b>0</b>	<b>0</b>	<b>5,562</b>	<b>1,694</b>	<b>4,842</b>	<b>1,489</b>

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**13. Investments in Jointly Controlled Entities (cont.)**

	<b>2012</b>	<b>Restated 2011</b>	<b>Restated 2010</b>
	<b>Total</b>	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000*</b>	<b>£000*</b>
<b>Investments in Subsidiaries:</b>			
North East Regional Aggregation Body LLP	0	(1,263)	(1,142)
Enterprise Development North East Limited	0	139	147
North East Regional Investment Fund Three Limited	0	0	0
The North East Regional Investment Fund Partner	0	0	0
	<b>0</b>	<b>(1,124)</b>	<b>(995)</b>
<b>Investments in Joint Ventures:</b>			
Tees Valley Regeneration Limited	0	0	(34)
Newcastle Science Company Limited	0	0	0
Hadrian's Wall Heritage Limited	0	17	10
Sunderland ARC Limited	0	24	42
1NG Limited	0	0	0
	<b>0</b>	<b>41</b>	<b>18</b>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.



**Notes to the Financial Statements  
for the year ended 31 March 2012**

**14. Loans and Receivables at Fair Value**

	<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>	<b>Restated Year Ended 31 March 2010 £000 *</b>
<b>LOANS</b>			
<b>Cost</b>			
At 1 April	7,250	12,606	11,658
Additions	0	0	7,245
Repayments	(1,861)	(3,962)	(4,437)
Investments written off	(322)	(1,394)	(1,850)
Conversion	0	0	(10)
Disposal of Subsidiary	(5,068)	0	0
<b>At 31 March</b>	<b>0</b>	<b>7,250</b>	<b>12,606</b>
<b>Provisions</b>			
At 1 April	3,822	5,169	3,280
Charged in year	539	(451)	3,739
Released in year	(345)	(67)	(281)
Investments written off	(283)	(829)	(1,569)
Disposal of Subsidiary	(3,733)	0	0
<b>At 31 March</b>	<b>0</b>	<b>3,822</b>	<b>5,169</b>
<b>Net Book Value</b>			
<b>At 31 March</b>	<b>0</b>	<b>3,428</b>	<b>7,437</b>
<b>EQUITY</b>			
<b>Cost</b>			
At 1 April	840	665	200
Movement	(1)	175	455
Conversion	0	0	10
Disposal of Subsidiary	(839)	0	0
<b>At 31 March</b>	<b>0</b>	<b>840</b>	<b>665</b>
<b>Provisions</b>			
At 1 April	386	354	169
Charged in year	24	32	186
Disposal of Subsidiary	(410)	0	0
<b>At 31 March</b>	<b>0</b>	<b>386</b>	<b>354</b>
<b>Net Book Value</b>			
<b>At 31 March</b>	<b>0</b>	<b>454</b>	<b>311</b>
<b>Total Loans and Receivables at Fair Value</b>			
<b>At 31 March</b>	<b>0</b>	<b>3,882</b>	<b>7,748</b>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

All of the amounts relating to the group refer to non Agency loans and receivables at fair value.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**15. Loans to Jointly Controlled Entities**

	<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>	<b>Restated Year Ended 31 March 2010 £000 *</b>
<b>GROUP</b>			
Balance at 1 April	0	0	0
Amounts released in year	0	0	0
Additions	0	0	0
Amounts repaid in year	0	0	0
<b>At 31 March</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>
<b>AGENCY</b>			
Balance at 1 April	0	0	0
Amounts released in year	0	0	0
Additions	0	0	0
Amounts repaid in year	0	0	0
<b>At 31 March</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>

Included in the Balance at 1 April was a loan of £1,129,000 and associated provision against that loan for £1,129,000 resulting in the Nil balance shown above.

During the year this loan and the associated provision were written off.

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**16. Trade Receivables and Other Current Assets**

**GROUP**

	<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>	<b>Restated Year Ended 31 March 2010 £000 *</b>
<b>Trade Receivables</b>			
Trade Receivables	1	12,589	3,150
	<b>1</b>	<b>12,589</b>	<b>3,150</b>
<b>Other Current Assets</b>			
Prepayments & Accrued Income	282	24,394	3,420
Taxation	0	1,318	738
Value Added Tax	0	0	219
Other Receivables	0	4,804	13,460
<b>Total Other Current Assets</b>	<b>282</b>	<b>30,516</b>	<b>17,837</b>
<b>Total Trade Receivables and Other Current Assets</b>	<b>283</b>	<b>43,105</b>	<b>20,987</b>
<b>Receivables: Intra-government balances</b>			
Balances with other central government bodies	0	33,693	9,290
Balances with bodies external to government	240	8,851	11,455
Balances with local authorities	43	552	243
Balances with NHS Trusts	0	9	0
Balances with public corporations and trading funds	0	0	0
	<b>283</b>	<b>43,105</b>	<b>20,987</b>
<b>AGENCY</b>			
<b>Trade Receivables</b>			
Trade Receivables	1	14,429	1,929
	<b>1</b>	<b>14,429</b>	<b>1,929</b>
<b>Other Current Assets</b>			
Prepayments & Accrued Income	282	24,205	3,273
Taxation	0	1,312	738
Value Added Tax	0	0	219
Other Receivables	0	1,046	9,147
<b>Total Other Current Assets</b>	<b>282</b>	<b>26,563</b>	<b>13,377</b>
<b>Total Trade Receivables and Other Current Assets</b>	<b>282</b>	<b>40,992</b>	<b>15,306</b>
<b>Receivables: Intra-government balances</b>			
Balances with other central government bodies	0	33,693	9,290
Balances with bodies external to government	239	6,738	5,774
Balances with local authorities	43	552	243
Balances with NHS Trusts	0	9	0
Balances with public corporations and trading funds	0	0	0
	<b>282</b>	<b>40,992</b>	<b>15,306</b>

Accrued income relating to ERDF funding was £Nil (2011:£2,594,902).

The amounts above are after BIS approval to write off £2,359,000 of grant clawback and a loan to North East Regional Aggregation Body LLP of £1,129,500.

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**17. Cash and Cash Equivalents**

	<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>	<b>Restated Year Ended 31 March 2010 £000 *</b>
<b>Group Position:</b>			
Balance at 1 April	41,766	46,607	29,017
Movement in cash and cash equivalent balances	(40,051)	(4,841)	17,590
<b>Group Balance</b>	<u>1,715</u>	<u>41,766</u>	<u>46,607</u>
Less: Subsidiary cash and cash equivalent balances	0	(16,669)	(15,496)
<b>Agency Balance</b>	<u>1,715</u>	<u>25,097</u>	<u>31,111</u>
<b>The following balances were held at:</b>			
Commercial banks and cash in hand	1,715	41,766	34,607
Short term deposits	0	0	12,000
<b>Balance at 31 March</b>	<u>1,715</u>	<u>41,766</u>	<u>46,607</u>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**18. Trade Payables and other Current Liabilities**

**GROUP**

	<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>	<b>Restated Year Ended 31 March 2010 £000 *</b>
<b>Amounts falling due within one year</b>			
Trade Payables	0	1,458	1,788
Accruals and deferred income	1,536	64,643	72,899
Corporation Tax	785	0	7
Value Added Tax	941	131	0
Bank Loans	0	0	1,335
Other Payables	4	2,432	7,118
Other taxation and social security	2	104	26
<b>Amounts previously shown as falling due after more than one year</b>			
Other payables, accruals and deferred income	0	13,276	15,056
	<b><u>3,268</u></b>	<b><u>82,044</u></b>	<b><u>98,228</u></b>
<b>Payables: Intra-government balances</b>			
Balances with bodies external to government	135	46,475	54,824
Balances with other central government bodies	3,133	31,370	32,801
Balances with local authorities	0	4,177	9,853
Balances with NHS Trusts	0	22	18
Balances with public corporations and trading funds	0	0	732
	<b><u>3,268</u></b>	<b><u>82,044</u></b>	<b><u>98,228</u></b>
<b>AGENCY</b>			
<b>Amounts falling due within one year</b>			
Trade Payables	0	1,139	838
Accruals and deferred income	1,536	61,678	66,426
Corporation Tax	785	0	0
Value Added Tax	941	131	0
Bank Loans	0	0	0
Other Payables	4	802	6,192
Other taxation and social security	2	0	2
	<b><u>3,268</u></b>	<b><u>63,750</u></b>	<b><u>73,457</u></b>
<b>Payables: Intra-government balances</b>			
Balances with bodies external to government	135	28,182	30,053
Balances with other central government bodies	3,133	31,369	32,801
Balances with local authorities	0	4,177	9,853
Balances with NHS Trusts	0	22	18
Balances with public corporations and trading funds	0	0	732
	<b><u>3,268</u></b>	<b><u>63,750</u></b>	<b><u>73,457</u></b>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**19. Impairments**

The total impairment charge for the year charged to the Statement of Comprehensive Net Expenditure and Revaluation Reserve split by category is shown below. For details of how the valuation was arrived at for these impairments refer to accounting policies notes 1.4, 1.5 and 1.10.

		<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>	<b>Restated Year Ended 31 March 2010 £000 *</b>
<b>To Statement of Comprehensive Net Expenditure</b>				
Property, Plant & Equipment	9	(2,520)	0	0
Financial Assets	8	(52)	(117)	(40)
Inventories	7	428	(5,808)	(3,349)
		<u>(2,144)</u>	<u>(5,925)</u>	<u>(3,389)</u>
<b>To Revaluation Reserve</b>				
Financial Assets	8	0	(43)	(51)
Inventories	7	0	0	0
Property, Plant & Equipment	9	(1,210)	0	460
		<u>(1,210)</u>	<u>(43)</u>	<u>409</u>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**20. Capital Commitments**

	<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>	<b>Restated Year Ended 31 March 2010 £000 *</b>
<b>Contracted capital commitments at 31 March</b>			
Inventories	0	0	0

**Analysis of Capital Commitments**

The Agency no longer has any non-cancellable contracts for capital expenditure.

**Contracted amounts:**

Expiry within 1 year	0	0	0
Expiry after 1 year but not more than 5 years	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>

There were no Capital Commitments at 31 March 2012, and those that existed in previous years have been restated to reflect the transfer to HCA which is detailed in Note 26

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**21. Commitments Under Leases**

**Operating Leases**

Commitments under operating leases to pay rentals during the year following the period of these accounts are given in the table below, analysed according to the period in which the lease expires.

	<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>	<b>Restated Year Ended 31 March 2010 £000 *</b>
<b>Buildings:</b>			
Expiry within 1 year	0	208	640
Expiry after 1 year but not more than 5 years	0	312	832
Expiry thereafter	0	0	676
	<u>0</u>	<u>520</u>	<u>2,148</u>
<b>Other:</b>			
Expiry within 1 year	0	5	14
Expiry after 1 year but not more than 5 years	0	1	12
Expiry thereafter	0	0	0
	<u>0</u>	<u>6</u>	<u>26</u>

**Receivables under leases**

The small number of leases that were deemed to be non-cancellable have all been transferred to Homes and Communities Agency as described in Note 26.

Number of leases	0	0	0
<b>Amounts receivable:</b>			
Due within 1 year	0	0	0
Due after 1 year but not more than 5 years	0	0	0
Due thereafter	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.



**Notes to the Financial Statements  
for the year ended 31 March 2012**

**22. Contingent Liabilities disclosed under IAS 37**

The Agency has no significant current legal negotiations which involve potential contingent liabilities and is not aware of any other contingent liabilities.

**23. Financial Instruments**

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

However, several of the former group companies fulfil a role within the North East region of providing funding for businesses with restricted finance from traditional high street lenders. The risk of default has been assessed by the management of these companies and full provisions have been made for the estimated monetary impact of any potential risky investments. The Agency's interest in these companies transferred on 30 September 2011.

See also Note 1.16 for further discussion of Financial Instruments.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**24. Borrowings**

All borrowings relating to the group refer to non Agency bank loans. The Agency has no borrowings.

	<b>31 March 2012 £000</b>	<b>Restated Year Ended 31 March 2011 £000 *</b>	<b>Restated Year Ended 31 March 2010 £000 *</b>
<b>GROUP</b>			
2011 (Interest payable @ 2.95% above LIBOR rates)	0	0	1,335
	<u>0</u>	<u>0</u>	<u>1,335</u>
<b>Current and Non Current Amounts:</b>			
<b>Less: Amounts Falling Due Within One Year</b>	0	0	(1,335)
<b>Amounts Falling Due After More Than One Year</b>	0	0	0
<b>Analysis of Bank Loan Repayments:</b>			
In One Year or Less or on Demand	0	0	1,335
In More Than One Year But Not More Than Two Years	0	0	0
In More Than Two Years But Not More Than Five Years	0	0	0
In More Than Five Years	0	0	0
	<u>0</u>	<u>0</u>	<u>1,335</u>

\* The amounts for 2011 and 2010 (where appropriate) have been restated to reflect the transfer to the Homes and Communities Agency, details of which are given in Note 26.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**25. Related Party Transactions**

One North East is an executive Non-Departmental Public Body of the Department for Business, Innovation and Skills. During the year, One North East had significant transactions with this Department and with other entities for which BIS is regarded as the parent, and in particular with other RDAs. In addition, during 2012 the Agency, along with North West Development Agency operated a North American Office. Agency costs in the year were £20,074, (2011: £700,000)

**Agency transactions with Subsidiaries and Joint Ventures (other than Loans):**

<b>Company Name</b>	<b>Payments £000</b>	<b>ERDF payments made as ERDF managing authority £000</b>	<b>Receipts £000</b>	<b>Outstanding Payable (Receivable) £000</b>
North East Regional Aggregation Body LLP	0	0	0	0
Tees Valley Regeneration Limited	0	0	0	0
OnSite North East General Partner Limited	20	0	0	0
Sunderland ARC Limited	0	0	(200)	0
Hadrian's Wall Heritage Limited	469	0	0	0
Enterprise Development North East Limited	202	0	0	0
1NG Limited	1,302	0	0	0
Newcastle Science Company Limited	1,460	327	0	0
North East Property Partnership LLP	0	0	0	0

**Transactions between external related parties and all Group Companies:**

<b>Company Name</b>	<b>Payments £000</b>	<b>ERDF payments made as ERDF managing authority £000</b>	<b>Receipts £000</b>	<b>Outstanding Payable (Receivable) £000</b>
Assoc. of North East Councils	1	0	0	0
Codeworks	29	283	0	0
Dickinson Dees	77	0	0	0
Environment Agency	1	0	0	0
Generator North East Limited	0	54	0	0
Groundwork South Tyneside	33	0	0	0
National Renewable Energy Centre	4,565	159	0	0
Newcastle City Council	266	421	(32)	0
Newcastle University	1,213	129	(518)	0
North East Access to Finance	644	0	0	0
Northumberland County Council	596	836	(1)	0
The Princes Trust	40	82	0	0
University of Northumbria	56	0	0	0
University Of Sunderland	915	855	0	0

**Notes to the Financial Statements  
for the year ended 31 March 2012  
25. Related Party Transactions cont**

A list of companies related to the group companies through individuals who could have influence over both the company and the related company with which the group companies had transactions during the period follows.

**Chairman of One North East Paul Callaghan is:**

Chairman of the University of Sunderland  
a Director and Shareholder of The Leighton Group, which is a corporate member of Codeworks

**Deputy Chair Ruth Thompson OBE is:**

a Non Executive Director of Enterprise Development North East Limited (until 30 September 2011)  
a Non Executive Director of the University of Northumbria  
a Non Executive Director of National and Renewable Energy Centre Limited

**Board Member Ian Brown is:**

Advisory Committee Chair for The Environment Agency

**Board Member Lord John Shipley OBE is:**

a Councillor of Newcastle City Council  
Chairman of Prince's Trust North East Regional Council

**Board Member Councillor Peter Jackson is:**

a Director of Enterprise Development North East Limited as a representative of One North East (until 30 September 2011)  
a Councillor for Northumberland County Council

**Board Member Ian Dormer was:**

a Director of 1NG Limited as a representative of One North East (until 29 September 2011)  
a Director of Enterprise Development North East Limited as a representative of One North East (until 30 September 2011)

**Board Member Graham Thrower is:**

a Director of Newcastle Science Company Limited (until 30 September 2011)  
a Director of North East Access to Finance Limited, which wholly owns North East Finance (Holdco) Limited.

**Chief Executive, Alan Clarke CBE was:**

a Director of Newcastle Science Company Limited (until 30 September 2011)

**Deputy Chief Executive, Ian Williams was:**

a Director of Enterprise Development North East Limited as a representative of One North East (until 30 September 2011)  
a Director of Newcastle Science Company Limited (until 30 September 2011)

**Director of Legal and Procurement, Charles Peter Judge was:**

a Director of Hadrian's Wall Heritage Limited (until 8 August 2011)  
a Director of One North East General Partner Limited, which owns 50% of Onsite North East General Partner Limited (until 19 September 2011)  
Board Member of the University of Northumbria (from 4th July 2011)

**Director of Finance, Trevor Waggett was:**

a Director of One North East General Partner Limited, which owns 50% of Onsite North East General Partner Limited (until 19 September 2011)

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**26. Transferring Activities to Homes and Communities Agency**

The Agency transferred to the Homes and Communities Agency (HCA) the entirety of our interests in coalfields sites at 1 August 2011 and a significant part of our interest in land and property together with our interest in the Joint Ventures - North East Property Partnership LP and Onsite North East General Partner Limited as at 19 September 2011. The HCA is a Non Departmental Public Body sponsored by the Department for Communities and Local Government.

The transfer is considered by management to have taken place under the rules governing a Machinery of Government Change (MOG). Accordingly, all the transactions and balances relating to this activity have been stripped out of our accounts as if they had been performed by HCA from inception, consequently the comparative figures for 2010-2011 have had to be restated as shown below.

The Statement of Comprehensive Net Expenditure for the year ended 31 March 2012, and the Statement of Financial Position as at 31 March 2012 are also presented to show the effect of the transfer out on these statements.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**26. Transferring Activities to Homes and Communities Agency cont.**

**GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE**

	<b>Pre-Transfer Year Ended 31 March 2012 £000</b>	Transfer of Coalfields £000	Transfer of Land and Properties £000	<b>Year Ended 31 March 2012 £000</b>
<b>Expenditure</b>				
European funded programme expenditure	1,016	0	0	1,016
Programme Expenditure	41,325	41	1,462	39,822
Staff Costs	13,238	0	342	12,896
Depreciation	370	0	0	370
Other Expenditure	5,884	0	44	5,840
Write Downs and Impairments	2,482	0	338	2,144
Book Value of Inventories Sold	3,214	0	147	3,067
European funded expenditure, managing authority role	13,958	0	0	13,958
<b>Total Expenditure</b>	<b>81,486</b>	<b>41</b>	<b>2,333</b>	<b>79,112</b>
<b>Income</b>				
European Funded Income	903	0	28	875
Other Income	5,494	0	1,720	3,774
European funding, managing authority role	13,958	0	0	13,958
Proceeds from disposals	8,149	0	0	8,149
<b>Total Income</b>	<b>28,504</b>	<b>0</b>	<b>1,748</b>	<b>26,756</b>
<b>Net Expenditure</b>	<b>52,982</b>	<b>41</b>	<b>585</b>	<b>52,356</b>
Interest Payable / (Receivable)	(190)	0	0	(190)
(Surplus)/Loss from share in JVs/Associates	(15)	0	0	(15)
Loss / (Gain) on Disposal of Joint Ventures and Subsidiaries	55	0	0	55
(Gain)/Loss on Transfers	(4,773)	0	0	(4,773)
<b>Net Expenditure after Interest</b>	<b>48,059</b>	<b>41</b>	<b>585</b>	<b>47,433</b>
Corporation Tax Recovered	(1,580)	0	0	(1,580)
<b>Reserve</b>	<b>46,479</b>	<b>41</b>	<b>585</b>	<b>45,853</b>
<b>Other Comprehensive Expenditure</b>				
Net (gain)/loss on revaluation of property, plant and equipment	1,210	0	0	1,210
Net (gain)/loss on revaluation of financial assets	0	0	0	0
Net (gain)/loss on revaluation of inventories	0	0	0	0
Net (gain)/loss on disposals of inventories revaluation reserve	297	0	0	297
	0	0	0	0
<b>Total Comprehensive Expenditure for the period</b>	<b>47,986</b>	<b>41</b>	<b>585</b>	<b>47,360</b>

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**26. Transferring Activities to Homes and Communities Agency cont.**

**GROUP STATEMENT OF FINANCIAL POSITION**

	<b>Pre-Transfer Year Ended 31 March 2012 £000</b>	<b>Transfer of Coalfields £000</b>	<b>Transfer of Land and Properties £000</b>	<b>As at 31 March 2012 £000</b>
<b>NON CURRENT ASSETS</b>				
Intangible Assets	0	0	0	0
Property, Plant and Equipment	0	0	0	0
Loans and Receivables at fair value	0	0	0	0
Investments in Joint Ventures (Assets)	78,673	0	78,673	0
Investments in Joint Ventures (Liabilities)	(75,066)	0	(75,066)	0
Loans to Jointly Controlled Entities	121,958	0	121,958	0
Financial Assets	0	0	0	0
Pension Asset	0	0	0	0
<b>Total Non Current Assets</b>	<b>125,565</b>	<b>0</b>	<b>125,565</b>	<b>0</b>
<b>CURRENT ASSETS</b>				
Inventories	26,337	530	25,807	0
Trade Receivables	1,645	0	1,644	1
Financial Assets previously classified as current	0	0	0	0
Other Current Assets	2,152	0	1,870	282
Cash and Cash Equivalents	1,715	0	0	1,715
<b>Total Current Assets</b>	<b>31,849</b>	<b>530</b>	<b>29,321</b>	<b>1,998</b>
<b>Total Assets</b>	<b>157,414</b>	<b>530</b>	<b>154,886</b>	<b>1,998</b>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	(3,301)	0	(33)	(3,268)
<b>Total Current Liabilities</b>	<b>(3,301)</b>	<b>0</b>	<b>(33)</b>	<b>(3,268)</b>
<b>Assets less Current Liabilities</b>	<b>154,113</b>	<b>530</b>	<b>154,853</b>	<b>(1,270)</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions	(1,423)	0	(1,423)	0
Deferred Tax Provision as due in over 1 year	0	0	0	0
Pension Liability	0	0	0	0
<b>Total Non Current Liabilities</b>	<b>(1,423)</b>	<b>0</b>	<b>(1,423)</b>	<b>0</b>
<b>ASSETS LESS LIABILITIES</b>	<b>152,690</b>	<b>530</b>	<b>153,430</b>	<b>(1,270)</b>
<b>TAXPAYERS' EQUITY</b>				
Capital Reserve	3,607	0	3,607	(0)
Revaluation Reserve	6,387	0	6,387	0
General Reserve	142,696	530	143,436	(1,270)
<b>Total Taxpayers' Equity</b>	<b>152,690</b>	<b>530</b>	<b>153,430</b>	<b>(1,270)</b>

Notes to the Financial Statements  
for the year ended 31 March 2012

26. Transferring Activities to Homes and Communities Agency *cont.*

AGENCY STATEMENT OF FINANCIAL POSITION

	Pre-Transfer Year Ended 31 March 2012 £000	Transfer of Coalfields £000	Transfer of Land and Properties £000	As at 31 March 2012 £000
<b>NON CURRENT ASSETS</b>				
Intangible Assets	0	0	0	0
Property, Plant and Equipment	0	0	0	0
Investments in Subsidiaries	0	0	0	0
Investments in Joint Ventures (Assets)	78,673	0	78,673	0
Investments in Joint Ventures (Liabilities)	(75,066)	0	(75,066)	0
Loans to Jointly Controlled Entities	121,958	0	121,958	0
current	0	0	0	0
Pension Asset	0	0	0	0
<b>Total Non Current Assets</b>	<b>125,565</b>	<b>0</b>	<b>125,565</b>	<b>0</b>
<b>CURRENT ASSETS</b>				
Inventories	26,337	530	25,807	0
Trade Receivables	1,645	0	1,644	1
Financial Assets	0	0	0	0
Other Current Assets	2,152	0	1,870	282
Cash and Cash Equivalents	1,715	0	0	1,715
<b>Total Current Assets</b>	<b>31,849</b>	<b>530</b>	<b>29,321</b>	<b>1,998</b>
<b>Total Assets</b>	<b>157,414</b>	<b>530</b>	<b>154,886</b>	<b>1,998</b>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	(3,301)	0	(33)	(3,268)
<b>Total Current Liabilities</b>	<b>(3,301)</b>	<b>0</b>	<b>(33)</b>	<b>(3,268)</b>
<b>Assets less Current Liabilities</b>	<b>154,113</b>	<b>530</b>	<b>154,853</b>	<b>(1,270)</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions	(1,423)	0	(1,423)	(0)
Deferred Tax Provision	0	0	0	0
Pension Liability	0	0	0	0
<b>Total Non Current Liabilities</b>	<b>(1,423)</b>	<b>0</b>	<b>(1,423)</b>	<b>(0)</b>
<b>ASSETS LESS LIABILITIES</b>	<b>152,690</b>	<b>530</b>	<b>153,430</b>	<b>(1,270)</b>
<b>TAXPAYERS' EQUITY</b>				
Capital Reserve	3,607	0	3,607	0
Revaluation Reserve	6,387	0	6,387	0
General Reserve	142,696	530	143,436	(1,270)
<b>Total Taxpayers' Equity</b>	<b>152,690</b>	<b>530</b>	<b>153,430</b>	<b>(1,270)</b>



**Notes to the Financial Statements  
for the year ended 31 March 2012**

**26. Transferring Activities to Homes and Communities Agency cont.**

**GROUP STATEMENT OF COMPREHENSIVE NET EXPENDITURE**

	<b>Year Ended 31 March 2011 £000</b>	<b>Transfer of Coalfields £000</b>	<b>Transfer of Land and Properties £000</b>	<b>Restated Year Ended 31 March 2011 £000</b>
<b>Expenditure</b>				
European funded programme expenditure	3,563	0	0	3,563
Programme Expenditure	223,681	(340)	(41,603)	181,738
Staff Costs	21,034	0	(904)	20,130
Depreciation	452	0	0	452
Other Expenditure	13,140	0	(86)	13,054
Write Downs and Impairments	14,261	(33)	(8,303)	5,925
Book Value of Inventories Sold	3,677	0	0	3,677
European funded expenditure, managing authority role	22,874	0	0	22,874
<b>Total Expenditure</b>	<b>302,682</b>	<b>(373)</b>	<b>(50,896)</b>	<b>251,413</b>
<b>Income</b>				
European Funded Income	4,851	0	300	5,151
Other Income	67,398	0	(4,844)	62,554
European funding, managing authority role	22,874	0	0	22,874
Proceeds from disposals	1,258	0	0	1,258
<b>Total Income</b>	<b>96,381</b>	<b>0</b>	<b>(4,544)</b>	<b>91,837</b>
<b>Net Expenditure</b>	<b>206,301</b>	<b>(373)</b>	<b>(46,352)</b>	<b>159,576</b>
Interest Payable / (Receivable)	(5,841)	0	5,231	(610)
(Surplus)/Loss from share in JVs/Associates	742	0	(751)	(9)
<b>Net Expenditure after Interest</b>	<b>201,202</b>	<b>(373)</b>	<b>(41,872)</b>	<b>158,957</b>
Corporation Tax Recovered	(1,379)	0	66	(1,313)
<b>Reserve</b>	<b>199,823</b>	<b>(373)</b>	<b>(41,806)</b>	<b>157,644</b>
<b>Other Comprehensive Expenditure</b>				
Net (gain)/loss on revaluation of property, plant and equipment	0	0	0	0
Net (gain)/loss on revaluation of financial assets	43	0	0	43
Net (gain)/loss on revaluation of inventories	(340)	0	340	0
Net (gain)/loss on disposals of inventories	1,391	0	0	1,391
Corporation Tax relating to items included in revaluation reserve	95	0	(65)	30
<b>Total Comprehensive Expenditure for the period</b>	<b>201,012</b>	<b>(373)</b>	<b>(41,531)</b>	<b>159,108</b>

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**26. Transferring Activities to Homes and Communities Agency cont.**

**GROUP STATEMENT OF FINANCIAL POSITION**

	<b>As at 31 March 2011</b>	<b>Transfer of Coalfields</b>	<b>Transfer of Land and Properties</b>	<b>Restated as at 31 March 2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>NON CURRENT ASSETS</b>				
Intangible Assets	13	0	0	13
Property, Plant and Equipment	9,275	0	0	9,275
Loans and Receivables at fair value	3,882	0	0	3,882
Investments in Joint Ventures (Assets)	78,891	0	(77,157)	1,734
Investments in Joint Ventures (Liabilities)	(75,795)	0	74,101	(1,694)
Loans to Jointly Controlled Entities	121,958	0	(121,958)	0
Financial Assets	17	0	0	17
Pension Asset	518	0	0	518
<b>Total Non Current Assets</b>	<b>138,759</b>	<b>0</b>	<b>(125,014)</b>	<b>13,745</b>
<b>CURRENT ASSETS</b>				
Inventories	31,567	(530)	(25,953)	5,084
Trade Receivables	12,675	0	(86)	12,589
Financial Assets	49	0	0	49
Other Current Assets	35,866	0	(5,350)	30,516
Cash and Cash Equivalents	41,766	0	0	41,766
<b>Total Current Assets</b>	<b>121,923</b>	<b>(530)</b>	<b>(31,389)</b>	<b>90,004</b>
<b>Total Assets</b>	<b>260,682</b>	<b>(530)</b>	<b>(156,403)</b>	<b>103,749</b>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	(78,607)	0	9,839	(68,768)
<b>Total Current Liabilities</b>	<b>(78,607)</b>	<b>0</b>	<b>9,839</b>	<b>(68,768)</b>
<b>Assets less Current Liabilities</b>	<b>182,075</b>	<b>(530)</b>	<b>(146,564)</b>	<b>34,981</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions	(8,131)	0	0	(8,131)
Deferred Tax Provision	(4,430)	0	0	(4,430)
Trade and Other Payables	(13,276)	0	0	(13,276)
Pension Liability	0	0	0	0
<b>Total Non Current Liabilities</b>	<b>(25,837)</b>	<b>0</b>	<b>0</b>	<b>(25,837)</b>
<b>ASSETS LESS LIABILITIES</b>	<b>156,238</b>	<b>(530)</b>	<b>(146,564)</b>	<b>9,144</b>
<b>TAXPAYERS' EQUITY</b>				
Capital Reserve	10,694	0	(3,055)	7,639
Revaluation Reserve	7,894	0	(6,387)	1,507
General Reserve	137,650	(530)	(137,122)	(2)
<b>Total Taxpayers' Equity</b>	<b>156,238</b>	<b>(530)</b>	<b>(146,564)</b>	<b>9,144</b>

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**26. Transferring Activities to Homes and Communities Agency *cont.***

**AGENCY STATEMENT OF FINANCIAL POSITION**

	<b>As at 31 March 2011</b>	<b>Transfer of Coalfields</b>	<b>Transfer of Land and Properties</b>	<b>Restated as at 31 March 2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>NON CURRENT ASSETS</b>				
Intangible Assets	13	0	0	13
Property, Plant and Equipment	9,268	0	0	9,268
Investments in Subsidiaries	(1,124)	0	0	(1,124)
Investments in Joint Ventures (Assets)	78,891	0	(77,157)	1,734
Investments in Joint Ventures (Liabilities)	(75,795)	0	74,101	(1,694)
Loans to Jointly Controlled Entities	121,958	0	(121,958)	0
Financial Assets	17	0	0	17
Pension Asset	518	0	0	518
<b>Total Non Current Assets</b>	<b>133,746</b>	<b>0</b>	<b>(125,014)</b>	<b>8,732</b>
<b>CURRENT ASSETS</b>				
Inventories	31,550	(530)	(25,953)	5,067
Trade Receivables	14,515	0	(86)	14,429
Financial Assets	49	0	0	49
Other Current Assets	31,913	0	(5,350)	26,563
Cash and Cash Equivalents	25,097	0	0	25,097
<b>Total Current Assets</b>	<b>103,124</b>	<b>(530)</b>	<b>(31,389)</b>	<b>71,205</b>
<b>Total Assets</b>	<b>236,870</b>	<b>(530)</b>	<b>(156,403)</b>	<b>79,937</b>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	(73,589)	0	9,839	(63,750)
<b>Total Current Liabilities</b>	<b>(73,589)</b>	<b>0</b>	<b>9,839</b>	<b>(63,750)</b>
<b>Assets less Current Liabilities</b>	<b>163,281</b>	<b>(530)</b>	<b>(146,564)</b>	<b>16,187</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions	(5,674)	0	0	(5,674)
Deferred Tax Provision	(4,430)	0	0	(4,430)
Pension Liability	0	0	0	0
<b>Total Non Current Liabilities</b>	<b>(10,104)</b>	<b>0</b>	<b>0</b>	<b>(10,104)</b>
<b>ASSETS LESS LIABILITIES</b>	<b>153,177</b>	<b>(530)</b>	<b>(146,564)</b>	<b>6,083</b>
<b>TAXPAYERS' EQUITY</b>				
Capital Reserve	7,633	0	(3,055)	4,578
Revaluation Reserve	7,894	0	(6,387)	1,507
General Reserve	137,650	(530)	(137,122)	(2)
<b>Total Taxpayers' Equity</b>	<b>153,177</b>	<b>(530)</b>	<b>(146,564)</b>	<b>6,083</b>

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**26. Transferring Activities to Homes and Communities Agency cont.**

**GROUP STATEMENT OF FINANCIAL POSITION**

	<b>As at 31 March 2010</b>	<b>Transfer of Coalfields</b>	<b>Transfer of Land and Properties</b>	<b>Restated as at 31 March 2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>NON CURRENT ASSETS</b>				
Intangible Assets	49	0	0	49
Property, Plant and Equipment	9,818	0	0	9,818
Loans and Receivables at fair value	7,748	0	0	7,748
Investments in Joint Ventures (Assets)	80,196	0	(78,688)	1,508
Investments in Joint Ventures (Liabilities)	(76,248)	0	74,758	(1,490)
Loans to Jointly Controlled Entities	123,928	0	(123,928)	0
Financial Assets	64	0	0	64
Pension Asset	0	0	0	0
<b>Total Non Current Assets</b>	<b>145,555</b>	<b>0</b>	<b>(127,858)</b>	<b>17,697</b>
<b>CURRENT ASSETS</b>				
Inventories	45,166	(560)	(28,465)	16,141
Trade Receivables	3,313	0	(163)	3,150
Financial Assets	162	0	0	162
Other Current Assets	28,846	0	(11,009)	17,837
Cash and Cash Equivalents	46,607	0	0	46,607
<b>Total Current Assets</b>	<b>124,094</b>	<b>(560)</b>	<b>(39,637)</b>	<b>83,897</b>
<b>Total Assets</b>	<b>269,649</b>	<b>(560)</b>	<b>(167,495)</b>	<b>101,594</b>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	(92,908)	0	9,736	(83,172)
<b>Total Current Liabilities</b>	<b>(92,908)</b>	<b>0</b>	<b>9,736</b>	<b>(83,172)</b>
<b>Assets less Current Liabilities</b>	<b>176,741</b>	<b>(560)</b>	<b>(157,759)</b>	<b>18,422</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions	(4,276)	0	0	(4,276)
Deferred Tax Provision	(5,768)	0	0	(5,768)
Trade and Other Payables	(15,056)	0	0	(15,056)
Pension Liability	(221)	0	0	(221)
<b>Total Non Current Liabilities</b>	<b>(25,321)</b>	<b>0</b>	<b>0</b>	<b>(25,321)</b>
<b>ASSETS LESS LIABILITIES</b>	<b>151,420</b>	<b>(560)</b>	<b>(157,759)</b>	<b>(6,899)</b>
<b>TAXPAYERS' EQUITY</b>				
Capital Reserve	10,191	0	(3,930)	6,261
Revaluation Reserve	9,083	0	(6,112)	2,971
General Reserve	132,146	(560)	(147,717)	(16,131)
<b>Total Taxpayers' Equity</b>	<b>151,420</b>	<b>(560)</b>	<b>(157,759)</b>	<b>(6,899)</b>

Notes to the Financial Statements  
for the year ended 31 March 2012

26. Transferring Activities to Homes and Communities Agency *cont.*

AGENCY STATEMENT OF FINANCIAL POSITION

	As at 31 March 2010 £000	Transfer of Coalfields £000	Transfer of Land and Properties £000	Restated as at 31 March 2010 £000
<b>NON CURRENT ASSETS</b>				
Intangible Assets	49	0	0	49
Property, Plant and Equipment	9,802	0	0	9,802
Investments in Subsidiaries	(995)	0	0	(995)
Investments in Joint Ventures (Assets)	80,196	0	(78,688)	1,508
Investments in Joint Ventures (Liabilities)	(76,248)	0	74,758	(1,490)
Loans to Jointly Controlled Entities	123,928	0	(123,928)	0
Financial Assets	64	0	0	64
Pension Asset	0	0	0	0
<b>Total Non Current Assets</b>	<b>136,796</b>	<b>0</b>	<b>(127,858)</b>	<b>8,938</b>
<b>CURRENT ASSETS</b>				
Inventories	45,104	(560)	(28,465)	16,079
Trade Receivables	2,092	0	(163)	1,929
Financial Assets	162	0	0	162
Other Current Assets	24,386	0	(11,009)	13,377
Cash and Cash Equivalents	31,111	0	0	31,111
<b>Total Current Assets</b>	<b>102,855</b>	<b>(560)</b>	<b>(39,637)</b>	<b>62,658</b>
<b>Total Assets</b>	<b>239,651</b>	<b>(560)</b>	<b>(167,495)</b>	<b>71,596</b>
<b>CURRENT LIABILITIES</b>				
Trade and Other Payables	(83,193)	0	9,736	(73,457)
<b>Total Current Liabilities</b>	<b>(83,193)</b>	<b>0</b>	<b>9,736</b>	<b>(73,457)</b>
<b>Assets less Current Liabilities</b>	<b>156,458</b>	<b>(560)</b>	<b>(157,759)</b>	<b>(1,861)</b>
<b>NON CURRENT LIABILITIES</b>				
Provisions	(2,183)	0	0	(2,183)
Deferred Tax Provision	(5,768)	0	0	(5,768)
Pension Liability	(221)	0	0	(221)
<b>Total Non Current Liabilities</b>	<b>(8,172)</b>	<b>0</b>	<b>0</b>	<b>(8,172)</b>
<b>ASSETS LESS LIABILITIES</b>	<b>148,286</b>	<b>(560)</b>	<b>(157,759)</b>	<b>(10,033)</b>
<b>TAXPAYERS' EQUITY</b>				
Capital Reserve	7,057	0	(3,930)	3,127
Revaluation Reserve	9,083	0	(6,112)	2,971
General Reserve	132,146	(560)	(147,717)	(16,131)
<b>Total Taxpayers' Equity</b>	<b>148,286</b>	<b>(560)</b>	<b>(157,759)</b>	<b>(10,033)</b>

Notes to the Financial Statements  
for the year ended 31 March 2012

26. Transferring Activities to Homes and Communities Agency *cont.*

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Year Ended 31 March 2011 £000	Transfer of Coalfields £000	Transfer of Land and Properties £000	Restated Year Ended 31 March 2011 £000
<b>Cash Flows from Operating Activities</b>				
Net (Deficit)/Surplus after Interest	(201,202)	373	41,872	(158,957)
Receivables	(16,382)	0	(5,736)	(22,118)
(Increase)/Decrease in Inventories	8,872	(30)	(2,787)	6,055
Increase/(Decrease) in Trade Payables	(14,301)	0	(103)	(14,404)
Depreciation and Amortisation	481	0	0	481
Corporation Tax Charges and Changes to Deferred Tax Provision	7	0	(66)	(59)
Use of Provisions	2,592	0	0	2,592
Other Operating recharges	(162)	0	0	(162)
Book Value of Inventories Sold	3,677	0	0	3,677
(Surplus)/Loss from share in JVs/Associates	742	0	(751)	(9)
<b>Net Cash Outflow from Operating Activities</b>	<b>(215,676)</b>	<b>343</b>	<b>32,429</b>	<b>(182,904)</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of Property, Plant and Equipment	(39)	0	0	(39)
Equipment	130	0	0	130
Increase/(Decrease) in Other Assets	124	0	0	124
Investments in Subsidiaries	0	0	0	0
Loan Repayments from Other Bodies	5,930	0	(1,970)	3,960
<b>Net Cash Flow from Investing Activities</b>	<b>6,145</b>	<b>0</b>	<b>(1,970)</b>	<b>4,175</b>
<b>Cash Flows from Financing Activities</b>				
Grants from Parent Department	206,000	(343)	(30,459)	175,198
Subsidiary Activities	(1,310)	0	0	(1,310)
Bank Loans (Subsidiaries)	0	0	0	0
<b>Net Cash Outflow from Financing Activities</b>	<b>204,690</b>	<b>(343)</b>	<b>(30,459)</b>	<b>173,888</b>
<b>Increase / Decrease in Cash and Cash Equivalents in period</b>	<b>(4,841)</b>	<b>0</b>	<b>0</b>	<b>(4,841)</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	46,607	0	0	46,607
<b>Cash and Cash Equivalents at the End of the Period</b>	41,766	0	0	41,766
	<b>(4,841)</b>	<b>0</b>	<b>0</b>	<b>(4,841)</b>

Notes to the Financial Statements  
for the year ended 31 March 2012

26. Transferring Activities to Homes and Communities Agency *cont.*

AGENCY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	Year Ended 31 March 2011 £000	Transfer of Coalfields £000	Transfer of Land and Properties £000	Restated Year Ended 31 March 2011 £000
<b>Cash Flows from Operating Activities</b>				
Net (Deficit)/Surplus after Interest	(201,113)	373	41,872	(158,868)
Receivables	(19,950)	0	(5,736)	(25,686)
(Increase)/Decrease in Inventories	8,826	(30)	(2,787)	6,009
Increase/(Decrease) in Trade Payables	(9,604)	0	(103)	(9,707)
Depreciation and Amortisation	471	0	0	471
Corporation Tax Charges and Changes to Deferred Tax Provision	0	0	(66)	(66)
Use of Provisions	2,752	0	0	2,752
Other Operating recharges	0	0	0	0
Book Value of Inventories Sold	3,677	0	0	3,677
(Surplus)/Loss from share in JVs/Associates	742	0	(751)	(9)
<b>Net Cash Outflow from Operating Activities</b>	<b>(214,199)</b>	<b>343</b>	<b>32,429</b>	<b>(181,427)</b>
<b>Cash Flows from Investing Activities</b>				
Purchase of Property, Plant and Equipment	(39)	0	0	(39)
Equipment	130	0	0	130
Increase/(Decrease) in Other Assets	124	0	0	124
Loan Repayments from Other Bodies	1,970	0	(1,970)	0
<b>Net Cash Flow from Investing Activities</b>	<b>2,185</b>	<b>0</b>	<b>(1,970)</b>	<b>215</b>
<b>Cash Flows from Financing Activities</b>				
Grants from Parent Department	206,000	(343)	(30,459)	175,198
<b>Net Cash Outflow from Financing Activities</b>	<b>206,000</b>	<b>(343)</b>	<b>(30,459)</b>	<b>175,198</b>
<b>Equivalents in period</b>	<b>(6,014)</b>	<b>0</b>	<b>0</b>	<b>(6,014)</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>31,111</b>	<b>0</b>	<b>0</b>	<b>31,111</b>
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>25,097</b>	<b>0</b>	<b>0</b>	<b>25,097</b>
	<b>(6,014)</b>	<b>0</b>	<b>0</b>	<b>(6,014)</b>

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**27. Continuing and Discontinued Activities.**

In accordance with IFRS and other guidance the Agency is required to report how much of its activity will continue as a result of being transferred to other sections of the public sector and how much will discontinue as a result of the closure of the Agency.

Using the definition of discontinued activity given in the FReM (which includes the public sector interpretation of IFRS 5) as that activity that will have ceased altogether in-year, the Agency has identified that with the exception of some of those activities being transferred to government departments, all activities of the Agency will be discontinued.

The transfer to government departments (with the exception of the transfer to the Homes and Communities Agency detailed in Note 26) have been accounted for under acquisition accounting rules (see Note 28). These transfers include both continuing and discontinuing activities as detailed below:

<b>Area of Discontinuing Activity</b>	<b>Area of Government receiving the Activity</b>	<b>Date of Transfer</b>
Grants for Business Investment	Department of Business, Innovation and Skills	1 September 2011
Grants for Research & Development and other innovation projects	Technology Strategy Board	1 September 2011
Grant funded Single Programme projects	Department of Business, Innovation and Skills (Project Management Office - PMO)	1 January 2012
Assets and Liabilities (NAREC land, Trade Receivables, Pension Liabilities)	Department of Business, Innovation and Skills	30 March 2012

<b>Area of Continuing Activity</b>	<b>Area of Government receiving the Activity</b>	<b>Date of Transfer</b>
Venture Capital Loan funds (Access to Finance)	Capital for Enterprise Limited	1 October 2011
ERDF Managing Authority Role	Department of Communities and Local Government	1 July 2011
Administration of RDPE	Department for the Environment, Farming and Rural Affairs	1 July 2011
Activity on the Olympics	Department for Culture, Media and Sport	1 February 2012



**Notes to the Financial Statements  
for the year ended 31 March 2012**

**27. Continuing and Discontinuing Activities *cont***

All the activities shown in the financial statements are classified as discontinued, with the exception of those relating to the activities detailed above as continuing. The amounts included in the financial statements for 2011-12 and 2010-11 relating to these continuing activities are shown below:

	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>£000</b>	<b>£000</b>
<b>Statement on Comprehensive Net Expenditure</b>		
Venture Capital Loan funds		
Staff Costs	22	36
Programme Spend	7,200	1,897
Other Income	(580)	0
ERDF Managing Authority Role		
Staff Costs	310	1,274
Interest receivable	0	(122)
European funded expenditure, managing authority role income	(13,958)	(22,874)
European funded expenditure, managing authority role expenditure	13,958	22,874
Other Expenditure		
Loss on transfer	223	0
Administration of RDPE		
Staff Costs	98	421
Other Expenditure	0	3
Activity on the Olympics		
Staff Costs	35	0
Other Income	(44)	0
Other Expenditure	9	0
<b>Net Expenditure taken to the General Reserve</b>	<b>7,273</b>	<b>3,509</b>
 <b>Agency Statement of Financial Position</b>		
Venture Capital Loan funds		
Trade and Other payables	0	(30)
ERDF Managing Authority Role		
Cash and Cash equivalents	0	21,851
Trade and Other Payables	0	(21,628)
Administration of RDPE	0	0
Activity on the Olympics	0	0
<b>Total Assets less Liabilities</b>	<b>0</b>	<b>193</b>
 <b>General Reserve - Total Recognised Income and Expenditure</b>		
Venture Capital Loan funds	(6,642)	(1,903)
ERDF Managing Authority Role	(533)	(1,375)
Administration of RDPE	(98)	(424)
Activity on the Olympics	0	0
	<b>(7,273)</b>	<b>(3,702)</b>

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**27. Continuing and Discontinuing Activities cont  
Agency Statement of Cash Flows**

	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>£000</b>	<b>£000</b>
Venture Capital Loan funds		
Net Deficit per Statement of Comprehensive Expenditure above:	(6,642)	(1,933)
Increase/(Decrease) in Trade Payables	(30)	0
ERDF Managing Authority Role		
Net Deficit per Statement of Comprehensive Expenditure above:	(533)	(1,152)
(Increase)/Decrease in Trade and Other Receivables	0	400
Increase/(Decrease) in Trade Payables	(21,628)	(574)
Administration of RDPE		
Net Deficit per Statement of Comprehensive Expenditure above:	(98)	(424)
Activity on the Olympics		
Net Deficit per Statement of Comprehensive Expenditure above:	0	0
<b>Net Cash Outflow from Operating Activities</b>	<b>(28,931)</b>	<b>(3,683)</b>
Venture Capital Loan funds	0	0
ERDF Managing Authority Role	0	0
Administration of RDPE	0	0
Activity on the Olympics	0	0
<b>Net Cash Flow from Investing Activities</b>	<b>0</b>	<b>0</b>
Venture Capital Loan funds		
Grants from Parent Department	6,672	1,933
ERDF Managing Authority Role		
Grants from Parent Department	310	974
Administration of RDPE		
Grants from Parent Department	98	424
Activity on the Olympics		
Grants from Parent Department	0	0
<b>Net Cash Outflow from Financing Activities</b>	<b>7,080</b>	<b>3,331</b>
Venture Capital Loan funds	0	0
ERDF Managing Authority Role	(21,851)	(352)
Administration of RDPE	0	0
Activity on the Olympics	0	0
<b>Increase / Decrease in Cash and Cash Equivalents in period</b>	<b>(21,851)</b>	<b>(352)</b>

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**28. Acquisition Accounting Transfers**

The following transfers have been made to other Government organisations and accounted for in accordance with Acquisition Accounting principles, i.e. accounted for in full by the Agency to and the recipient from the date of transfer.

To avoid the need for funds to flow between the Agency and the government department, each transfer was accounted for by both parties as either a loss or gain on disposal or acquisition. The net effect on the Whole of Government accounts remains nil.

<b>Transferred Asset or Liability or Activity</b>	<b>Area of Government receiving the Activity</b>	<b>Date of Transfer</b>	<b>Gain/ (Loss) on Transfer £'000</b>
ERDF Managing Authority Role	Department of Communities and Local Government	1 July 2011	(223)
Administration of RDPE	Department for the Environment, Farming and Rural Affairs	1 July 2011	0
Grants for Business Investment	Department of Business, Innovation and Skills	1 September 2011	0
Grants for Research & Development and other innovation projects	Technology Strategy Board	1 September 2011	0
Venture Capital Loan funds (Access to Finance)	Capital for Enterprise Limited	1 October 2011	0
INEOS Deferred Income (Liability)	Department of Business, Innovation and Skills	11 November 2011	5,500
Grant funded Single Programme projects	Department of Business, Innovation and Skills	1 January 2012	0
Activity on the Olympics	Department for Culture, Media and Sport	1 February 2012	0
One NorthEast Retirement Benefits Scheme	Department of Business, Innovation and Skills	30 March 2012	1,664
Early Retirement Annual Compensation Payments under the terms of the Civil Service Compensation Scheme (Liability)	Department of Business, Innovation and Skills	30 March 2012	646
By-analogy Pension Scheme (Liability)	Department of Business, Innovation and Skills	30 March 2012	199
Debtors (ERDF claims)	Department of Business, Innovation and Skills	30 March 2012	(533)
Debtors (Redundancy)	Department of Business, Innovation and Skills	30 March 2012	(21)
Narec Land, Blyth (Asset)	Department of Business, Innovation and Skills (Technology Strategy	30 March 2012	(2,445)
Brakin Court Partnership Workspce, Skelton	Department of Business, Innovation and Skills	30 March 2012	(14)
<b>Total Gain / (Loss) on Acquisition Accounting Transfer</b>			<b>4,773</b>

A contingent liability of £7,700,000 for the Agency's share of the exit debt of the Homes and Communities Agency Pension Scheme was also transferred to Department of Business, Innovation and Skills on 30 March 2012. In addition some projects and staff were also transferred to other bodies as detailed in the Management Commentary by Alan Clarke. These transfers did not create a gain or loss on transfer and did not need to be included in the above analysis.

**Notes to the Financial Statements  
for the year ended 31 March 2012**

**29. Events After the Reporting Period**

One North East's financial statements are laid before the Houses of Parliament by the Secretary of State for Business, Innovation and Skills (BIS). *IAS 10 – Events after the Reporting Period* requires One North East to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date the audit report is signed by the Comptroller & Auditor General.

**30. Losses and Special Payments**

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

In order to ensure an effective closure of the Agency, a retention scheme was put in place that identified key individuals with the necessary skills and experience to remain with the Agency through the process. This scheme was approved by The Department for Business, Innovation and Skills (BIS), in conjunction with HM Treasury on 15 December 2010.

In 2011-12, 6 employee's duly completed their closure tasks and received a total of £247k



information & publishing solutions

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

**Online**

[www.tsoshop.co.uk](http://www.tsoshop.co.uk)

**Mail, Telephone, Fax & E-mail**

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

E-mail: [customer.services@tso.co.uk](mailto: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](mailto:bookshop@parliament.uk)

Internet: <http://www.bookshop.parliament.uk>

**TSO@Blackwell and other Accredited Agents**

ISBN 978-0-10-297763-9



9 780102 977639