

**SOUTH EAST ENGLAND DEVELOPMENT  
AGENCY**

**ANNUAL REPORT & ACCOUNTS**

**YEAR END 31 MARCH 2005**

**SOUTH EAST ENGLAND DEVELOPMENT  
AGENCY**

**PART ONE**

**ANNUAL REPORT**

**YEAR END 31 MARCH 2005**

## CONTENTS

<b>1.</b>	<b>Chairman's Introduction</b>	<b>4</b>
<b>2.</b>	<b>Chief Executive's Review</b>	<b>6</b>
<b>3.</b>	<b>Business Review</b>	<b>9</b>
<b>3.1</b>	<b>World Class Innovation</b>	
	3.1.1 Employment	9
	3.1.2 Action 4 Business Colleges	9
	3.1.3 Sector Skills Development Manager	9
	3.1.4 Working with Universities	9
	3.1.5 Manufacturing and the Manufacturing Advice Service	10
	3.1.6 Innovation Performance	11
<b>3.2</b>	<b>Competitive Enterprise</b>	<b>13</b>
	3.2.1. Enterprise	13
	3.2.2 Investment	14
<b>3.3</b>	<b>Quality Places</b>	<b>15</b>
	3.3.1 Sustainable Communities & Urban Renaissance	16
	3.3.2 Sustainable Communities & Growth Areas	16
<b>3.4</b>	<b>Area Based Regeneration</b>	<b>17</b>
	3.4.1 Area Investment Frameworks	17
	3.4.2 Single Regeneration Budget	18
	3.4.3 Physical Regeneration	18
	3.4.4 Hastings & Bexhill	18
	3.4.5 Rural	19
	3.4.6 Kent Coalfields	20
<b>3.5</b>	<b>Strategic Influencing</b>	<b>20</b>
	3.5.1 Role as a Strategic Catalyst	20
<b>4.</b>	<b>Board and Corporate Structure</b>	<b>26</b>
<b>4.1</b>	<b>Contribution to Broader Policy Development</b>	<b>26</b>
	4.1.1 RDA Lead Roles	26
<b>4.2</b>	<b>Chairman</b>	<b>28</b>
<b>4.3</b>	<b>Board</b>	<b>28</b>
<b>4.4</b>	<b>Board Committees</b>	<b>29</b>
<b>4.5</b>	<b>Advisory Council</b>	<b>29</b>
<b>4.6</b>	<b>Senior Executive</b>	<b>30</b>
<b>4.7</b>	<b>Human Resources and Service Standards</b>	<b>30</b>
<b>4.8</b>	<b>Risk Management</b>	<b>31</b>
<b>4.9</b>	<b>Subsidiary Companies</b>	<b>32</b>
<b>4.10</b>	<b>Financial Review</b>	<b>32</b>
<b>5.</b>	<b>Performance Targets</b>	<b>33</b>

## **1. CHAIRMAN'S INTRODUCTION**

This report sets out SEEDA's achievements and progress during the last year. I would like to acknowledge at the outset that we can only succeed by working in close partnership with businesses, communities and other public bodies across the region, and I pay tribute to their contribution.

SEEDA's relationship with businesses is absolutely critical to its ability to promote economic prosperity across the region. So I am particularly pleased that we have been able to establish Business South East as a strategic leadership forum, bringing together business representatives to advise and guide our contribution to key regional issues. This close relationship with businesses will be particularly important for us in the year ahead, as we review the Regional Economic Strategy.

I said last year that a responsible business, engaged with its community, gains a competitive edge. Over the last year, we have been able to demonstrate and celebrate examples of just what this means in everyday business. For example we have seen the continued growth and success of the South East Sustainable Business Awards, now firmly established as the region's largest business awards event. I expect to see this work progress further in the coming year, particularly given that SEEDA has a national lead role in the field of corporate social responsibility.

### **Working with Businesses**

After six years of operation SEEDA can demonstrate real achievement and impact in supporting business success. Our network of 22 Enterprise Hubs is now complete and, as at March 2005, more than 1,800 businesses were using the services of the network to improve their growth prospects. This does not mean we can now rest on our laurels – we now need to extract maximum value from the Hub Network, and ensure that entrepreneurs and businesses can gain maximum benefit from its services. Alongside the Hubs are now eight Enterprise Gateways, with a further five in development, bringing support for business start-ups and growth to the region's hard-to-reach communities.

SEEDA's role in supporting business growth has expanded greatly as we take on responsibility for the region's Business Links who represent the key portal for business support. During the last year our overriding priority has been to ensure a smooth transition involving no dip in performance or disruption to customers. We have built on our already-strong working relationship with Business Link Chairs and Chief Executives, and were able to lead a smooth and timely planning process for 2005-06.

The acid test of all this is of course impact on Business Link performance, and I am delighted that during 2004-05 they achieved improvements against each of their three key performance indicators of market penetration, customer satisfaction and intensive assistance. This is a real achievement in a year of great change, and I look forward to working closely with my Business Link colleagues to build on this impressive track record.

Last year I highlighted the importance of science and innovation for securing the future success of the region, and we have made major strides. The South East Science, Engineering and Technology Advisory Council (SESETAC) is now established as a key source of advice informing the region's approach to science and technology, bringing together business leaders and University Vice Chancellors. SESETAC is playing a major role in shaping SEEDA's innovation action plan for the next three years, which will be supported by a total of £72 million of SEEDA funding. I want to see these resources used to maximum effect, enabling businesses of all types and sizes to benefit from the

region's extraordinary range of University research strengths, and its wealth of business and public sector research facilities.

### **Sustaining Economic Success**

The South East is one of the world's most successful business locations. With that success come pressures. Businesses across the region have consistently identified a lack of affordable housing, increasing transport congestion, and skills and labour shortages as critical issues impacting on their future success. So looking across and beyond our own budgets, SEEDA must work with others to secure the conditions for continued economic prosperity. During the last year we have played an energetic role in bringing these issues to the fore, seeking to ensure that they are given due weight in the process of preparing the South East Plan. We will need to continue to make the case for sustainable prosperity in the year ahead, and I am sure that this will be a central theme of the forthcoming review of the Regional Economic Strategy.

### **In Summary**

SEEDA has achieved much, not just in the last year but across the six years since its formation. Between 1999 and 2004, our business strategy has enabled the formation of more than 750 new businesses and has also contributed to creating or safeguarding more than 35,000 jobs across the region. A further 9,500 jobs came through SEEDA's success in attracting over 160 businesses from overseas.

Our successes in 2004-05 will boost these figures further, but we will not allow this to lull us into complacency. The region faces major challenges in an increasingly competitive world and over the coming year our work with partners on reviewing the Regional Economic Strategy will bring these into focus. I know that we will rise to the challenge.

**James E Brathwaite CBE**  
**Chairman**

## **2. CHIEF EXECUTIVE'S REVIEW**

### **Introduction**

Since becoming SEEDA's Chief Executive, I have been surprised almost every day by the breadth and depth of the agency's activities, as well as the complexity and variety of the opportunities and challenges in the region. To deliver real value-added to the region this requires SEEDA to manage through a matrix that is capable of delivering the highest quality expertise in diverse aspects of economic development, while being fully responsive to the very different needs and demands of its sub-regions.

SEEDA has resources that are modest when compared to the size of the region, or to the resources available to many of our partners. But our regional strategic role, and the flexibility of our funding, points to how we can best add value:

- through leverage and influencing,
- by using our resources to innovate and drive best practice,
- through a sub-regional focus and by leaving others to lead when they are best placed to do so.

### **Influencing**

Leverage and influence are key to SEEDA's contribution to delivering the agenda we are all signed up to, set out in the Regional Economic Strategy. Much of what the region needs in terms of the vital priorities of infrastructure investment, housing, skills development and good public services to support a growing population depends on Government policies and funding streams. The case for investment in the South East to sustain our major contribution to national prosperity has to be made. So too does the case for the right policies and more flexible funding streams that would enable regional and local solutions to problems rather than the national 'one size fits all' approach.

There have been important opportunities to exert influence over the past year. The Government has requested regional input into the Spending Review, which will settle budgets for the 3 years from 2005, and into a wide variety of important policy developments, such as the National Skills Strategy, the DTI's Innovation Review and the Lambert Review of business interaction with universities. SEEDA works both with regional partners, in particular the Regional Assembly, and with its fellow RDAs, in responding to these opportunities. SEEDA leads for all the RDAs in working with Government on Science and Innovation, on Energy, on Waste and on Corporate Social Responsibility. This is a demanding agenda requiring knowledge and expertise from SEEDA's staff if the work is to be done to the standard necessary to command credibility.

With the Assembly and GOSE, we jointly developed the region's case for investment from the Spending Review in the Regional Emphasis Document. Some of the joint representations from the RDAs have already borne fruit: the announcement from the Small Business Service that from next year RDAs will contract regionally for Business Link services lays the basis, on which we are already working with the region's Business Links, for a more integrated approach to helping businesses succeed and grow.

In response to the National Skills Strategy, we assisted in the creation of the Regional skills for Productivity Alliance bringing together 20 organisations committed to transforming skills and training provision and business support services. This has also

influenced the six Local Skills for Productivity Alliances which will drive local actions and advise the Regional Alliance.

## **Best practice**

SEEDA's use of its own resources is at its best when our activities and programmes are demonstrably at the leading edge of good practice, acting as pilots and exemplars that exert encouragement and leverage on others. We have been active in looking for best practice internationally as well as nationally, and we do not stand still, continuing to learn from our experience and extend the reach of our initiatives. Three areas of excellence, in different areas of SEEDA's business. are now well embedded:

**Quality places** – The sustainable communities and urban renaissance, housing, growth areas and major physical development agenda has moved forward rapidly during the year. Progress includes working with the Multi Agency Group with architecture, design, planning and other functions; the creation of the brownfield land assembly for housing; land assembly for the Ashford and Thames Gateway growth areas; and continuation of major development schemes including those at Cowes, Shoreham, Southampton, Rochester, Chatham, Hastings etc.

**Skills development in the work place** – Our work with the education sector continues to progress with close working relations with the Universities; the introduction of sector skills specialists; the Computer Club for Girls project; and the social inclusion agenda. We have also helped to launch the South East Skills for life website which can be seen on the SEEOne web portal hosted by SEEDA.

**Enterprise Hubs and gateways** – A regional network of 22 Enterprise Hubs has been completed and we are working with start-up and growing companies with a particular focus on high-tech. Hubs have a particular role in facilitating the transfer of technology and know-how from the region's universities and research institutes. Gateways are a programme developed jointly with the South East Business Links to provide business incubation networks nurturing entrepreneurs and young companies within the general business community. There are currently nine Enterprise Gateways in the network across the South East, with another 11 planned.

## **Sub-regional focus**

We also recognise in the way we work that the region is large and diverse, and that a sub-regional perspective is essential. This has been developed progressively. It was an important step forward that the current Regional Economic Strategy was strongly influenced by priorities developed sub-regionally and locally, with the region's 11 Economic Partnerships playing a leading role in the consultation and development process. Building on that, SEEDA put fully into place in April 2003 its four Area Teams. Each, led by an Area Director who is a member of SEEDA's senior Executive team, has an overview of all SEEDA's activities in its sub-region, and is proactive in working with all our partners and stakeholders to maximise the value that SEEDA can offer to meeting their aspirations and objectives.

For the region's priority regeneration areas, this engagement has focused on the development of Area Investment Frameworks and Partnerships. Their purpose is to plan together all the investment, public and private, that will come into an area with clear agreed objectives to secure lasting, sustainable, improvement.

Our European focus continues with the promotion of the region and securing EU funds for the ESF and ERDF programmes which are a valuable part of the grant in aid programme. The Brussels office is shared with some of our South East partners and is a valuable base for our networking activities for Europe, including the implications of enlargement.

### **Building on SEEDA's capabilities**

I have been fortunate to inherit from Anthony Dunnett an organisation whose people are highly skilled and motivated towards delivery of this agenda. He has grown SEEDA to maturity and it is my fortunate task to build on this, taking the organisation forward to even greater effectiveness.

We need to work even harder to build our key relationships and partnerships, especially within our sub-regions and with government, to maximise our influence and leverage.

Looking forward to the outcome of the 2004 Spending Review, we can expect that the role of the RDAs will grow in providing strategic leadership for delivery of Government objectives increasingly devolved to regions. I believe that our response to these demands will build on sound foundations, and I look forward to working with all our partners to ensure that all parts of the region are enabled to deliver to their potential for truly sustainable economic

**Pam Alexander**  
**Chief Executive**

### **3. BUSINESS REVIEW**

#### **3.1 WORLD CLASS INNOVATION**

##### **3.1.1 Employment**

A 2-year pilot project was created to address retraining, employability, and business start up issues arising from major closures in priority areas in the South East. The project has developed capacity and systems in local areas to ensure a speedy, cohesive response to all redundancies.

A joint venture partnership involving JobCentre Plus and SEEDA has evolved, establishing a proactive service to employers and employees faced with downsizing within the region. This will better equip the workforce to move from their existing employment to alternative occupations and work. The key goal of the unit is to ensure that companies receive the necessary support to help employees remain in the workforce.

Types of support available to companies include contacts with local partnership groups, Information, advice and guidance on Job searching, benefits advice, assistance with CVs, access to vacancies, referrals to specialist help e.g. small business advice, information on help available from other sources, training for new skills, advice on local training and organisation of Job fairs and recruitment fairs.

Exodus (Ex-Offenders Discharged Under Supervision) is a three-year cross regional project in the South East and London regions to develop effective interventions with short-term prisoners and priority offenders, to reduce re-offending through increasing employability. SEEDA, LDA, Prison and Probation Areas for the South East and London, together with the Government Offices for both regions and the Voluntary and Community Sector, are working together in a multi-regional partnership looking at the economic, social and environmental benefits of reducing crime.

##### **3.1.2 Action 4 Business Colleges**

The Action for Business College Network is a flagship programme supported by SEEDA and the South east region's six LSCs as part of their workforce Skills Programme. This ambitious transformation programme is designed to drive up FE provider responsiveness and capacity to meet the needs of employers. The programme supports and accredits genuine change in the responsiveness of colleges to employers.

The initiative was formally launched by Ivan Lewis on the 9 February 2005 at Chichester College with two colleges – Chichester and Mid Kent College – having been successfully accredited to date. SEEDA are continuing to work with this vital programme which anticipates a further 10-12 colleges will achieve the standard by the end of 2005.

##### **3.1.3 Sector Skills Development Managers**

SEEDA have funded a Sector Skills Development Manager (SSDM) in each of the regions 6 local LSCs. Each SSDM has a regional lead for 2 sectors but also responsibility for co-coordinating all sector skills activities within their local LSC.

The SSDM network had been integral in the formulation of a regional sector action plan for the retail sector and with partners for 6 other priority sectors.

The SSDMs role was also pivotal in acting as a catalyst for the formation of the regional approach to the Care Standards Act 2000 in which 50% of staff working in the Health and Social Care sector will have an NVQ Level 2 for Care and that managers within the sector will have a management qualification at NVQ Level 4 by 2005.

This work has helped SEEDA, Local LSCs and the Business Links to take a joint approach to skills delivery within the regions priority sectors. It has also provided the RSPA with a sound base for taking account of emerging national Sector Skills Agreements and will ensure their relevance to the South East.

### **3.1.4 Working with Universities**

SEEDA played an important role in helping to shape bids for the regions higher education institutions for HEFCE's Higher Education Innovation Fund (HEIF 2), through seminars and meetings to help institutions to align their proposals and the RES and FRESA. Consequently, higher education institutions in the region were able to secure £34 Million from the initiative, from a national total of £186 Million.

In pursuit of an e-skills degree, SEEDA has collaborated with e-skills UK, the IT industry and several universities both within and outside the region to deliver an industry-designed BSc Information Technology Management course at the University Centre at Hastings (delivered by the University of Greenwich) and also at the University of Reading.

In the field of education led regeneration, the University Centre Hastings continued to develop, being identified as an example of best practice in the Comprehensive Performance Assessment of East Sussex County Council. The Multiversity at Medway project involves the Universities of Kent and Greenwich and Mid Kent College. The Multiversity will raise participation in further and higher education, improve employability and combat social exclusion within deprived communities in the Thames Gateway.

The Multiversity will be accompanied by improvements in housing and infrastructure, with total public investment package of £50 million, including £8.6 million from SEEDA and £15million from the Sustainable Communities Fund. A major project to renovate the old listed building including the Drill Hall and also for new buildings is already underway and the ambitious project is already ahead of target in increasing student numbers and creating jobs.

SEEDA is, amongst other measures, addressing how higher education institutions can assist in building an entrepreneurial culture in the Region. SEEDA established the Higher Education Entrepreneurship Group (HEEG) supported by an international network of visiting fellows and professorships to raise capacity and promote best practice in entrepreneurship and innovation in the region's higher education institutions. HEEG has a programme of events which aims to develop and raise the capacity and capability of higher education to deliver effective entrepreneurship education.

SEEDA has also organised student events in conjunction with the National Council for Graduate Entrepreneurship, an initiative sponsored by Treasury, DTI and DfES. The

events were designed offer an enjoyable and inspirational event for students informing them of the range of entrepreneurial career options open to them.

### **Science and Technology in Schools**

SEEDA have developed a programme to encourage children to develop an interest in science and technology. In November Johnny Ball visited Park Community School in Leigh Park, Hampshire and gave a masterclass designed to simplify science, demonstrating how things they learn in the classroom can be applied to real life situations.

This approach will now be expanded into other parts of the region and we are working with Berkshire Education Business Link Organisation to run similar events with schools in Berkshire.

### **Computer Clubs for Girls**

SEEDA has provided £2.8 million over the last two years to support the Computer Clubs for Girls (CC4G) initiative. This has been lead by e-skills UK and responds to the IT industry's concerns that the number of women in its workforce has declined from 30% to 22% within the last eight years. In 2003-4, over 3,500 girls in 124 schools across the South East participated in the clubs. The DfES has recently announced a £8.5 million programme for a national roll-out of the initiative, which includes increasing participation in the South East to around 200 schools.

Computer Clubs for Girls also won the 'Online Solution of the Year' Award at the World of Learning Awards held at the NEC in Birmingham on 17 November 2004.

### **Management and Leadership**

SEEDA has been working with the 6 Business Links, the LSCs and a wide range of intermediary bodies and delivery partners to establish a management and leadership strategy for the region.

The main achievements have been a £4 Million initiative, funded by the DfES has been secured for the region by a partnership of Business Links, SEEDA, LSCs and training providers.

7 pilot projects have been delivered trialling different innovative approaches to developing managers in training, mentoring and networking.

### **Skills for Life**

The South East Learning and Skills Council with support from SEEDA hosted the first South East Skills for Life Manager's Workshop this year. The event addressed a number of key regional issues, including improving inter-agency working and sharing best practice. The event also saw the launch of the South East Skills for Life website as part of the SEEOonline portal.

#### **3.1.5 Manufacturing and the Manufacturing Advice Service**

The Manufacturing Advice Service, supported substantially by SEEDA, has undergone a complete strategic review based on results so far and the needs of its customers. This showed that significant benefits had been secured from the programme, of which the most noteworthy is that the added value of the programme is about £20m. This is taken from the evaluation of the programme undertaken on behalf of SEERA.

MAS have piloted a programme working within a number of supply chains. They have been working with the British Marine Industries Federation and with members of the Gauge and Toolmakers Association, on a supply chain programme also. The SEEDA Lean project was specifically designed to work across supply chains and has worked with 40 companies during 2004-05. The experience gained as a result of this will stand us in good stead for MAS Phase 2 which will be much more focused on supply chains.

### **Selective Finance for Investment**

One of the key focuses of Selective Finance for Investment (SFIE), a national DTI Business Support product, is medium to long-term sustainability of economic development and growth in areas of high deprivation.

SEEDA has rigorously applied the new 'productivity' focus of SFIE and in the 1<sup>st</sup> year of SFIE, SEEDA awarded 11 companies a total of £2.4m. As a result of SFIE, we anticipate, showing a 161% increase in productivity over the next four years compared with average sector growth of 45%."

SEEDA also worked with DTI to ensure a smooth transition of the Research and Development Grant from the Small Business Service to SEEDA. Critically, SEEDA took the decision to recognise the importance of the Grant to South East businesses and therefore decided, and announced in February 2004, to accept applications at the earliest opportunity (1 April 2005 when we took over responsibility for the Grant) on a continuous basis.

### **3.1.6 Innovation Performance**

During 2004-05 SEEDA devoted much effort to developing a coherent and comprehensive strategy for enhancing innovation performance in the region. This also included response to Government initiatives such as the Lambert Review, and giving evidence to the House of Commons Select Committee on Science and Technology. Some specific examples of relevant work programmes include,

Pilot Business Fellows Programme. A pilot programme to technology intensive companies to be more effective and efficient in their knowledge acquisition from the region's universities. Twelve Business Fellows have been trained at Oxford, Reading and Surrey Universities.

PoCKeT "Proof of Concept for Knowledge Transfer". SEEDA has co-funded this new Fund, managed by Finance South East Ltd, which aims to transfer knowledge from the region's education institutions into the business community. Awards of up to £30000 are available for SMEs to fund activities such as technology validation and academic research.

Great Ideas in Science and Technology (GRIST). The GRIST project has continued throughout the year. In particular, it encourages and supports recent graduates in considering business creation as a career option. The project operates with the Universities of Brighton, Surrey and Kent including the Thanet and Hastings regions.

SET Skills for Innovation. SEEDA has agreed, with Sir Gareth Roberts, to pilot a regional SET forum to bring key partners together to focus on the most important initiatives to achieve critical mass and impact.

### **Nanotechnology**

SEEDA has identified that Micro and Nano Technology (MNT) is an important area for future industrial activity. It has supported regional interest by appointing a dedicated advisor, whose role is to travel to the companies and HEIs and to provide information and advice on the current funding situation and to offer networking opportunities.

There have been two significant areas where SEEDA involvement has encouraged networking activities and has helped to raise awareness:

Firstly an online directory of MNT companies, prepared with Yorkshire Forward and the UK MNT Network and secondly a national MNT Tradeshow, held at Newbury Racecourse in October 2004 with over 80 companies attending and over 120 other company delegates present.

## **3.2 COMPETATIVE ENTERPRISE**

### **3.2.1 Enterprise**

#### **Enterprise Hubs and Gateways**

The success of SEEDA's Enterprise Hub programme continues to grow and has now expanded to a network of 22 Enterprise Hubs across the South East providing a key business incubation and commercialisation network. The Enterprise Hub network in the South East is now complete and, as at March 2005, 1806 companies are currently using the services in the network. The Enterprise Hubs continue to be a major regional influence over how business incubation support is delivered in the South East with the network continuing to attract interest from stakeholders in other regions of the UK and overseas

The Hubs are now able to offer knowledge based businesses, through the Value Proposition toolkit, a consistent menu of services which provide an efficient and effective route to market whilst complementing the services promoted by other regional support bodies e.g. Business Links and Finance South East. Further evidence of the network in operation includes the recent launch of the Kent Bioscience Hatchery at the University of Kent – a joint initiative between the Canterbury and Sittingbourne Enterprise Hubs.

There are now a total of 8 established Enterprise Gateways in the South East, the most recent additions being the Gateway Directors appointed for Folkestone and Romney Marsh. A further 5 Enterprise Gateways that are currently at varying stages of development but are expected to be operational by March 2006 bringing the total size of the network to 13 by March 2006.

Targeted at hard to reach communities, the Enterprise Gateways continue to provide a catalyst for investment in deprived wards and with the network rapidly expanding; SEEDA will be seeking to develop the Gateway network in a similar manner to the Enterprise Hub network. This means identifying a similar suite of services for women and Black and Minority Ethnic entrepreneurs which will also lead to investment ready companies. The Gateway Directors will also be key in terms of marketing their expertise for building enterprise in deprived and rural areas.

The benefits of companies working within a support network are becoming evident, for instance, with members of the Newhaven Gateway doing business amongst themselves,

learning from each others mistakes and generally supporting each other. In developing close links with the communities they are supporting, the Slough Gateway was invited to an event with the National Institute of African Studies resulting in a number of very positive enquiries for further support and advice. In Newhaven, Folkestone and Medway the Gateways are working with the creative sectors, artists, craftsmen and designers. Folkestone and Newhaven have had success at coaxing people off benefits and into sustainable micro businesses.

### **Finance South East**

SEEDA has continued to provide significant support for Finance South East. Finance South East (FSE) was established by SEEDA and the region's six Business Links in 2002 as a not-for-profit organisation to address the market's failure to provide adequate growth finance for ambitious companies. FSE achievements throughout 2004-05 included the launch and management of the Accelerator Fund (a £10 million mezzanine loan fund to address the gap in the market for funding £50k and £100k) and a collaborative bid for South East Proof of Concept Fund (a £1 million pound fund awarded from the Higher Education Innovation Fund to support innovation and technology transfer at the Universities of Brighton, Kent, Greenwich (Medway), Portsmouth and Oxford Brookes). FSE has provided 1-1 advice to over 350 companies to date and over £10 million of external funding was secured during 2004/05.

### **South East Growth Fund (SEGF)**

SEEDA continues to sit on the SEGF Advisory Committee, ensuring that the success of the Fund is maintained. SEGF was sponsored by SEEDA as part of its strategy for improving access to finance for growing businesses. By the end of March 2004, the Fund had made 54 investments in 26 companies totalling £10.6m.

## **3.2.2 Investment**

### **Global Regions**

SEEDA's Global Regions Initiative (GRI) as a strategic catalyst for two-way international trade and investment, technology transfer and the creation of links between academia. The focus is currently on 15 regional economies, across Europe, North America and Asia Pacific, which have similar or complementary economic profiles to South East England.

All of SEEDA's activities, undertaken under the GRI / Inward Investment umbrella are intended to act as a strategic catalyst for sustainable economic development in the region in a number of ways including attracting foreign direct investment to the region, facilitating research and development collaborations between academic institutions that result in increased economic activity in the region.

From an Inward Investment perspective, the above initiatives are intended to result in companies from overseas opening up operations in the South East. The timescale for this is frequently long and it is normal for inward investment successes to 'land' two to three years after first contact is made by SEEDA.

### **Investor Development Activity**

SEEDA's network of Investor Developer Managers (IDMs) have continued to develop close links with regionally significant businesses and their local partners so that they are now seen as a critical element of the sub-regional business support network.

All of the IDMs work very closely with their local partners (economic partnerships, local authorities, inward investment agencies). Increasingly as the IDMs gather more experience and intelligence about the needs and challenges facing business the local partners are relying on the IDMs to input into strategic planning and development. For example, TVEP have been producing documents on transportation and property and have sought IDM input (and through him the companies he meets) to these in order ensure that the needs of business are being represented.

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

This year, SEEDA has focussed on successfully integrating the former Enterprise Grant into the Regional Selective Assistance team, and merging the schemes into the new scheme, Selective Finance for Investment in England (SFIE) which started on 1 April 2004. Whilst developing our existing regional Business Support partner network and establishing new ones to raise awareness of the new SFIE criteria.

During the year, SEEDA has worked closely with Small Business Service with the transition of the Enterprise Grant scheme into the RDA and recently with the transfer of Grant for Research & Development.

## **3.3 QUALITY PLACES**

### **3.3.1 Sustainable Communities & Urban Renaissance**

In September 2004 the Assembly established a Select Committee to review the work of SEEDA in respect of urban renaissance. Its findings published in October found 'There was compelling evidence from regional stakeholders that SEEDA offers strong strategic leadership in the region, the ability to coordinate across boundaries, to demonstrate best practice through its own regeneration schemes, and to cooperate with partners to achieve the best results'

In addition to demonstrating good practice through its own development activity SEEDA adds value by putting in place learning networks and clubs and by supporting advice services which disseminate existing best practice across the Region's professionals and raises skills levels.

An example of SEEDA's work to encourage regional collaboration is the Multi-Agency Group initially set up to co-ordinate professional development and learning in the built environment across the South East. The original membership was drawn largely from professional bodies such as RTPI, Planning Aid, RIBA and CICB and organisations delivering in the region such as the Architecture Centres, and the South East Centre for the Built Environment and, has now extended its membership to include many more interested parties including regional arms of national agencies such as English Partnerships, Housing Corporation, English Heritage, and representatives from the voluntary/community sector in the form of RAISE and the South East England Regeneration Network. It is now being used as an advisory body or reference point for testing priorities and actions to inform the work of South East Excellence

As part of SEEDA's continuing Creating Quality Places programme a further Enquiry by Design event was held for Leigh Park on the 18<sup>th</sup> and 19<sup>th</sup> of June 2004. The event was designed to look in more detail at improvements to Warren Park (a community within Leigh Park) and to inform a concept Masterplan. The outcome of the Enquiry by Design events were fed back to the community and were generally well received.

Two Shaping Places Pilots were rolled out supported by SEEDA this year, and work started on the regional rollout to a further 7 locations. The programme is an initiative that works with schools to build design and built environment skills into the teaching programme with the aim of integrating this into the national curriculum. Relevant built environment professionals, local artists and teachers were brought together for the pilots at Havant, Hampshire and Ramsgate, Kent. Sessions in Havant encouraged students to analyse the route to school working with a landscape architect and producing a video. An evaluation of the pilot projects has been completed and this will be used to inform the wider regional roll-out of the programme to 7 other locations (14 schools). The aim ultimately is to produce a guide for teachers and young people on how the built environment can be used as a resource to deliver the national curriculum.

## **Housing**

Housing supply and affordability have been recognised as amongst the most critical issues for the region in the RES, the Housing Strategy and the South East Plan research. Tackling this issue comprehensively requires engagement from effective players across the South East.

SEEDA met with National and regional house builders in June 2004 and again in early 2005 to discuss South East housing delivery issues and inform the development of the Regional Housing Strategy. Discussion topics included housing supply, affordable homes, the Barker Review, and planning processes.

The Brownfield Land Assembly Trust is a pilot initiative providing an innovative approach to tackling small fragmented brownfield land sites, primarily in town centres, by way of exploiting economies of scale and remediating many small sites at once. This is the first programme of its type. SEEDA's involvement removes risk and cost for developers in areas of market failure and the Agency works with the selected Registered Social Landlords or developers to ensure the delivery is best practice in sustainability including social inclusion models; demonstrating how quality produces benefit without incurring unacceptable additional costs.

The programme is successfully proceeding with 15 site acquisitions in total. The sites are situated primarily in the most deprived areas of Hastings, and Thames Gateway. They will be redeveloped to provide appropriate housing for local residents that are of high quality design, minimum Eco-Homes 'very good' environmental standard, affordable and with disability access.

### **3.3.2 Sustainable Communities and Growth Areas**

Land acquisitions for the Growth Areas have progressed satisfactorily over 2004-05. SEEDA's strategic role is to promote comprehensive re-development of key areas rather than remediation of sites in isolation, and to use direct delivery as a tool to demonstrate and build capacity across the Region to deliver best practice in built environment sustainability issues.

In the Thames Gateway growth area, SEEDA has acquired a 7 hectare site at Queenborough and Rushenden and has been working extensively to bring partners and stakeholders on board. Discussions with two private sector land owners on adjoining sites have proved successful.

Over the last 18 months, development preparation in the Ashford growth area has progressed significantly. Working closely with the Ashford's Future Partnership, the process of determining the best and most sustainable approach to developing Ashford is

almost complete. A preferred growth model has been identified by the partners and is to be formally considered by Ashford Borough Council shortly. The aim of this part of the Growth Area initiative is to effectively double the size of the town, providing 31,000 more homes and 28,000 jobs with the onus on community engagement and sustainable cohesive development.

### **Other Major Physical Development**

At Woolston Riverside, Southampton, SEEDA, Richard Rogers Partnership and team of consultants have completed a series of public consultation events with the City Council for the proposed new sustainable mixed use community redevelopment. These initial events outlined the broad quality design, higher density and development issues for the former 12.5ha brownfield shipyard site. A subsequent exhibition by SEEDA presented more detailed plans including a scale model, which took on board comments raised in the first consultations. Submission of a detailed outline planning application is scheduled for April 2005.

Developments at East Cowes, part of the major Cowes Waterfront initiative, have made significant headway. This programme sets out to demonstrate successful mixed use schemes and offers a major opportunity for marine and composite companies to grow on the Island to strengthen the local economy.

On site redundant industrial buildings have been cleared and SEEDA has acquired the land at West Medina Mills and Trinity House in order to take a comprehensive approach to remediation.

As an interim development stage, SEEDA has implemented a letting strategy for the retained buildings in order to stimulate economic activity, build confidence and maintain momentum that empty sites can often arrest. Extensive consultation has been underway for this mixed use development.

As part of the Ropetackle development at Shoreham, SEEDA is demonstrating best practice by integrating art into the development. Artists have been selected for the first phase of the art programme. The selection panel, which includes Adur District Council, PRC Foster architects, development partner Berkeley Homes and SEEDA appointed the artists earlier this year and launched this phase of the initiative on site in September 2004 for local residents to view the prospective designs.

The planning for the Brighton and Hove City Council owned site, Preston Barracks, a former Ministry of Defence site, has advanced this year. A developer has been selected for the mixed-use proposal. SEEDA has also been working with the University of Brighton to develop the innovation centre and linking this into other innovation initiatives.

## **3.4 AREA BASED REGENERATION**

### **3.4.1 Area Investment Frameworks**

2004-05 marked the first full year of operations across the 10 Area Investment Frameworks, with approved partnership arrangements and performance plans in place. Total devolved spend allocated to AIFs amounted to £8.4m during 2004-05; AIFs generally delivered well against their performance plans, and in several cases achieved outputs significantly in advance of their initial estimates.

A Regional Assembly Select Committee on SEEDA's impact on regeneration and Area Investment Frameworks were particularly well attended, and drew evidence from a wide range of partners from across the region. The consultant's report and subsequent hearing provided valuable and timely input to SEEDA's Corporate Plan 2005-08, and each of the Committee's recommendations is being addressed. Specifically:

- i. SEEDA made a firm 3-year funding commitment to AIF Partnerships, with funding rising to £17m in 2006-07 and possibly increasing further in 2007-08. Increased resources have been also allocated to support marketing, education and joint learning among AIF Partnerships in 2005-06. Strong progress has been made in securing mainstream commitments from both the Learning and Skills Council and Business Link Organisations, with JobCentre Plus identified as an early priority for 2005-06;
- ii. SEEDA and GOSE worked together on addressing relationships between AIFs and Local Strategic Partnerships, using the occasion of an LSP network meeting in February to focus on this topic.
- iii. SEEDA will take forward the need to provide further guidance and a framework for community involvement in AIFs in 2005-06 through joint work with RAISE and the South East England Regeneration Network;
- iv. Following the recommendation of the Select Committee, SEEDA has subsequently agreed to fund area programmes in the Thames Valley, Oxford and Milton Keynes, extending the principles of AIFs to areas of economic potential that lie beyond the priority regeneration areas;
- v. SEEDA was able to introduce streamlined processes to support the generation of AIF performance plans for 2005-08. This greatly accelerated the process of approving and appraising AIF plans without compromising the quality of assessment, and further improvements will be targeted in the coming year.

#### **3.4.2 Single Regeneration Budget**

A strong performance was maintained throughout the year across SEEDA's remaining SRB schemes. SEEDA's Area Teams have been working closely with SRB Partnerships to encourage early consideration of orderly end-of-scheme arrangements. In a number of areas strong practical links have been developed between existing SRB delivery mechanisms and AIF Partnerships, and in several areas (notably Portsmouth and South East Hampshire, Coastal West Sussex, Brighton & Hove and Hastings) there has been a merging of delivery arrangements.

#### **3.4.3 Physical Regeneration**

SEEDA has focused on Chatham Maritime as its largest regeneration project since the Agency's inception. Chatham Maritime has received 4 awards and been put forward as a case study to the European Union in the regeneration of naval sites to inform future strategies dealing with the closure of military bases in accession countries. The most recent was in November 2004, when Chatham Maritime was awarded the Regeneration Project of the Year, and also reached the shortlist of 4 for the ODPM's Award for Sustainable Communities 2004. Chatham Historic Dockyard Trust (CHDT) and SEEDA joined forces for the Award.

At Rochester Riverside, SEEDA is in partnership with Medway Council as joint landowners for this key site in Thames Gateway. Following completion of the masterplan and submission of a planning application in October 2004, tendering for the main infrastructure construction package is underway for the engineering works to be carried out to decontaminate land and raise the river wall in an eco-friendly solution.

#### **3.4.4 Hastings and Bexhill**

The Innovation Centre Hastings to be built at Churchfields will be a two to three storey business development of around 35,000 sq. ft. with landscaping and parking. It is aimed at technology sector companies and will provide much needed serviced and flexible office space. Planning permission was granted in the early summer and reptile translocation was undertaken in late 2004 in preparation for ground works to start in April 2005.

The Queensway project made progress during the year. The project is intended to offer 16,000m<sup>2</sup> of high quality business space to appeal to larger, more established businesses. Planning permission was delegated subject to agreement with English Nature in respect of potential risks to the adjacent SSSI and LNR. Planning permission was finally granted in May 2005.

St Leonard's Marina Pavilion is being renovated to become a high quality, year-round sea front business and leisure venue to boost the areas daytime and evening economies. The new plans include conference and function facilities, a beach café, restaurant and bar. Planning permission was approved in September.

The Creative Media Centre and Broadband Centre which opened in March 2004 is now operating at 85% occupancy with new and emerging creative businesses. 28 businesses work from the Centre, of which 19 are real and 9 are virtual tenants. The Broadband Centre has supported and advised 227 businesses in its first year of operation. The Bexhill Broadband Centre also opened during the year. Work has continued on the Creative Media Centre too and the building should be ready for occupancy in September 2005.

2004-05 saw the completion of the final phases of the University Centre Hastings building in Havelock Road with the refurbishment of two additional floors together with the development of a 100 seat tiered lecture theatre and a resource centre. The project was completed by an impressive entrance atrium and now provides facilities to 400 students.

Within the Millennium Communities project, a planning application for infrastructure work on the Mount Pleasant Hospital site in the Ore Valley was approved but was then subject to an application for judicial review which is to be heard on 30<sup>th</sup> June.

Sea Space has continued to lobby for transport improvements. 2004-05 saw the Ministerial decisions on proposed routes for the A21 linking the Tonbridge and Pembury bypasses: Pembury to the newly opened Lamberhurst bypass and latterly a bypass route for Hurst Green. A final decision on the phasing of these works now rests with the South East England Regional Assembly following advice from the Regional Transport Board. Ministerial approval for the Bexhill Hastings Link Road was also granted and East Sussex County Council continues with the detailed design work in anticipation of funding being made available in the near future.

### **3.4.5 Rural**

SEEDA's Rural Advisory Committee has continued during 2004-05. Membership covers key rural sectors in the region, represented at the most senior level, where the partners advise SEEDA on emerging issues. The committee was joined this year by the Federation of Small Businesses.

The RDAs' rural leads formed a formal 'Modernising Rural Delivery Board', and worked together to oversee the implementation of transfers of programmes and posts from the Countryside Agency – for the planned target date of April 2005. The programmes are socio economic, including rural transport; community service grants, and market towns.

The proposals in the Haskins Review also resulted in new structures being established in the region. A new South East Rural Partners group was set up, designed to co-ordinate the delivery of all kinds of rural support in the region. Its first task was to set out a Regional Rural Delivery Framework detailing partners' agreed actions for 2005-06

April 2004 saw the launch of the major new SEEDA programme to support small rural towns – worth more than £7 million over the next 7 years. Following in depth work involving a range of partners led by the South East Rural Towns Partnership. The programme is primarily to give direct support to projects to revitalize the towns – but it was recognised that network of support structures based on Area Investment Framework Partnerships or Economic Partnership was also needed. SEEDA continued to support the conversion of redundant buildings in the region to create new jobs and new businesses.

The local produce clusters continue to develop with support from SEEDA. Each developed a Business Plan which set out their programme of work for the year. The Sussex cluster had success with local food into one of the smaller chains of supermarkets. This year also saw the amalgamation of the local food partners into a confederation covering the county areas of Berkshire, Buckinghamshire and Oxfordshire. The Red Meat Cluster has been set up to take forward SEEDA work on the red meat supply chain and the promotion of red meat production in the region.

SEEDA continued with its popular programme to support farmers in diversifying their activities. In addition the Regional Forestry Framework and action plan, jointly funded by the Forestry Commission and SEEDA, was finalised during the year and launched at Windsor.

#### **3.4.6 Kent Coalfields**

The Kent Coalfield Programme has been modelled on the RES objectives for Sustainable Communities. Sir John Egan's report into Skills for Sustainable Communities has identified complementary principles which SEEDA has readily adopted within this programme to enhance its impact. In particular, the importance of the social and cultural issues and transport and connectivity are critical to ensure the long-term success of the Coalfields Programme.

In May, new business space was completed at Tilmanstone which will accommodate up to 50 new jobs. The business space is built to accommodate immediate expansion needs of several important East Kent businesses and fills a gap in the market for new speculative accommodation between Dover, Sandwich and Canterbury. At Chislet, land sales at Lakesview Business Park have accommodated the expansion needs of over 10 local businesses creating a further 250 jobs. The new local community centre was completed in July and will provide access to IT skills training, crèche facilities and other community needs.

At Betteshanger, the largest of the former coalfields sites in Kent, contracts for the main works commenced in June 2004 for completion in mid March 2005. The development provides serviced development land for up to 20,000 sq. m of new commercial development and a new 90 hectare Country Park with bespoke international standard 3 km road racing cycle circuit. It will provide best new on/off road cycling facility in the south-east and a new sporting project of regional importance

## **Tackling Market Failure in Business Premises**

A good example of the programme is at Southmoor Park in Havant. This 7.4ha development site was purchased in 2002 and has now been fully remediated and serviced. Sales of all plots to local developers and occupiers have been completed this year. As a result of this initiative, a rise in business confidence in the area has been notable with an increase in the number of businesses either expanding their operations or moving to the area and into the development.

Two further sites have been brought forward to market this year, the Johnson and Johnson Phase II site in Cosham, Portsmouth and Harts Farm Way at Broadmarsh in Havant.

## **Development Advice and Promotion of Best Practice**

SEEDA's dedicated property advice team provides advice on strategic physical development issues where the Agency is not taking a land interest. The Agency has continued to provide support to Oxford City Council and Oxfordshire County Council to progress the preparation of an Area Development Framework for the West End quarter.

### **3.5 STRATEGIC INFLUENCING**

#### **3.5.1 Role as a Strategic Catalyst**

##### **South East Plan (Regional Spatial Strategy)**

SEEDA has a critical role to play in demonstrating leadership through ensuring that the interests of the region's economy are taken into account in the development of the South East Plan. SEEDA was closely involved in the early development of the Plan:

Directors have sat on the Assembly's Strategic Advisory Group since its inception and policy leads are represented on all relevant advisory groups (notably the Economic Advisory Group). The Director of Development and Infrastructure is a formal observer member of the Regional Planning Committee. Area Directors have been directly involved in most sub regional strategies as members of strategy steering groups

The resulting body of work enabled SEEDA's Board to adopt a clear and distinctive position, highlighting the needs of the region's economy and exposing the potential economic risks of constraining housing growth.

These conclusions, and SEEDA's overall response to the consultation document, have been promulgated widely and have stimulated widespread debate. In particular, SEEDA has engaged business interests in the debate through working with the Economic Partnerships and Business South East.

##### **Area Teams**

Beyond their role in managing funding devolved to SRB and AIF Partnerships, SEEDA's Area Teams have played a major role in connecting the work of the Agency with local partners, and in developing joined-up responses to specific issues, Area Teams demonstrated their value through patient negotiation and development of alternatives with local partners.

As the year progressed, a number of AIF-funded projects stimulated cross-partner working. For example:

- i. Challenging Unemployment in Weston, Southampton. This project to directly tackle male and female unemployment, particularly longer-term unemployment through

targeted outreach work and drop-in sessions, has been very successful in supporting people into employment.

- ii. The Kent Area Team has been instrumental in establishing, chairing and driving forward a Community and Skills Group for Queenborough & Rushenden Regeneration, a significant 161 hectare SEEDA-led ODPM project on Sheppey.

Good progress has also been made by Area Teams working with the 11 South East Economic Partnerships in 2004-05, in particular;

- i. West Sussex Economic Partnership and Surrey Economic Partnership have driven forward the notion of the 'Gatwick Diamond', an area straddling both counties and centred on Crawley and Gatwick, with potential for further growth as an international business location.
- ii. Surrey Economic Partnership has played a valuable role in the field of affordable housing, identifying practical solutions adopted by Surrey businesses and promoting these to a wider business audience while also influencing policy-makers. The Partnership has been particularly successful in acting as a bridge between businesses and policy makers;

### **Business South East**

This is a new high level business forum that brings together the leaders of the key organisations in the South East who represent or support the region's businesses. The purpose of Business South East is to provide a coherent and influential voice that reflects and champions the region's businesses regardless of size or sector. Its main objective will be to help ensure that the policies and programmes of the Government, EU and other national, regional and local agencies provide the best conditions for competitive business in the region to thrive and generate wealth for the benefit of all.

### **Business Engagement**

During 2004-05 a review of the Investor Development Managers (IDMs) programme was undertaken. This showed that over the 2½ years of the programme numerous companies have been referred to the team, which are now engaging with over 600 companies. The split is now 60% of the companies are SMEs and 40% major corporates. It was decided that the programme should be re-focused so that the IDMs were focusing on major corporate and subsidiaries of foreign owned companies.

The IDMs have all worked very closely with LSCs and the HE/FE sector. This has been for a range of services, including assistance with the development of new products; the supply of students and graduates; consulting services, development of apprenticeship schemes and development of bespoke training programmes.

### **Business Link**

To ensure there was a smooth transition of contracts that would involve no dip in performance or disruption to customers, SEEDA recognised the existing sub-regional structure of the Business Links and that SEEDA would seek to maintain the current level of funding.

SEEDA worked closely with the SBS Regional team to devise a new set of guidance more appropriate to SEEDA regional and sub-regional priorities and set up consultative processes with the Business Links and appropriate SEEDA staff.

Delivery Plan forecasts for the next 3 years, as illustrated in SEEDA's Corporate Plan, show upward trends against all. Business Link key performance indicators, penetration, customer satisfaction and inclusive assistance.

### **Joining Forces**

A SEEDA, BLO and LSC collaboration to achieve better deployment and commissioning of publicly funded business support in the South East. Two key pieces of research were commissioned in 2004 which fed into the development of an integrated framework for business support. Over 600 intermediaries were invited to a series of workshops across the region to consider the framework. The feedback from the events will help shape an emerging Business Support Strategy which SEEDA will be consulting on in the autumn with a view to publishing the final strategy by the end of the financial year.

### **Regional Skills for Productivity Alliance**

Under SEEDA's leadership the South East responded to the National Skills Strategy – 21<sup>st</sup> Century Skills (July 2003) in the formation of a Regional Skills for Productivity Alliance (RSPA). The Alliance is demand-led and driven by the needs of employers; it brings together over 20 key organisations that are committed to creating a new dynamic at the regional and local level to transform skills and training provision and business support services. Within the last year the RSPA has received formal endorsement for its approach to partnership working and for the intended priorities for action.

The RSPA has established a skills prioritisation framework which outlines the 4 main aims and objectives for the RSPA and therefore the critical success factors for the Alliance to be measured against. Local LSCs, in conjunction with SEEDA, Business Links and Jobcentre Plus have established six Local Skills for Productivity Alliances (LSPAs) to drive local action and to advise the Regional Alliance. Their boundaries match those of the regions six local Learning and Skills Councils.

The LSPAs have developed delivery frameworks to explore and address; local labour market dynamics and priorities, local sector skills priorities and associated evidence, barriers to employer engagement in workforce development and target setting to enable monitoring and evaluation of projects.

### **Brokerage Model**

Through the Workforce Skills Programme SEEDA was requested to take the strategic lead in ensuring an effective regional skills brokerage model is developed for the South East. This will provide a common core quality customer journey for business across the SE region, ensuring a high standard of advice and guidance on workforce development.

A partnership of SEEDA, 6 Business Links and 6 Learning and Skills Councils is jointly developing the South East brokerage model.

### **Sectors**

SEEDA is devolving leadership of the priority sectors to independent Sector Consortia governed by business and other key stakeholders. The benefits of this strategy are that businesses will be in the driving seat and empowered to help themselves and as private companies the consortia will be able to facilitate innovative collaborations of SMEs and technology providers to win new global contracts. There are six new proposed Sector Consortia, Defence & Aerospace, Construction, Digital Content, Health Technologies, Marine and Environmental.

Sector activity has continued to make a significant impact to business support in the South East as well as exert influence with regional stakeholders. This has been evidenced by the both the considerable response SEEDA has received from the business community in terms of the recruitment of the consortia Chief Executives and membership of the Boards as well as activities such as delegations from Texas, the Ukraine and Sweden have all visited the DiagnOx Hatchery laboratory, NHS Innovations South East continues to play an major part in influencing the exploitation of intellectual property for the health technologies sector.

The Raven Alliance has agreed to establish a memorandum of understanding with the Australian Industry and Defence Network to help them deliver an SME collaboration model.

### **Tourism South East**

SEEDA has focused on enabling the restructuring of the organisation of tourism in the region to make the step change that will achieve the objectives defined within the strategy. The combination of being embedded within the levels of Tourism South East management, the involvement of the SEEDA area teams and the new investment in the sector has enabled major progress to be made.

Tourism South East published Tourism exSEllence, a regional strategy for tourism. This has now been endorsed by both SEERA and SEEDA and is incorporated within the SEEDA corporate plan and will inform the revised Regional Economic Strategy this year. There are 3 key objectives; promoting a 'must visit' region, providing an unrivalled experience for the visitors and establish an effective management and organisation for tourism in the region.

### **SESETAC**

SEEDA has established the South East Science, Engineering and Technology Advisory Council (SESETAC). This brings together senior industrialists, employers and academics to discuss issues of common interest and concern to the region.

The key role of SESETAC has been to develop a SEEDA response to the 10-year framework for innovation science and technology, through stimulating business innovation, research and development and knowledge transfer from the SET base. SESETAC has identified strategic priorities during 2004-05 including; emerging technologies through greater knowledge transfer and collaborative R&D and Innovation advisory service supported by a flexible toolkit.

SEEDA, has recognised the importance of this agenda and committed increased spending on a three year innovation action plan (total £72m over 3 years).

### **Statutory Planning Role**

All 74 Local Planning Authorities in the South East were notified of SEEDA's statutory function by letter dated 14<sup>th</sup> May 2004. The criteria came into effect from 1<sup>st</sup> June 2004. The system has worked well, with 35 planning applications being submitted to SEEDA for comments this financial year. SEEDA's responses were all provided within the timetable set out by the Local Authority, which varied between 3 and 6 weeks.

### **Transport**

The RES defines transport, together with skills and housing, as one of the major challenges for the region. Whilst SEEDA does not have a direct transport remit, the Agency is instrumental at the regional and strategic level in policies and consultation, selective project facilitation and European Regional Development Fund (ERDF) Leverage.

SEEDA is leading 3 major projects each working with a wide range of partners:

- i. FINESSE. This project is being carried out in partnership with Kent CC, Dover DC and Dover Harbour Board. Consultants were appointed in June 2004 to carry out studies into the technical feasibility of re-introducing rail ferries, and targeting particular commodities and geographic regions.
- ii. HST 4i. This is the largest Interreg IIIB Investment project (€ 29m) and looks at the economic development opportunities around stations on high speed rail links in the UK and Europe. It therefore strongly underpins the economic development opportunities arising from the CTRL by concentrating on Ashford and Ebbsfleet in Kent, as well as Stratford and Kings Cross/St Pancras.
- iii. HSTconnect. SEEDA, on behalf of a transnational partnership including public sector partners in the Netherlands, Belgium, France and Germany secured a third substantial transport investment project September 2004. The project focuses on secondary rail networks and links, feeding into the primary High Speed Train network. Local authorities in Reading, Hastings and Dover are the South East Regional partners.

## **Rural**

During 2004-05 SEEDA continued to develop actions set out in the region's Sustainable Food and Farming Action Plan. A SEEDA lead on local food and in this connection is continuing to develop the local food clusters and the regional food sector group.

As a result of the Haskins Report, the South East Rural Partners group has been established as a new region-wide rural body. SEEDA is a key partner in this group, which will co-ordinate and steer the delivery of all types of rural support across the region including the economic and socio-economic programmes of SEEDA.

## **Culture**

SEEDA is working with Tourism South East, Culture South East and Sport England to take forward initial research into a regional Sports Events Strategy through recruitment of a Sports Events Strategy manager, with costs shared between the four partners. The partners deem it essential to work jointly on a strategic approach to the hosting of major events in order to extract maximum benefits across a wide range of agendas.

SEEDA also has a key strategic relationship with the Cultural Consortium, Culture South East. Case studies have been used as evidence of the importance of culture in developing and maintaining vibrant and sustainable communities in the South East Plan. Art Plus is the biggest awards scheme for art in public places in the UK. The scheme aims to celebrate and encourage good practice in public art commissioning in the south east. Jointly funded by SEEDA and the Arts Council, the scheme awarded £180,000 to five organisations in its first year. In addition 5 artists were given awards to help develop their careers.

## **Europe**

The SEEDA Board agreed a focus for SEEDA's ambitions in Europe which would add value to work in the region and identify where the Regional Development Agency would be best placed to influence European policy. These are:

- i. To promote SEEDA's work on competitiveness and sustainable economic growth, in order to secure policy and financial support for the region through the Lisbon Strategy process;
- ii. To secure appropriate successor arrangements to the current framework of Structural Funds, maximising the amount of funding retained in the region;
- iii. To exploit the opportunities presented by EU enlargement, and build collaborative links with other European regions where these further regional priorities
- iv. To maximise take-up of the new European Framework for Research and Development (FP7) in support of SEEDA's innovation priorities

SEEDA's ESF Co-financing programme is designed to add value to SEEDA's current activities, and the programme in its entirety is of strategic significance in expanding or building upon the activities in which SEEDA is able to engage. For example the Merlin Project, which will train 60 mentors to provide mentoring for entrepreneurs and SMEs in high-tech knowledge, based industries, works closely with the Enterprise Hubs to meet the needs of Hub clients and the region. The project staff also collated information on all available mentoring support within the region to ensure that activity can be deployed most effectively.

Working together with the South East England Regional Assembly and the Environment Agency, SEEDA has been successful in securing a €2 million ERDF grant to support a Regional Framework Operation Programme between South East England, Malopolska (Poland), Province of Noord-Brabant (Holland), Andalucia (Spain), Emilia-Romagna (Italy).

Relatively high growth regions have to deal with some of the negative consequences of success such as transport congestion, pressure on land and resources, skills shortages and an uneven rate of development. The overall objective of this 3 year programme is to establish a framework of co-operation, encouraging multinational projects to overcome some of these challenges and to balance social, environmental and economic constraints to achieve sustainable growth.

The partner regions will work toward a joint implementation of the Lisbon and Gothenburg agendas. There are three main pillars to the programme: Green Growth, Business Growth and Inclusive Growth.

### **Economic Inclusion**

Social Enterprise - The Social Enterprise strategy has been developed in partnership with the key social enterprise partners in the region over the last year. A key plank of the action plan will be to develop an independent Social Enterprise Partnership who will be the voice of social enterprise in the region. A network of eight county social enterprise networks have been developed, building where possible on existing local structures to connect business advice and social enterprise suppliers with a broad range of markets for social enterprise from both the supply and demand side. The collaborative model has attracted funding from Europe, and mobilised resources across the region

Cultural Shift programme – SEEDA led on behalf of partners engaged in social enterprise, in applying for EQUAL funding. We were successful in drawing down £3m to deliver action research in developing social enterprise in the following sectors: housing, regeneration, culture and rural.

Women's Enterprise - SEEDA has worked with the regions Business Link network, SBS and PROWESS to take forward the regions response to the national Women's Enterprise Strategic Framework. SEEDA is committed to raising the level of female owned businesses in the region, and the levels of business advice to female entrepreneurs. In the year, a Women's Enterprise Coordinator was appointed to drive forward the regional action plan.

RAISE – SEEDA has continued to provide core funding to RAISE to build the capacity of the regional infrastructure for the Voluntary and Community sector. RAISE has played an essential role in providing a voice for the sector in regional policy and strategy formation, and with national government. RAISE is one of our strategic partners. RAISE has managed the Change Up/DEFRA infrastructure programme for the region for GOSE, and SEEDA sits on the regional consortia.

The South East England Regeneration Network offers support to anyone involved in regeneration and neighbourhood renewal activities in the region by facilitating the development of interactive cross-sector working, designed to improve the quality of life in local communities. In 2004-05 this has been supported by the development of a website, a bi-monthly newsletter and hosting a regional conference.

## **Sustainable Development**

SEEDA ran its Sustainable Business Awards Programme for the fourth year, and for the first time sponsors provided financial support for the Awards. The Carbon Trust, IoD, Groundwork, Slough Estates, Lloyds TSB and EADS Astrium all contributed to the success of this year's programme. The programme, which promotes and celebrates best practice by south east businesses, attracted over 50 nominations and 22 businesses were selected as finalists.

The presentation event held in November attracted over 400 guests, a high proportion representing businesses. Case studies of all finalist companies are available on the SEEDA website.

The Sustainability Checklist for Developments in the South East has received a great deal of coverage being mentioned in the Egan report (April 2004) and in the Government's Sustainable Buildings Task Group report (May 2004). Working with the World Wildlife Fund (WWF) on their One Million Sustainable Homes Campaign SEEDA is now assisting to role out the Checklist to all other regions.

## **4. BOARD AND CORPORATE STRUCTURE**

### **4.1 Contribution to Broader Policy Development**

#### **4.1.1 RDA Lead Roles**

##### **Innovation**

The Lead Role, working together with an effective network from all RDAs, coordinates responses and influences policy developments on the Government's growing and important science and innovation agenda.

Most of this work is carried out with the Department of Trade and Industry (DTI) through the Regional Innovation Science and Technology Group (RIST), co-chaired by SEEDA and the DTI. This group also acts as a successful best practice network.

SEEDA, in its lead role, has significantly influenced government thinking and policy, for example:

- i. The House of Lords Inquiry into Science and the Regions ('SETting the Regional Agenda', 2003), which recognised for the first time the substantial contribution made by the regions to the science agenda. This recognition has led to SEEDA, in its lead role, now represented at CEO level in the Funder Forum, where we act as a stakeholder's representative on behalf of business.
- ii. The Innovation and Lambert Reviews, and the 10-year Science and Innovation investment framework (2004-2014), which identified a new role for the RDAs in encouraging innovation and greater engagement of business with the science base.
- iii. The House on Commons Select Committee on Science and Technology review of Strategic Subject Shortages (2005) where SEEDA gave evidence. This recognised the importance of ensuring the provision of SET skills supply at a regional level and proposed a Regional Affairs Council to include HEFCE and the RDAs be set up to address shortages.

This raised profile led to the Government recognising the importance of the RDAs and encouraging a new RDA role for knowledge transfer and innovation in the delivery of the 10-year framework through SR 2004. RDAs have readily taken on this enhanced role, through an increase of 50% in RDA funds supporting Innovation and Science in corporate plans for 2005-08.

### **Broadband**

SEEDA has co-ordinated broadband activities on behalf of the 9 RDAs, facilitating information sharing and responding on behalf of RDAs where appropriate - for example joint RDA responses to Ofcom's Telecommunications Review. Regular inter RDA meetings have been organized at (typically) two monthly intervals. SEEDA has also worked actively with the DTI on the setting up and operation of an on-going series of Broadband content workshops and on the production of the DTI's Broadband Content Business Case published in November 2004.

As lead RDA for Broadband, SEEDA worked closely with DTI on the national Broadband Aggregation Programme (BAP). This project was instrumental in catalyzing significantly increased broadband availability, up from 71% of the UK population in mid 2003 when the project was initiated, to a projected 99.6% by the summer of 2005.

### **Manufacturing**

SEEDA'S manufacturing lead role had input into the DTI's revision of the UK manufacturing strategy. It has worked together on redefining the basic MAS product/branding and pricing structure for Phase 2 of MAS and has also assisted the DTI in the tendering process for the consultancy who co-ordinate MAS nationally. Furthermore the group has worked with the DTI to define and achieve more partnership working between MAS and LSC/DFES this has led to discussions between the two.

### **Energy**

As the policy lead for Energy on behalf of all RDAs, SEEDA represents RDAs on the Government's Sustainable Energy Policy Network (SEPN), and the DTI Regional Energy Group, and represents the South East on DTI's Renewables Development Focus Group. Each of these Groups provides an important opportunity to influence policy development.

SEEDA has led the RDAs in discussions with DTI on joint energy projects (biomass, PV), following the high-level Energy Business Planning meeting between RDAs/DTI and other Government Departments last November; this meeting endorsed the importance of energy as a key area for partnership working between RDAs and DTI.

## **Waste (Integrated Resources Management)**

As the policy lead on 'waste' (Integrated Resources Management) SEEDA's work has largely been dominated by liaison with Defra on the developing Business Resource Efficiency and Waste (BREW) Programme (launched 29 March) and sharing work in progress on arrangements for regional coordination of resource efficiency initiatives, as agreed with Defra under BREW.

SEEDA Chairman, Jim Brathwaite has been appointed to the Government's Sustainable Public Procurement Task Force, led by Sir Neville Sims; the Task Force will produce a national Action Plan by April 2006.

### **4.2 SEEDA CHAIRMAN**

Jim Brathwaite CBE is Chairman of SEAL Ltd, an environmental company based in Burgess Hill, whose equipment is used to test nearly all the drinking water in the UK. He is also Chairman of three other small businesses in Sussex.

Jim is a member of the national Small Business Council, with responsibility for dealing with the Inland Revenue, and of the Government's Export Advisory Committee for the 'Americas'. He is also a member of the Court of the Sussex University, the DTI's Investment Committee and of the UK Trade and Investment's International Trade Development Advisory Panel. He is a Director of the University of Greenwich, and also of the National Business Angels Network Ltd. He was a Director of Sussex TEC Ltd from April 1993, which then became Sussex Enterprise in 1995, and he remained on the Board until December 2002. He was the founding Chairman of Business Link Sussex, holding the post from 1996-2001, and also a founding Director of "Wired Sussex". He was awarded the CBE for services to the Sussex economy in the New Year's Honours 2001. He was also awarded an Honorary Degree from University College Chichester in 2003. Jim was appointed to the Board of SEEDA in December 2001 and in August 2002 was appointed Chairman.

### **4.3 SEEDA BOARD**

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

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

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

SEEDA holds a formal record of Members' interests, which is available for inspection at our Guildford offices. SEEDA complies with the standard RDA Code of Best Practice for Board members.

In addition to the Chairman, James Brathwaite CBE, the SEEDA Board members are:

Robert Douglas                      Deputy Chairman  
Elizabeth Brighthouse  
Poul Christensen CBE  
Sarah Hohler  
Keith House  
Mary McAnally  
Terry Mills  
John Peel  
Dr Peter Read CBE  
Phil Wood  
Peter Jones  
Rob Anderson  
Imtiaz Farookhi  
Professor Bill Wakeham

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

#### **4.4 BOARD COMMITTEES**

The Board Committees were first reviewed in April 2000 and were subject to a further review following the appointment of the new Chairman. The Committees retain their key role, which is to assist in informing and monitoring the implementation of the Regional Economic Strategy, but a clearer distinction has been established between the 'Advisory' SEEDA Board Committees and those Committees that assist in the management of the Agency. The Board Committee structure is as follows: -

##### *Advisory Committees*

Business Development  
Economic Inclusion and Corporate Social Responsibility  
Infrastructure  
Sustainable Development  
Rural  
Social Dialogue Forum  
Joint Europe Committee (joint Committee with the Regional Assembly)

##### *Management Committees*

Audit  
Remuneration  
Human Resources  
Major Projects

#### **4.5 ADVISORY COUNCIL**

The SEEDA Advisory Council provides a forum for harnessing a wider range of experience and expertise to inform SEEDA's strategic thinking. As well as leading influential figures from business, local government and academia, the Council includes individuals from a wider group of stakeholders with an interest in regional economic development such as the police, and religious leaders.

## **4.6 SENIOR EXECUTIVE**

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

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

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

Pam Alexander – Chief Executive

Jeff Alexander – Executive Director, Business and International, with geographical responsibility for Milton Keynes, Oxfordshire, Berkshire and Buckinghamshire.

Paul Hudson – Director, Development and Infrastructure, with geographical responsibility for Kent.

Paul Lovejoy – Executive Director, Strategy and Sustainability, with responsibility for Rural issues.

John Parsonage – Executive Director, Learning and Skills, with geographical responsibility for Surrey and Sussex.

Duncan Straughen – Executive Director, Resources with geographical responsibility for Hampshire and the Isle of Wight

## **4.7 HUMAN RESOURCES AND SERVICE STANDARDS**

Under Management Committees, suggest remove reference to Human Resources – this has not met for at least a couple of years and neither Board Member involved is still with SEEDA.

### **Recruitment**

During the year SEEDA recruited 51 new employees. Many of these were to new posts to reflect SEEDA's broadening agenda and SEEDA also hosted a number of secondments from partner organisations. To support the recruitment process work was undertaken to develop SEEDA's employer branding. As an indicator of SEEDA's commitment to career development, 24 staff moved to new posts within the Agency and a small number undertook secondments to external organisations. Staff turnover for the year was around 14%.

### **Learning and Development**

SEEDA is committed to the Investors in People standard as a framework to achieve best practice in managing and developing its people. The Corporate Learning and Development Plan for 2004/05 linked closely to the Agency's business objectives with two of the priority areas of focus being management and leadership skills and the implementation of new systems and processes.

Key investments during the year included an Executive Coaching programme and an Introduction to Management programme (undertaken by 19 employees) leading to an Institute of Leadership and Management qualification, as well as training on Project Appraisal and SEEDA's new financial, project management and HR systems. In addition

to a range of technical and job-specific training, SEEDA also continued to run study tours to familiarise staff with the Agency's broader agenda, to support a range of professional study and to actively encourage staff development through voluntary work (one division, for example, spent a day working with the RSPB).

### **Remuneration**

During the year SEEDA implemented a new job evaluation system and pay structure which more closely reflects the Agency's current and future needs and facilitates greater consistency and fairness in pay policy.

### **Staff consultation**

SEEDA's Joint Staff Council met regularly during 2004/05 to discuss a range of employee-related issues.

### **Equality and Diversity**

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

SEEDA monitors its workforce for ethnic origin and, during the year 2004/05, 4% of its staff identified themselves as being of ethnic minority origin. Fifty-eight percent of these staff fell within the Agency's senior management/ professional pay ranges. This compares to an ethnic minority population of 4.9% in the South East region (source: 2001 Census, Office of National Statistics).

In May 2004 SEEDA published its initial Race Equality Scheme and has subsequently been working towards developing an equality and diversity framework for the Agency in its roles both as an employer and as a development agency. As part of this process it has set up a cross-Agency group of Diversity Champions whose role is to raise awareness amongst colleagues of diversity and equality issues, providing advice, support and signposting and identifying opportunities relating to specific policies/ programmes.

Forty percent of staff in SEEDA's senior management/professional pay ranges were female.

### **Service Standards**

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

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

## **4.8 RISK MANAGMENT**

### **Strategy**

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

- Compliance with the Treasury (Orange Book) guidance.
- Embedded in planning, operational, monitoring and review stages of all SEEDA activities.
- Delegated responsibility to divisions within the agreed strategic framework and procedures.
- Risk management concentrates on achievement of business plan objectives, budgets and output performance targets.
- Linkage to the ten year Regional Economic Strategy, the three year Corporate Plan and the annual Business Plan.
- The risk management strategy is embodying a framework document available to all, and including a matrix of the wider risk framework relationships.
- Risks are assessed at project appraisal stage before any commitment is undertaken.
- Risk registers list the identified risks, the accountable and responsible persons.
- Risk registers are reviewed by an Operational Management Group and higher risk issues reported to the Executive Directors, the Accounting Officer and the SEEDA Board as necessary.
- Legal and other professional advice is taken on all significant contractual matters.

In addition to the Divisional Risk Registers, a list of the Top 10 Corporate Risks has been compiled in 2004/5 – these documents are regularly reviewed.

### **Risk Policy**

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

## **4.9 SUBSIDIARY COMPANIES**

During the last year, SEEDA has obtained permission from Government to participate in two new corporate body under Section 5 of the RDA Act 1998.

- South East Regional Aggregation Body LLP is a limited liability partnership, initially with the Department of Trade and Industry. The objective was to procure Broadband capacity from the private sector suppliers and obtain financial advantage from economy of scale for the public sector. During the year the private market for the broadband capacity changed considerable and expanded, this mitigated the need for the RAB and a joint decision with the DTI was taken to cease business as at 31<sup>st</sup> December 2004.
- The Hastings and Bexhill Renaissance Company Ltd was formed in May 2004, after approval by the DTI. SEEDA and three local authorities are the current members but other organizations are due to join early in the next financial year.

The purpose of the company is to deliver the regeneration objectives as contained in the Task Force Steering Group Business Plan. Funding is provided so far by SEEDA using specific ODPM funding, English Partnerships and European Funds.

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

#### **4.10 FINANCIAL REVIEW**

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

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

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

It is important the spending commitments do not exceed the indicative level of funding as laid out in the Treasury Spending Reviews as notified by the DTI, without an agreed funding stream. This is necessary because many of the grant-funded initiatives undertaken by SEEDA are more than year in duration. Commitments entered into by SEEDA are below the level of indicative future funding.

The capital structure of SEEDA is by way of a reserve of net balance sheet assets, mainly funded by the DTI annual resource allocation. The attached audited Financial Statements provide more information about the specific figures for SEEDA as at 31<sup>st</sup> March 2005. The value of net Balance Sheet reserves, as at 31<sup>st</sup> March 2005 is £133,407m for the SEEDA agency and £136,898m for the SEEDA Group. There is an increase of the reserve from last year mainly as a result of development site acquisitions.

During 2004/5, SEEDA received and applied a resource allocation grant amounting to £164,985m, this amount includes grant in aid from Government, payments by English Partnerships for the coalfields and brownfield sites programme and European Community grants drawn down. (SEEDA was not significantly exposed to the Euro and other foreign currency exchange rate transactions during the year).

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

The overall financial control regulations are contained in a document issued to all RDAs each year by DTI. This document is called the Financial Memorandum and is published by the DTI under authority provided in the RDA Act 1998. Under the Act and as stated in the Financial Memorandum, SEEDA must comply with various constraints including borrowing and lending above given limits, without the approval of the Secretary of State. The accounting policies followed by SEEDA are in accordance with Government Accounting guidance and the international Generally Accepted Accounting Practice (GAAP).

There is Financial Procedures guidance in operation which includes delegations and is regularly updated. As from April 2005, SEEDA commissioned a new accounting and financial control system and upgrade the related Project Management System.

## 5. PERFORMANCE TARGETS

For 2004-05 as a whole, SEEDA had higher than forecast outcomes for 4 of its 5 Core targets:

- Job Creation
- Brownfield Land
- Learning Opportunities 30+ hours
- Private Sector Leverage

SEEDA also exceeded its targets in 6 of its 8 Supplementary targets:

- Businesses leaving Incubators
- Businesses receiving Specialist Advice
- Businesses Active in Clusters/Networks
- Adults receiving Basic Skills training
- Adults receiving ICT training
- Adults receiving High Level Basic Skills training

Forecast outcomes were not met for one Core target (new businesses sustained after 12 months) and for one Supplementary target (businesses using incubators). Individual variances and the reasons behind these are considered below. Implications for the effectiveness of SEEDA's performance management systems are considered in Section 3.5.

	<b>Achieved</b>	<b>Forecast</b>
<b>1. Employment Opportunities</b>		
<i>Jobs created and safeguarded through SEEDA-funded projects</i>	<b>5121</b>	<b>3400</b>
<i>Jobs created and safeguarded through Foreign Direct Investment</i>	<b>2134</b>	<b>1530</b>
<b>2. Business Performance</b>		
<i>New businesses being sustained after 12 months</i>	<b>443</b>	<b>450</b>
<b>3. Brownfield Land</b>		
<i>Hectares of Brownfield Land remediated</i>	<b>66</b>	<b>57</b>
<b>4. Education and Skills</b>		
<i>Individual learning opportunities of 30 hours or more</i>	<b>12147</b>	<b>6000</b>
<b>5. Investment benefiting deprived areas</b>		
<i>Private sector funding leveraged in the 119 most deprived wards</i>	<b>£39.8m</b>	<b>£15m</b>
<b>6. Supplementary Targets</b>		
6.1 <i>Businesses located in / using facilities of incubator units</i>	<b>346</b>	<b>400</b>
6.2 <i>Businesses leaving incubator units</i>	<b>77</b>	<b>40</b>
6.3 <i>Businesses within other types of workspace maintained by</i>	<b>7</b>	<b>-</b>

SEEDA

6.4	<i>Businesses receiving specialist advice</i>	<b>14091</b>	<b>8400</b>
6.4	<i>Businesses active in cluster, technology or learning networks</i>	<b>8704</b>	<b>2850</b>
6.6	<i>Adults receiving basic skills training of 3 hours or more</i>	<b>13634</b>	<b>11000</b>
6.7	<i>Individuals receiving ICT training of 3 hours or more</i>	<b>12457</b>	<b>10800</b>
6.8	<i>Adults receiving higher level skills training</i>	<b>3871</b>	<b>3650</b>
6.9	<i>Individuals receiving broadband access</i>	<b>1192</b>	<b>800</b>

**SOUTH EAST ENGLAND DEVELOPMENT  
AGENCY**

**PART TWO  
ANNUAL ACCOUNTS**

**YEAR END 31 MARCH 2005**

## FOREWORD TO THE FINANCIAL STATEMENTS

### *Statutory Background*

The South East England Development Agency (SEEDA) was established under the provisions of the Regional Development Agencies Act 1998. It came into existence on 14<sup>th</sup> December 1998, following Parliamentary approval of the Regional Development Agencies Act 1998 and the appointment of Board Members.

The Agency became fully operational on 1 April 1999 when it took over the regional activities of English Partnerships, the Rural Development Commission and both the SRB Challenge Fund and the Skills Development Fund, from the Government Office for the South East.

### *Principal Activities*

The Agency's principal activities are as follows:

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

SEEDA is actively involved in the implementation of the Regional Economic Strategy, published in 1999 and updated in 2002, including plans to develop world class Learning and Skills, Environment, Business, Transport, Rural Economy, Communities and Urban Renaissance for the South East region. The Regional Economic Strategy (RES) and the plans determine current and future activities for the agency.

### *History*

The Agency became fully operational on 1 April 1999, with the transfer of the regional undertakings from English Partnerships including the Kent coalfields, the Rural Development Commission and some functions from the Government Office for the South East in relation to the Single Regeneration Budget, Competitiveness and Skills.

In December 2000, SEEDA acquired the regional inward investment business carried out by South East Regional Investment Ltd. (SERIL) which was incorporated into the SEEDA business.

With effect from the 1 April 2001, the Agency inherited further financial responsibilities for the Partnership Investment Programme (PIP) from English Partnerships. Assets were transferred at book value and fair value adjustments have then been applied to bring assets to market value. Also, from the 1 April 2002, the Agency inherited the administration of Regional Selective Assistance (RSA) from the Government Office. Debtor balances were transferred at book value and fair value adjustments have then been applied to bring the assets to likely recovery values.

### *Performance Indicators*

Performance Indicators for the year 2004/2005 are included in SEEDA's current Corporate Plan which has been approved by Ministers. They conform to the Performance Monitoring Framework now in place between RDA's and Government using core milestones as the principal tool for forecasting and reporting outputs. The forecast and out turn positions for 2004/2005 are contained in the Annual Report, which indicate SEEDA has performed well against the set targets and achieved added value.

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

For events since the year-end, post balance sheet events and future developments – see note 28. A three-year corporate plan for 2005/08 has been prepared and is now being implemented. This Plan builds on the requirements of the revised Regional Economic Strategy and achievement of the outcome targets. The sub regional priorities have been identified and geographic Area Investment Frameworks are being established, including a special project for the Hastings redevelopment. In addition SEEDA is playing a major role in the implementation of the Sustainable Communities Plan with additional funding for Ashford, Thames Gateway and Milton Keynes/ Buckinghamshire.

### *Significant Changes in Fixed Assets*

For movements regarding SEEDA's Fixed Assets (Operating Assets) – see note 12

### *Research and Development*

The SEEDA research and development focus is on statistical analysis. Close working with partners provides regional intelligence and analysis for policy making. To achieve this goal, SEEDA sponsors economic modelling, market and business research and skills intelligence. SEEDA is a key partner in the South East England Intelligence Network and actively supports Skills Insight, who provide labour market and skills intelligence for the South East. Primary research projects of regional importance are also funded.

### *The Environment and Sustainability*

SEEDA is committed to getting the best out of the physical assets owned and conserving and enhancing its environmental assets. SEEDA aims to protect and enhance the region's environment; promote initiatives to make better use of natural resources; to promote better design and to develop exemplary sustainable practices. SEEDA has set up a team to consider ways of supporting a more sustainable environment. In the region, SEEDA has worked on areas of energy and water consumption; waste management; consumption of environmentally significant products, materials and transport. All project appraisals include an assessment of the impact on sustainable development, which derive from the regional sustainable development framework. Sustainable building methods and design concepts are used on SEEDA development sites including an award - winning scheme at Chatham Maritime. SEEDA also sponsors a popular annual Sustainable Business Award scheme.

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

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

In preparing the Accounts the Agency is required to:

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

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

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

### ***Board Membership***

Founding Board Members were appointed by the Secretary of State on 14 December 1998 and included Local Authority, Trade Union and private sector representatives. Subsequently, two additional Board Members were appointed in November 2000. Since then 15 Board Members including the Chairman have stood down, to be replaced by 15 new Members.

Board Members are contracted to carry out two days work per month on behalf of the Agency. The Chairman is contracted for three days per week. The two Deputy Chairmen are contracted for one day a week.

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

### **The Members during 2004/2005:**

James Brathwaite CBE  
Robert Douglas  
Dr Peter Read CBE  
Elizabeth Brighthouse  
John Peel  
Keith House  
Mary McAnally  
Poul Christensen CBE  
Sarah Hohler  
Terry Mills  
Peter Jones  
Phil Wood  
Rob Anderson  
Imtiaz Farookhi  
Bill Wakeham

Chairman  
Deputy Chairman

Appointed December 2004  
Appointed December 2004

### **Contract expired in December 2004:**

Professor Sir Clive Booth  
Janis Kong OBE

#### *Equal Opportunities*

SEEDA wholly supports the principle of equal opportunities in employment and opposes all forms of unlawful or unfair discrimination on grounds of gender, colour, marital status, race, nationality or ethnic/national origin, religion, sexual orientation, disability or membership of a trade union. To this end, SEEDA adheres to the requirements of the Codes of Practice issued by the Equal Opportunities Commission and Commission for Racial Equality as well as the requirements of the Race Relations Act 1976, Race Relations Amendment Act 2000, Sex Discrimination Act 1986, Disability Discrimination Act 1995 and Part Time Workers regulations 2000.

**SEEDA prepared and published a Racial Equality Scheme and commissioned consultants to develop an equality and diversity framework. Use is made of web based advertising to aid the recruitment process.**

#### *Employment of Disabled Persons*

Under its recruitment policies, SEEDA gives full and fair consideration to all applications for employment from disabled persons having regard to their particular aptitudes and abilities. Should any employee become disabled whilst employed by SEEDA, arrangements will be made wherever possible for appropriate retraining and support with a view to continued employment. SEEDA's policies in respect of training, career development and promotion recognise the need to make appropriate provision for disabled staff according to opportunities available and to organisational requirements.

### *Employee Relations*

SEEDA seeks to promote and maintain good relations with its staff and considerable emphasis is placed on an open management style with frequent and informal consultation at working level. A Joint Staff Council provides a mechanism for management and staff to discuss conditions of service and other concerns. Employees have elected to accept Trade Union representation and a partnership agreement has been developed between SEEDA and the Prospect and PCS unions.

A staff survey was carried out in the previous financial year to ascertain the staff view of SEEDA as an employer and to get staff comments on a range of issues around their jobs.

All employees are advised on a regular basis of SEEDA's activities and any relevant financial and economic factors which have contributed to it.

Full consideration is given to following the health and safety at work regulations, which is monitored and managed by a broadly based Health & Safety Committee. Employees agree individual annual staff objectives and performance reviews are held three times a year by each manager.

In February 2002 SEEDA was awarded the Investors in People accreditation and this was renewed in 2004/05. Employees are encouraged to participate in community voluntary work schemes. All staff are entitled to a minimum of 5 days sponsored training per year, several are also supported in professional qualifications and higher level courses.

### *Open Government*

The Agency received 13 individual requests in 2004 / 2005 that were covered under the Code of Practice on Access to Government Information and the Freedom of Information Act. No requests were refused although some were restricted in line with the Acts. No charges were raised in connection with requests for information. The Agency also handled a substantial volume of correspondence, much of which concerned requests for information. It is estimated that the level of external correspondence during the year is approximately 1,000 items per month.

The SEEDA website is used to communicate much of the business activity and general information. The website receives around 1000 visits per day.

### *Prompt Payment Code*

The Agency is committed to the "Better Payment Practice Code" contained in Government Accounting guidance and aims to pay all undisputed invoices within 30 days or on the terms agreed with the supplier. Based on date of the invoice, in 2004/2005 the Agency paid 78% of invoices (11,623) within 30 days compared to 77% of invoices (12,599) in 2003/2004. Based on payments from the date the invoices are received, over 90% was achieved within 30 days.

### *Financial Memorandum*

The Secretary of State issued to the Agency a Financial Memorandum on its formation setting out the financial framework under which the Agency should operate. A revised Financial Memorandum was issued with effect from 16<sup>th</sup> April 2004. The Agency has complied in all material respects with the terms of this memorandum during 2004/2005.

### *SEEDA's Commitment to Customer and Stakeholder Service*

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

SEEDA has published a Standards of Service and Access to Information leaflet, which includes the service standards to be adhered to by the Agency. These standards are defined and monitored and where not met, compliance action is taken.

A 'Working Together' leaflet has been jointly published with SEEDA, SEERA (South East England Regional Assembly) and GOSE (Government Office for the South East). This leaflet explains how the three bodies work closely together for the benefit for the South East.

### *Audit Services*

**The Comptroller and Auditor General is appointed by statute to audit the South East England Development Agency, and reports to Parliament on the truth and fairness of the annual financial statements and the regularity of income and expenditure. The following costs have been incurred in relation to services provided by the Comptroller and Auditor General:**

Audit Services	£50,000
----------------	---------

The Comptroller and Auditor General also has statutory powers to report on the economy, efficiency and effectiveness with which the Agency has used its resources. The Agency has been involved in a value for money review during the year, along with the other Regional Development Agencies and several of the funding departments.

### **Results and transfer to reserves**

**The results for the year ended 31 March 2005 are set out in the financial statements on pages 12 to 44. The Agency's' financial position shows neither a surplus nor a deficit overall for the year because the expenditure has been covered by grant in aid released and other income. The Group position shows a deficit as indicated on the income and expenditure account.**

### *Financial Targets*

The total grant drawn down during the year, excluding creditors was £164,985,000. The grant was applied to the strategic requirements of the Region as illustrated in the Accounts attached (see note 2). Grant allocation not utilised in year will be carried forward, subject to Departmental approval under the End of Year Flexibility rules.

**Pam Alexander**  
**Chief Executive and Accounting Officer**

**James Brathwaite CBE**  
**Chairman**

# **STATEMENT ON INTERNAL CONTROL**

## **1. Scope of responsibility**

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

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

SEEDA has a number of subsidiary and joint venture undertakings as listed under note 13 of the attached financial statements. In each case approval is given by the Department of Trade and Industry in accordance with the RDA Act 1998. Participation in these undertakings is for strategic reasons as the best method to achieve applicable objectives. SEEDA staff are Directors of the undertakings in order to ensure the correct level of accountability and control.

## **2. The purpose of the system of internal control**

The system of internal control is designed to manage risk to an appropriate operational level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks of activities undertaken. The process is to evaluate the likelihood of those risks being realised and the resulting impact and to manage them efficiently, effectively and economically. A system of internal control has continued to be in place for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, which accords with Treasury guidance.

## **3. Capacity to handle risk**

The established capacity to handle risk continued in 2004/ 2005 by way of the following:

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

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

## **4. The risk and control framework**

The Agency procedures and processes includes the following:

- A framework of written guidance covering the Agency's policies, standards, procedures, delegations and financial control;
- A Risk Management Strategy;
- Maintenance of a set of Risk Management Registers which are based on the Agency's policies, aims and objectives as laid out in the SEEDA Corporate Plan with a top 10 risks matrix reviewed by the Executive Board and Audit Committee.
- A system of identifying risks for all projects proposed and undertaken is carried out at appraisal stage;
- Procedures issued by the DTI for Single Programme Appraisal Guidance (SPAG) is adhered to;
- The Directors' Performance Review Group and the separate Performance Group reviews progress on risk management issues to discuss and resolve problems and to receive advice;
- Legal advice is taken for contracts and a generic contract pro-forma has been developed for use as a template;

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

## **5. Review of effectiveness**

**As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Agency, who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management report and other reports are also taken into consideration. I have been advised on internal control by the Board and Audit Committee and a plan has been implemented to address weaknesses and ensure continuous improvement of systems.**

### **My review has been informed by:**

- An Internal Audit Team that operates to the Government Internal Audit Standards and which provides me with reports on the audit reviews carried out together with recommendations for improvement and progress reporting on the implementation of recommendations, including progress reports;
- An Annual Report and Assurance Statement from the Head of Internal Audit giving his professional opinion on the adequacy and effectiveness of the Agency's risk management, control and governance processes;
- Feedback from Executive Directors and senior managers within SEEDA who have responsibility for the operation, development and maintenance of the internal control and risk management framework.
- The Board determines all single major project proposals above £3m and the Major Projects Committee of the main Board advises me on my decisions on all single projects above £1m.
- The Board also receive reports from and advise on the work of the Audit Committee, including an annual report of work undertaken.
- The Directors' Performance Review Group and the Board receive reports on the monthly financial performance and advise on required actions.

### **Review of effectiveness (cont'd)**

- The Audit Committee review all audit reports and related recommendations, on risk management issues and advise on actions as necessary
- The new systems as reported last year were able to provide all the information requirements for monitoring the financial performance throughout the year. These systems continue to be refined and improved as a reliable source of essential information. A new IT Department has been established to support and improve all systems.

#### **6. Significant internal control problems**

**With consideration to the above, apart from one instance of an abuse of procurement rules which was quickly dealt with, no significant internal control problem was highlighted during the year.**

**Pam Alexander  
Chief Executive and Accounting Officer**

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

I have audited the financial statements on pages 12 to 44 under the Regional Development Agencies Act 1988. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 17 to 19.

### **Respective responsibilities of the Agency, the Chief Executive and Auditor**

As described on page 3, the South East England Development Agency and Chief Executive are responsible for the preparation of the financial statements in accordance with the Regional Development Agencies Act 1988 and Secretary of State and directions made there under and for ensuring the regularity of financial transactions. The South East England Development Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Regional Development Act 1988 and Secretary of State directions made there under and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the South East England has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 7, 8 and 9 reflects the South East England Development Agency's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

### **Basis of audit opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the South East England Development Agency and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the South East England Development Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement,

whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the South East England Development Agency at 31 March 2005 and of the financial result, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Regional Development Agencies Act 1998 and directions made there under by Treasury; and Secretary of State; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn  
**Comptroller and Auditor General**

National Audit Office  
**157-197 Buckingham Palace Road  
 Victoria  
 London SW1W 9SP**

**Date**

#### *GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR TO 31 MARCH 2005*

	<b>Notes</b>	<b>2005</b>	<b>2004</b>
		<b>£'000</b>	<b>£'000</b>
<b>Income</b>			
Grant-in-aid released	2	87,637	88,356
Transfer from Government Grant Reserve	21	27,415	11,430
Coalfield grant	2	117	3,427
European Social Fund (ESF) grant	2	2,222	2,333
European Regional Development Fund (ERDF) grant	2	4,298	1,730
Other Grants	2	10,795	8,225
Proceeds from disposal of development assets	19	21,827	5,088
Proceeds from disposal of operating assets	22	0	1

Rental and other income	16	4,491	1,785
Clawback of grants	4	836	2,491
Share of gross income of Joint Ventures	13	3,789	11,985
<b>TOTAL INCOME</b>		<b>163,427</b>	<b>136,851</b>
<b>Expenditure</b>			
Salaries and wages	6	13,606	12,629
Other administrative costs	7	6,532	6,746
Depreciation and amortisation	11 & 12	993	773
Amounts paid for grant expenditure	3	101,785	85,689
Amounts paid for non grant expenditure	5	6,349	4,965
Amounts paid for coalfield expenditure	3	210	3,817
Book value of development assets sold	19	22,139	5,088
Book value of operating assets sold	12	1	13
Book value of development assets written down	19	10,657	5,463
Book value of development assets written back	19	(6,408)	0
Bad debts written off and movements in provision for bad and doubtful debts	18	4,349	68
Share of gross expenditure of Joint Ventures	13	3,857	12,039
<b>TOTAL EXPENDITURE</b>		<b>164,070</b>	<b>137,290</b>
Group Operating deficit	10	(643)	(439)
Share of operating profits / (losses) in Associates	13	12	7
Interest received	8	602	380
Share of net interest of Joint Ventures and Associates	8	2	0
Notional cost of capital	1(i)	(4,214)	(3,196)
<b>Deficit for the period on ordinary activities</b>		<b>(4,243)</b>	<b>(3,247)</b>
Taxation	9	(27)	6
Share of taxation of Joint Ventures and Associates	9	21	16
<b>Deficit for the period after Taxation</b>		<b>(4,249)</b>	<b>(3,225)</b>
Reversal of notional cost of capital	1(i)	4,214	3,196
<b>Surplus / (Deficit) for the Period carried forward</b>		<b>(35)</b>	<b>(29)</b>

All operations are continuing. The increase in transfer of Government Grant Reserve is due to the disposal and revaluation of development assets. ERDF funding is higher due to increased activity. Other grants are amounts received from English Partnerships, ODPM and others for regeneration purposes.

The notes on pages 17 to 44 form part of these accounts

## **GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR TO 31 MARCH 2005**

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Surplus for the period after taxation	0	0
Revaluation not released to Income and Expenditure	78	590

account

Grant in Aid receivable not released to Income and Expenditure account	57,316	36,193
--	--------	--------

<b>Total gains/ (losses) since last report</b>	<b>57,394</b>	<b>36,783</b>
--	---------------	---------------

Grant in Aid receivable not released to the Income and Expenditure account and increases in valuations are included in the balance sheet – see note 12 (additions of £445,000) and note 19 (£78,000 and £56,871,000).

## GROUP BALANCE SHEET AS AT 31 MARCH 2005

	Notes	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Intangible operating assets	11	4	8
Tangible operating assets	12	1,823	2,369
Investments in Joint Ventures	13		
- Share of gross assets		8,685	10,046
- Share of gross liabilities		(8,356)	(9,669)
Investments in Associates	13	19	7
Long term loans	20	182	215

		2,357	2,977
<b>CURRENT ASSETS</b>			
Stock of development assets	19	130,344	99,783
Debtors due within one year	14	36,691	9,346
Debtors due after one year	14	5,682	6,440
Cash at bank and in hand	23	11,466	10,558
		184,183	126,127
<b>CREDITORS:</b> Amounts falling due within one year	15	38,037	18,428
<b>NET CURRENT ASSETS</b>		146,146	107,699
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		148,503	110,676
<b>CREDITORS:</b> Amounts falling due after one year	15	7,005	6,765
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	4,600	0
<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		136,898	103,911
<b>RESERVES</b>			
Government Grant	21	133,407	103,429
General Grant Reserve	13(a)	2,519	83
Profit and Loss Reserve	13(a)	343	380
Minority Interest	13(a)	629	19
		<b>136,898</b>	<b>103,911</b>

**Pam Alexander**  
**CBE**  
**Chief Executive and Accounting Officer**

**James Brathwaite**  
**Chairman**

The notes on pages 17 to 44 form part of these accounts

**AGENCY BALANCE SHEET AS AT 31 MARCH 2005**

	Notes	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Intangible operating assets	11	4	8

Tangible operating assets	12	1,823	2,369
Investments in subsidiary undertakings	13	5	5
Long term loans	20	182	215
		<hr/>	<hr/>
		2,014	2,597

### **CURRENT ASSETS**

Stock of development assets	19	130,344	99,783
Debtors due within one year	14	35,570	9,246
Debtors due after one year	14	5,682	6,440
Cash at bank and in hand	23	9,394	10,517
		<hr/>	<hr/>
		180,990	125,986

<b>CREDITORS:</b> Amounts falling due within one year	15	37,992	18,389
		<hr/>	<hr/>

<b>NET CURRENT ASSETS</b>		142,998	107,598
---------------------------	--	---------	---------

<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/>	<hr/>
		145,012	110,194

<b>CREDITORS:</b> Amounts falling due after one year	15	7,005	6,765
--	----	-------	-------

<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	4,600	0
---	----	-------	---

<b>TOTAL ASSETS LESS TOTAL LIABILITIES</b>		<hr/>	<hr/>
		133,407	103,429

### **RESERVES**

Government Grant	21	133,407	103,429
		<hr/>	<hr/>
		133,407	103,429

**Pam Alexander**  
**CBE**  
**Chief Executive and Accounting Officer**

**James Brathwaite**  
**Chairman**

The notes on pages 17 to 44 form part of these accounts

### **CASH FLOW STATEMENT FOR THE YEAR TO 31 MARCH 2004**

	Note s	2005 £'000	2005 £'000	2004 £'000	2004 £'000
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	22		(56,603)		(31,862)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest Received	8		604		380
<b>TAXATION</b>			3		28
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>					
Purchase of tangible operating assets	12	(445)		(1,392)	
Long term loan repayments	20	33		94	
Proceeds on disposal of fixed operating assets	22	<u>0</u>		<u>1</u>	
			(412)		(1,297)
<b><i>FINANCING</i></b>					
Grant received for capital additions – Development assets – less inherited prepayment	19	56,871		34,801	
<i>Grant received for capital additions – operating assets</i>	12	445		1,392	
			<u>57,316</u>		<u>36,193</u>
<b>INCREASE / DECREASE IN CASH</b>	23		<u><b>908</b></u>		<u><b>3,442</b></u>

## NOTES TO THE ACCOUNTS

### *Accounting Policies*

#### **1 (a) Accounting Conventions**

These accounts have been prepared in a form directed by the Secretary of State for the Department of Trade and Industry with the approval of the Treasury in accordance with the Regional Development Agencies Act 1998.

These accounts are prepared using the historical cost convention modified by the inclusion of development assets at their value to the business by reference to their current value. The consolidated Financial Statements incorporate those of the Agency and its subsidiary undertakings, Ryde Business Park Management Company Ltd and East Kent Spatial Development Company.

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

The share of net asset and profit / loss information of the joint ventures and associates is based upon audited financial statements to 31 March 2005 except for Finance South East and CML where unaudited financial statements have been used.

Without limiting the information given, the financial statements have been prepared in accordance with applicable accounting standards and meet the accounting and disclosure requirements of the Companies Act 1985.

The Agency was issued with a new Accounts Direction on 10<sup>th</sup> March 2004 which was effective for the 2004/2005 financial year and this is appended to the accounts.

#### **(b) Intangible Assets**

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

#### **(c) Fixed Operating Assets**

Fixed Assets are valued at depreciated replacement cost. Information Technology is capitalised if an item costs £500 or more, Equipment, Fixtures and Fittings are capitalised if an item costs £1000 or more.

SEEDA's policy is to capitalise IT development expenditure only when it relates to business software applications costing in excess of £5000 and having an economic life of at least three years. The development costs of the intranet and document management system (SEEDANET), the Project Management System (PMS) and the HR and Finance system have been capitalised and are included in note 12. These applications have been amortised once they become fully operational, which was June 2003 for PMS, October 2003 for SEEDANET and April 2004 for the HR and Finance system.

## **NOTES TO THE ACCOUNTS**

### **(d) Depreciation**

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

Information Technology - over three years.

Infrastructure Assets – over five years

Plant and Machinery - over five years.

Intangible assets – amortised over three years.

### **(e) Development Assets**

Development assets are held short term for disposal. The accounting policy is to revalue each year at the lower of current replacement cost and net realisable value. A valuation of the whole portfolio was carried out as at 31 January 2005, all of which was undertaken by Drivers Jonas, Chartered Surveyors.

Each Development Asset has an individual calculation in order to calculate the net gain or loss on each site following the revaluation. Any increase above historic cost is taken to the Government Grant Reserve whilst losses are written off against the reserve up to the value of any credit balance in the reserve and are shown in the Income and Expenditure account thereafter. The valuations of these assets are shown as stock on the Balance Sheet and within the Government Grant Reserve. Prior to 2003/2004 Development assets were grouped together to calculate the net gain or loss.

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

### **(f) Government Grants Receivable**

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

### **(g) Pension Costs**

Employees of the South East England Development Agency can participate in, the Principle Civil Service Pension Scheme (PCSPS). Some staff who transferred from English Partnerships were members of the English Partnerships Pension Scheme during the year, before transferring into PCSPS. Both pension schemes are defined benefit schemes and are non-contributory for employees, apart from the new PCSPS schemes as detailed in note 6 (d). The Agency's contributions to the Schemes are charged to the Income and Expenditure Account.

## **NOTES TO THE ACCOUNTS**

The department recognises the expected cost of providing pension benefits on a systematic and rational basis over the period during which it benefits from

employee's services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

The Chairman and Board members are not members of these or any other pension scheme of the Agency. The previous Chairman was a member of a private pension scheme.

### **(h) Deferred Taxation**

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

#### **(i) Notional Cost of Capital**

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

#### **(j) Operating Leases**

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

### **(k) Financial Instruments**

The Agency has no borrowings and relies primarily on departmental grants for its cash requirements and is therefore not exposed to liquidity risks. It has no material deposits and all assets and liabilities are denominated in sterling. There is no exposure to interest rate or currency risk (see note 29).

## NOTES TO THE ACCOUNTS

### 2. Analysis of Total Grant in Aid Utilised

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
Grant in aid received from DTI	104,500	120,944
Coalfield grant received from EP	6,428	4,081
European grant received – ESF	2,222	2,387
European grant received – ERDF	4,298	1,730
Other grants	47,537	8,225
Grant applied to inherited assets / liabilities	0	9
Opening 2003/2004 net unused grant - creditor	0	7,253
Closing 2003/2004 net unused grant - creditor	0	(4,365)
Opening 2004/2005 net unused grant - creditor	4,365	0
<i>Closing 2004/2005 net unused grant - creditor</i>	<i>(6,965)</i>	<i>0</i>
	<hr/>	<hr/>
<b><i>Total grant receivable</i></b>	<b>162,385</b>	<b>140,264</b>
Total expenditure	189,961	149,868
Less non grant Income (see note below)	(27,576)	(9,604)
	<hr/>	<hr/>
<b><i>Total grant utilised</i></b>	<b>162,385</b>	<b>140,264</b>
Grant applied to operational asset additions	445	1,392
Grant applied to development assets additions	56,871	34,801
Grant in Aid credited to Income and Expenditure Account	87,637	88,356
Coalfield grant credited to Income and Expenditure Account	117	3,427
EU grants credited to Income and Expenditure Account – Other Income	6,520	4,063
Other grants credited to Income and Expenditure Account	10,795	8,225
	<hr/>	<hr/>
<b><i>Total grant utilised</i></b>	<b>162,385</b>	<b>140,264</b>

#### Non Grant Income

		<b>2005</b>	<b>2004</b>
		<b>£'000</b>	<b>£'000</b>
Proceeds from disposal of development assets	19	21,827	5,088

Proceeds from disposal of operating assets	22	0	1
Rental and other income	16	4,491	1,785
- Less Subsidiary companies		(110)	(234)
Claw-back of grants	4	836	2,491
Interest received	8	604	380
- Less Subsidiary companies		(105)	(1)
Long Term Loan repayments	20	33	94
		<u>27,576</u>	<u>9,604</u>

## **NOTES TO THE ACCOUNTS**

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

	<b>Total Income recorded in the I&amp;E Account</b>	<b>Total Expenditure recorded in the I&amp;E Account</b>	<b>Grant applied to Capital additions recorded in the Government Grant Reserve</b>
	<b>2005 £'000</b>	<b>2005 £'000</b>	<b>2005 £'000</b>
Business and International	9,884	14,716	41
Learning, Skills and Workforce, Wired Region & Social Inclusion	9,705	17,244	49
Community Renaissance and Infrastructure	115,144	99,471	19,058
Strategy and Corporate Services	10,393	11,741	44
Coalfields	210	210	6,382
ODPM – Community Fund	9,425	12,512	31,742
European Funds	4,766	4,133	0
Subsidiary Companies	110	186	0
Joint Ventures	3,789	3,857	0
<b>Total</b>	<b>163,427</b>	<b>164,070</b>	<b>57,316</b>
	<b>2004 £'000</b>	<b>2004 £'000</b>	<b>2004 £'000</b>
Business and International	17,589	17,643	196
Learning, Skills and Workforce, Wired Region & Social Inclusion	19,131	19,189	214
Community Renaissance and Infrastructure	77,040	77,426	35,321
Strategy and Corporate Services	2,674	2,691	65
Coalfields	3,427	3,817	0
ODPM – Community Fund	709	1,119	397
European Funds	4,063	3,126	0
Subsidiary Companies	234	240	0
Joint Ventures	11,985	12,039	0
<b>Total</b>	<b>136,851</b>	<b>137,290</b>	<b>36,193</b>

The above total expenditure figures include book value of development assets sold and written down, grant expenditure and administrative expenditure as disclosed on the I&E. Grant expenditure alone, incurred by each key cost driver was as follows:

**2005**

**2004**

	£'000	£'000
Business and International	10,534	8,823
Learning, Skills and Workforce, Wired Region & Social Inclusion	12,612	12,974
Community Renaissance and Infrastructure	65,232	58,874
Strategy and Corporate Services	899	1,242
ODPM – Community Fund	9,398	916
European Funds	3,110	2,860
<b>Total</b>	<b>101,785</b>	<b>85,689</b>

## **NOTES TO THE ACCOUNTS**

### **4. CLAWBACK**

Clawback relates to part repayment of a third party grant previously made. In accordance with the conditions of grant, when specific milestones are reached certain amounts of grant can be reclaimed. The total amount of £836,000 relates to one Development and Infrastructure projects (£614,000), five Single Regeneration Budget (SRB) grants (£146,000) and seven other projects (£76,000).

### *5. NON GRANT EXPENDITURE*

This item refers to project expenditure incurred direct by SEEDA, mainly for specialist and professional advisors.

### **6. SALARIES AND WAGES**

#### **(a) Staffing Costs**

	2005 £'000	2004 £'000
<b>Board</b>		
Chairman's salary	75	73
Board members' fees	125	122
National Insurance costs	14	8
	<hr/> 214	<hr/> 203
<b>Staff</b>		
Salaries and wages, including overtime	7,504	6,824
Redundancy payments	0	6
Pension costs	1,097	978
National Insurance costs	665	608
	<hr/> 9,266	<hr/> 8,416
Other staff costs	503	638
Seconded staff costs	502	492
	<hr/> 1,005	<hr/> 1,130
<b>Administrative total</b>	<hr/> <b>10,486</b>	<hr/> <b>9,750</b>
Programme staff costs	2,504	2,338
Programme seconded staff costs	616	541
<b>Total staff costs</b>	<hr/> <b>13,606</b>	<hr/> <b>12,629</b>

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

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

SEEDA's average pay award for 2004/2005 was 2.45% comprising of both consolidated and non-consolidated amounts.

## NOTES TO THE ACCOUNT

### (b) Emoluments of Board Members

Name	Position	Date of Appointment	Date Contract Expires	Salary 2005 £	Pension 2005 £	Total 2005 £	Total 2004 £
James Brathwaite CBE	Chairman	14.12.02	13.12.05	74,781	0	74,781	73,191
<i>Robert Douglas</i>	Deputy Chairman	14.12.01	31.12.07	15,861	0	15,861	10,043
Dr Peter Read CBE FRCP	Board Member	01.11.00	31.10.06	7,931	0	7,931	7,775
Elizabeth Brighthouse	Board Member	14.12.01	13.12.06	7,931	0	7,931	7,775
John Peel	Board Member	14.12.02	13.12.05	7,931	0	7,931	7,775
Keith House	Board Member	14.12.02	13.12.05	7,931	0	7,931	7,775
Mary McAnally	Board Member	01.11.00	31.12.06	7,931	0	7,931	7,775
Poul Christensen CBE	Board Member	14.12.02	13.12.05	7,931	0	7,931	7,775
Sarah Hohler	Board Member	14.12.02	13.12.05	7,931	0	7,931	7,775
Terry Mills	Board Member	14.12.02	13.12.05	7,931	0	7,931	7,775
Peter Jones	Board Member	14.12.03	13.12.06	7,931	0	7,931	2,268
Phil Wood	Board Member	14.12.03	13.12.06	7,931	0	7,931	2,268
Rob Anderson	Board Member	14.12.03	13.12.06	7,931	0	7,931	2,268
Imtiaz Farookhi	Board Member	14.12.04	13.12.07	2,313	0	2,313	0
Bill Wakeham	Board Member	14.12.04	13.12.07	2,313	0	2,313	0
Prof. Sir Clive Booth	Deputy Chairman	14.12.98	Expired (Dec 04)	11,662	0	11,662	15,550
Janis Kong OBE	Board Member	14.12.98	Expired (Dec 04)	5,831	0	5,831	7,775

Board members have been appointed on a fixed term of three years and contracted to carry out two days work per month (three days per week for the Chairman and one day per week for the Deputy Chairmen) on behalf of the Agency. At the end of this period, Board members may be re-appointed for a period of up to three years. Except for the Chairman, no other Board Members are eligible for pension contributions. The Chairman's pension amount is in the process of negotiation. No Board Members are eligible to receive performance related pay or any other taxable benefit as a result of employment with the Agency.

*(c) Emoluments of Chief Executive and the most Senior Managers*

Name	Age	Salary	Bonus	Other	Pension	Total 2005	Total 2004
		£	£	£	£	£	£
Pam Alexander Chief Executive	51	126,875	8,021	0	29,406	164,302	57,320
Jeff Alexander Director of Business and International	49	84,172	9,327	3,140	15,572	112,211	111,534
Paul Hudson Director of Development and Infrastructure	58	88,381	11,574	6,420	16,350	122,725	122,304
John Parsonage Director of Learning and Skills	57	84,172	11,023	2,993	15,572	113,760	109,932
Marianne Neville-Rolfe Director of Strategy & Corporate Services	60	44,438	9,750	0	0	54,188	101,399
Charlotte Dixon Director of Economic Inclusion and Sustainability	55	58,225	5,034	0	0	63,259	86,078
Paul Lovejoy Director of Strategy and Sustainability	46	66,838	612	0	11,855	79,305	0
Duncan Straughen Director of Resources	51	46,767	0	628	8,487	55,882	0

Pam Alexander was appointed from 1<sup>st</sup> December 2003. The Chief Executive and Executive Directors are on permanent contracts, except those on secondment. The Chief Executive bonus has to be agreed by the Department of Trade and Industry. The maximum bonus Pam Alexander could receive in 2004/2005 was 20% of salary. The bonus paid in 2004 / 2005 refers to the part year period served in 2003 / 2004. All other SEEDA staff, including Executive Directors are covered by the annual pay remit, approved by the DTI and the Treasury. Bonuses are determined following reviews based on individual's performance against agreed objectives and competencies for the previous year. The maximum amount payable for 2004/2005 was 15%. Marianne Neville– Rolfe was on secondment from the Department of Trade and Industry and retired in September 2004. SEEDA reimbursed the DTI £6,937.50 in respect of pension contributions for her and this amount is included in the salary figure above. Charlotte Dixon was on secondment from the Department of Transport and her secondment with SEEDA ended in November 2004. SEEDA reimbursed the DTI £9,090 in respect of pension contributions and this amount is included in the salary figure above. Included in Paul Hudson's salary amount is £2,047 for 6 days holiday not taken. Paul Lovejoy was promoted and Duncan Straughen appointed to Executive Director during the year and the figures quoted above reflect part year service. The main element within "Other Benefits" relate to the taxable charge of using a lease car or other travel entitlement.

*(c) Emoluments of Chief Executive and the most Senior Managers – Pension information*

<b>Name</b>	<b>Column 1 Real increase in pension (£k)</b>	<b>Column 2 Real increase in lump sum (£k)</b>	<b>Column 3 Pension at 31/03/05 (£k)</b>	<b>Column 4 Lump sum at 31/03/05 (£k)</b>	<b>Column 5 Cash Equivalent Transfer Value (CETV) at 31/03/04 (nearest £'000k)</b>	<b>Column 6 CETV at 31/03/05 (nearest £'000k)</b>	<b>Column 7 Employee contributions and transfers in (£k)</b>	<b>Column 8 Real increase in CETV funded by employer (nearest £'000k)</b>
Pam Alexander Chief Executive *	40 – 42.5	N/A	40 - 45	N/A	7	544	2.5 - 5	533
Jeff Alexander Director of Strategy and Corporate Services	0 - 2.5	2.5 - 5	25 - 30	85 - 90	389	430	0 - 2.5	14
Paul Hudson Director of Development and Infrastructure	0 - 2.5	2.5 - 5	5 - 10	15 - 20	91	117	0 - 2.5	21
John Parsonage Director of Learning and Skills	0 - 2.5	2.5 - 5	15 - 20	50 - 55	248	284	0 - 2.5	23
Marianne Neville-Rolfe Director of Business and International	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Charlotte Dixon Director of Economic Inclusion & Sustainability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Duncan Straughen Director of Resources	0 - 2.5	N/A	0 - 5	N/A	0	9	0 - 2.5	8
Paul Lovejoy Director of Strategy and Sustainability	0 - 2.5	N/A	5 - 10	N/A	39	56	0 - 2.5	14

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

*6(c) continued.../*

***Emoluments of Chief Executive and the most Senior Managers – Pension information***

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

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETV's are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

(d) Pension Arrangements

Employees of the Agency based in the UK are members of one of the following schemes.

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

For 2004/2005, employers' contributions of £1,294,001.05 were payable to the PCSPS (2003/2004 £1,094,083.18) at one of four rates in the range 12 to 18.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2005/06, the salary bands will be revised and the rates will be in a range between 16.2% and 24.6%.

The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred, and they reflect past experience of the scheme.

Employers' contributions of £27,394.27 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions of up to 3 per cent of pensionable pay. In addition, employer contributions of £1,667.92, 0.8 per cent of pensionable pay, were payable

to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were no contributions due or prepaid to the partnership pension providers at the balance sheet date.

## NOTES TO THE ACCOUNTS

### Pension benefits in the Principal Civil Service Pension Scheme:

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based “final salary” defined benefit schemes (classic, premium and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants from 1 October 2002 may choose between membership of premium or joining a good quality “money purchase” stakeholder arrangement with a significant employer contribution (partnership pension account).

#### (a) Classic Scheme

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

#### (b) Premium Scheme

Benefits accrue at the rate of  $1/60^{\text{th}}$  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  $3/80^{\text{ths}}$  of final pensionable earnings for each year of service or 2.25 times the pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purpose of pensions disclosures the tables assume maximum commutation. Members pay contributions of 3.5 per cent of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of  $3/8^{\text{ths}}$  the members pension (before any commutation).

On death in service, the scheme pays a lump – sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse’s pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member’s ill health is such that it permanently prevents them under taking any gainful employment, service is enhanced to what they would have accrued at age 60.

#### (c) Classic Plus Scheme

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

#### NOTES TO THE ACCOUNTS

##### **(d) 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% (addition to the employers 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 50 and 75 and use the accumulated fund purchase a pension. The member may choose to take up to 25% of the fund as a lump sum.**

## NOTES TO THE ACCOUNTS

### 6. SALARIES AND WAGES (Cont...)

#### (e) Average Staff Numbers

The average number of staff, including all seconded staff, employed by the agency during the period was 335. In 2003 / 2004 there were 324, including all seconded, temporary, contracted and capital project staff but excluding staff seconded to HBRL.

Year	Resources & Corporate		Development & Infrastructure		Economic Inclusion & Sustainability		Learning & Skills		Business & International		Hastings		SEEDA Total		Offpat Total	
	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04
Senior Managers	9	4	6	5	2	3	4	5	6	6	2	2	29	25	0	0
Staff	88	78	52	42	22	19	32	34	51	49	14	9	259	231	0	2
Non permanent staff – Agency / contractors / secondees	18	17	2	5	6	6	9	4	16	35	10	10	61	77	2	2
Staff seconded to HBRL	0	0	0	0	0	0	0	0	0	0	-14	-9	-14	-9	0	0
Capitalised to SEEDA balance sheet	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>115</b>	<b>99</b>	<b>60</b>	<b>53</b>	<b>30</b>	<b>29</b>	<b>45</b>	<b>44</b>	<b>73</b>	<b>90</b>	<b>12</b>	<b>12</b>	<b>335</b>	<b>324</b>	<b>2</b>	<b>4</b>

The Office of Project Appraisal and Training (OFFPAT) is included for 2004/05 as SEEDA was appointed the accounting body for this period. The OFFPAT staff are not part of the established head count.

Senior Managers include those staff on the Hay scale Senior Management/Professional banding A and B.

75 members of staff received emoluments of more than £40,000 including the Chief Executives (In 2004 65 members). Senior executive salaries are agreed within a range approved by the DTI. At the 31<sup>st</sup> March 2005, no employees of SEEDA had received a loan from the Agency, other than travel season ticket loans.

6(f) Seconded Staff

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

	2005 No. of Staff	2005 £'000	2004 No. of Staff	2004 £'000
University of Surrey	0	0	1	6
Arts Council	1	9	1	23
City Life	0	0	1	16
Siemens Communications	1	109	1	106
Office of the Deputy Prime Minister	2	50	1	37
Department of Transport	1	71	1	94
GVA Grimley	0	0	1	17
Government Office	2	23	1	36
Oxford Brooks University	0	0	1	17
Sport England	1	13	1	3
Department of Trade and Industry	4	200	3	222
South West England Development Agency (OFFPAT)	1	47	1	23
English Nature	0	0	1	2
GJA Communications	0	0	1	32
Advantage West Midlands (OFFPAT)	1	69	1	30
Job Centre Plus	0	0	3	23
RAISE	0	0	1	14
Hastings Borough Council	2	153	4	275
Business Link	1	46	1	39
Cranfield University	0	0	1	18
DSTL Finance	1	91	0	0
Business in the Community	1	24	0	0
Business Link Wessex	1	46	0	0
Sussex Enterprise	1	21	0	0
CCLRC	1	55	0	0
Asian Health Authority	1	18	0	0
Oxbridge Bio	1	10	0	0
Psynapse	1	8	0	0
Mike Evans Services	1	23	0	0
University of Oxford	1	12	0	0
University of Reading	1	20	0	0
	<b>28</b>	<b>1,118</b>	<b>27</b>	<b>1,033</b>

The cost of Marianne Neville – Rolfe and Charlotte Dixon, seconded from the DTI and the Department of Transport are included above but are also disclosed in note 6 (c) and are included in temporary staff in note 6 (e).

## NOTE TO THE ACCOUNTS

### 7. OTHER ADMINISTRATIVE COSTS

	2005 £'000	2004 £'000
<b>Travel and subsistence</b>	<b>919</b>	<b>1,101</b>
<b>Other staff costs</b>	<b>552</b>	<b>809</b>
<b>Office and rent expenses</b>	<b>2,951</b>	<b>2,673</b>
<b>Publications, events and media</b>	<b>938</b>	<b>777</b>
<b>Professional fees</b>	<b>481</b>	<b>618</b>
<b>IT and communication</b>	<b>541</b>	<b>667</b>
<b>Subsidiary company expenditure</b>	<b>150</b>	<b>101</b>
	<hr/>	<hr/>
	6,532	6,746

Administration costs above, excludes expenditure directly related to specific projects and reflects only central management costs.

### 8. INTEREST RECEIVABLE

	2005 £'000	2004 £'000
<b>Bank Interest</b>	<b>471</b>	<b>348</b>
<b>Interest on rural loans</b>	<b>27</b>	<b>31</b>
<b>Share of interest – subsidiary companies</b>	<b>103</b>	<b>1</b>
	<hr/>	<hr/>
	602	380
<b>Share of net interest – joint ventures and associates</b>	<b>2</b>	<b>0</b>
	<hr/>	<hr/>
	604	380

### 9. TAXATION

	2005 £'000	2004 £'000
<b>Current year taxation charges</b>	<b>(27)</b>	<b>6</b>
<b>Under provision in previous year</b>	<b>0</b>	<b>0</b>
<b>Share of taxation charge of joint ventures and associates</b>	<b>21</b>	<b>16</b>
<b>Released to income and expenditure</b>	<b>(6)</b>	<b>22</b>

There is no deferred tax liability for 2004 / 2005

### 10. OPERATING DEFICIT

	2005 £'000	2004 £'000
<b>Operating deficit has been arrived at after charging</b>		
<b>Auditor's remuneration – audit fee</b>	<b>50</b>	<b>48</b>
<b>Auditors remuneration – other fees</b>	<b>0</b>	<b>0</b>
<b>Operating lease charge – plant and machinery (cars / office equipment)</b>	<b>227</b>	<b>205</b>
<b>Operating lease charge - other (office accommodation)</b>	<b>1,590</b>	<b>1,337</b>
<b>Depreciation</b>	<b>993</b>	<b>773</b>

## **NOTE TO THE ACCOUNTS**

### 11. Intangible Assets

Intangible Assets	2005 £'000
Cost or Valuation	
<b>At 31 March 2004</b>	<b>12</b>
<b>Additions in year</b>	<b>0</b>
<b>Disposals in year</b>	<b>0</b>
<b>At 31 March 2005</b>	<b>12</b>
Amortisation	
<b>At 31 March 2004</b>	<b>4</b>
<b>Amortisation in year</b>	<b>4</b>
<b>At 31 March 2004</b>	<b>8</b>
Net book value at 31 March 2005	4
Net book value at 31 March 2004	8

### 12. Tangible Operating Assets

	Information Technology £'000	Infrastructure Assets £'000	Plant and Machinery £'000	Total £'000
Cost or valuation				
<b>At 31<sup>st</sup> March 2004</b>	<b>2,143</b>	<b>1,260</b>	<b>894</b>	<b>4,297</b>
<b>Additions in year</b>	<b>191</b>	<b>186</b>	<b>68</b>	<b>445</b>
<b>Disposals</b>	<b>(37)</b>	<b>0</b>	<b>0</b>	<b>(37)</b>
At 31 <sup>st</sup> March 2005	2,297	1,446	962	4,705
Depreciation				
<b>At 31<sup>st</sup> March 2004</b>	<b>608</b>	<b>762</b>	<b>558</b>	<b>1,928</b>
<b>Depreciation in year</b>	<b>691</b>	<b>190</b>	<b>108</b>	<b>989</b>
<b>On disposals</b>	<b>(36)</b>	<b>0</b>	<b>0</b>	<b>(36)</b>
<b>At 31<sup>st</sup> March 2005</b>	<b>1,263</b>	<b>952</b>	<b>666</b>	<b>2,881</b>
Net book value at 31 <sup>st</sup> March 2005	1,034	494	295	1,823
Net book value at 31 <sup>st</sup> March 2004	1,535	498	336	2,369

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

## **NOTE TO THE ACCOUNTS**

### 13a. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Name of Undertaking	Interest	Class of Shares	Value	Nature of Business	SEEDA's share of Distributable Reserves (000)
Companies limited by shares					
Chatham Maritime F5 Development Ltd	100%	Ordinary Share £1	£1	Dormant	-
Chatham Maritime F5 Construction Ltd	100%	Ordinary Share £1	£1	Dormant	-
Chatham Maritime Limited	100%	Ordinary Share £1	£100	Dormant	-
English Estates (Chatham) Ltd	100%	Ordinary Share £1	£100	Dormant	-
Ryde Business Park Management Co Ltd	100%	Ordinary Share £1	£2	Property Management	£5 – 2005 £6 – 2004
Countryside Maritime Ltd (CML)	50% 75%	Ordinary Share £1 Income Share 5p	£4,950 £74	Joint Venture Property Development	£324 -2005 £372 - 2004
Companies limited by guarantee					
South East Regional Investment Ltd	100%	Nil – Limited by Guarantee	0	Dormant	-
East Kent Spatial Development Co Ltd	80%	Nil – Limited by Guarantee	0	Regen. of Thanet & Dover	£2,514 – 2005 £77 – 2004
Finance South East Ltd	50%	Nil – Limited by Guarantee	0	Venture Capital Management	£19 – 2005 £8 – 2004
Hastings and Bexhill Renaissance Ltd	80%	Nil – Limited by Guarantee	0	Regen. Of Hastings & Bexhill	£2 – 2005 £nil – 2004
Delivery 2031 Ltd	20%	Nil – Limited by Guarantee	0	Regen. Of Aylesbury Vale	-
Limited liability partnership					
South East Regional Aggregation Body LLP (RAB)	50%	Nil – Limited liability Partnership	0	Broadband Aggregation	-

Members of SEEDA staff who are appointed Directors of the above companies receive no additional remuneration.

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



Share of operating profit / loss in joint venture	68	54
---	----	----

### NOTE TO THE ACCOUNTS

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

	2005 £'000	2004 £'000
Share of fixed assets	0	0
Share of current assets	<b>8,685</b>	<b>10,046</b>
Share of gross assets	<u>8,685</u>	<u>10,046</u>
Share of creditors due within one year	5,051	6,443
Share of creditors due after more than one year	<b>3,305</b>	<b>3,226</b>
Share of gross liabilities	<u>8,356</u>	<u>9,670</u>
Share of net assets	<u>329</u>	<u>377</u>

The following are SEEDA's share of the un-audited results for 2004/05 of the joint venture CML. These figures are based on the agreed control-sharing ratio which is 50/50 for turnover, assets and liabilities whilst taxation and profit/loss are based on SEEDA'S entitlement of two thirds.

Turnover	£3,788,750	Fixed assets	Nil
Loss before taxation	£68,206	Current assets	£8,684,662
Taxation	£20,662	Liabilities within one year	£5,050,758
Loss after taxation	£47,544	Liabilities due after one year	£3,304,976

- Associates

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

	2005 £'000	2004 £'000
Share of operating profit / loss in associates	<u>12</u>	<u>7</u>

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

- Hastings and Bexhill Renaissance Ltd (HBRL)

Turnover	£6,492,654	Fixed assets	£8,415,676
Profit before taxation	£51,787	Current assets	£2,386,553
Taxation	£11,460	Liabilities within one year	£2,346,226
Profit after taxation	£40,327	Liabilities due after one year	£Nil

The above figures have been adjusted for consolidation within the Group financial statements to ensure consistency of accounting policies. After the consolidation adjustment the figures for HBRL show a £2,000 profit and nil assets / liabilities. The HBRL memorandum and articles of association fundamentally restrict the degree of influence that SEEDA exerts over the operations and strategy of HBRL. It is the Directors' opinion that SEEDA does not control HBRL. In the consolidated financial statements SEEDA has equity accounted for HBRL in accordance with FRS2. SEEDA owed HBRL grant funding of £1,858,000 at year end, whilst HBRL owed SEEDA £631,000 being part of the acquisition cost of one site.

- Finance South East

Turnover	£473,755	Fixed assets	£12,709
Profit before taxation	£9,509	Current assets	£23,334
Taxation	Nil	Liabilities within one year	£18,912
Profit after taxation	£9,509	Liabilities due after one year	Nil

## NOTE TO THE ACCOUNTS

### 14. GROUP DEBTORS

Debtors due within one year	2005 £'000	2004 £'000
Trade debtors	30,594	6,788
Other debtors	4	0
Value added tax	3,129	1,420
Taxation recoverable	2	4
Payments on account	2,299	175
Prepayments	320	562
Prepayment – Chatham Maritime Trust	343	343
European grant (ESF)	0	54
	<u>36,691</u>	<u>9,346</u>

Trade debtors for 2005 shown above; include £1,121,000 for subsidiary companies (£100,000 for 2004)

Debtors due over one year	2005 £'000	2004 £'000
Loan - RAB	0	640
Disposal proceeds held by Joint Venture (owed to SEEDA)	3,629	3,405
Prepayment – Chatham Maritime Trust	2,053	2,395
	<u>5,682</u>	<u>6,440</u>

The prepayment was made to Chatham Maritime Trust in March 2002 (and increased in March 2004) to extinguish SEEDA's service charge liability in respect of certain plots on the Chatham estate (South of the basin) in perpetuity. The amount is being released over 10 years.

Debtors – Intra-government balances

Debtors due within one year	2005 £'000	2004 £'000
Balances with other central government bodies	23,985	5,190
Balances with local authorities	3,780	2,568
Balances with NHS organisations	0	0
Balances with public corporations and trading funds	0	0
Balances with bodies external to government	8,926	1,588
	<u>36,691</u>	<u>9,346</u>

Debtors due over one year	2005 £'000	2004 £'000
---------------------------	---------------	---------------

Balances with other central government bodies	0	0
Balances with local authorities	0	0
Balances with NHS organisations	0	0
Balances with public corporations and trading funds	0	0
Balances with bodies external to government	5,682	6,440
	<u>5,682</u>	<u>6,440</u>

## NOTE TO THE ACCOUNTS

### 15. GROUP CREDITORS

Amounts falling due within one year	2005 £'000	2004 £'000
Trade creditors	28,654	11,589
Other creditors	467	798
Taxation – PAYE	164	152
Social security	118	112
Payments on account	507	135
Office lease	1,162	1,278
Grant in aid creditor - DTI	5,773	3,101
Coal grant creditor	1,192	1,263
	<u>38,037</u>	<u>18,428</u>

Trade creditors for 2005 shown above; include £45,000 for subsidiary companies (£39,000 for 2004)

Amounts falling due after one year	2005 £'000	2004 £'000
Development Asset – deferred consideration	<u>7,005</u>	<u>6,765</u>

This relates to a payment of £7,500,000 due on 31<sup>st</sup> March 2007, which has been discounted at the UK Treasury rate of 3.5% over 3 years. The amount relates to a site acquisition with deferred payment arrangements.

Creditors – Intra-government balances

Creditors due within one year	2005 £'000	2004 £'000
Balances with other central government bodies	8,014	4,914
Balances with local authorities	9,158	2,967
Balances with NHS organisations	30	0
Balances with public corporations and trading funds	0	0
Balances with bodies external to government	20,835	10,547
	<u>38,037</u>	<u>18,428</u>

Creditors due over one year	2005 £'000	2004 £'000
Balances with other central government bodies	0	0
Balances with local authorities	0	0
Balances with NHS organisations	0	0

Balances with public corporations and trading funds	0	0
Balances with bodies external to government	7,005	6,765
	<u>7,005</u>	<u>6,765</u>

## NOTE TO THE ACCOUNTS

### **16. NON GRANT INCOME**

	2005	2004
	£'000	£'000
Rents and Maintenance	2,464	948
Other receipts	1,917	603
Subsidiary company income	110	234
	<u>4,491</u>	<u>1,785</u>

### 17. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation is fully provided on timing differences arising between the recognition of gains and losses in the financial statements and in a tax computation. It is calculated based on tax rates which are enacted, or substantively enacted, as at the Balance Sheet date. There is no deferred tax liability for 2004/ 2005, nor was there any for 2003/ 2004. No provision has been made for deferred tax (see note 28– Contingent Liability).

The acquisition of the GKN site in 2004 included an option for English Partnerships (EP) to purchase part of the land. This option will involve a payment by SEEDA to EP as returns for a grant awarded by EP to assist SEEDA acquire the property. Provision of £4,600,000 has been made to cover this.

### 18. BAD AND DOUBTFUL DEBT PROVISION

	2005	2004
	£'000	£'000
Opening balance	173	171
Provision used	(36)	(66)
Provision no longer required	(16)	0
Movement in provision	3,725	68
<b>Bad Debt Provision as at 31 March</b>	<u>3,847</u>	<u>173</u>

The Bad Debt Provision relates to amounts owed from - the Rural Development Commission loan scheme (which is now defunct), rental income from Development assets, RSA (Regional Selective Assistance) grant claw-back and the CML joint venture company (£3,629,000 see note 14) . The CML amount is due to the delay and absence of a future operational strategy, although the company remains a going concern. In addition to the net movement shown above of £3,709,000, a further £640,000 was written off which had not been provided for - (this relates to the RAB loan as shown in note 14).

### 19. STOCK OF DEVELOPMENT ASSETS

	2005	2004
	£'000	£'000
Opening balance	99,783	74,943
Additions in year	56,871	34,801

<b>Disposal proceeds in year</b>	<b>(21,827)</b>	<b>(5,088)</b>
<b>Loss on Disposal</b>	<b>(312)</b>	<b>0</b>
<b>Transfer to Government Grant Reserve on revaluation</b>	<b>78</b>	<b>590</b>
<b>Book value of development assets written down</b>	<b>(10,657)</b>	<b>(5,463)</b>
<b>Book value of development assets written back</b>	<b>6,408</b>	<b>0</b>
	<u>130,344</u>	<u>99,783</u>

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

## NOTES TO THE ACCOUNTS

### 20. LONG TERM LOANS

	2005 £'000	2004 £'000
Opening balance – Former Rural Development Corp.	215	309
Loans repaid during the year	(33)	(94)
	<u>182</u>	<u>215</u>

### 21. GOVERNMENT GRANT RESERVE

	£'000	2004 £'000
Opening balance	103,429	78,077
Operational assets:		
Additions	445	1,392
Disposal - book value *	(1)	(13)
Depreciation *	(993)	(773)
Investment assets:		
Amounts written off *	0	0
Repayment of long term loans (RDC) *	(33)	(94)
Development assets:		
Additions funded by grant in aid	56,871	34,801
Disposal - book value *	(22,139)	(5,088)
Amounts written up on revaluation	78	590
Amounts written back on revaluation *	6,408	
Amounts written down on revaluation *	(10,657)	(5,463)
* = Amount released to I +E		
	<u>133,407</u>	<u>103,429</u>

### 22. RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005 £'000	2004 £'000
Deficit on operating activities	(643)	(439)
Transfer from Government Grant Reserve	(27,415)	(11,430)
Depreciation and Amortisation	993	773
Proceeds from disposal of operating assets	0	(1)
Book value of operating assets sold	1	13
Additions to stock of development assets less inherited prepayment	(56,871)	(34,801)
Book value of development assets sold	22,139	5,088
Amounts written off long term loans	0	0
Amounts written off - development assets	10,657	5,463
Amounts written back – development assets	(6,408)	0
Share of operating profits in associated undertakings	(12)	(7)
Decrease / (increase) in debtors **	(23,493)	411
Increase in creditors and provisions	24,449	3,068
Net cash outflow from operating activities	<u>(56,603)</u>	<u>(31,862)</u>

\*\* 2005 includes an adjustment of + £3,047,000 in respect of EKSD Ltd accounting policy alignment and + £47,000 in respect of the joint venture loss after tax.

## NOTES TO THE ACCOUNTS

## 23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	£'000
<b>Increase in cash</b>	<b>908</b>
<b>Cash to repurchase debt</b>	<b>0</b>
<b>Cash increase liquid resources</b>	<b>0</b>
<b>Change in net funds</b>	<b>908</b>
Net Funds as at 01. 4. 04	<u>10,558</u>
Net Funds as at 31. 3. 05	<u>11,466</u>

## 24. OPERATING LEASES

As at March 2005 the Agency had annual commitments under operating leases as follows:-

	Building 2005 £'000	Car Leases 2005 £'000	Other 2005 £'000	Total 2005 £'000	Total 2004 £'000
<b>Leases expiring</b>					
-within one year	<b>3</b>	<b>68</b>	<b>4</b>	<b>75</b>	<b>104</b>
-between one and five years	<b>0</b>	<b>146</b>	<b>5</b>	<b>151</b>	<b>144</b>
-more than five years	<b>1,346</b>	<b>0</b>	<b>0</b>	<b>1,346</b>	<b>1,347</b>
	<u>1,349</u>	<u>214</u>	<u>9</u>	<u>1,572</u>	<u>1,595</u>

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

## 25. COMMITMENTS

	2005 £'000	2004 £'000
<b>Commitments Contracted for as at 31<sup>st</sup> March</b>	<b>22,770</b>	<b>20,076</b>

The commitments figure include commitments for Rural grants (£1,107,000), Learning and Skills expenditure (£65,000) and for development work on Land and Property assets (£21,598,000).

## NOTES TO THE ACCOUNTS

### 26. CONTINGENT LIABILITY

The acquisition of the GKN site in 2004 included an option for English Partnerships (EP) to purchase part of the land. If invoked, this option may involve a payment, or

land transfer, by SEEDA to EP as returns for a grant awarded by EP of £4.6 million. EP has indicated they will invoke this option and SEEDA has made a full provision for this amount.

## 27. RELATED PARTY TRANSACTIONS

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

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

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

The Agency had a number of related transactions with the undertakings it has an interest in: Ryde Business Park Management Co Ltd, East Kent Spatial Development Co Ltd, Finance South East Ltd, Hastings and Bexhill Renaissance Ltd (HBRL), South East Regional Aggregation Body and Countryside Maritime Ltd (CML) (see note 13). At the year end CML owed SEEDA £3,629,000 (this amount is shown within debtors). SEEDA made grant payments to HBRL of £12,979,000 (with a further £1,858,000 accrued), to Finance South East of £825,000 (with a further £77,000 accrued) and to the South East RAB of £494,000 during 2004/05.

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

## NOTES TO THE ACCOUNTS

Board Chairman James Brathwaite is a Director at the University of Greenwich that received payment of £172,698 in respect of various projects. (£8,720 is also included

in creditors). He is also a partner in Brathwaite & Co. that received payment of £36,933 in respect of the Chairman's salary and secretarial expenses. He is also a Director of Farnham Castle Briefings Ltd. that received £931 and a committee member of DEFRA which received £21,060.

Board member Elizabeth Brighthouse is an elected member of Oxfordshire County Council that received payment of £3,341,564 in respect of grants e.g. towards the Oxford Castle project. (£1,297,937 is also included in creditors).

Board member Robert Douglas is a board member of Surrey Economic Partnership that received a grant of £87,235 from SEEDA (£735 is also included in creditors). He is also Chairman of Surrey Learning & Skills which received a payment of £50,000 from SEEDA.

Board member Sarah Hohler is an elected member and Deputy leader of Kent County Council that received £852,868 in respect of grants as well as the performance security payment as detailed in note 29. (£265,158 is also included in creditors). Sarah is also a board member of Locate in Kent (payment made of £275,700), Culture South East (payment made of £21,866 and £19,766 in creditors) and the Arts Council which received a payment of £316,852. with £381,654 in creditors.

Board members John Peel and ex board member Janis Kong are board members of Sussex Enterprise that received payment of £271,559. (£103,853 is also included in creditors). Sussex Enterprise has subsidiary companies, one of which Wired Sussex Ltd, received payments from SEEDA of £37,049. (£26,756 is also included in creditors).

John Peel is also a member of the Council at the University of Sussex that received £296,612. (£29,000 is also included in creditors). He is also a member of the Executive Committee and President of the Association of Engineering and Employers Federation (EEF) South that received payment of £1,144,873 mostly in respect of the manufacturing advisory scheme. (£332,034 is also included in creditors). John Peel is also a Director of West Sussex Economic Partnership which received a grant of £262,279. (£106,172 is also included in creditors).

Board member Mary McAnally is an Independent Director of the executive board of the DTI that fund SEEDA.

Board member Keith House is an elected member of Hampshire County Council that received payments totalling £137,381 in respect of various activities. An accrual of £44,000 is included in creditors.

Board member Peter Jones is an elected member and leader of East Sussex County Council that received payment of £985,921 in grants. (£567,026 is also included in creditors). He is also Chairman of the Rye Partnership which received £7,050 from SEEDA.

Board member Rob Anderson is an elected member of Slough Borough Council that received £460,278.

#### NOTE TO THE ACCOUNTS

During the year, SEEDA had financial transactions with organisations, with which some SEEDA staff were associated. A member of SEEDA staff is a trustee of Kent Wildlife Trust which received payment from SEEDA of £38,014. One SEEDA Executive

Director is also a Director of Farnborough Aerospace Consortium which received payment of £62,762. Another SEEDA Executive Director is an associate of the New Economics Foundation which received a payment of £64,649 from SEEDA. Another Executive

Director is a Board member of Locate in Kent which received a grant from SEEDA of £278,000.

The following SEEDA staff are also Directors of the SEEDA subsidiaries, joint ventures and associates as detailed in note 13, as follows.

Pam Alexander - Countryside Maritime Ltd, Hastings and Bexhill Renaissance Ltd  
Paul Hudson - Chatham Maritime Development and Construction Companies, Chatham Maritime Ltd, English Estates Ltd, South East Regional Investment Ltd, Ryde Business Park Management Company, Countryside Maritime Ltd, East Kent Spatial Development Ltd, Hastings and Bexhill Renaissance Ltd, Delivery 2031 Ltd  
David Tucker - Countryside Maritime Ltd, East Kent Spatial Development Ltd, Hastings and Bexhill Renaissance Ltd  
Jonathon Sadler - Chatham Maritime Development and Construction Companies, Chatham Maritime Ltd, English Estates Ltd, Countryside Maritime Ltd, East Kent Spatial Development Ltd  
Jeff Alexander - South East Regional Investment Ltd, Finance South East Ltd  
John Parsonage - South East Regional Aggregation Body LLP, Hastings and Bexhill Renaissance Ltd  
Chris Moore - East Kent Spatial Development Ltd  
Keith Sadler - East Kent Spatial Development Ltd  
Ken Glendinning - East Kent Spatial Development Ltd  
Peter Cusdin - East Kent Spatial Development Ltd, Ryde Business Park Management Company  
Stephen Sadler - East Kent Spatial Development Ltd  
Valerie Carter - East Kent Spatial Development Ltd  
John Shaw - Hastings and Bexhill Renaissance Ltd

## 28. POST BALANCE SHEET EVENTS

With effect from 1 April 2005 the Agency inherited financial responsibility from the Small Business Service of the Department of Trade and Industry, for the payment of grants for Research and Development activities and the Business Link contracts.

With effect from 1 April 2005 the Agency assumed responsibility for payments of rural grants previously administered by the Countryside Agency.

In May 2005 Countryside Properties PLC, the 50% joint venture partner in Countryside Maritime Ltd, underwent a management buy out. As a consequence, a due diligence investigation is being undertaken to determine the effect, if any, on the joint venture business.

## NOTE TO THE ACCOUNTS

### 29. FINANCIAL INSTRUMENTS

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

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

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