SOUTH EAST ENGLAND DEVELOPMENT AGENCY
Working for England's World Class Region

17 December 2010 **Our ref:** R252

RE: Freedom of Information request - SEEDA's Liabilities

Introduction

Thank you for your request dated 27th October 2010 made under the terms of the Freedom of Information Act 2000.

Your request is:

> *Has any assessment been made of the liabilities SEEDA will have as a result of its abolition / replacement by LEPs?*
>
> *In particular, but not exclusively, has SEEDA made any assessment – provisional or otherwise – of potential liabilities such as:*
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> - *Contractual obligations for financial support it has committed to businesses, companies or partnerships with local authorities or other agencies?*
> - *Liabilities relating to staff and property and any assets, such as winding-up costs; redundancy payments etc?*
>
> *Please provide an appropriate breakdown in each case. Where there are contractual obligations, please provide information about how long those commitments are for.*
>
> *Additionally, please provide information in any reports, briefing notes or other documentation held by SEEDA.*

Information requested

Since the Government announced that RDAs are to be abolished SEEDA has provided the Department for Business, Innovation and Skills (BIS) with information which includes details of all existing legally contracted commitments. We have also provided the Department for Business, Innovation and Skills with some provisional estimates of the potential for liabilities to be incurred in some areas of SEEDA's work, as an illustration of the type of issues that the Department for Business, Innovation and Skills needs to take into account in decisions on RDAs' closure. However we do not have an up to date assessment of liabilities; such an assessment will depend on decisions yet to be taken by the government on the process and timescale for the transition and/or cessation of activities presently undertaken by Regional Development Agencies.

<u>SEEDA's contractual commitments</u>

SEEDA has current contractual commitments as detailed in the table below. We are committed to minimising the impact of the closure of RDAs on the economy and on

South East England Development Agency (SEEDA)
SEEDA Headquarters Cross Lanes Guildford GU1 1YA England
Tel +44 (0)1483 484 200 **Fax** +44 (0)1483 484 247 **email** info@seeda.co.uk **web** www.seeda.co.uk

businesses in the South East, and are therefore working with partners and stakeholders to explore alternative delivery options that will allow outcomes to be achieved at a lower level of public investment.

Financial Year	Amount
2010/11	£86.47M
2011/12	£36.65M
2012/13	£18.44M
2013/14	£7.01M

As SEEDA is closing by the 31st March 2012 legal commitments beyond that date will need to be carried forward by some other body.

Unavoidable costs of closure - Redundancy

SEEDA is a non-departmental public body and therefore staff members are entitled to redundancy payments in line with the terms of the Civil Service Compensation Scheme (CSCS). In July 2010 SEEDA provided the Department for Business, Innovation and Skills with a provisional assessment of redundancy costs at an average of £40,000 per staff member, which was based on the current CSCS terms. SEEDA advised the Department for Business, Innovation and Skills that redundancy costs, under the current Civil Service Compensation Scheme terms and based on the numbers employed at the time, would be as follows:

- Staff redundancy costs - £10,569,822.
- Ongoing pension liabilities - £1,486,846.

We are awaiting the terms of the new Civil Service Compensation Scheme which is currently passing through Parliament in the guise of the Superannuation Bill 2010-11, and likely subsequent secondary legislation. However, based on SEEDA's current understanding of likely revised terms, we have now revised the estimate of redundancy costs to an average of around £25,000 per staff member, giving a total redundancy bill based on our current, lower staff numbers, of around £5.5m. SEEDA is not able, however, to firm up on these figures until the Superannuation Bill is enacted. Additionally, we are awaiting further guidance from the government regarding the potential transfer of some programmes and staff under the TUPE, (Transfer of Undertakings (Protecting Employment)), regulations and as required under the Cabinet Office Statement of Practice on Staff Transfers in the Public Sector (COSOP). This will impact on SEEDA's redundancy costs. Finally, SEEDA is committed to minimising redundancy costs to the public purse and our People & Organisational Development Team is currently supporting staff members to identify alternative employment opportunities.

Unavoidable costs of closure – Lease Termination

SEEDA has advised the Department for Business, Innovation and Skills that the costs associated with termination of leases for SEEDA offices could be up to £5.6m, depending on the timing of SEEDA's closure.

Full annual rent of £1.1M is due for the Guildford office until March 2015. There is no break clause in the lease and SEEDA will also be liable for dilapidation charges. The lease for SEEDA's Chatham office has a 2012 break clause that can be invoked; dilapidation charges will also be due in relation to this occupancy.

Unavoidable costs of closure – Due Diligence Costs

SEEDA has advised the Department for Business, Innovation and Skills that due diligence costs could be up to £3m over the next two years, including costs associated with negotiating with third parties' lawyers. Carrying out such legal work would reduce the overall liabilities relating to SEEDA's land and property assets. However, the precise due diligence costs will depend on what transfer or closure route the government decides to take.

Liabilities relating to land and building assets

Regional Development Agencies are awaiting further guidance from the Department of Business, Innovation and Skills regarding the disposal of RDA land and building assets during the transition to closure process. The aim is for assets to be disposed of in a manner that achieves the best possible outcome for the region whilst achieving value for the public purse. It is expected that, wherever possible, assets will be disposed of together with the associated liabilities. Therefore we consider that releasing information regarding potential liabilities relating to our portfolio of assets may have a detrimental impact on the commercial revenue of assets. Disclosing this information would be likely to prejudice the commercial interests of the Agency by adversely affecting our bargaining position during any current or future contractual negotiations. This would potentially result in the less effective use of public money.

Please note that as required by Freedom of Information Act 2000 Section 43 (2) we have undertaken a public interest test in line with Information Commissioner's Office guidance. SEEDA recognises the public interest in promoting accountability and transparency in the spending of public money; however we believe that in this case this is outweighed by the need for SEEDA to achieve the best use of public money. We believe that exemption under Section 43(2) of the Act therefore applies and we are unable to provide you with information that includes details of liabilities relating to SEEDA's assets at this time.