

**North West Development Agency**

**Annual report and financial statements**

**Year ended 31 March 2011**

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## **Annual report and financial statements**

**Year ended 31 March 2011**

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

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## **Chairman's Statement**

The past 12 months have been defined by great change, not only for the Agency but also for the Northwest region.

The announcement of the abolition of all RDAs in June 2010 and the subsequent in-year budget reductions have had a profound effect on the organisation and the wider region. These required the Agency to save £52M during the year (about 20% of its budget) and also meant that the Agency was unable to provide any new funding for projects that were not then legally contracted.

The focus of the Agency during 2010/11 was not only to achieve a balanced budget but also to deliver a programme which produced real economic benefits for the Northwest economy. The Agency was additionally required to plan for its closure in a co-ordinated and effective manner, including the transfer of activity to other government departments or organisations.

I believe that the Agency has completed all three of these challenging tasks. This has only been possible because of the outstanding professionalism of our staff and the co-operation and support of our delivery partners. I take this opportunity to thank both the Agency staff and our many external partners for their participation in these critical processes.

Amongst all this change, we should not forget that the primary purpose of the Agency has also been to support the Northwest economy. During 2010/11, conditions remained tough but the regional economy has shown signs of early recovery. Manufacturing has held up relatively well driven by growth in exports, but in the services sector the recovery has been more muted.

Despite its budget cuts, the Agency was still able to deliver a significant programme of support for the Northwest economy. I highlight three examples from our programme this year which I believe will leave an enduring legacy well beyond the life of the Agency.

First, the Agency continued to deliver a well-developed international trade programme to help improve the region's global trade. In September 2010, an independent evaluation of the Agency's overseas inward investment activities over the previous three years found that they achieved a return of £35 for every £1 invested in inward investment, that they created or safeguarded more than 3,900 jobs and achieved a positive impact on the Northwest economy in excess of £100 million GVA on jobs created alone. A similar evaluation on export trade found that the Agency achieved a return of £22 for every £1 invested, created or safeguarded over 2,000 jobs and achieved £212m in new sales.

As we know, access to finance has been a major challenge for the Northwest economy throughout the downturn. In December 2010, the £185 million evergreen North West Fund opened its doors for applications. As one of the largest public sector venture capital loan funds of its kind in Europe, the Fund, which covers six specific sectors including Digital and Creative and Biomedical, has already received significant interest with over 40 investments expected to be completed by 31 July 2011. This is a massive platform for growth and investment for the years ahead.

The European Regional Development Fund (ERDF) proved a crucial source of funding during the year, providing in excess of £110 million for over 50 projects and a vitally important source of finance for the Northwest for the next four years. The Northwest is in fact the only region in Europe to have European funding available through ERDF, a Venture Capital Loan Fund, and a JESSICA Urban Development Fund which together provide a real competitive advantage for the delivery of increased economic activity.

Finally, the Agency-led Daresbury Science and Innovation Campus, now one of only two national strategic science sites in the UK, has demonstrated the economic potential of harnessing the region's exceptional knowledge base. The Daresbury Campus, in which the Agency has to date invested over £67 million, is home to over 100 high-tech companies and a centre for world class research and development with a long term vision of creating up to 10,000 jobs on site.

Many other Agency legacies are captured in our report "Businesses, People and Places: Learning from the NWDA's Experience" which was published on the Agency's website in June 2011 and reflects lessons learned and serves as a toolkit for those organisations which follow in our footsteps.

Building on our recent collective work, I remain convinced that our region has immense economic potential that can be best achieved by seeing the bigger picture and collaborating across traditional boundaries. Perhaps, one of the most substantial and durable legacies of the Agency is the quality of the partnerships built over the past decade that will encourage this progress to continue in the future.

**Robert Hough**  
Chairman

## **Operating Review**

This operating review provides a summary of the NWDA's activity over 2010/11 in delivery of its Corporate Plan, providing examples of our achievements.

### **Strategic Activity**

Following the announcement of the closure of the Regional Development Agencies, NWDA began the process of securing long-term legacies for many of its programmes of economic growth and an efficient managing down of the remainder. During this process, NWDA has supported local partners in the transition to the new structure of Local Enterprise Partnerships, first announced by the new Government in its "Programme for Coalition" document in May 2010. During 2010/11, NWDA successfully secured a legacy for "Future Northwest", the widely consulted strategy for the region, in the hands of the Regional Leaders Board.

In the light of the economic climate, our Research Team published the final Economic Report from the highly respected Regional Economic Forecasting Panel together with a Public Sector Research Report, shared with regional partners such as JobcentrePlus and aimed at modelling the impact of the spending cuts on regional employment.

### **Internationally competitive sectors**

Continuing its major role in helping the Northwest move from recession to recovery, NWDA has continued to support key sectors and industries. Highlights from our activity include providing assistance with skills to over 1,000 people through our successful Digital Media Skills Programme and over 1,000 jobs through our Future Manufacturing Advisory Service project which is instrumental in helping firms increase productivity and long term security. Both of these have delivered despite being subject to severe reductions in budget and early closure.

The MediaCityUK site has leveraged a further £77m of public and private sector investment with public realm, pedestrian swing bridge and the Metrolink extension now complete. Studio operations will commence shortly and the transfer of BBC personnel began in May.

NWDA has wound down activity through its cluster programmes, looking to leave each Regional Cluster organisation (RCO) with a sustainable business model. In supporting our competitive sectors, we have created and safeguarded over 3,500 jobs, assisted 3,000 businesses and levered in £91m of investment over the last year.

We have provided strategic leadership within the tourism sector supporting the ongoing excellent work of the Tourist Boards, making over 500 assists to businesses, and helping 2,500 with their skills. NWDA continues to champion the region's visitor economy as a member of the London 2012 Regional Steering Group. We have successfully completed the NW Museums Renaissance Programme, together with the new Southport Arts Centre, and a new gallery at the Museum of Science and Industry in Manchester.

## **Enterprise Support**

Providing support for Northwest businesses in the current difficult economic climate continues to be a major focus for NWDA.

The Business Link Northwest service has made over 56,000 assists to regional businesses during 2010/11, with customer satisfaction running at 94%. As part of the NWDA closure, the service will ensure a smooth cessation in November 2011. The number of individuals assisted (start up enquiries) was ahead of target, suggesting the service remains well placed in the market.

The Phase II Business Start up Programme has helped 3,400 start-ups across the year and provided 3,900 jobs. NWDA is working hard to secure a legacy through discussions with regional partners. Our High Growth Knowledge Based Start-up Programme delivered a further 1,500 jobs, helping 400 Northwest businesses. NWDA has continued to support Cumbrian Small & Medium Enterprises (SMEs) hit by the floods in late 2009 with a further 600 people having their jobs safeguarded and 200 separate pieces of assistance given to businesses.

Providing access to finance has been a major focus throughout the year with £3.3m offered to businesses under the Small Loans for Business Scheme. Support delivered by Community Development Finance Institutions is also helping SMEs having trouble in accessing loans from high street banks. The new North West Fund launched in Liverpool in February and then across our sub-regions has attracted strong interest from applicants looking for venture capital. Our Northwest Business Angels network has remained as popular as ever, providing early stage investment to entrepreneurs hoping for commercial success.

## **Science and Innovation**

At Daresbury, the Agency has developed a public-private partnership to expand the campus which will attract national and international inward investment and the further creation of knowledge-based jobs in science and innovation. Vanguard House, a new 36,000 sq. ft. office development, was completed in March 2011. The Innovation Centre at Daresbury is now 100% full, with sales, profits and investment having continued to grow at more than 30% over the last year, despite the difficult economic climate.

Our Innovation Voucher Scheme issued more than 1,000 vouchers in its final year of operation with very high follow-up engagement between the private sector and knowledge providers.

## **Internationalisation**

NWDA has continued to support international trade with over 4,200 Northwest businesses helped through our International Trade Project, creating and safeguarding 3,200 jobs and achieving £125m of additional international sales, all despite reductions in available budget and changes to regional structures. A separate project funded through the ERDF programme and called, "Accessing New Markets" helped a further 524 businesses, bringing in £45m of additional international sales. The ERDF project launched the new "TR&DE" service providing intensive and specialist advice in order to develop research and development with commercial potential to maximise opportunities internationally.



We have continued to attract inward investment projects to the region with 174 arriving in 2010/11, creating 3,210 new jobs and safeguarding 12,721. Considering both the economic and organisational changes, this is once again a major boost to the region.

*Leadership and management, higher level skills and size of the workforce*

NWDA has played a major role in making sure training, education and skills development serve the needs of employers and individuals across our region. During 2010/11, this included delivery of key leadership and skills programmes such as Train to Gain, Leadership and Management Advisory Service, and our Mentoring Programme, which combined, have helped 18,000 people with skills and almost 5,000 businesses. In fostering higher-level skills within the region, NWDA completed both the Higher Level Skills Partnership and the Digital and Media Skills Partnership on schedule.

Employability projects have yielded major impact during the year. In Greater Manchester, 25,000 people have been assisted, through joint support between NWDA and JobcentrePlus, to access employment, education and training.

*Employment sites, premises, and private sector investment*

NWDA's investment through the Urban Regeneration Companies is now ending. Around £125m of public and private investment has been successfully levered to support post-recession economic growth and job creation. This includes £64m of private support into creating additional workspace at Central Park in North Manchester.

The continued regeneration of former coalfield communities included supporting 1,200 people to access employment, education, training, and 550 to boost their skills through our Phase II programme.

In January 2011 NWDA submitted an Assets and Liabilities Plan to Government outlining the land and property interests held by the Agency and some of the options available to maintain the legacy of such to support the continued economic development of local communities. Work has been ongoing over recent months and Government is set to announce in July the future arrangements for managing these sites.

*Climate change, sustainable consumption and production, energy*

The Agency has continued to deliver activities to help the Northwest adapt to, and mitigate the effects of, climate change and increase sustainable resource use across the Northwest .

NWDA has provided strategic leadership on climate change issues across the region. However this has been scaled down following closure of our major regional partner, 4NW, and the scaling back of resources available to the Climate Change Unit. NWDA continued to work with partners to create a long-term legacy for the Climate Change Action Plan and to embed our approach on low carbon into sub-national and national policy development. This featured sub-regional climate change strategies, building on evidence bases at the local level, and assisting DEFRA with regional aspects of the National Climate Change Risk Assessment.

The Carbon Challenge Fund has been completed, and has supported a range of innovative low carbon projects, including the Otterspool Community Hydro, and the Rochdale Low Carbon Interchange. The Brockholes Visitor Centre near Preston is open with recognition as the UK's only bespoke BREEAM 'Outstanding' building.

The Sustainable Consumption and Production Action Plan has remained an important focus throughout 2010/11. Despite the reduction in available resources, NWDA has continued to deliver meaningful activity. Within our key sectors, we have helped 480 businesses to improve the impact and rate of adoption of resource efficiency technologies, systems and processes. This is the first regional programme to cover the full spectrum of environmental impacts generated by a business. A further 240 businesses are benefiting from our NW-ECONATE programme to improve their performance by better exploiting demand for products and services which reduce environmental impact.

NWDA has completed many projects supporting our energy objectives, for example the North West Biomass Programme that safeguarded 630 jobs. The Nuclear Advanced Manufacturing Research Centre is on track for completion and we have developed sustainable long-term activities such as the North West Tidal Energy Group and the North West Solid State Lighting Group.

NWDA is also completing our commitments to land regeneration schemes, which aim to improve environmental, social and economic well-being across the region. In 2010/11, Newlands 2, aiming at soft end use on brownfield sites via community woodland, reclaimed/remediated 74 hectares, whilst Remade 1 delivered 19 hectares. Work has now completed on the Festival Gardens site in Liverpool, which opened in late spring 2011.

### **Marketing the region**

The Agency has continued to work with partners to support the forthcoming London 2012 Olympics through co-ordination and management of the North West 2012 Inspire Programme. With the support of a North West Advisory Group, the region has secured a major part in the London 2012 Torch Relay with the NWDA brokering discussions between LOCOG's Torch Team and regional partners. NWDA has also helped in the recruitment of potential London 2012 Volunteers. The region continues to perform well in developing Inspire Projects – those that recognise innovative and exceptional projects inspired by the 2012 Olympic and Paralympic Games - with over 150 registrations which is the highest outside London. The region will welcome many international athletes during 2011 and into 2012 into specialist training camps.

**Outputs 2010/11**

Output Indicator	Actuals
Jobs created or safeguarded	18,635
People helped (employment/education/training)	27,048
Number of businesses created	4,520
Businesses Assisted	77,304
Public and private leverage (£m)	399
Hectares of brownfield land reclaimed or redeveloped	159
Skills development	46,616

## **Governance**

### **The Board**

Board Members, including their occupations and interests are listed below. The full Register of Board Members' Interests is available from the Agency's website [www.nwda.co.uk](http://www.nwda.co.uk). Details of transactions with relevant organisations in the financial year are set out in note 27.

#### **Robert Hough DL** (appointed December 2007)

Chairman of the North West Development Agency ("the Agency") since August 2009.

Previously Deputy Chairman of Peel Holdings and an Executive Director for over 13 years and now a non-Executive Director. Peel's businesses include ports, land use, planning, development, media, airports, waste, energy and the environment. Also a Non-Executive Director of a number of other companies, including Provident Financial plc, Styles & Wood Group plc, and Northwest Business Link.

A Board Member of the University of Manchester and previously a member of the North West Regional Assembly Executive Board, he has also chaired New East Manchester Limited (one of the first Urban Regeneration Companies to be established) and was a member of the Learning & Skills National Council, and formerly a member and Chair of the North West Business Leadership Team.

#### **Vanda Murray OBE** (appointed April 2006)

Deputy Chair of the Agency. Over 20 years' experience at a senior level across a range of industries in the UK, Europe, Asia and the USA.

Currently holds Non-Executive Directorships with Carillion plc and Manchester Airport Group. Chair of Northwest Business Link and Vphase plc.

Awarded OBE for services to Industry and to Export in 2002.

#### **Joe Dwek CBE** (appointed December 2003)

Executive Chairman and Chief Executive of Bodycote International Plc from 1972 until his retirement in 1998. Formerly Chairman of the North West CBI, Mersey Basin Campaign, Envirolink, ENWORKS, and the Healthy Waterways Trust. A former member of the Board of BIS's (Department for Business, Innovation & Skills) Environmental Innovation Advisory Group. Currently a member of the Assembly of Manchester University and Governor of Manchester High School for Girls.

Director of Penmarric Ltd, Opal Property Group Ltd and Mercury Recycling Ltd. Also Past Chairman and Chief Executive of Worthington Group Plc; Co-chairs Newlands. In 2008 was awarded the prestigious Environment Leadership award at the annual Business in the Environment Conference.

**Clive Elphick** (appointed March 2010)

Has spent his entire career in the Northwest, working for ICI, Deloitte, and United Utilities. He is currently a non-executive director of the Northern Ireland Authority for Utility Regulation and a member of the Competition Appeal Tribunal. He is also a senior adviser to Cambridge Economic Policy Associates Ltd, a director of several SMEs and a trustee of Lancashire Wildlife Trust.

**David Goldie** (appointed March 2010)

Graduated in Economics from University College Cardiff and has spent most of his working life in the telecommunications industry. He is currently a Director of The TalkTalk Telecom Group plc and Chairman of Talk Talk's subsidiary, Opal Telecom. He is also Chair of the Governing Body of Fulwood Academy in Preston.

**Peter Hensman DL** (appointed December 2004)

A chartered accountant and engineer who spent most of his career in the general and financial management of manufacturing companies. Executive Director of a group of companies involved in tourism, leisure and property in Cumbria. Chairman of Furness Building Society, Cumbria Rural Enterprise Agency and Kendal Futures Board and a Non –Executive Director of Northwest Business Link

**Frank Hont MBE** (appointed March 2010)

Has held the position of North West Regional Secretary of the public service trade union UNISON since 2003. For many years previously, he was an elected official of the union at branch, regional and national level. He was elected to the UNISON National Executive Council in 1998 and is currently a member of the North West Executive of the TUC.

During his time as an elected official in UNISON, Frank was employed by Cheshire County Council as a manager engaged in frontline service delivery. Before joining Cheshire County Council he had experience of working in both the private and public sectors.

He is currently a Director for Migrant Workers Northwest.

**Councillor John Merry CBE** (appointed December 2004)

Leader of Salford City Council. Also a member of LGA (Local Government Association) Children & Young People Board and the Young People Learning Association. He is also a Director of Manchester Enterprise Ltd and MIDAS. Has held various positions previously on organisations and committees with an education and training remit. Has been a full time Councillor since 1990 with previous career experience in retail and sales.

In addition to being a Councillor, has held office at the local branch of the Labour Party and canvassed on its behalf.

**Councillor Tony McDermott MBE** (appointed December 2007)

Leader of Halton Borough Council until May 2010. Educated at St Edward's College, Liverpool and Manchester University, he taught in Lancashire and Liverpool for 34 years.

A Board Member of Runcorn JVC and Widnes Regeneration and former Chair of the North West Regional Assembly. Member of the Local Government Improvement Board.

A member of the Urban Commission Executive and a former member of the Northern Way Transport Compact. A supporter of Asbestos Victims Support Group.

**Peter Allen MBE** (appointed December 2007)

Cumbrian hill farmer based near Penrith. As Past Chair of the Sheepmeat and Goatmeat Advisory Committee to the EU, he has been involved in reforming and implementing the European sheep regime. For many years was actively involved with the National Farmers' Union (NFU), representing farming and rural issues locally, regionally and nationally. Currently Chair of the NFU, Mutual Northern Area Board, Chair of RUMA - (UK body promoting the Responsible Use of Medicines in Agriculture), a board member of Natural England.

**John Brooks** (appointed December 2007)

Vice-Chancellor of Manchester Metropolitan University. In his previous job at the University of Wolverhampton he chaired a regeneration project after the closure of Rover, which involved infrastructure development and small business support.

Chairs the Board of the Equality Challenge Unit, and is on the Boards of Universities UK (and their Long Term Strategy Group), the Corridor Manchester (formerly the Oxford Road Corridor Partnership) and the Universities and Colleges Employers Association.

**Anne Selby** (appointed December 2008)

Chief Executive Officer of the Wildlife Trust for Lancashire, Manchester and Merseyside. Mrs Selby was instrumental in developing the charity to its current size with over 180 staff, 19,000 members and significant land holdings (4,100 ha).

Anne has worked in the voluntary sector for over 20 years. She has been involved in regional working for the last eight years, most recently as a member of the North West Regional Assembly Executive (now the new Regional Leaders Forum.) She also established North West Environment Link, an alliance of environmental voluntary sector organisations in the region and was a founder member of Voluntary Sector North West.

Anne was awarded an Honorary Fellowship at Myerscough College.

Anne is a member of the Royal Town Planning Institute and is also a member of the GM Environment Commission.

**Lord Peter Smith** (appointed December 2008)

Appointed a life peer in 1999 with the title Lord Smith of Leigh. Lord Smith has been leader of Wigan Council since 1991 and currently chairs both the new Regional Leaders' Forum and the Association of Greater Manchester Authorities. Has also chaired 4NW (formerly North West Regional Assembly) from 2000 until February 2009 and was on the board of Manchester Airport for several years.

**Dr John Stageman** (appointed December 2008)

Recently retired after a 30 year career in ICI, Zeneca and AstraZeneca as a Senior Research and Development Manager in Biotechnology and Pharmaceuticals. Wide experience spanning fundamental academic research through to product discovery and development. Developed AstraZeneca's competitive biopharmaceutical strategy, leading to the acquisition of Cambridge Antibody Technology and of Medimmune. Has been a member of the North West Science Council since its inception in 2002, a member of the Biotechnology and Biological Sciences Research Council since May 2008, and is an Honorary Professor in Life Sciences at the University of Manchester. He is Chairman of the HealthTech and Medicines Knowledge Transfer Network (KTN) for the Technology Strategy Board (TSB) and a member of the Board of the Association of the British Pharmaceutical Industry (ABPI).

**Susan Williams** (appointed December 2007)

A nutritionist for the charity Action and Research into Multiple Sclerosis until 2001.

Was Leader of Trafford Council from 2004 to 2009 and was part of the leadership of the sub region of Greater Manchester through the Association of Greater Manchester Authorities (AGMA).

Chair of the North West Heritage Lottery Fund and a Director of North West Rail Campaign.

**Board Meetings and Committees**

The Agency's Board met ten times during the year. There are two formal committees to the Board as follows:

- the Remuneration and Appointments Committee which, during the year to 31 March 2011, convened on six occasions, and
- the Audit Committee convened on five occasions.

There are nine Sub Committees to the main Board, which met regularly throughout the year:

- Climate Change and Natural Economy;
- Development and Infrastructure;
- Energy and Environmental Technologies;
- Enterprise;
- Equality and Economic Inclusion;
- European;
- Marketing, Communications and Tourism;
- Regional Liaison; and
- Skills and Employment (closed September 2010).

In addition, a Transition Sub-Committee met on a number of occasions to focus on issues specifically relating to the closure of NWDA and the potential transition of activity.

### **Executive Management Board**

The Executive Management Board (EMB) is made up of Executive Directors and Directors from the Agency and is chaired by the Chief Executive. From April 2010 to October 2010 EMB met fortnightly. When Government announced in June 2010, the intent to abolish RDAs a Transition Group was established under the Chairmanship of the Executive Director of Economic Development, to manage the Agency's closure. The Group reported to EMB and met fortnightly. In November 2010 the decision was taken to merge the Transition Group with EMB to ensure an interactive and inclusive approach and to help increase focus on closure. The combined forum has met weekly since then.

### **Rural Advisory Group**

The Rural Advisory Group was established to advise the Agency on rural matters and particularly to ensure that the Agency's activities, programmes and projects reflected, where appropriate, the Rural Delivery Framework and the Region's rural priorities as determined by the Regional Rural Strategy Group.

### **Annual General Meeting**

The Agency's Annual General Meeting was held on 13 October 2010 at the University of Manchester's Whitworth Hall. The session outlined the key activities of the Agency and its partners in the preceding year.

### **Code of Best Practice**

Board Members are governed by a Code of Best Practice, which amongst other things outlines:

- the Board's requirement to demonstrate Public Service Values and their accountability for public funds;
- the relationship with Central Government;
- the role of the Chairman and Chief Executive;
- the corporate and individual responsibilities of Board Members; and
- how to handle conflicts of interest.

The Agency has ensured adherence to the Code through the robust and thorough monitoring and recording systems that are in place. Board Members have declared interests at particular Board discussions as appropriate. Staff have followed a similar requirement in compliance with the Agency's Code of Conduct.

Further information concerning any of the above can be obtained from the Agency's offices at Renaissance House, Warrington.



## **Equality and Diversity**

The Agency is committed to ensuring all people within the Region can participate economically and are treated with fairness and respect. Our approach to equality and diversity means we recognise that everyone is different, with different needs, experiences and a different point of view. Internally, there is no place in our organisation for discrimination on the grounds of age, gender, race, disability, religion or belief, ethnic or national origin or sexual orientation.

As a public body, the Agency has specific legal duties and responsibilities under the Equalities Act 2010 to not just eliminate unlawful discrimination, but also to positively promote equality across all equality strands, bringing in new equality strands of age, sexual orientation religion and belief.

We believe that to secure the economic growth of the region, develop an entrepreneurial culture and boost the region's economy, it is essential that we capitalise on the diversity of the Northwest's population.

A copy of the Agency's Equality and Diversity Annual Report and Single Equality Scheme can be found on the Agency website [www.nwda.co.uk](http://www.nwda.co.uk).

## **Freedom of Information Act and the publication of information**

The Freedom of Information Act became fully operational on 1 January 2005. The Act applies to some 100,000 public authorities, including England's nine Regional Development Agencies. The Act provides greater access to all types of recorded information held by public authorities and imposes obligations on them to disclose information, subject to a range of exemptions.

Section 19 of the Act requires public authorities to adopt and maintain a publication scheme which relates to the publication of information by the authority and in accordance with its publication scheme. The Agency's publication scheme and request log are available at [www.nwda.co.uk](http://www.nwda.co.uk).

**The Agency received 95 requests for information under the Act between 1 April 2010 and 31 March 2011.**

## **North West Development Agency Environmental Policy**

Since 1999, the North West Development Agency has contributed toward the delivery of sustainable economic development in the region, ensuring that environmental objectives have been integrated into our business objectives and those of our partners and suppliers. During this time, we have been committed to reducing our environmental footprint with an emphasis on reducing our contribution to climate change through the ongoing measurement and continual improvement of our environmental performance.

As announced in the June Budget 2010, the Agency will close on 31 March 2012 and is scaling back or stopping much of its activity in line with reducing resources. This has necessarily impacted on our ability to reduce our environmental footprint. This refreshed Environmental Policy reflects these circumstances, despite our ongoing commitment to reducing our environmental footprint through our own activities and our investments.

### **Specifically we will:**

- comply with all relevant UK, European and International environmental legislative, regulatory and other requirements;
- prevent avoidable pollution or nuisance that may be caused by our activities;
- demonstrate a high-level commitment to environmental best practice under the guidance of the Board Environment Sub Committee;
- ensure that through our policies, programmes, projects and key stakeholders, the Agency influences environmental sustainability across the economic agenda;
- quantify the Agency's environmental impact in relation to energy usage and waste production and publicise our environmental performance annually;
- ensure that all projects and programmes we fund incorporate environmental aspects in their development and are appraised for their environmental impacts through sustainable development appraisal and carbon calculation;
- continue to implement a sustainable procurement policy;
- ensure our commitment to the environment lives on as part of the Agency's legacy and continues to influence development in the Northwest .

**Mark Hughes, Chief Executive**  
July 2011

## **Directors' Report**

### **Statutory background**

The North West Development Agency ('the Agency') was established under the provisions of the Regional Development Agencies Act 1998. It came into existence on 14 December 1998, following Parliamentary approval of the Regional Development Agencies Act 1998 and the appointment of Board Members. The Agency is an Executive Non-Departmental Public Body (NDPB) sponsored by the Department for Business, Innovation and Skills (BIS).

The Agency became fully operational on 1 April 1999 when it took over the regional activities of English Partnerships and the Rural Development Commission and the SRB Challenge Fund formerly administered by Government Office for the North West.

A number of other activities have subsequently been transferred into the Group, notably the business of Inward Limited, the Northwest Tourist Board, the Selective Finance for Investment Programme, the development of skills and employment, policy and business support and delivery mechanisms, and the North West Business Link organisations.

### **Accountability and Fiscal Framework**

The Secretary of State for BIS has issued the Agency with an Accountability & Fiscal Framework document setting out the financial framework under which the Agency should operate. The Agency has complied in all material respects with the terms of this document during the course of the financial year.

### **Results for the year and review of activities**

The net expenditure for the year taken to reserves was £247.6m (2010: £407.2m). The Group's total expenditure for the year amounted to £347.5m (2010: £599.8m), of which £272.3m (2010: £514.8m) was spent on delivering programme activities. The full results for the year are contained in the Group's financial statements set out on pages 43 to 96.

The Agency continues to manage its financial affairs in accordance with the targets laid down by our sponsor department and the Agency Board. All financial targets have been met and associated output targets achieved. This level of control allows the Accounting Officer and the Board to manage the financial affairs of the Agency to a very high standard.

### **Future Developments**

The Agency is scheduled to cease operations on 31 March 2012. Between now and then the main focus will be to ensure an orderly transition of remaining activities to successor bodies. The Agency currently has contracted programme commitments beyond March 2012, and also a large and varied portfolio of assets and liabilities. The Agency will work closely with a number of partners and Government Departments to identify clear and efficient exit solutions which deliver value to the public purse. It is planned that Staff will be released in a phased manner, to coincide with the scaling down and transfer of the Agency's activities.

## **Board Members**

Board Members are appointed by the Secretary of State for BIS. They include Local Authority, Trade Union, Community and Private Sector representatives. Their corporate responsibilities are detailed in the Code of Best Practice for the Board of the North West Development Agency, which is a public document available from the Agency's offices.

<b>Member</b>	<b>Date of Appointment</b>
Robert Hough DL, Chairman	December 2007
Vanda Murray OBE, Deputy Chair	April 2006
Joe Dwek CBE	December 2003
Peter Hensman DL, Second Deputy Chair	December 2004
Cllr John Merry CBE	December 2004
Cllr Tony Mc Dermott MBE	December 2007
Susan Williams	December 2007, resigned April 2010, reappointed June 2010
Peter Allen MBE	December 2007
John Brooks	December 2007
Anne Selby	December 2008
Lord Peter Smith	December 2008
Dr John Stageman	December 2008
Clive Elphick	March 2010
Frank Hont MBE	March 2010
David Goldie	March 2010

Brief biographies for the Board Members are shown in the Governance section of this document.

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 and the Deputy Chair and Second Deputy Chair for four days per month.

The Agency maintains a Register of Board Members' Interests, which can be viewed on the Agency's website, and which is available on request by contacting the Head of Governance and Scrutiny at the Agency's offices at Renaissance House, Warrington. Members declare their interests to the Board in any transactions involving relevant organisations. Related party transactions relating to Board Members and senior members of staff are detailed further in note 27.

Board representation on the Audit Committee and the Remuneration and Appointments Committee was as follows:

### **Audit Committee**

Dr John Stageman (Chair)  
Frank Hont  
Peter Allen  
Peter Hensman

### **Remuneration and Appointments Committee**

Robert Hough (Chair)  
Vanda Murray  
Dr John Stageman  
Frank Hont

### **Audit Committee**

The Board is independently advised by an Audit Committee whose role is to provide the Board with advice and information to undertake the governance and supervisory role required in accordance with Corporate Governance Best Practice. The Terms of Reference of the Audit Committee, including its role and the authority delegated to it by the Board, has been made available to the public on the Agency's website.

The Audit Committee met five times during 2010/11 to receive assurance on the Agency's systems of corporate governance, risk management and internal control. The Committee also received regular reports from PricewaterhouseCoopers as independent Internal Auditors. The range of Audit Committee activity carried out during 2010/11 has provided positive assurance about the Agency's governance and control environment and has supported the Accounting Officer in signing a satisfactory Statement on Internal Control for the year.

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

### **Remuneration and Appointments Committee**

The work of the Remuneration and Appointments Committee is detailed in the Remuneration Report contained in pages 21 to 29 of this report.

### **Employment of disabled persons**

The Agency is committed to providing equal opportunities for all and will make reasonable adjustments to working arrangements to meet special needs. We will work towards an environment and culture where everyone is encouraged and supported to develop their full potential regardless of individual characteristics, which may limit a person's opportunities in life.

### **Provision of information to and consultation with employees**

The Agency is fully committed to effective and open communication and consultation with its employees. This is achieved through a variety of means including a Staff Consultative and Negotiation Committee involving the Public and Commercial Services (PCS) and Prospect Trade Unions together with staff representatives; and also a Health and Safety Committee and staff events to communicate key issues and receive feedback.

### **Better payment practice code**

Prompt payment of invoices is an important objective of the Agency to help alleviate pressure on cash flow for suppliers of goods and services. The annual target of 95% of invoices paid within 30 calendar days has been exceeded, achieving 98% (2010: 99%).

For small and medium sized business enterprises, we have a more stringent target of payment of 80% of all undisputed invoices within five working days. The prompt payment statistics achieved in this category was 81%.

## Personal data related incidents

There have been no significant personal data incidents during the year, and as such no reports to the Information Commissioner's Office have been made in this respect.

## Audit services

The Comptroller and Auditor General is appointed by statute to audit the 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 - Agency	£87,500
Audit Services – Northwest Business Link	£28,500

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. In November 2003, the Comptroller and Auditor General published the 'Success in the Regions' report on how the Agencies and the departments work together.

This and other reports issued by the Comptroller and Auditor General can be found on the National Audit Office website at [www.nao.org.uk](http://www.nao.org.uk).

## Environmental Performance

Due to impending closure, the Agency is scaling back or stopping much of its activity in line with reducing resources. This has necessarily impacted on the ability to reduce its environmental footprint.

Despite remaining committed to reducing its environmental footprint through our own activities and our investments, a shrinking headcount and restricted ability to invest in new environmental management measures means that progress to improving the environmental performance of the Agency has been more restricted than it otherwise would be.

Nevertheless the action the Agency has taken in recent years continues to reduce the impact of the Agency's operations and investments. So investments in internal environmental management such as electrical monitoring, energy efficient lighting and the wind turbine at Renaissance House will continue to minimise the environmental impact of our day-to-day operations until our closure. Our work in improving and driving the environmental culture in the region, through things like the Sustainable Consumption and Production Policy and the Northwest Climate Change Action Plan, will live on in the projects we have supported and is a major part of the Agency's legacy.

## Carbon Baseline and Improvements

The UK government has committed itself to lead by example on sustainable development, to inspire and encourage others to achieve the changes needed. Covering an area of half a million hectares, emitting over three million tonnes of CO<sub>2</sub> and with direct responsibility for a multi-million pound budget for goods and services, the UK Government has set itself sustainable development targets to ensure it runs its

estate and travel operations more sustainably. The targets cover carbon emissions, energy, travel, water and waste management, and managing land for biodiversity.

In line with meeting these new requirements, the Agency recalculated its carbon baseline for 2006/07 and subsequent years, and these are as follows:

- 2006/07 – 2,497 kg CO<sub>2</sub>/head
- 2007/08 – 2,102 kg CO<sub>2</sub>/head
- 2008/09 – 1,971 kg CO<sub>2</sub>/head
- 2009/10 – 1,909 kg CO<sub>2</sub>/head

Prior to the announcement of the Agency’s scheduled closure in March 2012, the carbon efficiency target was an annual 5% reduction in CO<sub>2</sub> emissions per head over three years up to the end of 2011. It should be noted these figures cover water, gas and electricity only. Were the Agency continuing to operate as normal, we would be undertaking improvements to the monitoring of business travel miles and subsequent emissions in order to include in these figures, though staff reductions and wider priorities have restricted our ability to do this.

**Figure 1: Total Carbon Emissions / Emissions per head**

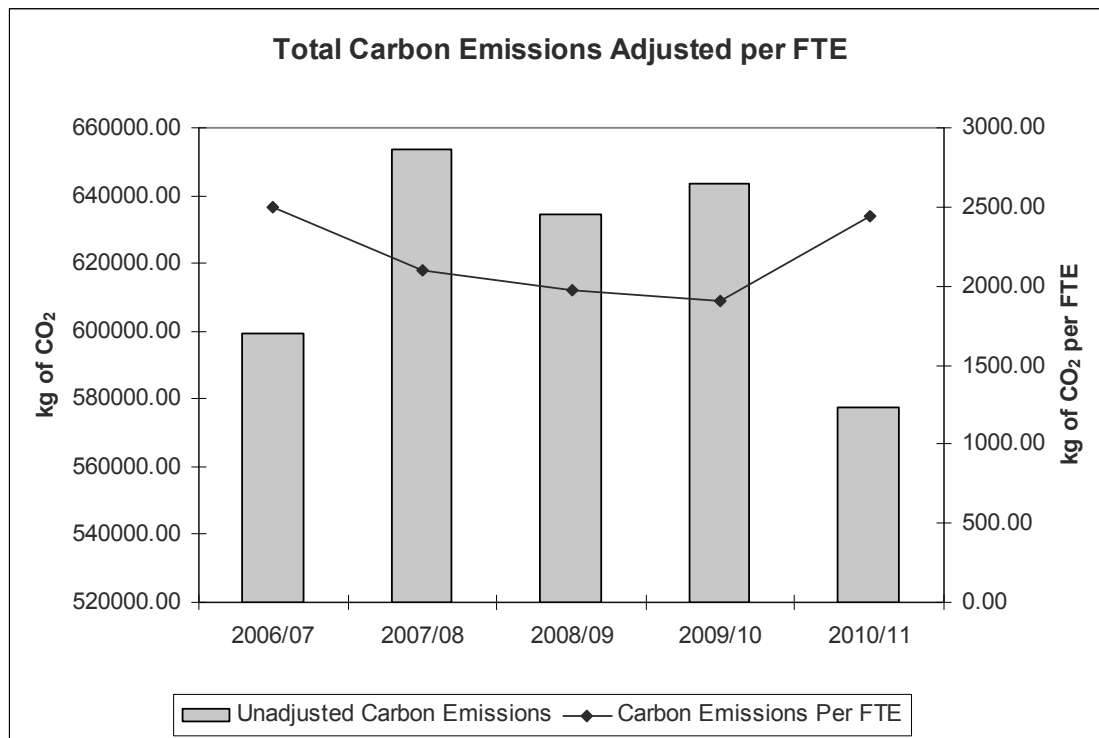


Figure 1 above depicts both the Agency’s total annual carbon emissions, together with the carbon emissions per head. This demonstrates that, while year on year total carbon emissions have reduced by 10%, emissions per head have increased by 28%.

These figures are indicative of the extraordinary circumstances in which the Agency operated in 2010/11. Since the Agency’s closure was announced in June 2010, our

spending has been severely restricted meaning that no new energy efficiency measures have been invested in, albeit previous efficiency measures have come on line. Concurrently, following a phase of voluntary redundancies in September 2010 and other staff departures, the Agency's headcount has significantly reduced. As a result, it is inappropriate to compare the Agency's environmental performance in 2010/11 with previous years, as the unusual circumstances significantly distort the figures.

### **Future Developments**

All remaining activities will be focused on winding down the Agency's operations. As such, there are no new developments or activity focused on reducing the Agency's environmental impact.

### **Declaration to the Auditors**

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

**Mark Hughes**

Chief Executive Officer



## **Remuneration Report**

This report for the year ended 31 March 2011 is produced by the Board on the recommendation of the Remuneration and Appointments Committee and deals with the remuneration of the Chair, Chief Executive, Board Members and Executive Directors who have influence over the decisions of the Agency as a whole.

### **Remuneration and Appointments Committee**

The Remuneration and Appointments Committee, which includes four members of the Board, met six times during the course of the year to advise the Chairman on the remuneration of the Chief Executive Officer (CEO) and to advise the CEO on Executive Directors' remuneration.

In reaching its recommendations, the Remuneration and Appointments Committee is to have regard to the following considerations:

- the need to recruit, maintain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effect on the recruitment and retention of staff;
- the Government's inflation target.

### **Remuneration Policy**

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

Performance pay for the Chief Executive is determined by the Chairman on the recommendation of the Remuneration and Appointments Committee. Performance is measured against targets determined by the Chairman following consultation with the Department for Business, Innovation and Skills. These are subject to regular performance monitoring during the year. The amount of the performance award can be up to a maximum of 20% of salary. In 2010/11, the targets related primarily to the transition and business closure of the Agency.

Performance pay of the senior management team is determined by the Chief Executive on advice from the Remuneration and Appointments Committee. Performance is measured against targets set individually for each Executive Director by the Chief Executive and the amount of the performance award can be up to 10% of salary.

Performance pay for the Chief Executive and Executive Directors may also be subject to review by the BIS Senior Remuneration Oversight Committee.

## Service contracts

All Board Members have been appointed on a fixed term contract and are contracted to carry out two days work per month on behalf of the Agency, except for the Chairman and Deputy Chairs who are contracted three days per week for the Chairman and four days per month for the Deputy Chair and Second Deputy Chair.

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

The Chief Executive Mark Hughes and all other members of the senior management team are employed under permanent employment contracts (with the exception of Duncan Gray who is employed under a contract for service). The Chief Executive and senior managers work for the Agency full time.

## Audited Part of the Remuneration Report

### Emoluments of Board Members

The emoluments of Board Members can be analysed as follows:

Name	Period of Appointment		Salary £	Pension £	Total 2011 £	Total 2010 £
	From	To				
Robert Hough (Chairman)	Dec 2007	Dec 2012	81,718	19,857	101,575	72,272
Vanda Murray *	Apr 2006	Dec 2011	17,332	-	17,332	17,332
Joe Dwek	Dec 2003	Dec 2012	8,666	-	8,666	8,666
Peter Hensman **	Dec 2004	Dec 2012	17,332	-	17,332	12,277
John Merry	Dec 2004	Dec 2012	8,666	-	8,666	8,666
Tony McDermott	Dec 2007	Dec 2012	8,666	-	8,666	8,666
Susan Williams ***	Dec 2007	Dec 2012	7,342	-	7,342	8,666
Peter Allen	Dec 2007	Dec 2012	8,666	-	8,666	8,666
John Brooks	Dec 2007	Dec 2012	8,666	-	8,666	8,666
Anne Selby	Dec 2008	Dec 2011	8,666	-	8,666	8,666
Lord Peter Smith	Dec 2008	Dec 2011	8,666	-	8,666	8,666
John Stageman	Dec 2008	Dec 2011	8,666	-	8,666	8,666
Clive Elphick	Mar 2010	Dec 2012	8,666	-	8,666	722
Frank Hont	Mar 2010	Dec 2012	8,666	-	8,666	722
David Goldie	Mar 2010	Dec 2012	8,666	-	8,666	722

\* Deputy Chair

\*\* Second Deputy Chair

\*\*\* Originally appointed in December 2007, resigned in April 2010, and reappointed in June 2010.

### Emoluments of the Chief Executive and senior managers

The emoluments of the Chief Executive and senior managers can be analysed as follows:

Name	Salary	Performance pay	Benefits in kind to nearest	2011 Total	Salary	Performance pay	Benefits in kind to nearest	2010 Total
	£000	£000	£100	£000	£000	£000	£100	£000
Mark Hughes Chief Executive (appointed 01.11.10)	125-130	10-15	4,000	140-145	115-120	10-15	3,800	130-135
Diane Summers Executive Director of Corporate & Employment Services	100-105	10-15	4,200	115-120	15-20 (100-105 full year equivalent)	-	600	15-20
Simon Nokes Executive Director of Policy & Planning	85-90	5-10	3,200	95-100	75-80 (85-90 full year equivalent)	-	2,400	80-85
Duncan Gray * Executive Director of Resources (appointed 20.12.10)	25-30 (120-125 full year equivalent)	-	-	25-30	-	-	-	-
Tim Sheward Executive Director of Economic Development (appointed 01.01.11)	20-25 (85-90 full year equivalent)	-	900	20-25	-	-	-	-
Steven Broomhead Chief Executive (left 31.01.11)	120-125 (140-145 full year equivalent)	10-15	4,700	135-140	140-145	20-25	5,000	165-170
Ian Haythornthwaite Executive Director of Resources (left 22.08.10)	45-50 (115-120 full year equivalent)	5-10	2,000	55-60	115-120	10-15	6,000	130-135
Peter Mearns Executive Director of Marketing & Communications (left 30.06.10)	85-90 (105-110 full year equivalent)	10-15	1,400	100-105	105-110	10-15	5,600	120-125

\* Payments for the services of Duncan Gray are made to Janus Connections Limited, a company controlled by him.

## Non Consolidated Performance Related Payments

Non consolidated performance related payments to Senior Managers are linked to the Agency's performance appraisal system. The performance appraisal year is aligned to the financial year. Payments made in 2010/11 reflect individual's performance in the 2009/10 financial year.

### Benefits in kind

Benefits in kind for the Senior Managers consist of lease cars provided by the Agency. There are no loans made to Directors. Board Members received no benefits in kind.

### Pension benefits

#### Pension benefits of Board Members

No Board Members are eligible for a pension, performance related pay or any other taxable benefit as a result of employment with the Agency with the exception of the Chairman who has a pension benefit as set out below.

#### Pension benefits of the Chairman

With the approval of BIS, a 'by analogy' pension scheme has been put in place for the Chairman with contribution rates and benefits which are identical to the Principal Civil Service Pension Scheme (PCSPS) but which are funded directly by the Agency. The Agency is not permitted to pay these contributions to a personal pension scheme or other pension plan provider. On retirement, payment of the Chairman's pension will be the responsibility of the Agency, underwritten by BIS.

	Real increase in pension £000	Real increase in lump sum £000	Pension at 31 March 2011 £000	Lump sum at 31 March 2011 £000	CETV at 31 March 2010 £000	CETV at 31 March 2011 £000	Real increase in CETV as funded by employer £000
Robert Hough	0-2.5	-	0-5	-	21	56	31

The 'by analogy' arrangement shadows the benefits provided under the Principal Civil Service Pension Scheme. The arrangement provides benefits to the present Chairman and two former Chairman of the Agency. A full actuarial valuation was carried out as at 31 March 2011 by a qualified independent actuary.

The major assumptions of the actuary were:

#### Financial Assumptions

	2011	2010
The inflation assumption	2.65%	2.75%
The rate of increase in salaries	4.90%	4.29%
The rate of increase for pensions in payment and deferred pensions	2.65%	2.75%
The rate used to discount scheme liabilities	5.60%	4.60%

<b>Expense to be recognised in Statement of Comprehensive Net Expenditure</b>	<b>2011 £000</b>	2010 £000
Current service cost (net of employee contributions)	31	25
Past service cost	(35)	-
Settlements and curtailments	-	-
Interest cost	13	12
	==	==
Total expense/(income)	9	37
	==	==
 <b>Actuarial gains/losses to be recognised in the Statement of Changes in Taxpayers Equity</b>		
Experience loss/(gain) arising on the scheme liabilities	6	15
Changes in assumptions underlying the present value of the scheme liabilities	(19)	58
	=====	=====
Total actuarial loss/(gain)	(13)	73
	=====	=====
 <b>Analysis of movement in scheme liability</b>		
Scheme liability at the beginning of year	296	190
Movement in the year:		
Current service cost (net of employee contributions)	31	25
Interest cost	13	12
Employee contributions	3	4
Actuarial loss/(gain)	(13)	73
Benefits paid	(11)	(8)
Past service cost	(36)	-
Net individual pension transfers-in	-	-
Settlements and curtailments	-	-
	=====	=====
Scheme liability at the end of year	283	296
	=====	=====

<b>Present value of scheme liabilities</b>	<b>Value at 31/03/2011</b>	Value at 31/03/2010
	<b>£000</b>	£000
Liability in respect of:-		
Active members	54	25
Deferred pensioners	-	-
Current pensioners	229	271
	=====	=====
Total present value of scheme liabilities	283	296
	=====	=====

<b>History of experience losses / (gains)</b>	<b>2011</b>	2010	2009	2008
Amount (£000)	6	15	(4)	2
Percentage of scheme liabilities at the end of year	2.1%	5.1%	-2.3%	1.5%

Estimate of contributions expected to be paid into the scheme over the year 1 April 2011 to 31 March 2012:

Employer contributions: £19,857  
Employee contributions: £2,861

## **Pension benefits of Chief Executive and senior managers**

### **Civil Service Pensions**

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a “money purchase” stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80<sup>th</sup> of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60<sup>th</sup> of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice.gov.uk/my-civil-service/pensions/index.aspx](http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx).

Mark Hughes, Simon Nokes, Steven Broomhead and Ian Haythornthwaite are all members of the PCSPS Premium Scheme.

Diane Summers is a member of the PCSPS Classic Scheme.

Peter Mearns and Tim Sheward are members of the PCSPS Classic Plus Scheme.

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	Real increase in pension £000	Real increase in lump sum £000	Total accrued pension at retirement age at 31 March 2011 £000	Total accrued lump sum at retirement age at 31 March 2011 £000	CETV at 31 March 2010 £000	CETV at 31 March 2011 £000	Real increase in CETV as funded by employer £000
Mark Hughes	0-2.5	-	10-15	-	105	139	21
Simon Nokes	0-2.5	-	15-20	-	139	165	11
Diane Summers	0-2.5	5-7.5	15-20	50-55	274	332	34
Tim Sheward	0-2.5	0-2.5	30-35	30-35	622	669	16
Steven Broomhead (left 31/01/2011)	0-2.5	-	65-70	-	1,013	1,089	-
Peter Mearns (left 30/06/2010)	0-2.5	-	35-40	35-40	716	756	11
Ian Haythornthwaite (left 28/08/2010)	0-2.5	-	50-55	-	731	744	4

### Cash Equivalent Transfer Values

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

The figures would include the value of any pension benefit and any contingent spouse's pension payable from the scheme (if applicable). They would also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.



### **Changes to basis of calculation of CETVs**

The factors used in the CETV calculation have been revised during this year, mainly to account for the change from the use of Retail Price Index (RPI) to Consumer Price Index (CPI) to calculate future pensions increase. This means that the opening CETV value shown in this year's report is different to the amount shown as the closing CETV in last year's report.

### **Real increase in CETV**

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

### **Non Cash remuneration**

During the year there has been no element of non cash remuneration, except for the benefits in kind of senior managers.

### **Compensation paid, significant awards to former senior managers**

During the year there was no compensation paid or significant award to former senior managers.

### **Amounts payable to third party for services as a senior manager**

There are no amounts payable to a third party for services as a senior manager.

**Robert Hough**  
Chairman

**Mark Hughes**  
Chief Executive

### **Statement of the Agency's and Accounting Officer's responsibilities**

Under section 14 of the Regional Development Agencies Act 1998, the Agency is required to prepare a statement of account for each financial year in the form and on the basis determined by the Secretary of State of Business, Innovation and Skills (BIS), with the consent of the Treasury. The Financial Statements 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 Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and, in particular, 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 judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the Financial Statements; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

The Principal Accounting Officer for the Department for Business, Innovation and Skills has designated the Chief Executive as the Accounting Officer of the North West Development Agency. His responsibilities as Accounting Officer include responsibility for the propriety and regularity and value for money of the public finances; the keeping of proper records and advising and informing the Board of financial considerations and the safeguarding of the NWDA's assets. These requirements are set out in the "Non-Departmental Public Bodies' Accounting Officer's Memorandum" issued by the Treasury and published in Managing Public Money.

The Agency and the Chief Executive are also responsible for ensuring that there are appropriate controls over any publication of the Financial Statements, including the publication of the Audit Certificate on the Agency's website and in other electronic forms.

## **Statement on Internal Control 2010/11**

### **1. Scope of Responsibility**

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the delivery of The North West Development Agency's ("the Agency") corporate objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. I took over as Accounting Officer on 1 November 2010, having previously been a Deputy Chief Executive within the Agency. Until 31 October 2010 Steven Broomhead, the previous Chief Executive, was Accounting Officer.

The Agency is a Regional Development Agency classified as a non-departmental public body of the sponsoring Department for Business, Innovation and Skills (BIS). The Secretary of State is accountable to Parliament for the activities and performance of the Agency. Operational responsibility for monitoring the Agency's activities rests with BIS. The Agency provides comprehensive reports on performance against targets to Government Office for the North West (GONW) for onward transmission to BIS.

The Agency has corporate responsibility for ensuring that it fulfils the aims and objectives set by the Secretary of State and for promoting the efficient and effective use of its resources. The Agency is committed to the pursuit of economy, efficiency and effectiveness and constantly seeks to employ best practice in accordance with its Corporate Values. As Accounting Officer, I establish the Agency's corporate and business plans in line with BIS's wider strategic aims, the Regional Economic Strategy (RES) and the context of ceasing operations within which we now operate. I advise the Board on the Agency's performance compared with its aims and objectives and ensure that its governance responsibilities can be discharged in accordance with established guidelines and criteria.

### **2. The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than eliminate the 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 a continuous process designed to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically. This process has been in place in the Agency for the whole of the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

### **3. Capacity to Handle Risk**

The Board sets the Agency's policy and attitude towards risk. The Audit Committee, on behalf of the Board, determines the effectiveness of those policies and procedures, basing its assurance on the reports it receives from the executive as well as from External and Internal Audit. The Executive Management Board (EMB), led by the

Chief Executive, is responsible for the operation of the Agency's corporate risk management process. The corporate risk management process continues to be refined under the control of EMB and Audit Committee.

#### **4. The Risk and Control Framework**

The main processes which the Agency has in place for identifying, evaluating and managing risk are:

##### **4.1 Those Charged with Governance - Board, Audit Committee, Internal Audit and EMB**

The Board meets formally ten times per year and receives reports on significant projects, the Agency's financial position, and the Agency's Quarterly Performance Report. It also receives the minutes of Audit Committee and Sub Committee meetings. Via the Chief Executive's report, the Board receives regular updates on the decisions and directives from BIS's National Transition Board.

Until January 2011, the Audit Committee met on a quarterly basis. Given the forthcoming cessation of operations, it is now meeting bi-monthly. Until January 2011, the Board received the latest Corporate Risk Register on a six-monthly basis; and it is now receiving this bi-monthly. The Board also receives an annual report on the work of the Audit Committee. Board Members also participate in risk workshops to ensure that the Corporate Risk Register accurately reflects the Agency's risk environment.

As a committee of the Board, the Audit Committee's role is to support the Board and Accounting Officer in their responsibilities for issues of risk, control and governance by reviewing the assurances received from Internal and External Audit and other relevant sources, and considering the reliability and integrity of those assurances. Since January, given the forthcoming cessation of operations, the Board has agreed revised terms of reference for the Audit Committee, with an increased frequency of meeting and extension of its business to incorporate activity around the ceasing of operations.

The Agency's Internal Auditors, PwC, were appointed in April 2009 and have undertaken a programme of internal audit work throughout the year to assess the adequacy and effectiveness of internal controls operating within key corporate, financial and operational systems. This programme of work has been amended and strengthened given the cessation of operations context.

EMB meets fortnightly (and weekly since January) to make key decisions and to review the performance of the Agency against the Business and Closure Plan. Key decisions made and actions agreed are communicated to and discussed with the Senior Management Team (SMT), and information is disseminated to staff. Since January, as part of the cessation of operations, a regular Transition newsletter has been produced and circulated to all staff.

Specific policies and procedures approved by EMB are delivered to the relevant teams through induction training, team meetings, and via email and the Intranet. These channels address issues such as project appraisal/monitoring, financial management/control, procurement and legislation (e.g. the Freedom of Information Act.)

## **4.2 Corporate Risk Management & Assurance Framework**

Our Corporate Risk Management & Assurance Framework was reviewed in June 2009 and approved by the Audit Committee. The Agency is continuing to apply that framework. The framework sets out the Agency's risk philosophy, its strategy and risk cycle, including risk identification and assessment, and how identified risks are monitored and managed.

## **4.3 Risk Registers**

Agency projects have a project risk register. The most significant project and other risks are escalated onto the Corporate Risk Register and Sub Committee Risk Registers through EMB. Since January, given the cessation of operations context, the Corporate and Sub Committee Risk Registers have been merged; and where appropriate risks are escalated to the National Transition Board. Risk owners are assigned to specific risks and action dates set to ensure that risks are owned and mitigating actions implemented in a timely manner.

## **4.4 Review of Risk Registers**

All risk registers are updated at least quarterly. They are an essential part of the overall management toolkit and within the project environment they are reviewed on a monthly basis.

The Executive Management Board and Audit Committee review and update the Corporate Risk Register on a quarterly basis. Since January, given the forthcoming cessation of operations the Risk Register is reviewed monthly by EMB and bi-monthly by Audit Committee.

## **4.5 Risk Appetite**

The Agency assesses each objective, project and task on its own merits, ensuring that the best available information is used to enable decision makers to identify whether an intended action falls within the risk appetite of the Agency. Since January all risks with a "likelihood" rating of 3 or greater (out of 5, where 5 is high) and with an "impact" rating of 3 or greater (out of 5, where 5 is high) have been regarded above the Agency's acceptable risk level.

## **4.6 Risk Training**

Risk management training forms a key element of the Agency's mandatory training programme for staff. Existing project staff continued to receive coaching to ensure that risk principles were embedded across the organisation.

## **4.7 Responsibility for Risk During the Year**

Management of risk is the responsibility of all staff within the Agency. The Risk function within the Agency was led by the Head of Risk and Performance until December. Given the cessation of operations context, the Risk function is now led within the Programme Office, by the Director of Programme.

#### **4.8 Management and Control of Information Risk**

The Agency continues to take its responsibilities in handling personal data very seriously. The Director of Information Management and Systems has day-to-day operational responsibility for personal data handling.

Critical to the Agency's approach is the creation of a security aware culture within the Agency. To this end, the Agency has made the '*Level 1 Protecting Information*' e-learning module, developed by the Cabinet Office, mandatory for all staff.

The Agency has developed a definition of what it considers to be protected data and has designed appropriate processes to ensure that this data is protected accordingly. The following in particular have now been implemented:

- Data held in all new internal systems is reviewed and where protected data is identified, a full Systems Security Plan is developed and an Information Asset Owner (IAO) identified to manage its implementation and ongoing maintenance.
- Where data is held externally, a full risk assessment is undertaken. This assessment comprises a review of the external organisation's security and business continuity policies, and the system's password strength. Again, where protected data is held, a Systems Security Plan is developed and an IAO appointed.
- A collaboration policy has been developed so that content on external web collaboration sites is appropriately managed and controlled.

In addition to the above, a number of technical solutions have been implemented to ensure Agency data is safeguarded. These include:

- Endpoint security which ensures that access to memory sticks and cd/dvd drives is tightly controlled, and that any data written to removable media is encrypted and auditable.
- Encrypted drives for all Agency laptops.

#### **4.9 Personal data incidents during the year**

There have been no significant personal data incidents during the year, and as such no reports to the Information Commissioner's Office have been made in this respect.

### **5. Significant Internal Control Issues**

This section looks at a range of issues occurring during the year that had the potential for impact on the Agency's accounts, resource utilisation or attracting significant public interest. It outlines actions taken to deal with these issues.

**5.1** Recommendations from the audit of last year's accounts: Last year's accounts audit raised six observations, to which responses were given at the time. Two of the recommendations related to specific events and one to minor issues on monitoring project costs. Management accepted the recommendations and ensured there was no

recurrence of the specific events. The Agency has prepared an assets and liabilities plan as part of its activity around the ceasing of operations which addressed the remaining three recommendations.

**5.2** “Limited Assurance” Audits: There has been a full programme of Internal Audit during the year, carried out by the internal auditors, PwC and reported to the Audit Committee. This has included enhanced audit and assurance around issues relating to the cessation of operations. From all this work, only one audit resulted in a “limited assurance” rating. This was a follow-up audit on ERDF records management, where PwC noted that significant changes had been made to the make up of the European Programme Executive since their first audit. The first audit identified nine control weaknesses which PwC recommended should be addressed. The follow-up audit noted that two of these had been fully implemented, one partially implemented, two superseded and four were outstanding. The four outstanding recommendations related to the reporting capabilities of the management information system, the submission of key documents to Government, the training of project applicants in the requirements of ERDF and the incompleteness of guidance from Government on irregularity reporting. Given this limited assurance a further follow-up audit was undertaken in February and all the outstanding recommendations have now been implemented and no further issues were identified.

In January 2010, an article in the local press suggested that in 2007, the Agency had sold a site to a developer at less than the market rate. The Audit Committee was alerted to the press article immediately and commissioned PwC to undertake a forensic investigation into the circumstances surrounding the sale. PwC confirmed from its investigation, that there was no evidence of wrong doing. After further enquiry the Audit Committee accepted this finding.

**5.3** New Financial Commitments: The Agency received several pieces of guidance from BIS on entering new financial commitments during the pre-election period and immediately after the election pending formation of the coalition.

In interpreting this guidance, it was considered, at the time, that it was permissible to enter a restricted number of new financial commitments during the period when this guidance was in force, as it did not provide an absolute prohibition on new commitments, but indicated that those which might be sensitive should be avoided.

The new Government announced a reduction in RDA budgets for 2010/11 on 24 May 2010. In establishing the level of commitments against the Agency’s revised budget, it was ascertained that some of the information provided to BIS on current financial commitments was inaccurate.

Following communication of the position to BIS, the Department questioned both whether the pre-election contracts needed to be made and the advisability of entering into any contracts immediately post-election whilst the outcome remained unclear. As a result, all the projects to which these commitments related were reviewed by BIS, which confirmed support for them, with one having its value reduced.

As a result of these issues, one of my first actions as Accounting Officer was to ask the Board to review events and a number of recommendations were made to the Board, including asking PwC, the internal auditors, to review the controls in place within the Agency. PwC concluded its review and made eight recommendations. Seven of these have been fully implemented. The eighth recommendation in respect

of the reconciliation between the Contract Management System and the Project Management System has been addressed by implementing a temporary manual administrative solution, before the completion of the electronic system solution in September 2011. The Agency has also reduced its commitments during 2010/11 without receiving formal claims for breach of contract and, as a result, achieved a balanced budget against the reduced allocation for 2010/11.

**5.4** Fraud Incidents: The Agency's Anti-Fraud Policy & Suspected Fraud Response Plan were approved at the Audit Committee in July 2010. Any fraud incidents are reported to the Audit Committee. During the year there were only two such incidents:

Firstly a limited company went into administration within four weeks of receiving a loan from the Agency's Transitional Loan Fund (TLF). This matter was forensically examined by PwC on behalf of the Agency. PwC reported that it was difficult to conclude that the directors of the company concerned deliberately misled the Agency during the loan application process. PwC identified shortcomings in the due diligence procedures linked to processing this loan application. These were addressed, including requirements in the future for enhanced personal guarantees and increased security.

Secondly there was an attempted fraud against the Agency in relation to a significant payment. This followed receipt of a fraudulent letter claiming to be from an Agency supplier, requesting that their bank details be changed for payment of all future invoices. A genuine invoice was subsequently received from the company concerned and payment was made to the new bank account. The attempted fraud was discovered by the Agency's bank and the payment was stopped and the funds returned to the Agency. This matter has been reported to the Police and this appears to be part of a wider national scam targeting public sector organisations. The risk of further fraud has been reduced by strengthening controls over changes to supplier bank details.

## **6. Other Issues**

**6.1** Cessation of Operations Announcements: In June 2010, the new Coalition Government announced proposals to pass legislation to close all Regional Development Agencies from March 2012. During the year, the Agency has developed and implemented a comprehensive programme to cease operations, focused on closing programme expenditure, closing the Agency and, based on a strong focus from BIS, reducing any "overhang" from RDA activity beyond March 2012. Key elements of this include a Knowledge Management Plan, a Staffing Resource Plan, and an Assets and Liabilities Plan. These plans have been submitted to BIS. There was considerable press interest in the Assets and Liabilities Plan and following a number of Freedom of Information requests, the Agency published a redacted version of the Plan.

**6.2** Company Issues: Given the forthcoming cessation of operations, the Agency reviewed its membership and funding of various corporate interests during the year. As a result, the Agency has withdrawn from a significant number of its ownership and directorship interests (with BIS consent where required), including from the region's Urban Regeneration Companies/Economic Development Companies, for which capacity funding ceased at the end of the financial year.



The Audit Committee also received a number of reports on partner governance (covering special purpose vehicles, sub regional partnerships and subsidiary organisations), following the Internal Audit on this issue in the previous year. These reports gave the audit committee assurance of the Agency's arrangements in this regard.

**6.3** Management of 2007-13 European Regional Development Fund programme: The Agency has continued to be the managing authority for the ERDF programme, but with oversight provided by the Programme Monitoring Committee and all project decisions confirmed by the Performance and Monitoring Sub Committee. Project Engagement Visits (PEV) and Progress and Verification (PAV) Visits have continued to be conducted and the overall error rate on the programme is just over 3%. Work is ongoing to reduce this further. As part of the transfer of the management of ERDF to DCLG in July 2011, a full ERDF transition plan has been prepared and reviewed by both the European Sub Committee and Audit Committee.

## **7. Review of Effectiveness**

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control and a plan to address weaknesses and ensure continuous improvements to the system is in place. My review of the effectiveness of the system of internal control is informed by the work of the Agency's Internal Auditors, PwC, the Executive Directors 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 letter and other reports. This review has been discussed by the Board and Audit Committee.

The previous Accounting Officer did not make me aware of any control issues, except as reflected in this statement. On taking up the role as Accounting Officer I sought to assure myself of any control issues within the Agency, for example via the PwC review mentioned in paragraph 5.3 and by enhanced Internal Audit work referred to in this statement. In producing this statement I have also relied on signed statements from my management Directors, all of whom were in place throughout the year about any control issues in their parts of the Agency. None of these statements revealed any additional issues of internal control other than those described in this document.

## **8. Internal Auditors' Conclusions on Internal Control**

The Agency's Internal Auditors provided the following statement on the Agency's systems of internal control:

### **Annual opinion on internal controls**

It is management's responsibility to develop and maintain a sound system of internal control, and to prevent and detect irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We have planned our work so that we had a reasonable expectation of detecting significant control weaknesses. However, internal audit procedures alone, although they are carried out with due professional care, do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.

We have completed the programme of internal audit work for the year ended 31 March 2011 and we can report that our work did not identify any significant control weaknesses that we consider to be pervasive in their effect on the system of internal control. Consequently, we can give moderate assurance on the design adequacy and effectiveness of the system of internal control.

The Agency has put action plans in place to address fully all of the significant recommendations raised by Internal Audit and in many cases the recommendations have already been implemented. The exceptions were those that the Audit Committee judged were inappropriate, given the Agency's forthcoming cessation of operations. Internal Audit will follow-up and report on the Agency's progress in implementing the recommendations raised during the course of the coming year.

Mark Hughes

7 July 2011

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

I have audited the financial statements of the North West Development Agency for the year ended 31 March 2011 under the Regional Development Agencies Act 1998. These comprise the Group and Agency Statements of Comprehensive Net Expenditure, the Group and Agency Statements of Financial Position, the Statement of Group Cash Flows and Statement of Agency Cash Flows, the Group and Agency Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that Report as having been audited.

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

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

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

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

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

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

### **Opinion on Regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of North West Development Agency's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Regional Development Agencies Act 1998 and Secretary of State directions issued thereunder.

### **Emphasis of Matter – Going Concern**

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the application of the going concern principle in light of the announcement to abolish the North West Development Agency, which is subject to legislation. This proposal indicates the existence of a material uncertainty which may cast significant doubt about the ability of the North West Development Agency to continue as a going concern. The financial statements do not include the adjustments that would result if the North West Development Agency was unable to continue as a going concern.

### **Opinion on other matters**

In my opinion:

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

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

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

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

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

**14 July 2011**

**FINANCIAL STATEMENTS**

## Group Statement of Comprehensive Net Expenditure

*For the year ended 31 March 2011*

	<i>Note</i>	<b>2011</b>	2010
		<b>£000</b>	restated £000
<b>Expenditure</b>			
Programme expenditure	3	<b>213,628</b>	373,166
European funding expenditure	3	<b>58,671</b>	141,640
Staff costs	4	<b>39,745</b>	42,557
Depreciation and amortisation	6	<b>1,513</b>	2,210
Other administration expenditure	6	<b>13,112</b>	21,296
Other losses	6	<b>19,242</b>	13,915
Book value of inventories and property, plant and equipment sold	6	<b>1,573</b>	4,681
Book value of investments sold	6	<b>49</b>	378
Total expenditure		<b>347,533</b>	599,843
<b>Income</b>			
European funding	7	<b>71,040</b>	144,885
Other income	7	<b>22,543</b>	37,084
Other gains	7	<b>1,157</b>	3,676
Proceeds from sale of inventories and property, plant and equipment	7	<b>1,579</b>	4,808
Proceeds from sale of investments	7	<b>1,751</b>	378
Total income		<b>98,070</b>	190,831
Net expenditure		<b>249,463</b>	409,012
Interest payable/(receivable)	8	<b>19</b>	(3)
Interest receivable and similar income	9	<b>(3,359)</b>	(3,706)
Net expenditure after interest		<b>246,123</b>	405,303
Taxation	10	<b>1,498</b>	1,881
Net expenditure after tax taken to reserves		<b>247,621</b>	407,184
Net expenditure taken to Grant in Aid Reserve		<b>244,326</b>	407,081
Net expenditure taken to General Reserve:			
Activities relating to continuing operations of joint ventures and associates		<b>3,244</b>	103
Activities relating to discontinued operations of joint ventures and associates		<b>51</b>	-
		<b>247,621</b>	407,184

As detailed in notes 1.3 and 2, notional cost of capital is no longer calculated or reported. 2009/10 values have been restated to reflect this change.

Net expenditure is financed by Grant in Aid as explained in accounting policy note 1.13.

The notes on pages 53 to 96 form part of these accounts.

## Agency Statement of Comprehensive Net Expenditure

*For the year ended 31 March 2011*

	<i>Note</i>	<b>2011</b>	2010
		<b>£000</b>	restated £000
<b>Expenditure</b>			
Programme expenditure	3	<b>228,284</b>	389,405
European funding expenditure	3	<b>59,708</b>	142,389
Staff costs	4	<b>24,018</b>	26,649
Depreciation and amortisation	6	<b>825</b>	1,212
Other administration expenditure	6	<b>7,277</b>	12,222
Other losses	6	<b>20,022</b>	14,269
Book value of inventories and property, plant and equipment sold	6	<b>1,573</b>	4,681
Book value of investments sold	6	<b>49</b>	378
Total expenditure		<b>341,756</b>	591,205
<b>Income</b>			
European funding	7	<b>71,040</b>	144,885
Other income	7	<b>16,867</b>	28,952
Other gains	7	<b>1,157</b>	3,850
Proceeds from sale of inventories and property, plant and equipment	7	<b>1,579</b>	4,808
Proceeds from sale of investments	7	<b>1,751</b>	378
Total income		<b>92,394</b>	182,873
Net expenditure		<b>249,362</b>	408,332
Interest payable/(receivable)	8	<b>19</b>	(3)
Interest receivable and similar income	9	<b>(3,203)</b>	(3,667)
Net expenditure after interest		<b>246,178</b>	404,662
Taxation		<b>1,497</b>	1,881
Net expenditure after tax taken to reserves		<b>247,675</b>	406,543
Net expenditure taken to Grant in Aid Reserve		<b>243,600</b>	406,260
Net expenditure taken to General Reserve:			
Activities relating to continuing operations of joint ventures and associates		<b>4,024</b>	283
Activities relating to discontinued operations of joint ventures and associates		<b>51</b>	-
		<b>247,675</b>	406,543

As detailed in notes 1.3 and 2, notional cost of capital is no longer calculated or reported. 2009/10 values have been restated to reflect this change.

Net expenditure is financed by Grant in Aid as explained in accounting policy note 1.13.

The notes on pages 53 to 96 form part of these accounts.



**Statement of Financial Position- Group**  
**As at 31 March 2011**

	<i>Note</i>	<b>2011</b>	2010
		<b>£000</b>	£000
<b>Non –current assets</b>			
Property, plant and equipment	11	<b>2,299</b>	3,785
Intangible assets	12	<b>23</b>	381
Financial assets:			
Investments	13	<b>88,315</b>	101,227
Investments in joint ventures:			
Share of gross Assets	14	<b>41,631</b>	47,602
Share of gross Liabilities	14	<b>(62,948)</b>	(66,781)
Investments in Associates	14	<b>242</b>	1,445
Long Term Loans	15	<b>79,701</b>	85,839
Trade and other receivables	19	<b>52</b>	25
<b>Total non-current assets</b>		<b><u>149,315</u></b>	<u>173,523</u>
<b>Current Assets</b>			
Property, plant and equipment	11	<b>231</b>	-
Intangible assets	12	<b>81</b>	-
Inventories – development assets	18	<b>52,605</b>	56,693
Trade receivables and other current assets	19	<b>36,349</b>	23,800
Long term loans repayable within 12 months	15	<b>10,000</b>	10,000
Cash and cash equivalents	20	<b>92,068</b>	85,119
<b>Total current assets</b>		<b><u>191,334</u></b>	<u>175,612</u>
<b>Total assets</b>		<b><u>340,649</u></b>	<u>349,135</u>
<b>Current Liabilities</b>			
Trade payables and other current liabilities	21	<b>(139,868)</b>	(211,626)
Provisions	22	<b>(871)</b>	(195)
<b>Total current liabilities</b>		<b><u>(140,739)</u></b>	<u>(211,821)</u>
<b>Non- current assets less net current assets/liabilities</b>		<b><u>199,910</u></b>	<u>137,314</u>
<b>Non-current liabilities</b>			
Provisions	22	<b>(3,757)</b>	(4,825)
Pension liabilities		<b>(283)</b>	(296)
Other payables	21	<b>(1,800)</b>	(14,123)
<b>Total non-current liabilities</b>		<b><u>(5,840)</u></b>	<u>(19,244)</u>
<b>Assets less liabilities</b>		<b><u>194,070</u></b>	<u>118,070</u>
<b>Reserves</b>			
General Reserve		<b>69,352</b>	70,369
Revaluation Reserve		<b>1,682</b>	2,153
Grant in Aid Reserve		<b>123,036</b>	45,548
		<b><u>194,070</u></b>	<u>118,070</u>

The notes on pages 53 to 96 form part of these accounts.

These financial statements were approved by the Board on 6 July 2011.

**Robert Hough**  
Chairman  
7 July 2011

**Mark Hughes**  
Chief Executive  
7 July 2011

## Statement of Financial Position- Agency

**As at 31 March 2011**

	<i>Note</i>	<b>2011</b>	2010
		<b>£000</b>	£000
<b>Non –current assets</b>			
Property, plant and equipment	11	<b>2,299</b>	3,092
Intangible assets	12	<b>23</b>	169
Financial assets:			
Investments	13	<b>85,075</b>	100,654
Investments in subsidiaries	14	<b>16,268</b>	22,298
Investments in joint ventures:			
Share of gross Assets	14	<b>41,631</b>	47,602
Share of gross Liabilities	14	<b>(62,948)</b>	(66,781)
Investments in Associates	14	<b>242</b>	1,445
Long Term Loans	15	<b>79,701</b>	85,839
Trade and other receivables	19	<b>52</b>	-
<b>Total non-current assets</b>		<b><u>162,343</u></b>	<u>194,318</u>
<b>Current Assets</b>			
Inventories – development assets	18	<b>52,605</b>	56,693
Trade receivables and other current assets	19	<b>35,059</b>	21,527
Long term loans repayable within 12 months	15	<b>10,000</b>	10,000
Cash and cash equivalents	20	<b>81,206</b>	66,134
<b>Total current assets</b>		<b><u>178,870</u></b>	<u>154,354</u>
<b>Total assets</b>		<b><u>341,213</u></b>	<u>348,672</u>
<b>Current Liabilities</b>			
Trade payables and other current liabilities	21	<b>(141,434)</b>	(211,435)
<b>Non- current assets less net current assets/liabilities</b>		<b><u>199,779</u></b>	<u>137,237</u>
<b>Non-current liabilities</b>			
Provisions	22	<b>(3,757)</b>	(4,825)
Pension liabilities		<b>(283)</b>	(296)
Other payables	21	<b>(1,800)</b>	(14,123)
<b>Total non-current liabilities</b>		<b><u>(5,840)</u></b>	<u>(19,244)</u>
<b>Assets less liabilities</b>		<b><u>193,939</u></b>	<u>117,993</u>
<b>Reserves</b>			
General Reserve		<b>68,392</b>	70,189
Revaluation Reserve		<b>1,682</b>	2,153
Grant in Aid Reserve		<b>123,865</b>	45,651
		<b><u>193,939</u></b>	<u>117,993</u>

The notes on pages 53 to 96 form part of these accounts.

These financial statements were approved by the Board on 6 July 2011.

**Robert Hough**  
Chairman  
7 July 2011

**Mark Hughes**  
Chief Executive  
7 July 2011

## Statement of Group Cash Flows

*For the year ended 31 March 2011*

	<i>Note</i>	<b>2011</b>	2010 restated
		<b>£000</b>	£000
<b>Cash outflows from operating activities</b>			
Net expenditure after interest		<b>(246,123)</b>	(405,303)
Adjustments for:			
Depreciation and amortisation	6	<b>1,513</b>	2,210
Non-cash pension costs		-	32
(Profit) on disposal of inventories and property, plant and equipment		<b>(6)</b>	(126)
(Profit) on disposal of investments		<b>(1,702)</b>	-
Property, plant & equipment valuation write-down	11	<b>39</b>	169
Investments valuation write-down	13	<b>4,268</b>	4,123
Investments valuation write-back	13	-	(2,524)
Inventories valuation write-down	18	<b>11,485</b>	9,371
Inventories valuation write-back	18	<b>(1,003)</b>	(683)
(Surplus)/loss from share in joint ventures	6	<b>3,193</b>	(452)
(Surplus)/loss from share in associates	6/7	<b>103</b>	235
		<b>(228,233)</b>	(392,948)
(Increase) in trade and other receivables	19	<b>(12,576)</b>	(4,973)
(Decrease)/increase in trade and other payables	21	<b>(83,634)</b>	19,537
(Decrease) in provisions	22	<b>(392)</b>	(1,768)
		<b>(324,835)</b>	(380,152)
Taxation paid		<b>(1,947)</b>	(170)
<b>Net cash outflow from operating activities</b>		<b>(326,782)</b>	(380,322)
<b>Cash flow from investing activities</b>			
Investment in joint venture	14	<b>(1,054)</b>	-
Investment in associate	14	<b>1,100</b>	(1,100)
Purchase of intangible assets	12	<b>(63)</b>	(97)
Purchase of property, plant and equipment	11	<b>(32)</b>	(1,257)
Purchase of investments	13	<b>(3,512)</b>	(76,982)
Loan repayments received	13	<b>2,040</b>	-
Return of uninvested funds	13	<b>10,000</b>	-
Purchase of inventories	18	<b>(14,876)</b>	(9,364)
Proceeds from disposal of property, plant and equipment		<b>76</b>	-
Proceeds from disposal of investments		<b>1,818</b>	1,068
Proceeds from disposal of inventories		<b>8,016</b>	4,808
Issue of Daresbury SIC Loan Note B	15	<b>(5,862)</b>	-
Repayment of loan note	15	<b>12,000</b>	8,000
<b>Net cash outflow from investing activities</b>		<b>9,651</b>	(74,924)

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	<i>Note</i>	2011	2010
		£000	Restated £000
<b>Cash flows from financing activities</b>			
Grant in Aid received from BIS		317,543	387,148
EU financing for assets		436	61,158
Homes and Communities Agency financing for assets		6,101	4,832
		<b>324,080</b>	453,138
<b>Net financing</b>			
Net increase in cash and cash equivalents in the period		6,949	(2,108)
<b>Cash and cash equivalents at 1 April 2010:</b>			
Cash at bank and in hand		85,119	87,227
<b>Cash and cash equivalents at 31 March 2011</b>		<b>92,068</b>	85,119

The notes on pages 53 to 96 form part of these accounts

## Statement of Agency Cash Flows

*For the year ended 31 March 2011*

	<i>Note</i>	<b>2011</b>	2010
		<b>£000</b>	Restated £000
<b>Cash outflows from operating activities</b>			
Net expenditure after interest		<b>(246,178)</b>	(404,662)
Adjustments for:			
Depreciation and amortisation	6	<b>825</b>	1,212
Non-cash pension costs		-	32
(Profit) on disposal of inventories and property, plant and equipment		<b>(6)</b>	(126)
(Profit) on disposal of investments		<b>(1,702)</b>	-
Property, plant & equipment valuation write-down	11	<b>39</b>	169
Investments valuation write-down	13	<b>4,268</b>	4,123
Investments valuation write-back	13	-	(2,524)
Inventories valuation write-down	18	<b>11,485</b>	9,371
Inventories valuation write-back	18	<b>(1,003)</b>	(683)
(Surplus)/loss from share in subsidiaries	6	<b>780</b>	180
(Surplus)/loss from share in joint ventures	6	<b>3,193</b>	(453)
(Surplus)/loss from share in associates	6/7	<b>103</b>	236
		<b>(228,196)</b>	(393,125)
(Increase) in trade and other receivables	19	<b>(13,584)</b>	(5,013)
(Decrease)/increase in trade and other payables	21	<b>(81,877)</b>	19,732
(Decrease) in provisions	22	<b>(1,068)</b>	(1,163)
		<b>(324,725)</b>	(379,569)
Taxation paid		<b>(1,946)</b>	(164)
<b>Net cash outflow from operating activities</b>		<b>(326,671)</b>	(379,733)
<b>Cash flow from investing activities</b>			
Investment in subsidiary	14	<b>5,250</b>	(18,500)
Investment in joint venture	14	<b>(1,054)</b>	-
Investment in associate	14	<b>1,100</b>	(1,100)
Purchase of property, plant and equipment	11	-	(778)
Purchase of investments	13	<b>(590)</b>	(76,407)
Return of uninvested funds	13	<b>10,000</b>	-
Loan repayments received	13	<b>1,785</b>	-
Purchase of inventories	18	<b>(14,876)</b>	(9,364)
Proceeds from disposal of property, plant and equipment		<b>76</b>	-
Proceeds from disposal of investments		<b>1,818</b>	1,066
Proceeds from disposal of inventories		<b>8,016</b>	4,808
Issue of Daresbury SIC Loan Note B	15	<b>(5,862)</b>	-
Repayment of loan note	15	<b>12,000</b>	8,000
<b>Net cash outflow from investing activities</b>		<b>17,663</b>	(92,275)

**North West Development Agency**  
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	<i>Note</i>	<b>2011</b>	2010
		<b>£000</b>	Restated £000
<b>Cash flows from financing activities</b>			
Grant in Aid received from BIS		<b>317,543</b>	387,148
EU financing for assets		<b>436</b>	61,158
Homes and Communities Agency financing for assets		<b>6,101</b>	4,832
		<b><u>324,080</u></b>	<u>453,138</u>
<b>Net financing</b>			
Net increase in cash and cash equivalents in the period		<b>15,072</b>	(18,870)
<b>Cash and cash equivalents at 1 April 2010:</b>			
Cash at bank and in hand		<b>66,134</b>	85,004
<b>Cash and cash equivalents at 31 March 2011</b>		<b><u>81,206</u></b>	<u>66,134</u>

The notes on pages 53 to 96 form part of these accounts

**Statement of Changes in Taxpayers' Equity -Group**

	General reserve	Revaluation Reserve	Grant in Aid Reserve	Total reserves
	£000	£000	£000	£000
<b>Balance at 1 April 2009</b>	9,518	57,022	7,713	74,253
<b>Changes in taxpayers' equity for 2009/10</b>				
Additions	67,583	-	-	67,583
Disposals	(817)	-	-	(817)
Amounts released to income	(776)	-	-	(776)
Surplus /Share of net assets of subsidiaries	-	-	(22)	(22)
Transfers between reserves	(4,963)	(52,827)	57,790	-
Actuarial loss	(73)	-	-	(73)
Net loss on revaluation of Inventories	-	(2,042)	-	(2,042)
Retained deficit	(103)	-	(407,081)	(407,184)
<b>Total recognised income and expense for 2009/10</b>	60,851	(54,869)	(349,313)	(343,331)
Grant in Aid from BIS	-	-	387,148	387,148
<b>Balance at 31 March 2010</b>	70,369	2,153	45,548	118,070
<b>Balance at 1 April 2010</b>	70,369	2,153	45,548	118,070
<b>Changes in taxpayers' equity for 2010/11</b>				
Additions	6,603	-	-	6,603
Disposals	(67)	-	-	(67)
Transfers to reserves	(4,271)	-	4,271	-
Actuarial gain	13	-	-	13
Net loss on revaluation of Inventories	-	(471)	-	(471)
Retained deficit	(3,295)	-	(244,326)	(247,621)
<b>Total recognised income and expense for 2010/11</b>	(1,017)	(471)	(240,055)	(241,543)
Grant in Aid from BIS	-	-	317,543	317,543
<b>Balance at 31 March 2011</b>	69,352	1,682	123,036	194,070

**Statement of Changes in Taxpayers' Equity – Agency**

	General reserve £000	Revaluation Reserve £000	Grant in Aid Reserve £000	Total reserves £000
<b>Balance at 1 April 2009</b>	9,518	57,022	6,973	73,513
<b>Changes in taxpayers' equity for 2009/10</b>				
Additions	67,583	-	-	67,583
Disposals	(817)	-	-	(817)
Amounts released to income	(776)	-	-	(776)
Transfers to reserves	(4,963)	(52,827)	57,790	-
Actuarial loss	(73)	-	-	(73)
Net loss on revaluation of Inventories	-	(2,042)	-	(2,042)
Retained deficit	(283)	-	(406,260)	(406,543)
<b>Total recognised income and expense for 2009/10</b>	<b>60,671</b>	<b>(54,869)</b>	<b>(348,470)</b>	<b>(342,668)</b>
 Grant in Aid from BIS	 -	 -	 387,148	 387,148
<b>Balance at 31 March 2010</b>	<b>70,189</b>	<b>2,153</b>	<b>45,651</b>	<b>117,993</b>
 <b>Balance at 1 April 2010</b>	 <b>70,189</b>	 <b>2,153</b>	 <b>45,651</b>	 <b>117,993</b>
<b>Changes in taxpayers' equity for 2010/11</b>				
Additions	6,603	-	-	6,603
Disposals	(67)	-	-	(67)
Transfers between reserves	(4,271)	-	4,271	-
Actuarial gain	13	-	-	13
Net loss on revaluation of Inventories	-	(471)	-	(471)
Retained deficit	(4,075)	-	(243,600)	(247,675)
<b>Total recognised income and expense for 2010/11</b>	<b>(1,797)</b>	<b>(471)</b>	<b>(239,329)</b>	<b>(241,597)</b>
 Grant in Aid from BIS	 -	 -	 317,543	 317,543
<b>Balance at 31 March 2011</b>	<b>68,392</b>	<b>1,682</b>	<b>123,865</b>	<b>193,939</b>



## **Notes to the financial statements**

### **1. Statement of accounting policies**

These financial statements have been prepared in accordance with the 2010/11 Government Financial Reporting Manual (FReM) issued by H M Treasury and in a form directed by the Secretary of State for Business, Innovation and Skills, with the approval of H M Treasury, in accordance with the Regional Development Agencies Act 1998. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the North West Development Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the North West Development Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The Agency was issued with a new Accounts Direction on 24 February 2011 which is effective for the 2010/11 financial year.

#### **1.1 Going concern**

Following the general election last year, the coalition Government outlined a series of proposed changes to how local economic development will be delivered, including its intention to abolish the Regional Development Agencies. Since the North West Development Agency was established by statute through the Regional Development Agencies Act 1998, further legislation is required to effect its abolition. To this end, the Government published the Public Bodies Bill in Parliament on 29 October 2010. Whether the North West Development Agency will be abolished, and any resulting timetable for abolition, is subject to the passage of this legislation and has yet to be decided.

Ministers have confirmed that there will be an orderly transition to closure and that some Regional Development Agency activities will transfer to other parts of government. These have already begun; inward investment activity transferred to UKTI on 1 April 2011, and the ERDF programme transferred to the Department for Communities and Local Government and the RDPE programme transferred to the Department for the Environment, Food and Rural Affairs, both with effect from 1 July 2011. A series of further transfers to other parts of Government are planned throughout 2011-12. As abolition arrangements have yet to be confirmed there is a material uncertainty that casts significant doubt upon the North West Development Agency's ability to continue to operate in its current form and exercise its current powers under the Regional Development Agencies Act 1998.

Management has considered the circumstances described above. Whilst there is a material uncertainty over the future of the organisation, management has concluded that, in the absence of the passing of the legislation necessary to abolish the North West Development Agency, it is appropriate to continue to adopt the going concern basis in preparing the Annual Report and financial statements, until such time as this legislation is passed.

**Notes (continued)**

**1. Statement of accounting policies (continued)**

**1.2 Accounting convention**

These accounts have been prepared under the historical cost convention, modified by the revaluation of non-current assets, and, where material, current asset investments and stocks to fair value as determined by the relevant accounting standard.

**1.3 Change of accounting policy**

With effect from the 2010/11 reporting period the FReM no longer requires a cost of capital charge to be reflected in the financial statements. The effect of this change is that the cost of capital charge and reversal is no longer shown on the face of the Group and Agency Statements of Comprehensive Net Expenditure. There is no impact on the net expenditure taken to reserves, nor is there any impact on the Statement of Financial Position.

**1.4 Basis of consolidation**

The consolidated accounts incorporate the accounts of the Agency and its subsidiary undertakings North West Business Link Limited, Estuary Management Company Limited, NW VCLF HF LLP, NorwePP (NWDA Subsidiary) Limited and Rural Regeneration Cumbria Limited.

Joint ventures relating to New East Manchester Limited, Central Salford Urban Regeneration Company Limited, Re Blackpool Urban Regeneration Company Limited, NorwePP Limited Partnership, NorwePP (General Partner) Limited and Daresbury SIC (Pubsec) LLP have been accounted for on an equity accounting basis.

Investments in associate undertakings relating to Liverpool Vision Limited, Furness West Cumbria New Vision URC Limited, Maryport Developments Limited, North West Business Finance Limited, Cumbria Vision Limited, Daresbury Science and Innovation Campus Limited and Hadrian's Wall Heritage Limited have been consolidated on an equity accounting basis.

**1.5 Presentation currency policy**

The accounts are presented wholly in pounds sterling and, unless specifically stated otherwise, all figures have been rounded to the nearest thousand pounds sterling.

**1.6 Accounting estimates policy**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of income and expenditure. All estimates are based on knowledge of current facts and circumstances, assumptions concerning past events and forecasts of future events and actions. For example, pension provision liabilities are assessed by actuaries and are based on factors such as life expectancy, age of scheme members, prevailing interest and inflation rates and projected returns on invested funds. Actual results may differ from these estimates.

**Notes (continued)**

**1. Statement of accounting policies (continued)**

**1.7 Property, plant and equipment**

Land and buildings held as tangible operating assets are shown in the Statement of Financial Position at fair value.

All other property, plant and equipment is stated at fair value. Depreciated historic cost has been used as a proxy for fair value as the assets are of low value and short life.

Valuations have been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (6<sup>th</sup>. Edition) published by RICS. A valuation of the whole portfolio was carried out as at 31 December 2010 and again as at 31 March 2011 by King Sturge, Chartered Surveyors.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the Revaluation Reserve in taxpayers' equity. Decreases that offset previous increases of the same asset are charged against the Revaluation Reserve; all other decreases are charged to the Statement of Comprehensive Net Expenditure. Acquisitions and disposals of land and buildings are accounted for on the date of legal completion.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Net Expenditure.

Assets are capitalised where the cost exceeds £500 on a grouped basis where appropriate.

**1.8 Depreciation and amortisation**

Land is not depreciated. Depreciation and amortisation on other assets is provided to write off the cost or revalued amounts of property, plant and equipment and intangible assets over their anticipated useful lives on a straight line basis at the following annual rates:

Property, plant and equipment:	
Owned property	50 years
Leasehold buildings with less than 25 years to run	Period of lease
Plant and equipment	5 years
Office furniture, fittings and equipment	5 years
Computer equipment	3 years
Intangible assets:	
Software licences	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each financial year.

## Notes (continued)

### 1. Statement of accounting policies (continued)

#### 1.9 Intangible assets

Software licences are stated at fair value. Depreciated historic cost has been used as a proxy for fair value as the assets are of low value and short life.

#### 1.10 Investments

Loan investments in venture capital trusts are shown at cost and net of provision for amounts considered doubtful and of write-offs for amounts considered irrecoverable (i.e. at fair value). Provision has been made for all loans where recovery appears doubtful. No loan is written off until the impossibility of recovery is beyond doubt. Approval from the Department for Business, Innovation and Skills (BIS) is obtained for any write-off in excess of £250,000.

Returns on loan investments in venture capital trusts are shown at market value over and above the value of the loan.

Movements arising on the revaluation of investments are reflected in the Revaluation Reserve, except for impairments and reductions in value below historical cost, which are reported in the Statement of Comprehensive Net Expenditure.

#### 1.11 Inventories

Inventory assets, consisting of land and buildings, are held short term for disposal. They are shown at fair value less cost to sell, any reductions in carrying value being written off to the Statement of Comprehensive Net Expenditure. Cost to sell takes account of purchaser's acquisition costs for investment valuations in accordance with market conventions but excludes any expenses which would be incurred on a realisation or disposal. Movements arising on the revaluation of development assets in excess of historical cost are reflected in the Revaluation Reserve, after eliminating the overall accumulated unrealised deficit, as originally charged to the Statement of Comprehensive Net Expenditure.

Valuations have been carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (6<sup>th</sup> Edition) published by RICS. A valuation of the whole portfolio was carried out as at 31 December 2010 and again as at 31 March 2011 by King Sturge, Chartered Surveyors.

Increases in the carrying amount arising on revaluation of development assets are credited to the Revaluation Reserve in taxpayers' equity. Decreases that offset previous increases of the same asset are charged against the Revaluation Reserve; all other decreases are charged to the Statement of Comprehensive Net Expenditure. Acquisitions and disposals of development assets are accounted for on the date of legal completion.

## Notes (*continued*)

### 1. Statement of accounting policies (*continued*)

#### 1.12 Pension costs

Past and present employees of the Agency are covered by the provisions of the following defined benefit schemes: the Principal Civil Service Pension Scheme (PCSPS) and the Homes and Communities Agency Pension Scheme. These are multi-employer schemes in which it is impossible to identify the share of the underlying assets and liabilities relating to the Agency. Employer contributions to these schemes are accounted for in the period to which they relate.

The 'by analogy' scheme is for Chairs past and present with rules equivalent to those of the PCSPS. The arrangement is a UK-based benefit promise made by the employer, providing benefits at retirement and on death-in-service. The arrangement is unfunded and the employer pays benefits as and when they arise. Further details are provided in the remuneration report.

The scheme is subject to regular valuations by independent, professionally qualified actuaries. These determine the level of contributions required to fund future benefits. Differences between actual and expected returns on assets during the year are recognised in the Statement of Changes in Taxpayers' Equity, together with differences arising from changes in actuarial assumptions.

#### 1.13 Government grants

The Agency's activities are funded primarily by Grant in Aid provided by BIS for specified types of expenditure. Grant in Aid used to finance activities and expenditure which support the statutory and other objectives of the Agency are treated as financing and are credited to the Grant in Aid Reserve as they are regarded as contributions from a controlling party.

Grant relating to capital expenditure used to acquire specific capital items is credited to Grant in Aid Reserve and grants to fund revenue expenditure are credited to the Statement of Comprehensive Net Expenditure.

#### 1.14 European grants

The Agency's activities are funded in part by European Funding for specified types of expenditure. European Funding Grants receivable of a revenue nature are credited to the Statement of Comprehensive Net Expenditure in the year to which they relate. European Funding Grants in respect of capital expenditure are credited to the General Reserve and released to the Statement of Comprehensive Net Expenditure either over the expected useful life of the asset for assets that are depreciated or, upon disposal or loss in value, for assets that are not depreciated.

**Notes (continued)**

**1. Statement of accounting policies (continued)**

**1.15 Deferred Taxation**

Full provision has been made for deferred tax liabilities arising from timing differences between the recognition of gains and losses in the Financial Statements and their recognition in the tax computation. In accordance with IAS 12 a deferred tax asset is only recognised if there is sufficient evidence that it is likely to be recoverable at the Statement of Financial Position date.

**1.16 Foreign currency transactions**

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

**1.17 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the period of the lease.

There are no finance leases.

**1.18 Financial instruments**

The Agency has no borrowings and relies primarily on departmental Grant in Aid for its cash requirements and is therefore not exposed to liquidity risks. It has no material deposits and all material assets and liabilities are denominated in sterling, so there is no exposure to interest rate risk or currency risk. Transactions entered into which result in receivables due after more than one year have a low credit risk.

**Recognition:**

Financial assets and financial liabilities are recognised when the Agency becomes a party to the contractual provisions of the instrument.

**De-recognition:**

All financial instruments are de-recognised when the rights to receive cash flows from the assets have expired or the Agency has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

**Classification and measurement:**

The Agency has assessed its assets and liabilities in accordance with IAS39.

All its financial assets are classified as "loans and receivables" and all financial liabilities as "other financial liabilities".

## Notes (continued)

### 1. Statement of accounting policies (*continued*)

#### 1.18 Financial instruments (*continued*)

##### **Loans and receivables:**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are recognised at fair value and are measured subsequently at amortised cost.

Short-term loans and receivables are initially measured at original invoice amount and subsequently measured after deducting any provision for impairment. Any impairment is charged to the Statement of Comprehensive Net Expenditure as it arises.

The Agency's loans and receivables comprise: investments, long term loans, trade and other receivables and cash and cash equivalents.

##### **Financial liabilities:**

Financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost.

Short-term financial liabilities are measured at original invoice amount.

##### **Impairment of financial assets:**

An assessment of whether there is objective evidence of impairment is carried out for all financial assets at the Statement of Financial Position date. A financial asset is considered to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the charge to the Statement of Comprehensive Net Expenditure reflects the movement in the level of provisions made, together with amounts written off in the year.

#### 1.19 Operating income

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

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

#### 1.20 Grants payable

Grants payable are recognised in the period in which the underlying event or activity giving entitlement to the grant occurs.

**Notes (continued)**

**1. Statement of accounting policies (continued)**

**1.21 Grant repayments**

Grant repayments are recognised as income on a receivable basis. The Agency's entitlement to grant repayment would crystallise in the event of any breach of grant conditions.

**1.22 Provisions**

The Agency makes provision for liabilities and charges in accordance with IAS37 where, at the end of the financial year, a legal or constructive obligation (i.e. a present obligation from past events) exists, the transfer of economic benefits is probable and a reasonable estimate of the obligation can be made.

**1.23 VAT**

Expenditure is stated net of Value Added Tax.

Irrecoverable VAT is written off to the Statement of Comprehensive Net Expenditure.

**1.24 Standards issued but not yet effective**

As mentioned in 1 above, the Agency is governed by the Financial Reporting Manual (FReM) as issued by HM Treasury. As such the adoption of any new IFRS's is governed by their adoption into the FReM.

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

There has been no early adoption of IFRS changes.

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

- Amendments to IFRS 7, "Disclosures –Transfer of Financial Assets"
- Amendments to IAS 1, "Presentation of Financial Statements"
- Amendments to IAS 12, "Deferred Tax; Recovery of Underlying Assets"
- Amendments to IAS 19, "Employee Benefits"
- Amendments to IAS 24, "Related Party Disclosures"
- Amendments to IAS 27, "Consolidated and Separate Financial Statements"
- Amendments to IAS 34, "Interim Financial Reporting"



**Notes (continued)**

**2. Prior period adjustment**

Prior period adjustments have been made to the Statement of Comprehensive Net Expenditure and Statement of Cash Flows in relation to the changes to the FReM that no longer require the calculation or disclosure of notional capital charges (see note 1.3). The impact on the prior period is as follows:

	<b>Group</b>	<b>Agency</b>
	<b>£000</b>	<b>£000</b>
<b>Statement of Comprehensive Net Expenditure</b>		
Net expenditure on ordinary activities after taxation (reported 2010)	407,184	406,543
Notional capital charge	5,213	5,213
Net expenditure after notional capital charge	412,397	411,756
Add back notional capital charge	(5,213)	(5,213)
<b>Net expenditure for the year (reported 2011)</b>	<b>407,184</b>	<b>406,543</b>
<b>Statement of cash flows</b>		
Net expenditure after cost of capital and interest (reported 2010)	(410,516)	(409,875)
Adjustments for cost of capital charge	5,213	5,213
<b>Net expenditure after interest (reported 2011)</b>	<b>(405,303)</b>	<b>(404,662)</b>

**Notes (continued)**

**3. Analysis of expenditure by segment**

The Corporate Plan 2008-2011 set out how the Agency would deliver its major responsibilities under the Regional Economic Strategy (RES). This was presented under 11 corporate objectives listed below which are designed to improve competitiveness and productivity across the region's business, people and places.

	<b>2011</b>	<b>2011</b>	2010	2010
	<b>Group</b>	<b>Agency</b>	Group	Agency
	<b>£000</b>	<b>£000</b>	£000	£000
Programme expenditure analysis by objective:				
Internationally competitive sectors	<b>45,116</b>	<b>45,116</b>	64,342	64,342
Enterprise	<b>25,068</b>	<b>39,586</b>	65,470	90,960
Innovation	<b>23,553</b>	<b>23,553</b>	30,141	30,141
Internationalisation	<b>4,842</b>	<b>4,842</b>	7,751	7,751
Leadership	<b>6,296</b>	<b>6,296</b>	7,326	7,326
Higher level skills	<b>8,050</b>	<b>8,050</b>	12,689	12,689
Size of the workforce	<b>(219)</b>	<b>(219)</b>	5,083	5,083
Employment sites	<b>34,298</b>	<b>34,298</b>	25,644	25,644
Creating conditions for private sector investment	<b>65,632</b>	<b>65,632</b>	112,904	112,904
Climate change and sustainable consumption	<b>10,357</b>	<b>10,357</b>	13,063	13,063
Marketing the region	<b>4,343</b>	<b>4,343</b>	11,105	11,105
	<b>227,336</b>	<b>241,854</b>	355,518	381,008
Other	<b>7,471</b>	<b>7,609</b>	23,814	23,814
Total programme expenditure	<b>234,807</b>	<b>249,463</b>	379,332	404,822
European funding expenditure	<b>58,671</b>	<b>59,708</b>	193,486	203,484
	<b>293,478</b>	<b>309,171</b>	572,818	608,306
Other expenditure not classified by reporting segment <25%	<b>52,770</b>	<b>52,770</b>	76,302	50,501
	<b>346,248</b>	<b>361,941</b>	649,120	658,807
Expenditure contained in:				
Statement of Comprehensive Net Expenditure:				
Grants paid to private sector	<b>116,197</b>	<b>130,715</b>	199,301	215,540
Grants paid to public sector	<b>73,772</b>	<b>73,772</b>	130,146	130,146
Non-grant programme expenditure	<b>23,659</b>	<b>23,797</b>	43,719	43,719
Programme expenditure	<b>213,628</b>	<b>228,284</b>	373,166	389,405
European funding expenditure	<b>58,671</b>	<b>59,708</b>	141,640	142,389
Statement of Financial Position:				
Operating assets	<b>(20)</b>	<b>(20)</b>	22	22
Investments	<b>173</b>	<b>173</b>	47,526	47,526
Investments in subsidiaries	<b>7,250</b>	<b>7,250</b>	-	18,500
Investments in associates	<b>(1,100)</b>	<b>(1,100)</b>	1,100	1,100
Inventories – development assets	<b>14,876</b>	<b>14,876</b>	9,364	9,364
	<b>293,478</b>	<b>309,171</b>	572,818	608,306
Other expenditure not classified by reporting segment <25%	<b>52,770</b>	<b>52,770</b>	76,302	50,501
Total expenditure	<b>346,248</b>	<b>361,941</b>	649,120	658,807

Income, expenditure and assets & liabilities are not reported by segment as there is no relevant method of analysing them by the above objectives.

**Notes (continued)**

**4. Staff numbers and related costs**

	2011 Group £000	2011 Agency £000	2010 Group £000	2010 Agency £000
<b>Board Members</b>				
Board Members' salaries	220	220	220	220
Chair's pension contributions	9	9	37	37
Social security costs	17	17	16	16
	<u>246</u>	<u>246</u>	<u>273</u>	<u>273</u>
<b>Staff</b>				
Salaries and wages	27,150	16,351	32,243	18,945
Pension costs	4,369	3,136	4,804	3,560
Social security costs	2,715	1,432	2,999	1,633
Redundancy costs	4,808	2,497	1,189	1,189
	<u>39,042</u>	<u>23,416</u>	<u>41,235</u>	<u>25,327</u>
<b>Temporary staff</b>				
Recruitment agency staff	342	241	802	802
Seconded staff salary costs	115	115	247	247
	<u>457</u>	<u>356</u>	<u>1,049</u>	<u>1,049</u>
Total salaries and wages	<u>39,745</u>	<u>24,018</u>	<u>42,557</u>	<u>26,649</u>

The average number of staff employed by the Agency during the year (including all seconded staff) was 412 (2010: 482). The figures do not include recruitment agency staff.

**A. Agency**

Department	2011 Senior Management	2011 Staff	2011 Seconded In Staff	2011 Total	2010 Total
Chief Executive's Office	1	6	-	7	9
Human Resource Development	1	17	-	18	17
Economic Development	1	202	6	209	244
Marketing and Communications	-	22	-	22	29
Tourism	-	10	-	10	12
Policy and Planning	1	45	-	46	53
Resources	1	95	-	96	112
National Secretariat	-	4	-	4	6
	<u>5</u>	<u>401</u>	<u>6</u>	<u>412</u>	<u>482</u>

**Notes (continued)**

**4. Staff numbers and related costs (continued)**

**Staff sickness absence data**

Total number of sick absence days for the year: 2,075 (2010: 2,835). This figure includes 749 days (2010: 1,103) attributable to long term sickness. Average sick absence days (excluding long term sick): 4.1 days (2010: 3.6).

**B. Subsidiaries**

Average number of staff employed by subsidiaries during the year:

	<b>2011 Total</b>	2010 Total
Northwest Business Link	<b>280</b>	346

**Reporting of Civil Service and other compensation schemes –exit packages**

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	2010
< £10,000	-	22	22	1
£ 10,000 - £ 25,000	-	44	44	6
£ 25,001 - £ 50,000	-	34	34	1
£ 50,001 - £100,000	1	7	8	2
£ 100,001 - £150,000	-	-	-	-
£ 150,001 - £200,000	-	-	-	-
<b>Total number of exit packages</b>	<b>1</b>	<b>107</b>	<b>108</b>	10
<b>Total resource cost / £000</b>	<b>34</b>	<b>2,414</b>	<b>2,448</b>	266

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Agency has agreed early retirements, the additional costs are met by the Agency and not by the Civil Service pension scheme and are not included in the table.

## Notes (continued)

### 5. Pensions

#### Principal Civil Service Pension Scheme (PCSPS)

The PCSPS scheme is an unfunded multi-employer defined benefit scheme but NWDA is unable to identify its share of underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)). For 2010/11, employers' contributions of £2,899,590 were payable to the PCSPS (2009/10 £3,335,865) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they accrue, not the costs as they are actually incurred, and reflect past experience of the scheme.

From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium, and classic plus). New entrants after 1 October 2002 could choose between membership of premium or joining a good quality "money purchase" stakeholder arrangement with a significant employer contribution (partnership pension account). From 30 July 2007 new entrants may choose between the new nuvos "career average" defined benefit scheme or the partnership pension account. All the schemes, apart from the partnership pension account, are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Consumer Prices Index.

#### Classic Scheme

Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on 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 widow(er) pensions.

#### Premium Scheme

Benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum up to a maximum of 3/80ths of final pensionable earnings for each year of service or 2.25 times pension if greater (the commutation rate is £12 of lump sum for each £1 of pension given up). For the purposes of pension disclosure the tables assume maximum commutation. Members pay contributions of 3.5% of pensionable earnings. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 3/8ths the member's pension (before any commutation). On death in service, the scheme pays a lump-sum benefit of three times pensionable earnings and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service

**Notes (continued)**

**5. Pensions (continued)**

and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately without actuarial reduction. Where the member's ill health is such that it permanently prevents them undertaking any gainful employment, service is enhanced to what they would have accrued at age 60.

**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.

**Nuvos Scheme**

Benefits accrue at the rate of 2.3% of pensionable salary for each year of service. Members pay contributions of 3.5% of pensionable earnings. The maximum pension payable is 75% of pensionable earnings. Members may commute part of their pension for a lump sum up to a maximum calculated as the member's pension multiplied by 30 and divided by 7 (the commutation rate is £12 of lump sum for each £1 of pension given up). The scheme has a pension age of 65. On death, pensions are payable to the surviving spouse at a rate of 37.5% of 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. Where the member's ill health permanently prevents them undertaking any gainful employment, service may be enhanced to what they would have accrued at age 65.

Pensions payable under classic, premium, classic plus and nuvos are increased in line with the Consumer Prices Index.

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

**Partnership Pension Scheme**

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement). In 2010/11 employers' contributions of £66,413 (2009/10 £51,767) were paid to one or more of a panel of three appointed stakeholder pension providers, with £4,153 (2009/10 £3,455) being the cost of risk benefit cover.

**Notes (continued)**

**5. Pensions (continued)**

**Homes and Communities Agency Pension Scheme**

Former employees of English Partnerships participate in the Homes and Communities Agency Pension Scheme. This scheme is a multi-employer defined benefit scheme but NWDA is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2010 and more details can be found in the separate scheme statement of the Homes and Communities Agency Pension Scheme. For 2010/11, normal employer contributions of £175,606 were payable to the Homes and Communities Agency Pension Scheme (2009/10 £184,911) at the rate of 29.1% of pensionable pay (2009/10 29.1%). It has been agreed that contributions will be reviewed on an annual basis although the Actuary conducts a full revaluation of the fund every three years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme. At the Statement of Financial Position date there were no outstanding or prepaid contributions to the scheme.

**Pension benefits of Board Members**

No Board Members are eligible for a pension, performance related pay or any other taxable benefit as a result of employment with the Agency with the exception of the Chairman.

**Pension benefits of the Chairman**

With the approval of BIS, a 'by analogy' pension scheme has been put in place for the Chairman with contribution rates and benefits which are identical to the Principal Civil Service Pension Scheme (PCSPS) but which are funded directly by the Agency. The Agency is not permitted to pay these contributions to a personal pension scheme or other pension plan provider. On retirement, payment of the Chairman's pension will be the responsibility of the Agency, underwritten by BIS.

**Notes (continued)**

**6. Other expenditure**

	<b>Group</b>	<b>Agency</b>	<b>Group</b>	<b>Agency</b>
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Depreciation:</b>				
Depreciation of property, plant and equipment	1,173	679	1,766	850
Amortisation of intangible assets	340	146	444	362
	<u>1,513</u>	<u>825</u>	<u>2,210</u>	<u>1,212</u>
<b>Book value of sales:</b>				
Property, Plant & Equipment	75	75	-	-
Inventories - development assets	1,498	1,498	4,681	4,681
Investments	49	49	378	378
	<u>1,622</u>	<u>1,622</u>	<u>5,059</u>	<u>5,059</u>
<b>Other Losses:</b>				
Asset valuation write-downs:				
Property, Plant & Equipment	39	39	181	181
Inventories - development assets	11,485	11,485	9,371	9,371
Investments	4,268	4,268	4,123	4,123
	<u>15,792</u>	<u>15,792</u>	<u>13,675</u>	<u>13,675</u>
Losses from shares in:				
Subsidiaries	-	780	-	354
Joint ventures	3,193	3,193	2	2
Associates	257	257	238	238
	<u>19,242</u>	<u>20,022</u>	<u>13,915</u>	<u>14,269</u>
<b>Other administration expenditure:</b>				
Marketing and PR	1,862	601	5,830	2,051
Office costs	3,070	2,024	3,915	3,101
IT and communication	2,093	602	3,174	1,439
Rentals under operating leases	2,362	1,713	2,248	1,817
Other staff costs	823	455	2,161	1,081
Travel and subsistence	956	626	1,654	1,146
Professional costs	1,009	643	1,902	1,504
External auditors' remuneration	124	88	111	83
Estate management	290	2	294	3
Bad and doubtful debts	523	523	7	(3)
	<u>13,112</u>	<u>7,277</u>	<u>21,296</u>	<u>12,222</u>
	<u>35,489</u>	<u>29,746</u>	<u>42,480</u>	<u>32,762</u>
During the year the Agency purchased the following non-audit services from its auditor, the Comptroller and Auditor General:				
IFRS audit	-	-	7	7
Independent Supplementary Review	-	-	77	77



**Notes (continued)**

**7. Income**

	<b>Group 2011 £000</b>	<b>Agency 2011 £000</b>	<b>Group 2010 £000</b>	<b>Agency 2010 £000</b>
Activity based income:				
European funding	<u>71,040</u>	<u>71,040</u>	<u>144,885</u>	<u>144,885</u>
Other activity based income:				
Coalfields and other government grants	7,060	1,944	21,854	14,223
Self-generated income:				
Rents and maintenance charges	2,157	1,950	2,635	2,317
Clawback of grant and contributions	5,389	5,389	2,290	2,290
Other Income	<u>7,937</u>	<u>7,584</u>	<u>10,305</u>	<u>10,122</u>
	<u>22,543</u>	<u>16,867</u>	<u>37,084</u>	<u>28,952</u>
Proceeds from sales:				
Property, plant and equipment	76	76	-	-
Inventories - development assets	1,503	1,503	4,808	4,808
Investments	<u>1,751</u>	<u>1,751</u>	<u>378</u>	<u>378</u>
	<u>3,330</u>	<u>3,330</u>	<u>5,186</u>	<u>5,186</u>
Other gains:				
Asset valuation write-backs :				
Operating assets	-	-	12	12
Inventories - development assets	1,003	1,003	683	683
Investments	<u>-</u>	<u>-</u>	<u>2,524</u>	<u>2,524</u>
	<u>1,003</u>	<u>1,003</u>	<u>3,219</u>	<u>3,219</u>
Surplus from shares in:				
Subsidiaries	-	-	-	174
Joint ventures	-	-	455	455
Associates	<u>154</u>	<u>154</u>	<u>2</u>	<u>2</u>
	<u>1,157</u>	<u>1,157</u>	<u>3,676</u>	<u>3,850</u>
<b>Total income</b>	<u><u>98,070</u></u>	<u><u>92,394</u></u>	<u><u>190,831</u></u>	<u><u>182,873</u></u>

**Notes (continued)**

**8. Interest payable/(receivable)**

	<b>Group</b>	<b>Agency</b>	Group	Agency
	<b>2011</b>	<b>2011</b>	2010	2010
	<b>£000</b>	<b>£000</b>	£000	£000
<b>Other</b>	<u><b>19</b></u>	<u><b>19</b></u>	<u>(3)</u>	<u>(3)</u>

**9. Interest receivable and similar income**

	<b>Group</b>	<b>Agency</b>	Group	Agency
	<b>2011</b>	<b>2011</b>	2010	2010
	<b>£000</b>	<b>£000</b>	£000	£000
Interest on Loan Notes	<b>2,949</b>	<b>2,949</b>	3,320	3,320
Bank interest receivable	<b>409</b>	<b>253</b>	124	85
Miscellaneous interest	<b>1</b>	<b>1</b>	141	141
Income from joint venture	<b>-</b>	<b>-</b>	121	121
<b>Total income</b>	<u><b>3,359</b></u>	<u><b>3,203</b></u>	<u>3,706</u>	<u>3,667</u>

**Notes (continued)**

**10. Taxation**

**a) Analysis of the tax charge in year:**

	2011 £000	2010 £000
<i>Current taxation</i>		
UK Corporation Tax	871	552
Adjustments in respect of prior years	627	1,329
	<b>1,498</b>	<b>1,881</b>

**b) Factors affecting the tax charge for the year:**

The effective rate of tax for the year is more than the standard rate of Corporation Tax in the UK of 28%.  
The differences are explained below

Net expenditure on ordinary activities	<b>(246,123)</b>	<b>(405,303)</b>
Net expenditure on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 28% NWDA and 21% Northwest Business Link	<b>(68,918)</b>	(113,440)
<i>Effect of:</i>		
Income and expenditure not subject to Corporation Tax	<b>164</b>	37
Non taxable grant funding	<b>(30,872)</b>	(45,773)
Non relieviable grant funded expenditure	<b>98,774</b>	159,673
Expenses not deductible for tax purposes	<b>84</b>	78
Depreciation for the year in excess of capital allowances	<b>(3)</b>	8
Utilisation/creation of Self Generated Funds deficit	<b>852</b>	(498)
Other timing differences	<b>(1)</b>	1
Results of NorwePP LP	<b>56</b>	160
Results of Rising Stars	<b>40</b>	-
Results of North West Seed Fund	<b>30</b>	50
Results of North West BIS	<b>539</b>	236
Results of NW VCLF HF LLP	<b>12</b>	10
Adjustments in respect of prior years	<b>627</b>	1,328
Adjustments in respect of interest held on Statement of Financial Position (current year)	<b>114</b>	11
	<b>1,498</b>	<b>1,881</b>

**c) Factors that may affect future tax charges/credits:**

The Agency expects its effective rate in future years to exceed the standard rate of Corporation Tax in the UK principally due to non relieviable grant funded expenditure.

A potential Deferred Tax asset totalling £2.4m has been calculated by the Agency's tax advisers for 2010/11 (2009/10 £2.6m) largely as a result of accumulated tax losses. It is not considered probable that taxable profits will arise in the future to utilise these losses. For this reason, in accordance with IAS 12, an asset has not been recognised in the accounts.

**Notes (continued)**

**11. Property, plant and equipment**

**Group**

	Land £000	Buildings £000	Leasehold improvements £000	Information technology £000	Plant and machinery £000	Furniture and fittings £000	Total £000
<b>Cost or valuation</b>							
At 1 April 2010	250	841	960	5,170	83	2,406	9,710
Additions	-	-	-	28	-	4	32
Disposals	-	-	-	(81)	-	-	(81)
Impairment	(10)	(29)	-	-	-	-	(39)
At 31 March 2011	<u>240</u>	<u>812</u>	<u>960</u>	<u>5,117</u>	<u>83</u>	<u>2,410</u>	<u>9,622</u>
<b>Depreciation</b>							
At 1 April 2010	-	89	166	3,853	32	1,785	5,925
Charged in year	-	33	132	701	16	291	1,173
Disposals	-	-	-	(6)	-	-	(6)
At 31 March 2011	<u>-</u>	<u>122</u>	<u>298</u>	<u>4,548</u>	<u>48</u>	<u>2,076</u>	<u>7,092</u>
<b>Net Book Value:</b>							
Non-current assets	<b>240</b>	<b>685</b>	<b>662</b>	<b>391</b>	<b>35</b>	<b>286</b>	<b>2,299</b>
Current assets	-	5	-	178	-	48	231
At 31 March 2011	<u><b>240</b></u>	<u><b>690</b></u>	<u><b>662</b></u>	<u><b>569</b></u>	<u><b>35</b></u>	<u><b>334</b></u>	<u><b>2,530</b></u>
At 31 March 2010	250	752	794	1,317	51	621	3,785

**Notes:**

Asset financing:- all assets are owned.

The valuation of land and buildings was carried out as at 31 March 2011 by King Sturge, Chartered Surveyors.

	Land £000	Buildings £000	Leasehold improvements £000	Information technology £000	Plant and machinery £000	Furniture and fittings £000	Total £000
<b>Cost or valuation</b>							
At 1 April 2009	380	880	959	4,340	83	1,980	8,622
Additions	-	-	1	830	-	426	1,257
Impairment	(130)	(39)	-	-	-	-	(169)
At 31 March 2010	<u>250</u>	<u>841</u>	<u>960</u>	<u>5,170</u>	<u>83</u>	<u>2,406</u>	<u>9,710</u>
<b>Depreciation</b>							
At 1 April 2009	-	39	36	2,571	15	1,498	4,159
Charged in year	-	50	130	1,282	17	287	1,766
At 31 March 2010	<u>-</u>	<u>89</u>	<u>166</u>	<u>3,853</u>	<u>32</u>	<u>1,785</u>	<u>5,925</u>
<b>Net Book Value</b>							
At 31 March 2010	<u><b>250</b></u>	<u><b>752</b></u>	<u><b>794</b></u>	<u><b>1,317</b></u>	<u><b>51</b></u>	<u><b>621</b></u>	<u><b>3,785</b></u>
At 31 March 2009	380	841	923	1,769	68	482	4,463

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**Agency**

	Land £000	Buildings £000	Leasehold improvements £000	Information technology £000	Plant and machinery £000	Furniture and fittings £000	Total £000
<b>Cost or</b>							
At 1 April 2010	250	807	960	2,750	83	1,861	6,711
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	(81)	-	-	(81)
Impairment	(10)	(29)	-	-	-	-	(39)
At 31 March 2011	240	778	960	2,669	83	1,861	6,591
<b>Depreciation</b>							
At 1 April 2010	-	72	166	1,920	32	1,429	3,619
Charged in year	-	21	132	364	16	146	679
Disposals	-	-	-	(6)	-	-	(6)
At 31 March 2011	-	93	298	2,278	48	1,575	4,292
<b>Net Book Value</b>							
At 31 March 2011	<b>240</b>	<b>685</b>	<b>662</b>	<b>391</b>	<b>35</b>	<b>286</b>	<b>2,299</b>
At 31 March 2010	250	735	794	830	51	432	3,092

	Land £000	Buildings £000	Leasehold improvements £000	Information technology £000	Plant and machinery £000	Furniture and fittings £000	Total £000
<b>Cost or</b>							
<b>valuation</b>							
At 1 April 2009	380	853	959	2,245	83	1,582	6,102
Additions	-	(7)	1	505	-	279	778
Impairment	(130)	(39)	-	-	-	-	(169)
At 31 March 2010	250	807	960	2,750	83	1,861	6,711
<b>Depreciation</b>							
At 1 April 2009	-	28	36	1,404	15	1,286	2,769
Charged in year	-	44	130	516	17	143	850
At 31 March 2010	-	72	166	1,920	32	1,429	3,619
<b>Net Book Value</b>							
At 31 March 2010	<b>250</b>	<b>735</b>	<b>794</b>	<b>830</b>	<b>51</b>	<b>432</b>	<b>3,092</b>
At 31 March 2009	380	825	923	841	68	296	3,333

**Notes (continued)**

**12. Intangible operating assets**

Intangible assets comprise software licences

	<b>Group</b> £000	<b>Agency</b> £000
<b>Cost</b>		
As at 1 April 2010	1,938	1,632
Additions in year	63	-
As at 31 March 2011	2,001	1,632
<b>Amortisation</b>		
As at 1 April 2010	1,557	1,463
Amortisation in year	340	146
As at 31 March 2011	1,897	1,609
<b>Net Book Value:</b>		
Non-current assets	<b>23</b>	<b>23</b>
Current assets	<b>81</b>	<b>-</b>
As at 31 March 2011	<b>104</b>	<b>23</b>
As at 31 March 2010	381	169
	<b>Group</b> £000	<b>Agency</b> £000
<b>Cost</b>		
As at 1 April 2009	1,841	1,632
Additions in year	97	-
As at 31 March 2010	1,938	1,632
<b>Amortisation</b>		
As at 1 April 2009	1,113	1,101
Amortisation in year	444	362
As at 31 March 2010	1,557	1,463
<b>Net Book Value</b>		
As at 31 March 2010	<b>381</b>	<b>169</b>
As at 31 March 2009	728	531

**Notes (continued)**

**13. Investments held as fixed asset investments**

**Group**

	North West BIS £000	North West Seed Fund £000	Rising Stars £000	JESSICA £000	Transitional Loan Fund £000	Held by subsidiary £000	Total £000
<b>Cost</b>							
At 1 April 2010	22,007	2,870	8,412	73,000	5,620	573	112,482
Additions	503	-	87	-	-	2,922	3,512
Return of uninvested funds	-	-	-	(10,000)	-	-	(10,000)
Disposals	(67)	-	(49)	-	-	-	(116)
Repayments in year	-	(1,785)	-	-	-	(255)	(2,040)
At 31 March 2011	22,443	1,085	8,450	63,000	5,620	3,240	103,838
<b>Impairments</b>							
At 1 April 2010	8,080	(36)	1,341	(54)	1,924	-	11,255
Movement in provision	1,789	18	2,085	90	286	-	4,268
At 31 March 2011	9,869	(18)	3,426	36	2,210	-	15,523
<b>Net Book Value</b>							
At 31 March 2011	<b>12,574</b>	<b>1,103</b>	<b>5,024</b>	<b>62,964</b>	<b>3,410</b>	<b>3,240</b>	<b>88,315</b>
<i>Net Book Value</i>							
At 31 March 2010	13,927	2,906	7,071	73,054	3,696	573	101,227
<b>Agency Interest 31 March 2011</b>							
Agency Interest 31 March 2011	75.00%	100.00%	52.94%	100.00%	100.00%	100.00%	
Agency Interest 31 March 2010	75.00%	100.00%	52.94%	100.00%	100.00%	100.00%	

**Agency**

	North West BIS £000	North West Seed Fund £000	Rising Stars £000	JESSICA £000	Transitional Loan Fund £000	Total £000
<b>Cost</b>						
At 1 April 2010	22,007	2,870	8,412	73,000	5,620	111,909
Additions	503	-	87	-	-	590
Return of uninvested funds	-	-	-	(10,000)	-	(10,000)
Disposals	(67)	-	(49)	-	-	(116)
Repayments in year	-	(1,785)	-	-	-	(1,785)
At 31 March 2011	22,443	1,085	8,450	63,000	5,620	100,598
<b>Impairments</b>						
At 1 April 2010	8,080	(36)	1,341	(54)	1,924	11,255
Movement in provision	1,789	18	2,085	90	286	4,268
At 31 March 2011	9,869	(18)	3,426	36	2,210	15,523
<b>Net Book Value</b>						
At 31 March 2011	<b>12,574</b>	<b>1,103</b>	<b>5,024</b>	<b>62,964</b>	<b>3,410</b>	<b>85,075</b>
<i>Net Book Value</i>						
At 31 March 2010	13,927	2,906	7,071	73,054	3,696	100,654

**Notes (continued)**

**13. Investments held as fixed asset investments (continued)**

The Agency has loan investments in the North West Business Investment Scheme (NW BIS), the North West Seed Fund and the Rising Stars Growth Fund. These limited partnerships provide funding, in the form of loans and equity, to small businesses in the Northwest region. After recovery of the loan investment, the Agency is entitled to a return on investments equivalent to its interest in the fund as shown above. The NW BIS has been primarily funded by the European Union with the objective of making equity based investments in small & medium enterprises (SMEs) in the Northwest region.

The Transitional Loan Fund was established to provide loans to SMEs in the region to obtain finance for working capital in the absence of conventional commercial sources. Funding is available to companies with a viable business plan that can demonstrate an ability to service the borrowing required.

The Joint European Support for Sustainable Investment in City Areas ("JESSICA") comprised European Regional Development Funding (ERDF) of £50.5m and match funding from the Agency of £50.5m. The match funding provided by the Agency comprised £22.5 m from single programme and £28m worth of property as "in kind" match. During the current year a sum of £10m from the original single programme allocation was returned to the Agency in exchange for further property "in kind" match. It is expected that all match funding invested by the Agency will eventually be substituted by grant recipient match, and that the full amount of the Investment will be returned to the Agency.

The fund is operated by the European Investment Bank on behalf of the Agency. Investments held by a subsidiary are investments made by NWDA VCLF HF LLP in the Interim Transitional Loan Fund. This fund was established to provide loans to SMEs in the region to obtain finance for working capital in the absence of conventional commercial sources.



**Notes (continued)**

**14. Interests in subsidiaries, associates and joint ventures**

**Subsidiaries**

<b>Name</b>	<b>Interest</b>	<b>Nature</b>	<b>Type</b>
Estuary Management Company Limited	100%	Provision of Services at the Estuary Commerce Park	Company Limited by Guarantee
NorwePP (NWDA Subsidiary) Limited	100%	Shareholder in NorwePP (General Partner) Limited	Private Limited Company
NW VCLF HF LLP	100%	Investment in SMEs via equity and loan finance	Limited Liability Partnership
Northwest Business Link Limited	100%	Business support, advice and information service	Company Limited by Guarantee

**Joint Ventures**

<b>Name</b>	<b>Interest</b>	<b>Nature</b>	<b>Type</b>
Central Salford URC Limited	33.333%	Regeneration of Central Salford	Company Limited by Guarantee
NorwePP Limited Partnership	49.95%	Investment in properties in the Northwest	Limited Partnership
NorwePP (General Partner) Limited	50%	General partner of NorwePP Limited Partnership	Private Limited Company
Daresbury SIC (Pubsec) LLP	33.333%	Investment in Daresbury Science and Innovation Campus	Limited Liability Partnership

**Associates**

<b>Name</b>	<b>Interest</b>	<b>Nature</b>	<b>Type</b>
Liverpool Vision Limited URC	33.333%	Urban Regeneration of Liverpool	Company Limited by Guarantee
Maryport Developments Limited	20.4% ordinary share capital 100% preference share capital	Management of the Development of Maryport Harbour	Private Limited Company
North West Business Finance Limited	20%	Investment in SMEs via equity and loan finance	Private Limited Company
Daresbury Science and Innovation Campus Limited	16.667%	Management of Daresbury Science and Innovation Campus	Company Limited by Guarantee

**Notes (continued)**

**14. Interests in subsidiaries, associates and joint ventures (continued)**

**Key Financial Results of Subsidiaries**

	2011 Total £000	2011 Agency share £000	2010 Total £000	2010 Agency Share £000
Estuary Management Company Limited Profit/(loss) for the year after taxation	-	-	-	-
Northwest Business Link Limited Profit/(loss) for the year after taxation	(588)	(588)	174	174
NW VCLF HF LLP (Loss) for the year after taxation	(192)	(192)	(354)	(354)
<b>Total (Loss)/Profit of Subsidiaries for the year after taxation</b>	<b>(780)</b>	<b>(780)</b>	<b>(180)</b>	<b>(180)</b>

NorwePP (NWDA Subsidiary) Limited did not trade during the year.

The Estuary Management Company Limited is a non-profit making company. Any surplus/deficit is returned to/recovered from the tenants.

As part of winding down its operations the Agency withdrew its membership from Rural Regeneration Cumbria Limited (a company limited by guarantee) on 31 March 2011. The Agency held 81% membership rights and as such the company was classified as a subsidiary of the Agency. The value of the net assets of the company at the date of disposal was £ nil.

**Investments in Net Assets of Subsidiaries**

	2011 Total £000	2011 Agency Share £000	2010 Total £000	2010 Agency Share £000
<b>Gross Assets</b>				
Estuary Management Company Limited	186	186	151	151
NorwePP (NWDA Subsidiary) Limited	1	1	1	1
Northwest Business Link Limited	4,811	4,811	4,850	4,850
NW VCLF HF LLP	12,734	12,734	18,240	18,240
	<b>17,732</b>	<b>17,732</b>	<b>23,242</b>	<b>23,242</b>
<b>Gross Liabilities</b>				
Estuary Management Company Limited	186	186	151	151
NorwePP (NWDA Subsidiary) Limited	1	1	1	1
Northwest Business Link Limited	1,247	1,247	698	698
NW VCLF HF LLP	30	30	94	94
	<b>1,464</b>	<b>1,464</b>	<b>944</b>	<b>944</b>
<b>Net Assets</b>				
Estuary Management Company Limited	-	-	-	-
NorwePP (NWDA Subsidiary) Limited	-	-	-	-
Northwest Business Link Limited	3,564	3,564	4,152	4,152
NW VCLF HF LLP	12,704	12,704	18,146	18,146
	<b>16,268</b>	<b>16,268</b>	<b>22,298</b>	<b>22,298</b>

**Notes (continued)**

**14. Interests in subsidiaries, associates and joint ventures (continued)**

**Key Financial Results of Joint Ventures**

	2011 Total	2011 Agency Share	2010 Total	2010 Agency Share
	£000	£000	£000	£000
New East Manchester Limited				
Profit/(loss) for the year after taxation	(32)	(10)	16	6
Central Salford URC Limited				
(Loss)/profit for the year after taxation	(41)	(14)	(3)	(1)
Re Blackpool Urban Regeneration Company Limited				
(Loss) for the year after taxation	-	-	-	-
NorwePP Limited Partnership				
Profit/(loss) for the year after taxation	987	493	1,546	772
NorwePP (General Partner) Limited				
Profit/(loss) for the year after taxation	-	-	1	-
Daresbury SIC (Pubsec) LLP				
Profit/(loss) for the period after taxation	-	-	-	-
<b>Total Profit/(Loss) of Joint Ventures for the year after taxation</b>	<b>914</b>	<b>469</b>	<b>1,560</b>	<b>777</b>

As part of winding down its operations the Agency withdrew its membership from New East Manchester Limited (a company limited by guarantee) on 31 March 2011. The Agency held 33.3% membership rights at the date of withdrawal in a company which was classified as an Agency joint venture.

**Investments in Net Assets of Joint Ventures**

	2011 Total	2011 Agency Share	2010 Total	2010 Agency share
	£000	£000	£000	£000
<b>Gross Assets</b>				
New East Manchester Limited	-	-	634	211
Re Blackpool Urban Regeneration Company Limited	-	-	166	83
Central Salford URC Limited	-	-	224	75
NorwePP Limited Partnership	81,229	40,575	94,556	47,231
NorwePP (General Partner) Limited	3	2	3	2
Daresbury SIC (Pubsec) LLP	1,054	1,054	-	-
	<b>82,286</b>	<b>41,631</b>	<b>95,583</b>	<b>47,602</b>
<b>Gross Liabilities</b>				
New East Manchester Limited	-	-	490	163
Re Blackpool Urban Regeneration Company Limited	-	-	166	83
Central Salford URC Limited	-	-	224	75
NorwePP Limited Partnership	126,021	62,947	133,053	66,460
NorwePP (General Partner) Limited	1	1	-	-
Daresbury SIC (Pubsec) LLP	-	-	-	-
	<b>126,022</b>	<b>62,948</b>	<b>133,933</b>	<b>66,781</b>
<b>Net Assets</b>				
New East Manchester Limited	-	-	144	48
Re Blackpool Urban Regeneration Company Limited	-	-	-	-
Central Salford URC Limited	-	-	-	-
NorwePP Limited Partnership	(44,792)	(22,372)	(38,497)	(19,229)
NorwePP (General Partner) Limited	2	1	3	2
Daresbury SIC (Pubsec) LLP	1,054	1,054	-	-
	<b>(43,736)</b>	<b>(21,317)</b>	<b>(38,350)</b>	<b>(19,179)</b>

**Notes (continued)**

**14. Interests in subsidiaries, associates and joint ventures (continued)**

**Key Financial Results of Associates**

	<b>2011 Total</b>	<b>2011 Agency share</b>	2010 Total	2010 Agency Share
	<b>£000</b>	<b>£000</b>	£000	£000
Liverpool Vision Limited				
Profit for the year after taxation	<b>203</b>	<b>68</b>	208	69
Furness West Cumbria New Vision Limited				
(Loss) for the year after taxation	-	-	(3)	(1)
Maryport Developments Limited				
(Loss) for the year after taxation	<b>(150)</b>	<b>(31)</b>	(190)	(39)
North West Business Finance Limited				
(Loss) for the year after taxation	-	-	(652)	(130)
Cumbria Vision Limited				
(Loss) for the year after taxation	-	-	(60)	(7)
Daresbury Science and Innovation Campus Limited				
Profit for the year after taxation	-	-	-	-
Hadrian's Wall Heritage Limited				
Profit for the year after taxation	<b>26</b>	<b>6</b>	2	1
<b>Total Profit/(Loss) of Associates for the year after taxation</b>	<b>79</b>	<b>43</b>	(695)	(107)

As part of winding down its operations the Agency withdrew its membership from a number of associate companies on 31 March 2011.

Details as follows:

<b>Name</b>	<b>Type</b>	<b>Interest</b>	<b>Net Assets at withdrawal date</b>	<b>Agency membership interest</b>
Cumbria Vision Ltd	Private Limited Company	12.5%	£(189,000)	£(23,625)
Hadrian's Wall Heritage Ltd	Company Limited by Guarantee	25%	£42,547	£10,637
Furness West Cumbria New Vision Ltd	Company Limited by Guarantee	20%	£83,478	<u>£16,696</u> £3,708
Written off at date of disposal				£(3,708)

**Notes (continued)**

**14. Interests in subsidiaries, associates and joint ventures (continued)**

**Investments in Net Assets of Associates**

	2011 Total	2011 Agency share	2010 Total	2010 Agency share
	£000	£000	£000	£000
<b>Gross Assets</b>				
Liverpool Vision Limited	3,135	1,045	5,052	1,684
Furness West Cumbria New Vision Ltd	-	-	1,051	210
Maryport Developments Limited	3,653	745	3,169	647
North West Business Finance Limited	209,172	41,834	185,776	38,255
Cumbria Vision Limited	-	-	91	11
Daresbury Science and Innovation Campus Limited	587	98	1,131	189
Hadrian's Wall Heritage Limited	-	-	1,542	385
	<u>216,547</u>	<u>43,722</u>	<u>197,812</u>	<u>41,381</u>
<b>Gross Liabilities</b>				
Liverpool Vision Limited	2,146	715	3,543	1,181
Furness West Cumbria New Vision Ltd	-	-	968	193
Maryport Developments Limited	4,057	828	3,308	675
North West Business Finance Limited	209,172	41,834	186,428	37,285
Cumbria Vision Limited	-	-	280	35
Daresbury Science and Innovation Campus Limited	618	103	1,151	192
Hadrian's Wall Heritage Limited	-	-	1,499	375
	<u>215,993</u>	<u>43,480</u>	<u>197,177</u>	<u>39,936</u>
<b>Net Assets</b>				
Liverpool Vision Limited	989	330	1,509	503
Furness West Cumbria New Vision Ltd.	-	-	83	17
Maryport Developments Limited	(404)	(83)	(139)	(28)
North West Business Finance Limited	-	-	(652)	970
Cumbria Vision Limited	-	-	(189)	(24)
Daresbury Science and Innovation Campus Limited	(31)	(5)	(20)	(3)
Hadrian's Wall Heritage Limited	-	-	43	10
	<u>554</u>	<u>242</u>	<u>635</u>	<u>1,445</u>

**Future developments for Interests in subsidiaries, associates and joint ventures**

As part of its overall closure plan the Agency will look to divest its interests in all of its related corporate bodies.

The Agency, in conjunction with its government sponsor department BIS, will develop an exit solution for the remainder of its related corporate bodies. It is anticipated that where the Agency's stake has commercial value, those interests will transfer to another public body.

In circumstances where the Agency will simply look to withdraw its membership, it will where possible in accordance with the terms of any funding agreement, seek to claw back any surplus funds.

**Notes (continued)**

**15. Financial assets – long term loans**

	<b>Group 2011 £000</b>	<b>Agency 2011 £000</b>
<b>Cost:</b>		
As at 1 April 2010	<b>95,839</b>	<b>95,839</b>
Amounts repaid in year	<b>(12,000)</b>	<b>(12,000)</b>
Arising in year –Daresbury SIC LLP	<b>6,916</b>	<b>6,916</b>
Transfer to Investments in Joint Ventures –Daresbury SIC (Pubsec) LLP	<b>(1,054)</b>	<b>(1,054)</b>
	<hr/> <b>89,701</b> <hr/>	<hr/> <b>89,701</b> <hr/>
As at 31 March 2011		
Repayable within 12 months – current assets	<b>10,000</b>	<b>10,000</b>
Repayable after more than one year	<b>79,701</b>	<b>79,701</b>
	Group 2010 £000	Agency 2010 £000
<b>Cost:</b>		
As at 1 April 2009	103,839	103,839
Amounts repaid in year	(8,000)	(8,000)
	<hr/> <b>95,839</b> <hr/>	<hr/> <b>95,839</b> <hr/>
As at 31 March 2010		
Repayable within 12 months – current assets	10,000	10,000
Repayable after more than one year	85,839	85,839

**Notes (continued)**

**15. Financial assets – long term loans (continued)**

**Public Private Partnership**

**A) Norwepp Limited Partnership**

On 8 December 2006 the Agency entered into a 10 year partnership with Ashtenne Industrial Fund Limited Partnership in relation to its property portfolio. All investment property assets and some of the development property assets were transferred to a 50:50 joint venture arrangement with Ashtenne Industrial Fund Limited for a consideration of £132,759,667.

Further development property assets were transferred during the previous year for a consideration of £5,879,428.

**Consideration details**

In return for transferring the properties the Agency received two loan notes to the value of the transfer payable over the duration of the partnership as follows:

	£
Loan Note A	34,159,774
Loan Note B	104,479,321

Loan Note B carries interest at 5% per annum and is repayable by instalments up to 31 March 2016.

Loan Note A carries interest of 5% on the excess of the loan over the amount of the Loan Note of Ashtenne Industrial Fund. Ashtenne had matched the value of the loan by 31 March 2010, so interest will not accrue on this Loan Note in future years.

Loan Note A is only repayable at the end of the partnership.

During the year the Agency received interest of £2,896,980 (2010 £3,319,475) on the Loan Notes.

The management of the properties is carried out by Ashtenne Asset Management Limited. The Agency is entitled to receive a share in rental income and any uplift in value of the properties.

The Agency did not receive any distribution of share of profits during the year (2010 £120,906).

**Notes (continued)**

**15. Financial assets – long term loans (continued)**

NWDA has second ranking security over the assets of the partnership to the value of any outstanding amount that has not been redeemed from Loan Note B.

***Structure of the joint venture arrangement***

NorwePP Limited Partnership is effectively the joint venture vehicle. NWDA owns 49.95%, Ashtenne Industrial Fund Limited owns 49.95%, and 0.1% is owned by NorwePP (General Partner) Limited.

NorwePP (General Partner) Limited is owned equally by NorwePP (NWDA Subsidiary) Limited and Ashtenne Industrial Fund Limited Partnership.

In turn NorwePP (NWDA Subsidiary) Limited is 100% owned by NWDA and Ashtenne Industrial Fund Limited Partnership is 100% owned by Ashtenne Industrial Fund General Partner Limited .

***Amounts repaid in year***

The Limited Partnership Agreement allows for the repayment of Loan Note B to be either 20% greater or 20% less than the relevant amount of £10 million for each accounting year as set out in the Schedule of Payments.

**B) Daresbury SIC LLP**

On 14 December 2010 the Agency, through its public sector joint venture, Daresbury SIC (Pubsec) LLP, entered into a 20 years' partnership with a private sector partner, Langtree Daresbury Limited, part of Langtree Group plc, to create a joint venture, Daresbury SIC LLP. The purpose of this 50:50 joint venture company is to develop and manage the Daresbury Science and Innovation Campus.

The Agency's partners in the public sector joint venture, Daresbury SIC (Pubsec) LLP, are the Science & Technology Facilities Council and Halton Borough Council, each with a one-third share.



**Notes (continued)**

**15. Financial assets – long term loans (continued)**

**Consideration details**

Buildings 1 (Innovation Centre) and 2 (Cockcroft Institute) plus two plots of land owned by the Agency have been transferred to Daresbury SIC LLP for a consideration of £6,513,000. In return for transferring the properties the Agency received on 14 December 2010 two loan notes to the value of the transfer as follows:

Loan Note A	£ 651,300
Loan Note B	£5,861,700

Building 3 (Vanguard House) will be transferred immediately on practical completion at an already agreed valuation of £4,004,000, in return for the issue of Loan Notes as follows:

Loan Note A	£ 402,800
Loan Note B	£3,601,200

Loan Note A was issued on 14 December 2010 but Loan Note B will only be issued on completion of Building 3.

Both A Loan Notes, which are only repayable on the termination of the partnership, were immediately assigned by the Agency to Daresbury SIC (Pubsec) LLP. The value of Loan Note A will be determined at the end of the partnership.

The B Loan Notes become due and payable after a 5 years' holiday on payment and are subject to an agreed repayment profile. They carry interest at a rate of 3% per annum but payment is deferred until three years from the date of completion. Interest to the value of £52,033 has been accrued for the period to 31 March 2011.

All Loan Notes issued are secured against the assets of Daresbury SIC LLP. The B Loan Notes issued to the Agency rank ahead of the Daresbury SIC (Pubsec) LLP A Loan Notes and the Langtree Daresbury Limited A Loan Notes which rank alongside each other.

**Notes (continued)**

**16. Financial instruments**

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

<b>Categories of financial instruments (Group)</b>	<b>2011</b>	<b>2011</b>	2010	2010
	<b>Loans and receivables</b>	<b>Designated at Fair Value</b>	Loans and receivables	Designated at Fair Value
	<b>£000</b>	<b>£000</b>	£000	£000
<b>Financial assets</b>				
Trades and other receivables	8,850	-	2,540	-
Investments	(21,075)	88,315	(17,734)	101,227
Long term loans	79,701	-	85,839	-
Short term loans	10,000	-	10,001	-
ERDF deposits received in advance	39,998	-	33,734	-
Cash and cash equivalents	52,070	-	51,385	-
	<b>169,544</b>	<b>88,315</b>	165,765	101,227
<b>Financial liabilities</b>				
		<b>Other financial liabilities</b>	Other financial liabilities	
		<b>£000</b>	£000	
Trade and other payables	65,541		74,217	
	<b>65,541</b>		74,217	

**Embedded derivatives**

In accordance with IAS39, "Financial instruments: Recognition and Management", the Agency has reviewed material contracts for embedded derivatives that are required to be separately accounted for if they do not meet specific requirements set out in the standard. No instances were found that required embedded derivatives to be recognised at their fair value, separately from the non-derivative host contract. For the contracts reviewed, the economic characteristics and risks were closely related to those of the host contract.

**Notes (continued)**

**17. Impairments**

	<b>2011</b>	2010
	<b>£000</b>	£000
The total impairment charge for the year is made up as follows:		
Charged direct to the Statement of Comprehensive Net Expenditure:		
Property, plant and equipment	<b>39</b>	169
Investments	<b>4,268</b>	1,279
Development property assets	<b>10,482</b>	8,688
Loss from share in joint ventures	-	-
	<b>14,789</b>	10,136
Charged to the Revaluation Reserve:		
Development property assets	<b>471</b>	2,042
Total charge	<b>15,260</b>	12,178

**18. Inventories - development assets**

	<b>Group</b>	<b>Agency</b>	Group	Agency
	<b>2011</b>	<b>2011</b>	2010	2010
	<b>£000</b>	<b>£000</b>	£000	£000
As at 1 April	<b>56,693</b>	<b>56,693</b>	62,740	62,740
Additions in year	<b>14,876</b>	<b>14,876</b>	9,364	9,364
Transfers to Daresbury SIC LLP	<b>(6,513)</b>	<b>(6,513)</b>	-	-
Disposals	<b>(1,498)</b>	<b>(1,498)</b>	(4,681)	(4,681)
Amounts written down	<b>(11,485)</b>	<b>(11,485)</b>	(9,371)	(9,371)
Amounts written back	<b>1,003</b>	<b>1,003</b>	683	683
Transfers from the Revaluation Reserve	<b>(471)</b>	<b>(471)</b>	(2,042)	(2,042)
As at 31 March	<b>52,605</b>	<b>52,605</b>	56,693	56,693

Development assets of £38m have been used to provide “in kind” match funding for the JESSICA programme. These properties cannot be disposed of until substitute cash match funding is provided by recipients of grant under the JESSICA programme.

An independent valuation of the whole portfolio of development assets was carried out as at 31 March 2011 by King Sturge, Chartered Surveyors. This has resulted in a reduction in the value of the portfolio. Adjustments to the values have been made on an individual property basis as detailed in Accounting Policies Note 1.11.

**Notes (continued)**

**19. Trade receivables and other current assets**

	<b>Group</b>	<b>Agency</b>	Group	Agency
	<b>2011</b>	<b>2011</b>	Restated	Restated
	<b>£000</b>	<b>£000</b>	2010	2010
			£000	£000
Trade receivables	7,000	6,791	1,792	1,479
Other receivables	167	12	47	47
Prepayments and accrued income	27,551	26,630	21,284	19,330
Value Added Tax	1,354	1,349	351	345
European Regional Development Fund	277	277	325	325
Rural Loans	-	-	1	1
	<b>36,349</b>	<b>35,059</b>	<b>23,800</b>	<b>21,527</b>

Due to the scheduled closure in November 2011 of subsidiary company Northwest Business Link Limited, assets normally categorised as non-current have been reallocated.  
Trade receivables of £12.488m and other receivables of £5.527m have been reclassified to prepayments and accrued income for both 2010 Group and Agency.

Intra-government balance analysis:

	<b>2011</b>	<b>2011</b>	2010	2010
	<b>£000</b>	<b>£000</b>	£000	£000
Balances with other Central Government bodies	20,550	20,550	11,797	11,492
Balances with Local Authorities	-	-	-	-
Balances with NHS trusts	-	-	22	22
Balances with bodies external to Government	15,799	14,509	11,981	10,013
	<b>36,349</b>	<b>35,059</b>	<b>23,800</b>	<b>21,527</b>

**Non-current assets**

	<b>2011</b>	<b>2011</b>	2010	2010
	<b>£000</b>	<b>£000</b>	£000	£000
Prepayments and accrued income	52	52	25	-

**20. Cash and cash equivalents**

	<b>Group</b>	<b>Agency</b>	Group	Agency
	<b>2011</b>	<b>2011</b>	2010	2010
	<b>£000</b>	<b>£000</b>	£000	£000
Balance at 1 April	85,119	66,134	87,227	85,004
Net change in cash and cash equivalent balances	6,949	15,072	(2,108)	(18,870)
Balance at 31 March	<b>92,068</b>	<b>81,206</b>	<b>85,119</b>	<b>66,134</b>

The balances at 31 March 2011 and 2010 were all held at commercial banks and as cash in hand.

**Notes (continued)**

**21. Trade payables and other liabilities**

	<b>Group 2011 £000</b>	<b>Agency 2011 £000</b>	Group 2010 £000	Agency 2010 £000
Current liabilities:				
Corporation tax	1,548	1,548	1,996	1,996
Other taxation and social security	396	396	551	548
Trade payables	50,559	50,662	51,262	51,428
Other payables	6,327	6,311	969	953
Accruals and deferred income	81,038	82,517	156,848	156,510
	<b>139,868</b>	<b>141,434</b>	211,626	211,435

**Intra-government balance analysis:**

	<b>2011 £000</b>	<b>2011 £000</b>	2010 £000	2010 £000
Balance with other Central Government bodies	6,570	6,570	6,177	6,177
Balances with Local Authorities	34,860	34,860	69,796	69,796
Balances with NHS trusts	294	294	1,098	1,098
Balances with public corporations	1	1	800	800
Balances with bodies external to Government	98,143	99,709	133,755	133,564
	<b>139,868</b>	<b>141,434</b>	211,626	211,435

**Non-current liabilities:**

	<b>2011 £000</b>	<b>2011 £000</b>	2010 £000	2010 £000
Deferred income- European capital grants	1,334	1,334	13,606	13,606
Deferred income – other	466	466	517	517
	<b>1,800</b>	<b>1,800</b>	14,123	14,123

**Notes (continued)**

**22. Provisions for liabilities and charges**

	<b>Group 2011 £000</b>	<b>Agency 2011 £000</b>	<b>Group 2010 £000</b>	<b>Agency 2010 £000</b>
<b>Compulsory Purchase Orders (CPOs):</b>				
As at 1 April	4,825	4,825	5,988	5,988
Arising during the year	-	-	630	630
Released during the year	(1,068)	(1,068)	(1,793)	(1,793)
As at 31 March	<u>3,757</u>	<u>3,757</u>	<u>4,825</u>	<u>4,825</u>
	<b>Group 2011 £000</b>	<b>Agency 2011 £000</b>	<b>Group 2010 £000</b>	<b>Agency 2010 £000</b>
<b>Other provisions:</b>				
As at 1 April	195	-	800	-
Charge to the Statement of Comprehensive Net Expenditure	871	-	-	-
Utilised during the year	(168)	-	-	-
Released during the year	(27)	-	(605)	-
As at 31 March	<u>871</u>	<u>-</u>	<u>195</u>	<u>-</u>
Total	<b>4,628</b>	<b>3,757</b>	<b>5,020</b>	<b>4,825</b>
Due within one year	871	-	195	-
Due after one year	3,757	3,757	4,825	4,825

**CPOs:**

Represent liabilities for compensation payments for land and buildings which have transferred to the Agency under CPOs. These should be settled within the next two years. The provision above has been valued by an independent chartered surveyor, but the final liability may be settled by arbitration.

**Other provisions:**

The provisions arising in a subsidiary relate to onerous contracts for property leases and software support which extend beyond the planned closure date of North West Business Link Ltd. of 25 November 2011.

**23. Capital commitments**

Contracted capital commitments at the end of the financial year not otherwise included in these financial statements:

	<b>Group 2011 £000</b>	<b>Agency 2011 £000</b>	<b>Group 2010 £000</b>	<b>Agency 2010 £000</b>
Development assets	<u>2,174</u>	<u>2,174</u>	<u>23,338</u>	<u>23,338</u>

**Notes (continued)**

**24. Commitments under operating leases**

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	<b>Group 2011 £000</b>	<b>Agency 2011 £000</b>	<b>Group 2010 £000</b>	<b>Agency 2010 £000</b>
Buildings:				
Leases expiring:				
Not later than one year	1,562	1,129	1,567	1,163
Later than one year and not later than 5 years	4,023	4,023	5,643	4,220
Later than five years	6,861	6,861	8,496	7,793
	<u>12,446</u>	<u>12,013</u>	<u>15,706</u>	<u>13,176</u>
Other:				
Leases expiring:				
Not later than one year	114	85	252	240
Later than one year and not later than 5 years	21	21	129	111
Later than five years	-	-	-	-
	<u>135</u>	<u>106</u>	<u>381</u>	<u>351</u>
	<u>12,581</u>	<u>12,119</u>	<u>16,087</u>	<u>13,527</u>

Rental costs of operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the leases.

**25. Operating leases granted**

The Agency earns rental income by leasing some of its development properties to tenants under operating leases. At the Statement of Financial Position date the Group had contracted with tenants to receive the following future minimum lease payments:

	<b>Group 2011 £000</b>	<b>Agency 2011 £000</b>	<b>Group 2010 £000</b>	<b>Agency 2010 £000</b>
Within 1 year	768	768	1,848	1,848
2- 5 years	2,965	2,965	4,207	4,207
Greater than 5 years	12,772	12,772	13,513	13,513
	<u>16,505</u>	<u>16,505</u>	<u>19,568</u>	<u>19,568</u>

**Notes (continued)**

**26. Contingent liabilities**

**Staff Redundancy**

Following the announcement in June 2010 of the Government's intention to abolish RDAs by March 2012, the Agency commenced consultation on redundancy as a result of diminishing workload and declining budget.

The Agency has developed a resource plan in which three waves of redundancy have been established. These are July 2011, December 2011 and March 2012. Each employee has been identified as either falling into one of these waves, or as departing by other means, e.g. transferring employment under COSOP (Cabinet Office Statement of Practice on Staff Transfers), or TUPE (Transfer of Undertakings (Protection of Employment) Regulations).

The Agency will offer voluntary redundancy to coincide with each wave, in order to minimise compulsory redundancies. The first wave of redundancy notices were issued shortly after the year end.

The estimated total redundancy costs, based on our latest resource plan, are £10.4m.

The cost of redundancy will be determined by the number of staff who are made redundant and will be influenced by the number of people who transfer to other public bodies or who leave without being made redundant.



**Notes (continued)**

**27. Related party transactions**

The North West Development Agency is a Non-Departmental Public Body sponsored by the Department for Business, Innovation and Skills ('BIS'). BIS is regarded as a related party with which, during the year, the Agency has had a significant number of material transactions.

In addition, the Agency has had various material transactions with other Government Departments and other central bodies. Most of these transactions have been with the Department for Communities and Local Government and the Homes and Communities Agency (HCA).

Other Regional Development Agencies are also sponsored by BIS and so are regarded as related parties. The Agency has had transactions with The East of England Development Agency, The East Midlands Development Agency, Advantage West Midlands, One North East, The South East England Development Agency, South West Regional Development Agency and Yorkshire and Humber Development Agency in the year.

Board Members took no part in the discussions which concerned organisations that Board Members have connections with as reported in the Register of Members' Interests.

During the year none of the Board Members, key management staff or other related parties has undertaken any material transactions with North West Development Agency apart from those detailed below.

**Notes (continued)**

**27. Related party transactions (continued)**

Name and Related Party	Position	Payments made to organisations	Income to the Agency	Year end balances
<b>(a) Board Members</b>				
<b>Robert Hough DL</b>				
		£	£	£
Business in the Community (represents NWDA)	Board Member	563,968		10,465
Northwest Business Link	Board Member	17,006,150	2,430	1,879,959
North West Vision and Media (represents NWDA)	Board Member	4,365,780		280,799
University of Manchester	Board Member	9,842,703		4,322,644
<b>Vanda Murray OBE</b>				
Northwest Business Link	Chair	17,006,150	2,430	1,879,959
<b>Peter Allen MBE</b>				
Natural England	Board Member	44,043		4,397
<b>John Brooks</b>				
Daresbury Science and Innovation Campus (represents NWDA)	Chair	1,331,140	10,800	273,302
Manchester Knowledge Capital Ltd.	Board Member	118,933		
Manchester Metropolitan University	Vice Chancellor	2,841,366		80,168
<b>Joe Dwek CBE</b>				
Northwest Business Link	Board Member	17,006,150	2,430	1,879,959
Forestry Commission	Member	6,581,244		685,795
University of Manchester	Assembly Member	9,842,703		4,322,644
<b>Susan Williams</b>				
Commission for the New Economy	Member	1,148,666	33,185	225,012
Trafford Metropolitan Borough Council	Member	10,000		14,085
<b>Peter Hensman DL</b>				
Northwest Business Link	Board Member	17,006,150	2,430	1,879,959
Lancaster University	Wife –Member of Court	2,903,994	44	1,045,355
University of Cumbria	Wife – Board Member	2,928,870		533,861
Churches Trust in Cumbria	Wife - Director	85,901		
<b>Councillor Tony McDermott MBE</b>				
Halton Borough Council	Leader	1,904,293		180,857

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<b>Councillor John Merry CBE</b>				
Central Salford URC Ltd.	Director	480,000		
Commission for the New Economy	Member	1,148,666	33,185	225,012
Midas	Director	1,709,611	10,220	456,981
New East Manchester Limited (represents NWDA)	Director	7,185,725		212,062
Salford City Council	Leader	21,971,966		3,282,247
<b>Anne Selby</b>				
Myerscough College	Hon. Fellowship	16,875		
<b>Lord Peter Smith</b>				
Wigan MBC	Leader	1,740,800		1,260,969
Commission for the New Economy	Member	1,148,666	33,185	225,012
4NW	Member		92,200	
<b>Clive Elphick</b>				
Cambridge Economic Policy Associates	Senior Advisor	6,650		
CBI	Past Chairman – Northwest Region	26,950		
<b>Frank Hont MBE</b>				
Migrant Workers North West	Director	132,747		18,295
<b>Dr John Stageman</b>				
University of Manchester	Governor	9,842,703		4,322,644
<b>(b) Executive Management Board &amp; Board Members</b>				
<b>Mark Hughes</b>				
Northwest Business Link	Board Member	17,006,150	2,430	1,879,959
Central Salford URC Ltd.	Director	480,000		
Daresbury Science and Innovation Campus	Director	1,331,140	10,800	273,302
Midas	Observer	1,709,611	10,220	456,981
Private Sector Partners NW Ltd.	Attendee	20,000		10,000
<b>Steven Broomhead (to January 2011)</b>				
Central Salford URC Ltd.	Board Member	480,000		
Chartered Management Institute	Member	38,000		
Institute of Directors	Member	18,000		
Liverpool Vision Limited	Board Member	1,400,096	47,050	
The Mersey Partnership	Board Member	5,341,614	2,460	
University of Central Lancashire	Board Member	307,482		
Wirral Metropolitan College	Chair of Strategic Options Group	159,928		
<b>Ian Haythornthwaite (to August 2010)</b>				
Preston College	Chairman	26,665		
<b>Peter Mearns (to June 2010)</b>				
Tate Liverpool	Non-Executive Council Member	68,769		

**Notes (continued)**

**28. Third Party Assets**

The Agency holds a third party asset of £74,383 relating to the Train to Gain programme. The funds are held on behalf of the Learning and Skills Council for subsequent distribution to Northwest Business Link.

**29. Events after the Reporting Period**

The North West Development Agency's financial statements are laid before the Houses of Parliament by the Secretary of State for the Department for Business, Innovation and Skills. IAS 10 requires the North West Development Agency to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are dispatched by the Agency to the Secretary of State for the Department for Business, Innovation and Skills. The authorised date for issue is 14 July 2011.

On 6 July 2011, the Government announced its intention to transfer certain development land and property assets from Regional Development Agencies to the Homes and Communities Agency (HCA) for management under a stewardship arrangement. Under this arrangement, HCA will continue to develop the related assets to deliver economic benefits, taking account of the purposes for which they were originally acquired.

The transfer is expected to take effect on 19 September 2011. The transfer order includes a number of the North West Development Agency's assets that are currently included in these accounts under the heading of Inventories - development assets (Note 18). Details of the assets intended for transfer will be announced when the transfer order is agreed. The transfers will be at the current carrying value of the relevant assets and no gain or loss on transfer will arise.

As outlined in the Remuneration Report, the decision to apply the Consumer Prices Index rather than the Retail Prices Index to calculate future pension increases has been recognised in these accounts. This decision is currently before the courts in judicial review proceedings. The government is robustly defending the case and therefore no adjustment has been made to the accounts for this matter. The financial implications consequent on the review finding against the government have not been assessed.



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