REDACTED VERSION

SOUTH EAST ENGLAND DEVELOPMENT AGENCY

Working for England's World Class Region

ASSETS & LIABILITIES PLAN

SOUTH EAST ENGLAND DEVELOPMENT AGENCY (SEEDA)

31ST JANUARY 2011

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SEEDA ASSETS & LIABILITIES PLAN - EXECUTIVE SUMMARY

Introduction

1. In response to BIS's Transition Guidance note TGN 6/2010 dated 6 December 2010 the South East England Development Agency (SEEDA) has produced an Asset and Liabilities Plan covering: Land and Property; Section 5 Companies; Business Finance; and Office leases and equipment. These areas are presented in detail in the attached four chapters.

2. This Executive Summary seeks to draw attention to areas of importance or details that are significant and require BIS's consideration and feedback, and sets out the actions required by BIS to enable SEEDA to deliver the objectives set out in *Local Growth: realising every place's potential* ie to achieve: "the best possible outcome for the region consistent with achieving value for the public purse" as well as to dispose of liabilities together with assets so as to avoid the risk of government being left with toxic liabilities.

3. Attached behind this Executive Summary at Appendix A is a Financial Summary Table for all aspects of the Assets and Liabilities Plan. It is set out to reflect the three options in the Land and Property chapter. Detailed financial issues are set out within the relevant chapters.

4. The summary for the land and property assets in Chapter 1 is provided on the basis that further work is in hand, together with SEEDA's specialist external technical advisers [redacted] and [redacted], on the costs including receipts and liabilities. In addition, a revaluation of SEEDA's assets has already been commissioned for March 2011 which will require adjustment to the book value. [redacted]

5. Chapter 2 includes details of SEEDA's Special Purpose Vehicles (Section 5 companies), which in many cases are inextricably linked to the options for the land and property assets & liabilities. Chapter 3 sets out and provides options in relation to business finance assets and liabilities, including loan and equity funds and clawback rights against grant agreements; and Chapter 4 identifies and makes recommendations on office leases and equipment.

6. Each chapter represents work in progress. The details, including the timelines financial projections, and risk registers, will be further refined through an iterative process which will include further discussion with government; with their agencies such as the HCA and CfEL; and with local partners. With those caveats, it has been signed off by SEEDA's Major Projects Committee and Accounting Officer under delegated authority from SEEDA's Board, who agreed the plan in principle at their meeting of 11th January 2011.

7. We are submitting our <u>Knowledge Management Inventory</u> (TGN 9/2010) separately and in parallel as requested. At the time of submission no financial value is attributable to assets or liabilities, but the inventory is not yet complete and until it is, it will not be possible to confirm any contribution to the asset or liabilities figures.

Land & Property Plan

8. SEEDA has 67 individual properties or sites situated mainly in Kent and Medway or around the Solent. These have been grouped into 32 schemes for the purpose of this plan. This plan is focussed on identifying, evaluating and narrowing down to a small number the options for disposal of these assets and liabilities so as to deliver the dual objectives of:

- Deficit reduction over the 4-year CSR period through maximising receipts while removing risk from government; in particular avoiding the accumulation of unsaleable liabilities (current and contingent) so as to avoid leaving BIS or a residuary body with high risk and/or management-intensive liabilities; and
- Contributing to the objective of delivering economic growth locally through transferring responsibility for economic development work, together with decision-making responsibility for both assets and liabilities, to locally accountable bodies.

9. The plan sets out three options for a portfolio that naturally splits into two geographically (Kent & Medway; and Solent), whilst identifying the remaining five outlying, and relatively uncomplicated sites which would be sold under each of the options. These five sites would achieve between [redacted] and [redacted] depending on whether there were any constraints as to their use. Alongside [redacted] due from development agreements and [redacted] from the Regional Infrastructure Fund in 2011/12 this provides a base of some [redacted] in receipts for the Exchequer, which has not been assumed in previous receipts returns.

10. Despite the existence of substantial liabilities within each of the two portfolios, none of the options requires any financial contribution from government other than, in the two centrally managed options, the costs of staff to carry out the work within government and its delivery bodies, and – for all options – the legal costs required to protect the government's position. This is because a model has been developed in which the cashflow for each option is managed so as to offset costs with receipts, and provide the surplus to government either in 2011/12 or as the deferred market price.

11. Under the preferred option, 'Invest locally to bring to market', the two portfolios would be disposed of to local partners at open market value but for a deferred consideration. Assets would be packaged to balance liabilities, and a proportion of receipts and clawback recycled to provide sufficient working capital and enabling investment to bring the sites to market: to invite the private sector to achieve specified aims of good value economic development on a site by site basis. Surplus receipts would be available each year to provide a return to government. The advantages and liabilities as well as the aims for the individual sites and the returns are described in detail in the paper. This option is estimated to deliver net receipts to government of [redacted] years with a further [redacted] reinvested for continued local economic development work within each portfolio. (The detailed cash flows for all the options have been received very recently and have not yet been shared with partners.) Under this option no current or contingent liabilities would remain with government.

12. The two packages of assets and liabilities under this option have been discussed with local partners who are very keen to take them forward under the auspices and guidance of the two LEPs for Kent, Essex and East Sussex and the Solent. However, despite current plans which are being developed to set up delivery vehicles, none of the options in this paper are dependent upon these two LEPs being in a position to take on ownership and full stewardship within the next 14 months. As one alternative stewardship model, the local authorities of Kent and Medway have proposed that they would act as accountable bodies to take on the full obligations in respect of the packages of sites prior to acquisition by a LEP delivery vehicle once established, and are in discussions with individual local authorities regarding this proposal. The Partnership for Urban South Hampshire is seeking to set up a delivery vehicle which is aligned with the Solent LEP. SEEDA will continue to work with HCA and local authorities to develop a stewardship model which would provide for transfer of all obligations and provide a stepping-stone to the new economic landscape. If this were not acceptable to all parties the portfolios could be held by HCA whilst the LEPs develop delivery vehicles.

13. The preferred option has been tested against two alternative models. The first 'Forced Sale', would see all assets and liabilities disposed of in 2011/12, subject to availability of buyers which is by no means a certainty. The benefit of this option is that it would realise a net [redacted] immediately for the exchequer, including the [redacted] in 2011/12 referred to in para 9 above, and if achievable would secure disposal before SEEDA closes. It would, however, have a significant number of risks and disbenefits:

- Since economic objectives would not be achieved, sunk investment of [redacted] from SEEDA and HCA and its predecessors would be written off, with implications for best value and managing public funds;
- Significant liabilities and contingent liabilities would remain with government and need to be managed by a residuary body or the HCA
- Achieving best price would in some cases mean that job creation to date and in future would be compromised or lost. For example, business incubation would be replaced by basic offices; potential for employment land by storage or residential uses.
- Local partners would see no benefits in terms of their economic objectives or increased local responsibilities
- There is a considerable danger of flooding a sluggish market leading to reduced prices, risks to the ability to sell, and land-banking.

14. The second option, 'De-risk to Divest' would also be centrally managed. HCA or a residuary body would take over the task from SEEDA during 2011/12 to dispose of all assets and liabilities through [redacted] sales over the four year CSR period. Investment would take place only where it would secure a higher immediate selling price eg through planning consents. This option would increase receipts and could return a net [redacted] to the exchequer over the 4 year period but it would not enable local partners to manage the process and, because the future uses of the land would be unconstrained, it is likely that future uses would not be

those securing best value in terms of job creation. So whilst the estimated NPV of this option is slightly higher than that of the preferred option, at [redacted] compared with [redacted][1], the GVA impact of this option is estimated to be something short of [redacted] of that of the preferred option – [redacted] compared with [redacted] of economic value added by the preferred option, representing [redacted] jobs. For example, under the preferred option, the [redacted] site in [redacted] will be developed for high value employment in the [redacted] and [redacted] sectors; under other two options it is likely to be land-banked for housing. Under this option the government would also retain contingent and existing liabilities that do not transfer with the land, as in option 1, 'forced sale'.

15. These options and the decisions needed are dealt with in more detail in the overview and detail of the chapter on Land and Property. In relation to the preferred option key decisions required include:

a) confirmation that the DCLG/ Homes and Communities Agency will defer their clawback rights until deferred price is realised, in order to allow the recycling of receipts within each of the two portfolios to invest in the sites and deal with liabilities and then to provide a return to the Government which will include DCLG/HCA clawback as sites are subsequently brought to market

b) agreement to dispose of assets to Local Authorities at open market value but with deferred consideration in the case of the two portfolios, met by receipts as above.

Section 5 Companies

16. In relation to Section 5 Companies (Chapter 2) SEEDA has gathered information on nine companies where we are a member/director and hold an interest. An independent assessment of the options for transition has been undertaken. In chapter 2 within this plan we have grouped these companies into three categories of complexity: four of low complexity where no assets or financial value are involved and SEEDA withdrawal is proceeding; two more complex cases where plans to withdraw are proceeding with recommendations for transfer of minor financial value and assets; and two with substantial assets where considerable work is still required to define the successor bodies since the value cannot be easily realised. A further section 5 company, Finance South East, is dealt with below and in Chapter 3 contained within the Plan.

Business Finance Assets & Liabilities

17. In relation to the Business Finance Assets and Liabilities (Chapter 3), these fall into three key strands. The first relates to the Venture Capital and Loan Funds managed by Finance South East on SEEDA's behalf; here SEEDA's approach is part of the broader mapping carried out as part of the proposed transition to Capital for Enterprise Limited (CfEL). SEEDA does not itself own or manage any loan funds; ours have been established by way of grant to Finance

[1] The [redacted] and [redacted] figures both exclude RIF receipts.

South East (FSE) and total some [redacted] worth of investment out of approximately [redacted] of funds under FSE's management. CfEL's preferred option is to retain FSE as one of the current sub-national delivery structures. The remaining issue for SEEDA is to divest itself of its 50% membership of FSE as soon as practicable in 2011/12. As agreed by the National Transition Board[2] this will be via BIS to CfEL.

18. The second strand of the Business Finance assets and liabilities work relates to live and closed single pot-funded projects. SEEDA has some 460 live contracts and a significant number of closed projects. Our analysis is almost complete, and allows us to put the projects into 3 categories:

- First, a small number of projects (live and closed) with clawback likelihood that we are currently managing (set out in sections 4 and 5 of Chapter 3).
- Second, a number of major projects which still require active monitoring for a period of time, to ensure that the outcomes are delivered; which might require invoking clawback clauses. The duration of active monitoring should be considered further against a continuing risk-based assessment of the likelihood and potential size of clawback.
- Third, a large number of live and closed projects, where either the likelihood of future financial assets becoming available is very low, or the value of the project is very low. The cost of active monitoring would in this case need to be set against the capacity required post-SEEDA to take on the monitoring function.

19. We propose in relation to this strand of work therefore to:

- Continue and complete action in relation to those projects identified with definite clawback potential now;
- Continue to identify major projects where active monitoring is required, and quantify the implications in transition work. A number of these projects are live aerospace projects that should be addressed as part of an Innovation Closure Plan.
- In relation to live and closed projects where the likelihood is low or very low, and/or where the sums of potential clawback would be very low, [redacted]

Decisions on these issues are requested.

20. The third strand of the Business Finance work relates to European programmes of ERDF, ESF and RDPE and pan-European projects. This work has identified (Section 6 of Chapter 3) that there are no financial assets, clawback or profit sharing in the European programmes ERDF, ESF and RDPE. Strong management action is in hand to manage down some potential liabilities arising from the unique nature of match-funding arrangements, and the potential for

[2] RDA National Transition Board meeting on 25th January 2011.

infringements to be identified years after the start of programmes. This work will be completed and necessary action taken by December 2011 at the latest, with the vast majority being resolved by the end of March 2011. The tail-ends left represent a requirement beyond that date to draw down and distribute European funding to partners in pan-European projects.

Office Leases and Equipment

21. Our inventory of Office Leases and Equipment is set out at Chapter 4. We have included information from our own operational centres in Guildford, Chatham and Brussels as well as from individuals located in other countries as part of SEEDA Foreign Direct Investment team. Information has also been included on the office equipment owned by our delivery bodies where this has been purchased using SEEDA funding. The key points are:

a) The most significant area is our liabilities on office leases in Guildford, Chatham and Brussels. Chapter 4 contains the detail of an estimated closure liability cost of somewhat over £6m as previously indicated to BIS[3];
b) In many cases IT equipment will have a very low or nil value by the time of SEEDA closes on 31st March 2012;
c) Not all work is complete on gathering Office Equipment information from 3rd parties, but based on experience to date we expect the value of any assets or liabilities to be low or very low;
d) Our Audit Committee has oversight of our disposal policy given the importance of both disposing of a large quantity of written down equipment and the potential reputational issues involved with its disposal, for example on sale to staff.

22. Two options are set out in Chapter 4 in relation to SEEDA's office leases, which represent the major known liability, in particular in relation to the office lease at [redacted]

23. Turning to office equipment, although Chapter 4 indicates that the current Net Book Value of SEEDA ICT assets (as at December 2010) is £100,000 and of SEEDA Office Furniture is £67,000, taking into account further depreciation and based on recent disposal experience, we anticipate the value of these assets to be negligible by March 2012. We therefore propose to dispose of these assets to ensure that any disposal costs are balanced out to achieve a cost neutral solution.

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[3] SEEDA's 30% Commitments Scenario of 22 September 2010

24. BIS's decision is sought on our [redacted] office lease, and the Transition Board's steer is sought on any guidelines for disposal of office equipment.

Timelines and Stakeholder Engagement, Financial Profile, Staff Resources, and Risks

Timelines and Stakeholder Engagement

25. For land and property assets, the detailed timelines are dependent upon whether the preferred option is approved but the high-level milestones are set out in the summary timeline below. For the other aspects of SEEDA's Assets and Liabilities Plan key timelines are in addition set out in the Strategic Overview to each of Chapters 2-4. A summary timeline, including stakeholder engagement, is as follows:

<u>January – March 2011</u>

- Identification completed of assets and liabilities and clawback/management out of liabilities continued
- Projects and contracts closed and withdrawal from low complexity Section 5 companies
- Negotiations continue with Local Authorities, in consultation with HCA, on the land and property options.
- Negotiations continue to prepare for sale of outlying properties common to all 3 options.
- Write off of low value office assets for 2010/11 accounts.

<u>April – June 2011</u>

- Assets and Liabilities Plan formally approved.
- Formal sale proceedings started for early land and property sales.
- Negotiations with local partners on preferred land & property option.
- Key business finance assets transferred to CfEL and TSB.
- ERDF and RDPE transfer 30 June.
- [redacted]

<u>July – September 2011</u>

- Continue early property sales.
- Continue negotiations with local partners on preferred land & property option
- Sell/dispose of surplus office equipment
- [redacted]

November – December 2011

- Agree with BIS residual assets and liabilities to be transferred
- Agree with BIS the recipient(s) of the two land & property portfolios
- Complete transfer of majority of pan-European programmes
- Complete sale of properties for early disposal

January – March 2012

- Transfer of residual assets and liabilities
- Complete disposal/transfer from SEEDA of two land & property portfolios
- Complete sale of properties for early disposal
- Complete transfer of pan-European programmes
- Give notice on Chatham office and [redacted] office
- Dispose of remaining ICT/furniture

Financial Profiles

26. The financial profile is set out at Appendix A. Chapter 1 provides detail on the financial and GVA position over a 1-4 year; 6-10 year; and Year 11-onwards timeframe.

27. For our business finance assets and liabilities, the recommendation is that all identified clawback or liabilities be managed by 31/3/2012; the precise profile between the current and next FY is work in progress. Further work is in hand to identify any potential financial profile after 2011/12 as set out in paragraph 18 above.

Staff resources

28. The staff resource implications of the preferred options presented in the papers have been factored into SEEDA's outline manpower plan for 2011/12. This is currently being refined and BIS decisions will be taken into account. In particular, SEEDA's closure plan assumes the need for continued in-house expertise on our complex land and property assets and liabilities, and on our business finance assets and liabilities, to ensure best value and that liabilities can be managed out prior to closure as far as practicable. The potential for staff transfers in relation to land and property functions has yet to be determined.

Risks

29. A full risk register covering all the Chapters is set out at Appendix B. Key cross-cutting risks are:

- A delay in decision-making on the questions posed in this plan, with knock on implications for SEEDA's ability to deliver outcomes and manage out liabilities by 31/3/2012
- Adverse reaction by local partners and stakeholders if preferred land & property option is not pursued

- Market conditions deteriorate beyond what is proposed in the relevant chapters causing the balance between assets and liabilities to shift
- Inability to retain skilled staff capacity within SEEDA to manage out assets and liabilities in relation to land & property; to business finance assets; and to SEEDA's office leases
- Lack of capacity within successor/disposal organisations/residuary body

Government decisions required

30. In addition to the two key issues for decision in relation to the disposal of land and property portfolios set out at paragraph 15 above, SEEDA's ability to deliver this plan is dependent upon:

- early decision from BIS/CLG on each area of the plan so we are able to proceed with the transfer and disposal of assets;
- early confirmation of guidance on successor bodies (e.g. CfEL) for some areas of Finance Assets;
- early confirmation of the approach to be taken on the monitoring of projects and contracts beyond SEEDA's existence;
- [redacted]
- any guidance on disposal of office equipment to staff/voluntary organisations.

SEEDA
31st January 2011

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NB – All figures from table below have been removed as these are commercially sensitive and therefore exempt from disclosure under Section 43 of the Freedom of Information Act 2000.

Appendix A - SEEDA Assets & Liabilities Plan - Financial Summary Table

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Option 1: Forced Sale	Land & Property Cost £m	NPV £m	Section 5 Coys £m	Business Finance £m	Office Equipt £m
Sunk costs (Purchase price+enhancements)					
Less disposals					
Net sunk costs					
Book value at 31.3.10					
Disposal costs					
Disposal proceeds					
Liabilities remaining with Government					
Transfer to CfEL					
Contingent assets & liabilities					
Staff and exit costs to					
Lease termination costs					
Assets written off					
Clawback due to HCA					
Write-off of balance due to SEEDA					
Net increase /(reduction) in Value					
Net cash inflow to the Exchequer					
RIF Reimbursement					
Total cash inflow to the Exchequer					
Gross Value Added (GVA)					

Option 2: De-risk to divest	Cost £m	NPV £m	Section 5 Coys £m	Business Finance £m	Office Equipt £m
Sunk costs (purch. price + enhancements)					
Less disposals					
Net sunk costs					
Book value at 31.3.10					
Additional Investment					
Disposal proceeds					
Liabilities remaining with Govt & disposal costs					
Transfer to CfEL					
Contingent assets & liabilities					
Staff and exit costs to					
Lease termination costs					
Assets written off					
Clawback due to HCA					
Write-off of balance due to SEEDA					
Net increase /(reduction) in Value					
Net cash inflow to the Exchequer					
RIF Reimbursement					
Total cash inflow to the Exchequer					
Gross Value Added (over four years)					

Option 3: Invest locally to bring to market	Cost £m	NPV £m	Section 5 Coys £m	Business Finance £m	Office Equipt £m
Sunk costs (Purchase price+enhancements)					
Less disposals					
Net sunk costs					
Book value at 31.3.10					
Additional Investment					
Disposal proceeds					
Liabilities passing to local partners					
Transfer to CfEL					
Contingent assets & liabilities					
Clawback (RIF)					
Staff & exit costs to					
Lease termination costs					
Assets written off					
Clawback due to HCA					
Write-off of balance due to SEEDA					
Net increase /(reduction) in Value					
Proceeds of disposal					
Reinvested for local partners					
Net cash inflow to the Exchequer					
RIF Reimbursement					
Total cash inflow to the Exchequer					

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Appendix B - SEEDA Assets & Liabilities Plan - Risk Register

SEEDA's Assets and Liabilities Plan, 31st January 2011
RISK REGISTER

L: Likelihood I: Impact T: Total score (i.e. LxI)

Ref. No.	Risk	Inherent Risk			Actions for risk mitigation	Residual Risk		
		L	I	T		L	I	T
Strategic Delivery Risks								
1.	National Transition Board does not endorse clear options which delays outcomes	2	5	10	Asset and Liabilities Plan with full supporting information submitted on 31 January 2011 – including independent economic and financial assessments of options.	2	5	10
2.	Partners are unable to support proposals for complex section 5 company transfers	2	5	10	Discussions taking place ahead of due diligence	2	3	6
3	Major stakeholder objection – disagreement on preferred option for land and property assets	2	4	8	Continuing engagement with key stakeholders within The Solent and Kent and Medway areas – with letters of support received for land and property preferred option and included within the plan. More work to do on transfer of most difficult section 5 companies.	1	3	3
4.	Failure to agree key tenants of preferred option for land and property: including recycling of receipts to provide working capital; and transfer with deferred consideration	3	5	15	Asset and Liabilities Plan with full supporting information submitted by deadline; prior discussions with HCA endorse approach.	2	5	10
Land and Property: Stakeholder/Political Risks								
5.	Local partners decide not to proceed with the transfer of the land and property portfolio – or fail to agree terms	3	4	12	Consultants appointed by partners to advise on approach and risks. Extensive due diligence to be undertaken and shared with local partners	2	3	6
6.	Local development vehicles not established in time to enable transfer by March 2012	4	5	20	Transfer portfolios to local authority or HCA as an interim step	3	4	12
7.	Local delivery vehicles not sustainable and insufficient future funding available	4	5	20	Assets plan provides detailed assessment of estimated cashflow and operating costs.	3	4	12

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Ref. No.	Risk	Inherent Risk			Actions for risk mitigation	Residual Risk		
		L	I	T		L	I	T
8.	Failure to demonstrate adequate governance within the proposed local delivery vehicles	3	4	12	Ensure clear governance arrangements in place at outset – as a condition of transfer - and clear link back to HCA/residuary body of department or representation on board of delivery vehicle	2	2	4
Land and Property: Site Risks								
9.	Lack of delivery capability and resources – i.e. staff with essential knowledge, expertise and resources not available to enable effective delivery during 11/12	5	5	25	Early decision on future staffing of the proposed delivery vehicle needed including any [redacted]	4	4	16
10.	Unforeseen contamination liabilities on key strategic sites which would lead to increased costs and/or a delayed delivery	3	4	12	SEEDA development teams have extensive knowledge and understanding of risks and liabilities across the portfolio which has been incorporated within the plan	2	2	4
11.	Unforeseen local planning, political or contractual issues on key strategic sites	3	4	12	Existing development teams have extensive understanding of risks and liabilities across the portfolio which has been incorporated within the plan	2	2	4
Land and Property: Financial/Market Risks								
12.	Unforeseen financial claims arising from existing contracts	3	3	9	Existing development teams have extensive understanding of risks and liabilities across the portfolio which has been incorporated within the plan	2	2	4
13.	Failure to deliver forecast receipts resulting in operating shortfall / cashflow crisis	4	5	20	LAs keen to ensure development team with necessary skills and expertise in place to deliver against the plan and for their wider LEP vehicles	2	4	8
14.	Developments stall through lack of funding or reluctance of private developers [redacted]	4	**5**	20	Ensure development team with necessary skills and expertise in place to deliver against the plan – and consider contingency plan in case of further market deterioration	3	4	12
15.	Construction costs increase above forecast	4	**5**	20	Ensure development team with necessary skills and expertise in place to ensure projects delivered against agreed plan	3	4	12
Business Finance: Operational Risks								

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Ref. No.	Risk	Inherent Risk			Actions for risk mitigation	Residual Risk		
		L	I	T		L	I	T
16.	Lack of timely decision on FSE's future structure does not allow sufficient time for FSE to work effectively at becoming self sustaining affecting delivery and SEEDA's relationship with them.	4	3	12	Discussion with BIS/ CfEL re future ownership, following information from the BIS/RDA Transition Board on 25.01.11	2	2	4
17.	The lack of agreement on legacy single pot investments leads to loss of funds to support South East Businesses.	4	3	12	CfEL are suggesting "legacy wrappers" and further guidance is expected. Team are regularly in touch with BIS and CfEL and keep raising this issue	2	2	4
18.	Small risk that we will be unable to process final claims for European projects (FY 11/12), where we are the Managing Authority/Lead Partner, due to EU programming delays.	2	2	4	Progamme activities accelerated, with final claims submitted at earliest opportunity. The Commission is aware of SEEDA's impending closure.	2	2	4
19.	Effective use of public funds for single pot and European funded programme activity is not adequately monitored for contingent assets.	3	2	6	Active monitoring during 11/12 to reduce on-going monitoring requirement.	2	1	2
20.	Collaborative R&D aerospace programmes fail to balance technical advancements against delivery of expected regional benefits	3	4	12	Exert influence on programme outcomes and impacts through position on NATS steering boards.	1	4	4
21.	NATS programme expenditure does not follow expected phasing and restrictions by BIS in relation to forward commitments does not allow for contractual variation.	4	4	16	Regular review of forecasts and management of any potential under/over spend. Management of industry partner expectations regarding in year budget flexibility.	3	3	9
Office and Equipment: Operational Risks								
22.	Negotiations with [redacted] landlord take longer than anticipated to complete.	2	5	10	[redacted]	1	3	3
23.	Dilapidations work overruns SEEDA closure 31st March 2012.	2	4	8	As soon as BIS confirms [redacted] we will start work as soon as possible on dilapidations in those areas of the building that are currently vacated.	2	4	8

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Ref. No.	Risk	Inherent Risk			Actions for risk mitigation	Residual Risk		
		L	I	T		L	I	T
24.	Not all Office Furniture and/or ICT Equipment is disposed of by the time of closure	2	4	8	As Office Equipment is freed up SEEDA will continue openly promoting the availability to relevant groups (such as voluntary and community groups).	1	3	3
25.	Insufficient resource to manage the disposal of the Office Equipment	1	5	5	SEEDA has a clear Transition plan with identified tasks to be done. We have already managed the disposal of some assets so have the in house skills and experience to manage this task.	1	3	3
26.	Risk of disruption to Operations in moving out of Guildford office	3	5	15	SEEDA will continue to use Prince 2 project management processes to manage the exit from Guildford office in line with projected Operational delivery and resource requirements.	2	4	8

KEY

GREEN	= 1-9
AMBER	= 10-15
RED	= 16-25

CHAPTER 1 – Land and Property

Strategic Overview

1.0 Purpose

1.1. This document sets out the land and property section of SEEDA's Draft Assets and Liabilities Plan and details the work that has been undertaken to assess the portfolio in the light of the Government's decision to close the RDA's by 31 March 2012.

2.0 Approach

2.1. A number of options have been developed in response to Government Guidelines and the White Paper on "Local Growth: realising every place's potential". In particular this requires that:

- An appropriate balance is struck between the original purpose for acquiring the site and local views on best use
- Local demands and ambitions are met by the approach to disposal
- The new owners are capable of delivering the required results
- An appropriate balance is achieved between capacity, risk and the Government's commitment to localism
- A reasonable balance is achieved between national deficit reduction and local ambitions

3.0 SEEDA's land and property portfolio

3.1. **Rationale for portfolio –** the South East has significant areas of deprivation, especially around the coast and the former Kent coalfields and SEEDA has sought to create economic benefits through the development of strategic sites which have potential to create significant economic impact but which the market has been unwilling to take forward.

3.2. **Development nature of the portfolio** – The portfolio comprises predominantly development sites, in various stages of the development process. Some are large complex sites in need of de-risking prior to being able to attract private sector investment, others require limited further investment. Some sites have contingent and non-contingent liabilities which either exceed the market value or are subject to liabilities that do not run with the land. Wherever possible liabilities have been valued and deducted from market value of the land but across the portfolio we have estimated some [redacted] of liabilities that will require some form of dowry.

3.3. **Geographic location** – The majority of SEEDA's portfolio falls within one of two key sub-regional areas; Kent and Medway, and the Solent area with a few remaining properties outside of these.

4.0 Local ownership of the solutions

4.1. SEEDA has worked closely with local bodies including key Local Authorities to achieve the economic objectives sought through these sites. The majority of the portfolio aligns with one or other of the newly approved Local Enterprise Partnerships (LEPs) for Solent and for Kent, Greater Essex and East Sussex. Local partners in both areas have expressed a strong desire to take these sites forward after SEEDA closes and are in the process of establishing delivery vehicles which would be capable of holding property and taking forward development to bring these sites to the market and create new jobs and homes.

5.0 Strategic options

5.1. Following an independent review of the options for dealing with the portfolio between now and when SEEDA closes, three main options have emerged as set out below:

1) Forced Sale – This is a straight forward disposal of the whole portfolio by 31 March 2012 at open market value, on an unconditional basis save where SEEDA is bound by existing legal agreements. In cases where there are no existing development agreements, sites could be used for a different economic purpose than was originally intended where alternative uses (such as open storage or a lorry park) are more financially profitable, albeit that they return fewer economic benefits than SEEDA's intended development.

In cases where an existing development agreement does exist, it has been assumed that either the other party would buy SEEDA out or another party could be found to buy our interest. It has also been assumed that where there are other restrictions preventing sale, an agreement can be reached and a value has been attributed according, although there is a risk that this might not be achievable.

Sales receipts will reflect the [redacted] Under the analysis carried out, sites have been valued individually and value aggregated; but there would undoubtedly be [redacted] meaning that in many cases sunk costs/investment to date are unlikely to be recovered and the outcomes and outputs which under pinned the original investment decision are unlikely to be met.

It is likely that a forced sale would lead to a substantial amount of landbanking as opportunist purchasers [redacted]

The full amount of net sales receipts after costs in 2011/12 would be available for the Government in the sum of [redacted] plus receipts from the Regional Infrastructure Fund of [redacted] as shown in the table below. This takes into account sales costs and staff resources plus liabilities of [redacted] for items such as contamination which are not included in SEEDA's book value. There are also liabilities that do not run with the land and these would need to be transferred with a dowry to a successor body which have been estimated at [redacted]. In addition there are contingent liabilities which are uncosted but should they be incurred could potentially be very costly; these are listed in the Plan.

This option would be delivered by SEEDA prior to closure and, offers no opportunity for local partners to contribute to a more strategic approach.

2) **De-risk to divest –** This option aims to maximise net receipts by way of unconditional sales (as in option 1) but over a four year period by way of controlled market disposal. Unlike option 1, investment will be made to increase the value of the sites but only where this increases receipts by more than the investment laid out, for example, by securing planning permission. This strategy seeks to maximise receipts irrespective of achieving the wider economic benefits that development in line with original objectives or local ambition would bring. Sites would therefore be sold unconditionally save for any existing legal agreements, leaving alternative uses to be pursued where they produce increased net receipts but may not deliver jobs and economic growth and again this could lead to land banking.

   Net sales receipts after costs in 2011/12 would be recycled to cover the first quarter's expenditure for the following year with the remaining [redacted] plus receipts from the Regional Infrastructure Fund of [redacted] being returned to Government. Returns for the first 4 years and for the whole life of the portfolios are summarised in the tables below.

   This would be a centrally controlled approach and it is expected that this option would be delivered through a residuary body or another public body, such as the Homes and Communities Agency. As with option 1, some liabilities will need to remain with Government due to the size and complexity of the potential risk. Local Partners could be involved but could lack a strong stake in the delivery. This does not accord with localism and would not be approved by LEP local authorities in Kent & Medway, and the Solent.

3) **Invest locally to bring to market –** With the exception of sites ready for sale, SEEDA's property portfolio is split into two self funding local portfolios aligned to LEP areas, one in the Solent and the other in Kent and Medway. All assets and liabilities in these areas will be packaged within one of the two local portfolios and disposed of to the Local Delivery Vehicles (being set up to align with the LEPs in these areas) on the basis of a market disposal at deferred consideration on commercial terms.

A model has been developed to use receipts recycled within the packages to provide working capital and enabling investment with surplus receipts returned to Government throughout the development period. This enables sites to be developed to their full economic potential without any further Government investment and surpluses to be produced year on year which will be returned to Government at the end of each year. The private sector will be invited to invest to deliver defined outcomes by taking forward development on a site by site basis as each site is ready to market. A timeline has been developed with cashflow profiles. Short term income generated by both portfolios will off set annual running costs.

The sites outside these areas will be disposed at market value to secure an early receipt for Government of at least [redacted] in 2011/12 after an allowance has been to cover the first quarter's expenditure for the following year. In addition a further [redacted] receipt will return to Government from the RIF.

It is expected that this option would be delivered by delivery vehicles aligned to the LEPs or if they are not up and running in time, the portfolio would be transferred for a temporary period to either Local Authorities, CLGH/HCA or the residual body until such time as the delivery vehicles are up and running. This option places delivery in the hands of the local stakeholders and packages the assets and liabilities together in a way that will enable all liabilities to be disposed of, with no liabilities remaining with government because allowance for these has been made in the figures.

Summary Financial Table

The table below compares the total Net Present Value of cash returned to Government over the first 4 years and then over the whole life of the options and also shows the NPV of total GVA from net additional jobs and total number of housing units expected over the same period.

Whole life position

The whole life position shows the situation over the full lifetime of the schemes if fully developed out. It is estimated that this will take [redacted] years for all schemes to be completed. Options 1 and 2 do not change from the 4 year position but option 3 completes investment and all sites are sold for development. In overall terms this option returns marginally higher net receipts than option 2 in cash terms but, as the receipts come in over a longer period, the NPV is less. The biggest difference can be seen in the economic benefits with option 3 producing more homes than the other options and much higher GVA.

Whole Life position							
Option	Net receipts after costs £m	NPV £m	Receipts returned to Govt £m	Invested locally from gross receipts £m*	Total receipts to Govt and invested locally £m	Housing units	GVA (£m)
Option 1	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Option 2	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Option 3	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
RIF	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

* Invested locally excludes sales costs
** Note: Government will be left with contingent and non-contingent liabilities of [redacted] for sites such as [redacted]
*** Includes [redacted] of liabilities passed to local partners

Four year position

Under options 1 and 2 all receipts are received but option 3, with a longer development profile, still has significant receipts to be realised.

Option 1 sees investment of [redacted] in respect of liabilities such as contamination and nets [redacted] (after costs of sales and the cost of staff etc).

Under Option 2 investment increases to [redacted] but, having recovered these costs, there is an additional net receipt of [redacted] as the whole portfolio is sold

Under option 3 a longer term view is taken and [redacted] is invested over the first 4 years but only part of the portfolio is sold leaving the remainder to be realised over the longer period as can be seen from the whole life table.

6.0 Recommendation

6.1. This draft Plan examines the options in greater detail, including an independent options analysis undertaken by [redacted] and [redacted]. This report recommends proceeding with option 3 by disposing of all of the assets and liabilities in the Solent area and in Kent and Medway at market value for a deferred consideration on commercial terms to the emerging Local Delivery Vehicles, with a share of cash surpluses being returned to Government year on year; and that sites outside these areas be sold to provide an immediate cash receipt to Government.

If the delivery vehicles aligned to the LEPs are not up and running in time the portfolio would be transferred for a temporary period to either Local Authorities or CLG/HCA as the residual body until such time as the delivery vehicles are able to acquire the sites. This option seeks to place delivery in the hands of the local stakeholders and packages the assets and liabilities together in a way that will enable all liabilities to be disposed of.

REDACTED VERSION

SEEDA's land & property portfolio

1.0 Purpose of the document

1.1. This document sets out the land and property section of SEEDA's Assets and Liabilities Plan. This document is a working draft. It is work in progress and due diligence is still being carried out in respect of the numbers. It documents the work that has been undertaken to assess the portfolio, and the options for the portfolio's future management ranging from straight disposal, through a managed sale to the option of achieving original economic objectives in order to maximise both financial and economic outcomes.

2.0 Approach

2.1. The document responds to instructions from BIS received in October 2010 that all RDAs should prepare an Assets and Liabilities Plan by the end of January 2011. BIS guidance to assist with this process was issued during December 2010 ". In particular this requires that:

- An appropriate balance is struck between the original purpose for acquiring the site and local views on best use
- Local demands and ambitions are met by the approach to disposal
- The new owners are capable of delivering the required results
- An appropriate balance is achieved between capacity, risk and the Government's commitment to localism
- A reasonable balance is achieved between national deficit reduction and local ambitions

3.0 SEEDA's land and property portfolio

3.1. **Rationale for portfolio** - Despite its relative prosperity, the South East has significant areas of deprivation, especially around the coast and the former Kent coalfields. One of the ways in which SEEDA has sought to assist these areas is through the acquisition of strategic sites which have potential to create significant economic impact through the development of employment space linked to key economic sectors, the provision of infrastructure and land enabled for housing, but which the private sector has been unwilling to take forward for reasons of cost, complexity and risk (such as contamination). SEEDA therefore has a development portfolio with the only a few properties treated as investments.

Sites have been inherited from English Partnerships in 1999 or acquired to provide for the needs of local areas and SEEDA has received the support of local partners in taking these forward. Some sites are also of regional significance and will have an economic impact beyond the immediate area.

3.2. **Approach** - SEEDA's approach has been to reduce risk, (such as by de-contaminating) and to increase marketability through land assembly, developing masterplanning and securing planning consents to enable development to take place in such a way that it will meet the requirements of the local area and maximise the wider economic impact.

3.3. **Liabilities** - It should be noted that some sites carry substantial liabilities. This can take the form of either annual running costs or future capital requirements and may require a dowry. This is most notably the case at [redacted] and [redacted] which [redacted] There is also a contingent liability in respect of the [redacted]. [redacted] but an allowance of [redacted] has been made within this plan for [these and unforeseen] liabilities such as site contamination. Details are shown in the schedule below.

Property	**Description**	**Amount (£k)**
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

REDACTED VERSION

[redacted] Liabilities

Property	Description	Amount (£k)
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
	[redacted]	[redacted]
	[redacted]	[redacted]
	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
	[redacted]	[redacted]
	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
	[redacted]	[redacted]
	[redacted]	[redacted]
	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
	[redacted]	[redacted]
	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

Non-Contingent Liabilities with an Annual Cost

Liability	Description	Amount (£k)
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

REDACTED VERSION

In addition there are contingent liabilities which have not been costed but could potentially be costly and details of the type of liability is shown below:

[redacted] Liability Schedule

Liability	Description	Amount (£k)
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]

All of these liabilities are in respect of sites currently within the portfolio with the exception of Chatham Maritime where SEEDA's has inherited contingent liabilities from English Partnerships which do not run with the land and these are included in the list above. It is not believed that there are any continuing liabilities in respect of sites which have been sold.

3.4. **Geographic location** - The majority of SEEDA's portfolio falls within one of two key sub-regional areas; Kent and Medway, and the Solent, with a few remaining properties outside of these. The two main areas hold areas of similar value as shown in the diagram below.

Geographic area by book value

This graph has been redacted as it features commercially sensitive information which is exempt from disclosure under Section 43 of the Freedom of Information Act 2000.

Summary of Property Portfolio	
Site and location	**Overview**
	KENT & MEDWAY
Sites 1 – 4 Ashford – package of strategic sites close to Ashford Town Centre, Kent	Elwick Place – Development Agreement completed with Stanhope for mixed use development March 2010
	Rimmel Site - cleared brownfield site, for relocation of PO sorting office to free up adjacent site to International House
	Commercial Quarter - Crouch's Garage – one of Ashford's Town Centre Regeneration Sites comprehensive land assembly area comprising a redundant garage & International House – refurbishment of 11 storey land mark building in strategic town centre location
	Victoria / Beaver Road – vacant brownfield gateway site opposite the International Passenger Station for proposed mixed-use scheme
5. Dartford Northern Gateway, Dartford, Kent	Strategic plots to support masterplan delivery for the creation of a mixed-use development in a key gateway position including a new business centre
6. Betteshanger Colliery, East Kent	6. 300 acre national coalfield programme site with a proposed sustainable mixed-use office and leisure scheme
7. Buckland Paper Mill, Dover	3.83 ha former paper mill presents a mixed use development opportunity with planning for care home, community centre, retail area and residential
8. Northfleet Embankment, Thames Gateway, Kent	Unique riverside development opportunity for the redevelopment of an 87 ha riverside site into a flagship mixed-use regeneration scheme
9. BLAT sites	Six brownfield sites totalling c. 2 acres - potential to deliver affordable housing in key areas: Hastings; St Leonards on Sea; Dartford; Chatham; and Canterbury.
10. Shearway Business Park, Folkestone	Built in 2002, located in close proximity to Folkestone town centre, the business park comprises a range of unit sizes for large and small-scale companies. Couple of small residual land ownerships
11. Folkestone Enterprise Centre	Purpose built 31,000 sq ft business centre located on Shearway Business Park - lease for site restricts use as a Business Innovation and Enterprise Centre.
12. Queenborough and Rushenden, Isle of Sheppey, Kent	The project includes the development of a key piece of infrastructure, in order to realise the full potential of residential & employment sites (28 acres)
26. Chatham Maritime, Medway	1. The Interface Lands (South of Basin): mixed use development opportunity in association with the Historic Dockyards
	2. St Mary's Island – a 100 acre residential site with potential for 700 additional new homes
27. Rochester Riverside, Rochester, Medway	70 acre remediated derelict site in a prominent Gateway location in the Thames Gateway, includes proposals for a mixed-use scheme

3.5. Site analysis

The portfolio consists of 67 property titles which are grouped into 32 sites as summarised in the tables below:

REDACTED VERSION

Summary of Property Portfolio Cont'd	
Site and location	**Overview**
	SOLENT
13. Daedalus, Gosport, Hampshire	Currently the largest employment site in the sub-region (80 ha) - opportunity to bring forward major employment led development to address business floor space shortages, most notably in marine and aviation-related businesses plus a mixed-use scheme
14. Frater Gate Business Park, Gosport	1.3 acres of a 4.7 ha former MoD site cre Business park development on former MoD site – 1.3 acre remaining.
15. Gosport Business Centre and Frater Gate Business Park –	Remaining (following sale) - includes Gosport Business Centre, which opened in 2004 and comprises 25,000 sq ft of managed office / workspace units.
16. Harts Farm Way	15 acre brownfield site (2 zones) in an important sub-regional employment zone, with proposals for a business and innovation centre and the opportunity to enhance the supply of new industrial floorspace
17. East Cowes, Isle of Wight	 Former GKN works – 7.6 ha of brownfield land presents a comprehensive development opportunity for a town centre mixed-use scheme
18. Island Technology Park, Whippingham, IoW	10 acre employment site which adjoins the GKN Osborne Works facility has been identified as location for a marine / aerospace focused technology park.
19. Kingston Marine Park, IoW	11 acre employment site on the Isle of Wight with opportunities for a and renewable energy sector..
20. Three Gates Road, Cowes, IoW	3.2 ha industrial land in Cowes, developed out to the provide new employment sites residual interest.
21. West Medina Mills, Isle of Wight	15 acre brownfield site adjoining the River Medina - global research development facility for environmental technology under construction
22. Hythe Marine Park, New Forest, Hampshire	12 acre former MoD site offer significant marine employment opportunities – work in progress
23. Tipner Urban Regeneration Area, Portsmouth	2.75 ha derelict sites and premises (3 plots) within the wider Tipner Regeneration Area located at the gateway to Portsmouth City
24. Drivers Wharf, Southampton	Ocean House and Coburg Street are key sites within Drivers Wharf regeneration area, and present the opportunity to create marine-led employment space and residential scheme
25. Woolston Shipyard, Southampton	Strategic development opportunity of regional significance, the 12.5 ha former shipyard presents the potential for a large-scale mixed-use development. Work in progress to deliver first phase of housing and marine employment quarter
	OTHER
28. Ropetackle, Shoreham	2.44 ha former redundant contaminated brownfield site, which now comprises 191 housing units (to be completed summer 2011).
Business Centres:	Six business centres including a mix of office & industrial floor space, aimed at facilitating growth of SMEs
29. Adur Business Centre, Shoreham	10,000 sq ft (lettable space) Business Centre which forms part of a mixed-use development built on a brownfield site next to Shoreham Harbour.
30. Andover Business Centre	Located 1 mile from Andover town centre on an existing industrial estate, the business centre comprises 26,470 sq ft of net lettable space.
31. Faringdon Business Centre	5,650 sq ft of office space, and two 0.5 acre plots present the opportunity to develop a new managed business centre.
32. Chilterns Business Centre, Princes Risborough	Located within the Princes Estate, Buckinghamshire, the 5.8 acre brownfield site has planning permission for a 15,000 sq ft net lettable business centre.

3.6. Local characteristics

3.6.1 Kent and Medway

a) Ashford

- **Ashford** has been designated a growth area for many years but has seen an increase in economic investment by the private sector. In planning the growth of the town as part of the Local Development Framework process, the principles of growth from the centre and "mend before you extend" (i.e. put the town centre right before expanding the town) was a message presented loud and clear from both the local authority and the wider community.

  Against this backdrop, SEEDA, in full co-operation with Ashford Borough Council, Kent County Council and Homes & Communities Agency, has secured a major landholding within the town centre to assist this regeneration process. These sites were acquired as a result of lack of interest from a private sector which has never been willing to take on the risk of developing these sites. SEEDA's acquisition of these properties have enabled a number of sites to be "de-risked" from the private sectors point of view to an extent where they are more confident in investing, not necessarily wholly, but in conjunction with the public sector to develop new retail and business floor space.

  With the introduction of the high speed rail service putting London within 38 minutes reach, Ashford is on the cusp of fulfilling its potential as a major sub regional economic growth point which, within the short to medium term, will enable the public sector to see a significant return on their investment in terms of land values, new jobs and increases in the level of GDP locally.

b) **Thames Gateway**

I) *Medway Unitary Authority*

Chatham Maritime - a former Naval Dock Estate, is a large and complex mixed use regenerations site, which is three quarters complete. A large parts has been developed for employment, educational leisure and residential uses Parts of the public realm and residual interests have been transferred to the Chatham Maritime Trust for long term management in accordance with the Exit Strategy. The remaining development sites are available to the market. SEEDA still holds a number of significant liabilities associated with the Estate and these will need to be transferred.

***Rochester Riverside* -** One of the most important sites in the Medway Waterfront regeneration area and key to the overall economic development of Medway. The site has benefited from significant amounts of public sector investment and now is " oven ready" for development. Recent negations with Housebuilder Crest to develop out the first phase of approximately 600 units have failed highlighting the difficulties in attracting private sector developers to commence schemes in the current market.

II) **Kent Thameside** (Dartford and Gravesham Borough Council)

SEEDA's role across Kent Thameside has been very much to bring forward key regeneration sites in support of the Land Securities development of Ebbsfleet Valley, identified as one of Thames Gateway's four major economic transformers. The intention has been to ensure the area as a whole is developed in a manner and to a quality to provide investor interest in Ebbsfleet as a place within a place rather than an isolated development. The focus has been on the regeneration of the nearby town centres and the Thames waterfront where the private sector was not prepared to invest. As a result we have two major schemes:

1. Dartford Northern Gateway and Station Mound. As a whole Dartford town centre has a poor retail offer having lost out from the development of Lakeside, it has a very poor evening/night time economy and is fragmented. SEEDA has acquired a series of poor quality employment sites to the north of the railway line and is currently developing a managed business centre and has planning consent for further high quality employment space. This will produce a substantial improvement in both job numbers and quality of jobs and increase footfall within the town centre. In addition, SEEDA has completed the necessary land assembly and is bringing forward the Station Mound town centre site in partnership with DBC and Network Rail. To date the private sector has not been prepared to invest time or money in acquiring the additional land or in bringing the partners together. The Partnership will later this year bring forward a site for retail, residential, hotel and polyclinic which will create additional economic activity in the town centre improving its retail, leisure and cultural offer. Whilst the private sector is now engaging there remains a valuable role to see through to conclusion the developments it has commenced and also to complete the land assembly and development delivery within the northern Gateway that the private sector will still not tackle.

2. Northfleet Embankment. This is a key waterfront site typified by low quality industrial uses. The area as a whole continues to have an important employment base in Lafarge and Kimberly Clark. In order to secure a sustainable future for the area and provide high quality development whether for employment or residential purposes SEEDA has acquired a substantial land holding and is in the process of preparing the site for the market. [redacted]

[redacted] This would deny the opportunity of a multi modal low carbon terminal linking rail, shipping and road freight routes. If the site were to remain as a residential scheme there is an even greater need to land raise and so the Crossrail deal remains crucial. Under these circumstances it would remain a large and difficult site which the private sector housing market is unlikely to invest in at the present time.

III) Isle of Sheppy, Swale Borough Council

On the Isle of Sheppey, SEEDA's land holding has enabled it to lead a major masterplanning exercise which has now been approved. Development proposals are for up to 2M sq ft of employment space and 2,000 new homes. Delivery of the first stages of primary infrastructure are now nearing completion. SEEDA's actions to date have already helped change the private sectors perception of this area which was previously regarded as a poor quality area with low grade sites in an isolated and unattractive location. There remains a need to ensure that the first stages of development set the tone for the remainder and on the housing sites there are still issues to be resolved before these become truly attractive to the private sector. The key issues being the need to land raise and improve flood defences and complete adjacent land owner agreements to provide oven ready sites as currently demanded by the market.

IV) **Other Kent sites**

1. ***Coalfield Programme***
East Kent has been a priority location for targeted economic development by SEEDA with specific focus on the former East Kent Coalfield sites and Town Centre Regeneration Programmes in Dover and Margate. The former Coalfield sites were transferred to SEEDA in 1999 and two of the four sites have now been comprehensively redeveloped and sold to developers and owner occupiers. These include the former Tilmanstone Colliery (8.6 hectares) where reclamation was completed in 2004 and the site sold to Tilmanstone Salads, a subsidiary company of **GEEST** UK. The former Chislet Colliery has been redeveloped and now comprises Lakesview Business Park where 5.6 hectares of derelict land has been reclaimed to

provide 28,500 sq mtrs of new commercial floorspace and over 100 new jobs. Total investment by SEEDA in the Coalfield Programme is approximately £32 million and total jobs created so far exceed 1,100.

SEEDA worked in close partnership with the Homes and Communities Agency to deliver the schemes with approximately £30 million drawn down from the National Coalfields Programme budget during the period 2001-2008. The last site in the portfolio is the former Betteshanger Colliery which SEEDA redeveloped to form Fowlmead Country Park and Betteshanger Business Park, both completed in December 2008. Betteshanger is now the subject of a major transaction with [redacted] during the course of the next five to six years.

2. **Dover**

SEEDA developed a strategic programme for East Kent which combined major investment in the former Colliery sites with Town Centre renewal in locations of chronic market failure and persistent economic and social disadvantage. SEEDA's approach in the towns of Dover and Margate was to prepare asset based land assembly strategies working closely with key Local Authorities and other Stakeholders by way of Grant Funding Agreements. SEEDA's work in Dover commenced in 2003 and during the period 2006-2009 SEEDA invested approximately £6.2million with Dover District Council in a targeted land assembly programme specifically designed to reduce market risk and create confidence for private sector developer participation.

As a result of this Dover District Council has been able to engage with private developer, Bond City Limited, to create a new masterplanned scheme for the St James' area linked to other parts of the Town Centre. During the last two years SEEDA has worked closely with the District Council and Dover Harbour Board to combine town centre renewal with redevelopment of the Wellington Dockside area to complement the Harbour Board's wider investment in its two new ferry terminals, new marina and waterside leisure, sports and retail facilities. [redacted]

3. **Margate**

SEEDA's approach to urban renewal and redevelopment has been similar in Margate. SEEDA has taken a leading role in the Margate Renewal Partnership which has included Thanet District Council, Kent County Council, the Arts Council, English Heritage and Homes and Communities Agency. This partnership has been instrumental in managing major capital investments in the town, including SEEDA's investment of £6 million in a site assembly programme in the High Street (including the former Marks & Spencer building) and the new Turner Contemporary Art Gallery where SEEDA's investment of £4 million has helped to create a new iconic building which will feature strongly in the cultural and social renewal of the town.

It is important for these projects to continue especially with the growing awareness in the business community of significant transport and access improvements to this part of the South East. For example, the new High Speed One train from St Pancras to Ashford and Dover means that the journey time by rail to East Kent is now less than one hour, a reduction of thirty minutes from the previous timetable. In addition, there has also been significant investment at Manston Airport with access and infrastructure improvements and plans for a new parkway station to enable direct access by passengers from the National Rail Network.

3.6.2 Solent

The portfolio comprises 13 sites within the Gosport, Havant, New Forest, Portsmouth and Southampton districts and unitaries within South Hampshire and the Isle of Wight. With the full support of local partners, businesses and development industry SEEDA has been promoting an employment led approach - with some mixed uses (residential) elements on larger regeneration sites. The interventions are part of a medium to long term strategy addressing market failure and intended to de-risk the development and catalyse private sector investment whether through owner occupiers or developers.

The market failure arises from combination of: condition of the land (eg former fuel depots, chemical works and scrap yards at Tipner, Portsmouth); the need for large upfront infrastructure investment to open up strategic sites for development (eg Daedalus); and the large size of the sites relative to the market demand - i.e. many sites (including many former MoD sites) are simply too large for the local market.

Whilst the residential and retail markets generally perform well - there is significant challenges on the provision of business space with limited private sector investment in new employment space outside the M27 corridor. In the more peripheral areas, particularly Isle of Wight and parts of south east Hampshire (Gosport and Havant), [redacted] (eg Johnson and Johnson, Frater Gate Business Park, Gosport; Southmoor Park, Havant and the Isle of Wight).

SEEDA has a track record of working with businesses and local authority partners in the areas to help structure appropriate property solutions to take advantage of the opportunities and strengths in the area (e.g. Vosper Thornycroft, Johnson and Johnson and Vestas Technology).

3.7. Financial summary

3.7.1 Book value

SEEDA's existing book value at March 2010 [redacted] Our valuers, [redacted], have been instructed [redacted] In addition it should be noted that book value has been assessed on the basis of the RICS Red Book guidelines which assume highest use value, which is likely to be higher in many instances than the best economic use, for example development as a Business Incubation Unit will realise a lower site value than other uses, such as warehousing. [redacted] The development cash flows carried out by [redacted] are based on current market values [redacted].

3.7.2 Portfolio income / running costs

The portfolio has been acquired as a set of regeneration opportunities rather than investment assets. SEEDA's estate management function has, however, worked hard to off-set annual running costs by generating income from temporary / short term uses wherever possible. In addition there are five managed Business Centres, developed on SEEDA land, which provide purpose built accommodation for small and start-up companies and provide a net annual income from a combination of ground rents and a share of rental income from occupiers and International House in Ashford which has been acquired as a long term strategic development site as part of a wider priority regeneration area but which is currently fully occupied.

The distribution of costs and income between these areas is shown in the diagram below which shows net annual rent after estate management costs. [redacted]

Location	Gross annual income £m	Gross annual Running costs £m	Net position £m
Kent and Medway	[redacted]	[redacted]	[redacted]
Solent	[redacted]	[redacted]	[redacted]
Remainder	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]

REDACTED VERSION

The graph above has been redacted as it features commercially sensitive information which is exempt from disclosure under Section 43 of the Freedom of Information Act 2000.

3.7.3 Clawback

When SEEDA was set up in 1999 it inherited sites from English Partnerships and continued a working relationship with them and their successor body, the Homes and Communities Agency (HCA) and their sponsoring Government Department, now the Department for Communities and Local Government (DCLG). Both EP / HCA and DCLG have provided grant funding for the purchase and remediation of sites within the South East, principally within the Thames Gateway and East Kent. To date [redacted] has been received and this funding is subject to clawbacks which relate to the eventual net sales receipt upon disposal of the sites. It is estimated that receipts of [redacted] could be subject to clawback

It is at the funders' discretion whether to take the clawback or to recycle it into new projects. In previous years clawback has, been recycled to good effect and it may be that re-investing clawback could lead to an increase in market value beyond the value recycled and therefore provide a greater net return.

SEEDA too has the potential to clawback funding from grant agreements depending should the recipients not perform in accordance with the terms and conditions of the grant and these are also listed in Appendix

3.7.4 **Regional Infrastructure Fund**

SEEDA is the Accountable Body for the South East Regional Infrastructure Fund which was set up in 2009 and is one of three such recyclable funds, the others being set up by RDAs in the South West and West Midlands, to forward fun infrastructure in order to release development opportunities.

Funding for the South East RIF has been provided by the Department for Transport (DfT) who are providing a total of [redacted] this financial year to fund two infrastructure schemes. This investment will be recovered by the Local Authority through the planning system and is due to be returned to SEEDA as accountable body over the next [redacted] years. The

Fund is then able to re-invest these sums into new schemes in the South East (under the existing contract DfT does not require the money to be repaid to them).

The role of Accountable Body will need to continue after SEEDA closes and there is a potential linkage between the RIF receipts and SEEDA's land and property portfolio if they were used as a revenue stream against which to borrow or otherwise to support continued development. Discussions have taken place with the other RDAs and a list of options drawn up as follows:

I) **Alternative Accountable Body / Bodies -** could take over from the RDAs which could either be:

- national - covering all three current RIFs and any new ones
- sub national - for each existing RIF
- local - covering the areas of the schemes currently being supported

Considerations which need to be addressed are as follows:

- Accountable Body(s) must have independence and be free from conflict of interest
- should have the resources necessary to actively administer the RIF
- They should be capable of attracting future investment
- Investment Panels may have to be reconstituted to identify priority schemes

Possible candidates are as follows:

- The Homes and Communities Agency (already involved in some RIFs)
- The Department for Business Innovation and Skills
- Department for Transport (as the main funder)
- Department for Communities and Local Government
- Strategic groupings of Local Enterprise Partnerships (more than one LEP)
- Local Authorities (responsible for the investment in their areas)
- Private sector body (independent and could incentivised to actively manage the RIF to bring in new funding).

Advantage – This would ensure that funds were returned and that a recyclable fund for public (and possibly private) sector investment was maintained.

II) **Funding to be returned to the funder / BIS -** Responsibility for completing scheme funding and collecting recycled receipts could go back to the funder on a scheme by scheme basis. For example, where the DfT has agreed to fund a scheme it would continue to meet its commitment directly with the Local Authority recipient who would pay DfT back as per the terms of the RIF Agreement.

Advantage - This would ensure that funding returned to Government, but not that it was used for its original purpose.

Next steps

A full options appraisal will be required but meanwhile the South West RDA has written to DfT to obtain their views as principal funder.

4.0 Local ownership of the solutions

4.1. **Shared Local Objectives** - SEEDA works closely with local partners and stakeholders in these areas, especially with Local Authorities both on an individual basis and through joint working groups such as the Partnership for Urban South Hampshire plus Isle of Wight (PUSH plus) and the North Kent Leaders Group. As a result there is shared vision for these areas and SEEDA has a number of Collaboration Agreements and joint Development Agreements with Local Authorities as well as corporate relations through Special Purpose Companies of which SEEDA is a member. Letters of support from Kent County Council, Medway Unitary Authority and Local Authorities in the Solent area are attached in Appendix 5.

4.2. **Emerging local** structures - Following the Government's White Paper entitled 'Local Growth: realising every place's potential' five Local Enterprise Partnerships (LEPs) have been approved by Government within the South East. Of these, two structures; the Solent LEP and the Kent, Greater Essex and East Sussex LEP cover the main areas where SEEDA's land and property portfolio is situated and both have expressed an interest in developing out the SEEDA sites within their areas. SEEDA has been working with the Local Partners involved to ensure that they understand SEEDA's land and property assets and liabilities within their area, including the need for a market valuation and the levels of investment needed; and the potential benefits that these properties could deliver to their local economies as well as the costs involved in holding them.

4.3. **Possible delivery vehicles** - Stakeholders are now looking at delivery vehicles which will enable LEPs to maximise the benefit from holding assets. [redacted] The principle is that Local Authorities own the assets and have control, but the assets are "lent" to a trust which will hold the skills to develop-out the sites, leveraging-in private sector funding on individual developments by appointing developers. This model is compelling to Local Authorities as they retain control.

5.0 Strategic options

5.1. **Property review** - A review has been carried out of all land and property assets and liabilities together with a consideration of options for their disposal in line with guidance received from BIS, with the aim of setting out the most effective way in which development may be taken forward to promote economic regeneration in the South East and showing the receipts which could be captured for the exchequer. This information has been used to complete a summary table, issued by BIS, a copy of which is shown in Appendix 1. The key principles / drivers have been considered on an asset by asset basis taking into account the nature of the asset, including income/liabilities, interdependencies with other sites and its strategic importance.

5.2. **Options summary -** With the closure of SEEDA, a number of options have been considered for the Land and Property portfolio which are discussed below:

5.2.1 *Option 1 – Forced Sale of the whole portfolio*

Description: To seek to dispose of all assets and liabilities at open market value by 31 March 2012

Objective: Divest central Government of all assets and liabilities at market value, irrespective of best economic use, local views or sunk costs.

Conditions on sale: None other than all receipts must be obtained by March 2012. There are no restrictions on use save for where SEEDA is subject to existing Development Agreements.

Investment: There will be no investment save for that which the RDA must meet such as the [redacted]. Sale costs will also be incurred at [redacted]

Treatment of liabilities: Where possible all liabilities are to be transferred with land but there may be some liabilities that will not be transferable.

Summary: This is a baseline option to dispose of the whole portfolio at the highest possible consideration. No restriction will be made on the use to which the sites are put, even if the eventual use does not deliver the economic benefits for which the site was originally acquired and sunk costs invested. No account will therefore be taken of the value for money which the sale will produce and the views of local stakeholders will be discounted unless they are able and willing to acquire at the highest achievable market value.

Pros

- All assets and liabilities disposed of by the time the RDA closes by March 2012
- All receipts received by March 2012

Cons

- No account taken of local ambition unless stakeholders can purchase
- Unfavourable time to dispose due to current market conditions
- Speed of sale means that receipts are lower than would otherwise be the case.
- Outputs likely to be minimal as a result of no restrictions on use
- Very poor value for money as a result of low outputs
- Sunk investment could be wasted if original objectives not followed through
- Some liabilities will not be transferable
- Some assets can not be sold on the open market due to legal constraints / restrictions
- Enables cherry picking of best sites leaving liabilities with the public sector.

The option provides a net receipt of [redacted], over [redacted] homes and GVA from net additional jobs over the first 10 years of [redacted], all of which are the lowest of all of the options, both in total and NPV terms, [redacted] It should be noted that this estimate of net receipts is for the whole portfolio. Previously BIS has requested information excluding sites that are subject to existing development agreements.

The staff resource and other operational costs required to dispose of the whole portfolio by March 2012 have been assessed. The timescales dictate that this will be an intensive period of work and we believe [redacted]

5.2.2 Option 2 – De-risk to divest

Description: Dispose of all assets and liabilities at open market value by 31 March 2015.

Objective: Divest all assets and liabilities over a four year period at the highest possible consideration, irrespective of use and without regard to the most valuable economic use, local views or sunk costs.

Conditions on sale: None other than all receipts must be obtained by March 2015. No restrictions upon use save where SEEDA is restricted by existing development agreements.

Investment: Other than SEEDA's statutory investment such as the CPO costs [redacted], investment will only be made where it increases land receipts.

Treatment of liabilities: All liabilities are to be transferred with land.

Summary - This option aims to maximise net receipts over a 4 year period and no investment will therefore be made unless it increases receipts by more than the value of the investment. Apart from existing development agreements apply, original development proposals will only be followed where they produce maximum receipts. Alternative uses will be pursued where they produce increased net receipts. No account will be taken of the original economic objectives for the site and any economic benefits will be regarded are purely co-incidental. No account will therefore be taken of the value for money which the sale will produce and the views of local stakeholders will be discounted unless they are able to acquire at market value.

It is expected that this option would be delivered through a residuary body or another public body, such as the Homes and Communities Agency, and that some liabilities will need to remain with Government due to the size and complexity of the potential risk. Local Partners could be involved but could lack a strong stake in the delivery.

Pros
- All properties disposed of by 2014/15
- Provides a reasonable time to dispose thus eliminating discounting from forced sale
- Allows four years for market recovery
- Investment targeted at maximising receipts
- Produces some economic benefits

Cons
- No account taken of local ambition unless stakeholders can purchase
- Economic benefits restricted due to reduced investment and no restrictions on use
- Value for money from outcomes not a material consideration and lower as a result
- Sunk investment could be wasted if original objectives not followed through
- On-going running costs not covered when income producing assets sold
- Some liabilities may not be transferable

The option provides a net receipt of [redacted], [redacted] homes and GVA from net additional jobs over a 10 year period of [redacted]. The net receipt is only slightly lower than for option 3 but because it is received sooner there is a better NPV. However the GVA is lower and the jobs created tend to be lower in value than for option 3 because of a higher percentage of industrial uses on the portfolio. These existing uses yield a higher land receipt but lower addition to GVA than the development proposed by SEEDA.

A smaller team is required for longer than for option 1 because of the longer period given for disposal; [redacted] However it should be noted that as this option extends beyond March 2012 it would have to be taken forward by another organisation which may have a different staffing profile. [redacted]

5.2.3 Option 3 – Invest locally to bring to market

Description: Portfolio approach to investment through two self-funding local portfolios which combine all assets and liabilities and recycle receipts to meet future investment requirements whilst still providing capital receipts to central Government.

Objective: Maximising economic benefits and securing receipts by taking account of local ambitions and overall value for money.

Conditions on sale: Disposals at market value subject to conditions that safeguard the economic benefits sought under the original and current local objectives and take account of liabilities. Sites within Solent and the Kent and Medway area will be disposed of at market value on the basis of deferred consideration.

Investment: Investment will be made to achieve the outputs and this will be sourced wholly from receipts. All surpluses will be returned to Government on a yearly basis throughout the period until all assets are sold.

Treatment of liabilities: All liabilities are to be transferred with land.

Summary - Option 3 requires that development is taken forward by local partners for the most valuable economic use, which may be different from the highest monetary value use under options 1 and 2. Value for money needs to take in to account both monetary and economic value in the form of GVA. Examples include:

- Daedalus, Gosport is a major employment site, which will create 1,736 net high value jobs in the high growth marine and aviation sectors under option 3, which is critical to expanding the local economy with strong support from the community and Local Authorities in the area. However, under options 1 and 2, the highest short term monetary value is achieved through significant housing development with little increase on GVA or the creation of long term local jobs.

- Tipner, Portsmouth is a significant strategic development site [redacted] which the private sector has not been able to take forward due to market failure. Under options 1 and 2, the site may be purchased speculatively but is unlikely to be remediated or developed and will lie dormant. Under option 3, a major mixed use scheme will be brought forward with significant infrastructure investment creating employment and housing for the local community.

- Kingston Marine Park, Isle of Wight may be acquired by a speculative buyer under options 1 and 2, however it is likely to be land banked without any activity happening. Under option 3, the site will be developed for high tech marine manufacturing for the renewables and off-shore wind industry creating high value employment and growing local supply chains.

The portfolio based approach groups assets and liabilities together to create the critical mass required to take investment forward over the longer term thus enabling far greater value for money to be extracted, whilst at the same time providing significant receipts to Government as deferred consideration for the disposal. Properties which lie outside of the portfolio will be disposed of to achieve best return by negotiated sale at market value resulting in a receipt of at least [redacted]. These sites are as follows:

- Ropetackle housing development, Shoreham
- Adur Business Centre, Shoreham
- Andover Business Centre, Hants
- Farringdon Business Centre, Oxfordshire
- Chilterns Business Centre Site

In addition, a further [redacted] of receipts is due under existing development agreements which would be released to Government.

There are various ways in which these portfolios could be delivered:

- Transfer to local delivery vehicles aligned to LEP areas
- Disposal to Local Authorities
- Disposal to SEEDA's Joint Venture Company with the HCA (SEEP)
- Transfer to a central Government Department
- Transfer to a residuary body / HCA.

The favoured delivery route for this option is through a partner aligned approach ie disposal of sites at market value to two self-funding local portfolios one of which is in the Solent and the other in Kent and Medway. A key feature of this is that it places delivery in the hands of the local stakeholders who would acquire all assets and liabilities and hold them in self-financing portfolios. Each portfolio would recycle receipts to meet future investment requirements and sites outside of these areas will be sold to obtain an immediate receipt for Government. This approach provides sufficient working capital for future development which means that no new Government investment is required. Total gross receipts are expected to be [redacted]. In addition, land for some [redacted] homes will be enabled and because of the focus on delivering economic benefits, the [redacted] jobs produced through developments in this option produce a total additional GVA of [redacted] in NPV terms. The value of individual jobs created is also higher, with more sites being developed for higher value uses.

Pros

- Takes account of local ambition
- Purchasers are locally accountable
- Highest net receipts over longer term
- Portfolios are self-financing
- Provides the optimum time to realise value from investment
- Allows optimum time for market recovery
- Investment targeted at maximising value for money

- Produces maximum economic benefits
- All liabilities transferable so no residual liabilities left with government.

Cons

- Net receipts in first 10 years lower than option 2
- Requires higher investment than option 2.

This option provides nearly [redacted] homes and GVA of [redacted] all of which are more than for the other options save for that the NPV of receipts which is less than for option 2 due to a longer development period but it is this which enables the full potential to be realised as evidenced by the GVA figures.

This option has the lowest complement of staff requiring some 10 FTEs across the two portfolios. However, the local delivery vehicles which aspire to manage these portfolios may have different staffing profiles.

6.0 Options analysis

6.1. **A qualitative and quantitative analysis** has been carried out on all three options. This work has been carried out with the assistance of independent advice from [redacted], who have carried out development appraisals on each site under each option, and [redacted] who have provided advice with regard to the value for money, including Gross Value Added (GVA). This has been a major exercise which completed at end January and has revealed the following.

6.2. **Quantitative analysis**

The table below shows the financial and GVA position under each of the options, both in actual and NPV terms.

NB – All figures from table below have been removed as these are commercially sensitive and therefore exempt from disclosure under Section 43 of the Freedom of Information Act 2000.

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WHOLE PORTFOLIO - Options Summary	Book Value £m	Sunk Costs £m	Yrs 1 - 4 2011/15 £m	Yrs 5 - 10 2016/21 £m	Years 11 + 2021 - £m	GROSS TOTAL All Years £m	NPV All Years £m	Years 1 -10 GVA 2011-20 £m (NPV)
Capital Expenditure								
Option 1: Forced Sale								
Option 2: Derisk to Divest								
Option 3: Invest Locally to bring to market -								
Solent								
Kent								
Other								
Total Option 3								
Capital Receipts								
Option 1: Forced Sale								
Option 2: Derisk to Divest								
Option 3: Invest locally to bring to market -								
Solent								
Kent								
Other								
Total Option 3								
Additional Liabilities (Not Part of Expenditure) *								
Option 2: Derisk to Divest								
Option 3: Invest Locally to bring to market -								
Solent								
Kent								
Other								
Total Option 3								
Staffing costs								
Option 1: Forced Sale								
Option 2: Derisk to Divest								
Option 3: Invest Locally to bring to market -								
Solent								
Kent								
Other								
Total Option 3								
Net Projected Capital Position/Cash Returned (before RIF repayments)								
Option 1: Forced Sale - Year 1								
Option 2: Derisk to Divest - Year 4								
Option 3: Invest Locally to bring to market - Year								
Solent								
Kent								
Other								
Total Option 3								
Regional Infrastructure Fund repayments								
Option 1: Forced Sale								
Option 2: Derisk to Divest								
Option 3: Invest Locally to bring to market								
Net Projected Capital Position/Cash Returned (after RIF repayments)								
Option 1: Forced Sale - Year 1								
Option 2: Derisk to Divest - Year 4								
Option 3: Invest Locally to bring to market - Year								

Over a four year period **option 2 - de-risk to divest,** requires a gross investment of [redacted] which results in gross receipts of [redacted] (net receipt of [redacted], NPV [redacted]). Whilst this option focuses investment only on those sites that will increase in value, outputs will be produced as result of profitable developments and it is estimated that this will result in some [redacted] homes being built and employment space that will create [redacted] jobs. This produces a GVA of [redacted] in NPV terms and reveals a strong emphasis on residential development when sites are brought to market without constraints on use.

Option 3 – Invest locally to bring to market, focuses more on employment space and invests [redacted] over the same four year period to achieve gross receipts of [redacted] (net receipts of [redacted]). However this self-financing option continues beyond the four year period and returns total net receipts of [redacted] which equates to an NPV of [redacted]. This compares with net receipts under option 2) of NPV [redacted]. Crucially this investment delivers in excess of twice the GVA in NPV terms of [redacted] through the development of some [redacted] homes and employment space for over [redacted] jobs. (GVA based on South East average per job of £47,050 pa – source Office for National Statistics.) A detailed summary of the outputs is shown at the end of this section.

The above financial analysis shows the real opportunity there is to extract maximum value from the portfolio, if a longer term view is taken on management and development of the portfolio.

Under both option 2 and option 3 no further Government funding is required provided receipts are allowed to be recycled to meet the cost of future investment. However, it is expected that there will be year on year surpluses which can be returned to Government as shown in the table below. This ensures that Government will receive receipts through the duration of the projects and at their conclusion with interest being charged on monies due. This assumes that clawback on funds received by SEEDA from DCLG / HCA and payable from receipts would also be deferred in line with receipts. Without deferred consideration the packages are not self financing and funding would have to be obtained from elsewhere for developments to proceed.

Cash receipts to Government under each option and the Regional Infrastructure Fund

Source	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	Total Yrs [redacted] £m	Total Yrs [redacted] £m	Total Yrs [redacted] £m	Overall total £m	Overall NPV £m
Option 1	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Option 2	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Option 3	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
RIF	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

A summary of the outputs under each of the options is shown overleaf.

NB – The table below has been removed as this is commercially sensitive information which is exempt from disclosure under Section 43 of the Freedom of Information Act 2000.

Housing and job numbers under each of the options. GVA calculated on the basis of net additional jobs NPV over the first 10 years

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6.3. Qualitative analysis

6.3.1 The three strategic options, including the Option 3 delivery sub-options have been scored against the following criteria derived from a combination of key principles outlined with BIS guidance:

- ***Value for money*** - balancing the generation of receipts from disposal versus potential loss of economic opportunity (outputs and GVA contribution);
- ***Generates receipts*** – accepting that a reasonable balance needs to be reached as part of disposal/transfer between national deficit reduction, national policy aims and local ambitions / opportunity;
- ***Costs of disposal*** (including potential dowries needed) - the disposal of an asset and any associated costs (including the cost of external advice needed to implement disposal) should be affordable in the current fiscal climate;
- ***Packaging assets and liabilities*** – wherever possible, assets and liabilities should be disposed of together. When disposing of any assets and liabilities consideration should be given to what, if any, other assets and liabilities are going to the receiving body. When packaging assets and liabilities together the aim should always be to achieve the best possible economic outcome for the region;
- ***Securing outcomes / objectives*** – decisions on disposals are made based on the principles in the RDA Act – to further the economic development and regeneration of its area. The existing statutory framework will be respected until new legislation comes into force;
- ***Transparency and local working*** - striking a balance between the original purpose behind the assets purchase and the views of localities on best use;
- ***Will the asset prosper with the new owner ?*** Whether the original strategic intention for acquiring the asset will be respected and built upon by the new owner;
- ***Efficiencies / resources / skills to manage projects*** – will the new owner have the management capacity / capability to progress the project?
- ***Timing*** – wherever possible, assets should be disposed of before the end of March 2012;
- ***ERDF funding*** – does transfer affect ability to secure matched funding from ERDF.

A scoring system has been applied as follows:

1 = Very Poor; 2 = Poor; 3 = Satisfactory; 4 = Good; 5 = Excellent

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Notations have also been added to try and provide an explanation to the scores applied. The scoring analysis points to the recommendation of Option 3, sub-option transfer to LEP delivery vehicles with the fall-back of residuary body.

The scoring assessment process has ranked the options presented as follows:

- Ranked 1st — Option 3i) - Transfer to local delivery vehicles aligned with LEP structures
- Ranked 2nd = — Option 3ii) - Transfer to SEEP
- Ranked 2nd= — Option 3v) - Transfer to Residuary Body / HCA
- Ranked 4th — Option 3iv) - Transfer to Central Government Department
- Ranked 5th — Option 3ii) **-** Transfer to local authorities
- Ranked 6th — Option 2 - Managed Sale – De-risk to divest
- Ranked 7th — Option 1 - Forced Sale

The analysis and scoring presented overleaf in table 3.1 shows that all five delivery sub-options of Option 3 – Invest locally to bring to market - score more highly than either Managed Sale or Forced Sale, and the highest ranked option is the preferred approach via delivery vehicles associated with new LEP vehicles, balancing local delivery, a focus on local area spatial geographies enabling assets and liabilities to be held together whilst delivering local accountability and returns to government.

All three principle options have however been taken forward in the next section for a more detailed appraisal of the costs, receipt return and outputs and GVA contribution anticipated from each option.

NB – commercially sensitive information has been removed from the table below as this data is exempt from disclosure under Section 43 of the Freedom of Information Act 2000.

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Table 3.1: Options scoring assessment

Strategic Options	Value for Money & GVA contribution	Generates receipts	Costs of disposal (including dowries)	Packaging assets and liabilities	Securing outcomes / objectives	Transparency and local working	Will asset prosper with proposed new owner?	Efficiencies / Resources / skills to manage projects	Timing	(Disposal by March 2012)	Total Score
Option 1: Forced Sale	[redacted]										
Option 2: Managed Sale – De-risk to Divest	[redacted]										
Option 3: Invest locally to bring to market	[redacted]										
Delivery sub-options: i) Transfer to Local Delivery Vehicle aligned to LEP areas	[redacted]										
ii) Transfer to Local Authorities	[redacted]										
Option 3: Invest locally to bring to market	[redacted]										
Delivery sub-options: iii) Transfer to SEEP	[redacted]										
iv) Transfer to Govt Dept	[redacted]										
v) Transfer to residuary body / HCA	[redacted]										

7.0 Recommendation

7.1. **The preferred option** - Following an analysis of the options it is recommended that SEEDA should seek to achieve the best value for money by investing locally for development through the packaging of land and property assets and liabilities for transfer at market value to emerging Local Enterprise Partnership (LEP) delivery vehicles in Solent area and in Kent and Medway, with sites outside of these two areas being sold at market price. This is based upon a deferred consideration which would mean that the local delivery vehicle would pay for the asset / liability when the site is sold on the market. This ensures that development is not stifled upon transfer whilst at the same time securing a receipt for central Government.

7.2. **Fallback position -** If local delivery vehicles aligned to the LEPs have not been established or are not in a position to take the assets and liabilities by September 2011, then it is recommended that the transfer of assets and liabilities commence to a 'holding' Local Authority or to a residuary body or DCLG / HCA. This arrangement must be set up in September 2011 in order to meet the transfer deadline of March 2012. It is proposed that this would be an interim solution to retain the packages of assets and liabilities as single entities until the LEP LDVs are established and able to acquire the sites. Kent and Medway have requested that assets and liabilities are transferred to them for their LEP area if the local delivery vehicle is not ready by September 2011 with a view to them being transferred to the vehicle once it has been established.

DISCLAIMER

Whilst every effort has been made to provide accurate figures in the time available they should at this stage be treated as draft and provisional and in some cases are likely to be subject to further refinement. Calculations of the costs of liabilities have been done on initial estimate basis and will require further detail investigation and other work to establish accurate costs.

SEEDA is not responsible for any legal claims that may arise as a result of the findings of this report. Any decision to proceed with the preferred option is that of Government and the party acquiring the assets, who will be required to carry out their own due diligence.

Land & Property: Appendices

Appendix 1(i)	:	BIS TEMPLATE: RDA Asset & Liability Classification and Analysis Table – NB – figures have been redacted from this Appendix as they are commercially sensitive and exempt from disclosure under Section 43 of the Freedom of Information Act.
Appendix 1(ii)	:	Property Portfolio - Location by County
Appendix 1(iii)	:	Independent Options Appraisal (King Sturge) and Property Portfolio Sheets – NB – this report has been redacted in its entirety as the information within is commercially sensitive and exempt from disclosure under Section 43 of the Freedom of Information Act the report itself was provided in confidence and therefore we consider that this report is also exempt from disclosure under Section 41 of the Act.
Appendix 1(iv)	:	Land & Property Financials - NB – figures have been redacted from this Appendix as they are commercially sensitive and exempt from disclosure under Section 43 of the Freedom of Information Act.
Appendix 1(v)	:	Letters from Kent County Council, Medway Council and Solent LEP – NB – copies of these letters have not been disclosed as SEEDA consider that the content of these letters is information provided in confidence which is exempt from disclosure under Section 41 of the Freedom if Information Act.

CHAPTER 2 – Section 5 Companies

1.0 Purpose

1.1 The original purpose for SEEDA participating in the Special Purpose Vehicles (SPVs) was set out in Section 5 of the 1998 RDA Act, to influence and assist land and property regeneration involving local stakeholders and ring fenced funding. SEEDA's withdrawal from these Companies is to be completed by March 2012 and in accordance with the guidance issued by the Department for Business Innovation and Skills (BIS) in respect of the RDA Assets and Liabilities Plan. This paper details the work that is being carried out, including the strategic options which are being considered.

1.2 A review has been carried out of all SPVs with consideration of options for SEEDA's withdrawal in each case, in the most effective, practical and value for money terms. In most cases, SEEDA has a minority interest in the Companies which, with the exception of one, are non-profit making. The original strategic purpose for each Company remains substantially the same and, in most cases, the Companies could continue after a SEEDA withdrawal.

2.0 Financial and resource implications

2.1 There are 9 Companies as set out in section 8 of this report, of which 2 are 100% owned by SEEDA. Three of the Companies are limited by shares and six are limited by guarantee. SEEDA's investment value in each of these Companies depends on the share of ownership in each case and, where applicable, is mostly represented by fixed land and property assets, although this value may not be realisable in cash terms in the immediate future. **The 'value' in accounting terms is different from the share of any claw back entitlement, which is covered by Funding Agreements, which will be novated as applicable to the HCA or successor body.**

2.2 SEEDA has carried out an in-house exercise on the implications of exit from SPV memberships and consulted other SPV members about the consequences. The ultimate extent and cost of withdrawal will depend upon the chosen option but it is expected there are no significant cost implications for SEEDA. Further discussions are required to progress the higher complexity exits.

3.0 Timescales

3.1 The proposed timing of the managed exit from each of the 9 SPVs allows for an orderly exit depending on the individual circumstances. The timetable provides for the first exit in March 2011 and the last in February 2012.

3.2 It is anticipated that to carry out withdrawal would, in most cases, not be difficult or time consuming once the way forward is agreed by Government.

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4.0 Key Considerations

4.1 Decisions on withdrawal from the respective SPVs will require consent from Government because the original approval to set-up and participate in the Companies was approved by BIS, under the Section 5 of the RDA Act 1998.

4.2 With the exception of one company ([redacted]), at this stage there is no known short term cash claw back of historical grant awarded to the SPVs, but this will be further examined and resolved as part of the due diligence process.

4.3 Developing a plan for the withdrawal from the SPV companies by March 2012 requires close working and a consensus of other stakeholders and members of the companies.

4.4 The withdrawal of SEEDA will still allow most of the SPVs to continue operating as present because they are not reliant on SEEDA funding.

4.5 SEEDA was instrumental in the establishment of the SPVs and it is important the added value and capacity achieved to date is not lost.

5.0 SPV Overview

5.1 A high level analysis has been carried out by taking into account the practicalities of withdrawal and SEEDA's minority interest in most of the SPVs. The following list is a 'state of play' summary which assists in identifying the emerging issues in each case, together with a preferred option. Further information is provided in the Appendices:

- Appendix 2(i), 2(ii) and 2(iii) provide a more detailed explanation of the more complex withdrawals
- Appendix 2 (iv) an overall options summary and probability of outcome related to the difficulty or complexity of the SEEDA withdrawal
- Appendix 2(v) a commentary on the SPVs by option
- Appendix 2(vi) the BIS template which provides a summary of the membership interests.

<u>Lower Complexity Exit</u>

5.2 **Aylesbury Vale**, 20% SEEDA share. This is a management Company to facilitate regeneration. There is no financial grant claw back to consider and the 'value' of the SEEDA share is nominal. No property assets are held. [redacted].

5.3 **Ashford's Future**, 25% SEEDA share. A management Company and because the business activity can be conducted direct by the Local Authorities, Ashford Borough Council and Kent County Council are proposing a voluntary winding - down of this Company in 2011. There is no claw back of past revenue grant or from the assets. No property assets are held. [redacted]

5.4 Ryde Business Park Management, 100% SEEDA share. Originally a small Rural Development Corporation Company to facilitate collection of fees from the Park owners, maintains the common parts of the Business Park and is fully self sustaining. The original plan for the Company was to transfer ownership to the Park owners once the plots have been sold, which has been completed. There is no financial value to claw back. [redacted]

5.5 South East England Properties (SEEP), 100% SEEDA share. Company intended as a JV with HCA but implementation suspended. The Company is dormant with no assets or financial value. The land and property section of the Assets and Liabilities Plan refers to issues in relation to this company and proposes [redacted]

Medium Complexity Exit

5.6 Brownfield Land Assembly Company (BLAC), 20% SEEDA share. The Members Agreement states that on a SEEDA withdrawal, the Company is to be wound-up. The Company has assets funded by SEEDA and the HCA valued at approx. [redacted] with SEEDA's share being approx. [redacted], but subject to meeting wind - up costs. In accordance with the Company Articles, assets would be transferred back to the external funders (SEEDA and HCA). [redacted]

5.7 East Kent Spatial Development Company (EKSDC), (appendix 1) 71% SEEDA Share. SEEDA's financial value in the company is presently £7.3m, but this is represented by a share in the Canterbury Innovation Centre, which cannot be reclaimed unless the asset is sold, and by a long term loan issued to a utility Company, this also cannot be realised in the short term. [redacted]

[redacted] have shown an interest in replacing SEEDA membership. To protect SEEDA's claw back interest in the Company [redacted]

Higher Complexity Exit

5.8 Hastings and Bexhill Renaissance Ltd (HBRL), **(Appendix 2**) 20% SEEDA share. The SEEDA 'value' under the accounting rules is presently [redacted], but the Funding Agreement covers the full investment made by SEEDA. [redacted]

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[redacted] To protect SEEDA's potential claw back rights in the Company a [redacted]. HBRL also has two subsidiaries which hold land assets and bank debt. [redacted]

5.9 Countryside Maritime (CML), (Appendix 3) 50% SEEDA share. This is a long standing JV between SEEDA and Countryside Properties plc, originally set–up in 1995 by English Partnerships and transferred to SEEDA in 1999. [redacted] The land is owned by SEEDA outside of the JV, and has a book value of [redacted] as at March 2010. For the Company to continue, [redacted]

5.10 Finance South East, 50% SEEDA share. This is not a land and property company and the SEEDA exit is subject to a separate report in relation to the financial assets section of the Assets and Liabilities Plan.

6.0 Timescales

April to June 2011

- Resign membership of Aylesbury Vale and Ashford's Future companies
[redacted]
- Commence winding up of the Brownfield Land Assembly Company by [redacted]
- [redacted] SEEDA Funding Agreement with East Kent Spatial Development Company [redacted]
[redacted]
- Agree future of SEEDA staff seconded to the Hastings and Bexhill Renaissance company

July to Sept 2011

- Complete winding up of the Brownfield Land Assembly Company and deregister at Companies House
- Resign membership of the East Kent Spatial Development Company

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[redacted]

Sept to Dec 2011

[redacted]

- Resign membership of the Hastings and Bexhill Renaissance Ltd
- Deregister with Companies House the South East England Properties company.

Appendices:

- 2(i) – Detailed explanation of East Kent Spatial Development Company
- 2(ii) – Detailed explanation of Hastings and Bexhill Renaissance
- 2(iii) – Detailed explanation of Countryside Maritime
- 2(iv) - Options summary and probability of options outcome
- 2(v) - Preferred options
- 2(vi) - BIS template

NB – please note that information within Appendices 2(i) – 2(iii) and Appendix 2(v) – (vi) has been redacted as these appendices contain commercially sensitive information which is exempt from disclosure under Section 43 of the Freedom of Information Act.

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Section 5 Companies - Appendices

Appendix 2(i)	:	East Kent Spatial Development (limited by guarantee)
Appendix 2(ii)	:	Hastings and Bexhill Renaissance (limited by guarantee)
Appendix 2(iii)	:	Countryside Maritime (limited by shares)
Appendix 2(iv)	:	Seeda Companies – Options Summary and Probability Of Outcome
Appendix 2(v)	:	SEEDA SPV Exit - Preferred Options
Appendix 2(vi)	;	BIS Asset and Liability Classification and Analysis Table

NB – please note that information within Appendices 2(i) – 2(iii) and Appendix 2(v) – (vi) has been redacted as these appendices contain commercially sensitive information which is exempt from disclosure under Section 43 of the Freedom of Information Act.

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Appendix 2(i) - East Kent Spatial Development (limited by guarantee)

Membership presently comprises SEEDA 71%, the HCA 14%, Kent CC, Dover DC, Shepway DC Thanet DC and Canterbury CC sharing 14%. As the Local Authorities do not wish to have a combined majority ownership above 50%, it is advisable for another suitable organisation to replace SEEDA. Kent University has shown an interest because it owns the land on which the Canterbury Innovation Centre is built and has a strong interest in developing the connection between education and business. The proposal is that the Local Authorities take a 49.9% ownership, with Kent University and the Homes and Community Agency having 25.05% each, but this change is for the continuing members to decide.

The accounting 'value' in the Company is £7.3m as at March 2010, as based on the 71% membership. This is not the same cash value covered by the Funding Agreement for release of SEEDA grant, which is based on a claw back under certain circumstances.

The current main business activity is 1) to award long term loans to Utility companies to facilitate expansion of the Manston Airport Business Park 2) to own and operate the Canterbury Innovation Centre and to 3) act as managing agent for development and operation of the Aylesford Business Park expansion. Further infrastructure projects
are being researched for Dover.

SEEDA investment has been to part fund (£2.5m) the original utility company loans by way of the old Single Regeneration Budget (SRB) grant to Thanet DC, which made the investment into EKSDC on behalf of SEEDA. As the loans (£7.5m) are still outstanding and being repaid over the next 10 years, in accordance with the SRB Funding Agreement there is no remaining claw back entitlement by SEEDA from Thanet DC. [redacted]

The other SEEDA investment has been to fund the building cost (£6m) of the Canterbury Innovation Centre on land owned by and leased from the Kent University. Under the funding agreement, SEEDA only has right of claw back if and when the building is sold, [redacted]. The Funding Agreement does not allow SEEDA to enforce a sale to extract cash value. [redacted]

[redacted]

[redacted]

Appendix 2(ii) - Hastings and Bexhill Renaissance (limited by guarantee)

Membership is presently SEEDA 20%, East Sussex CC, Rother DC, Hastings BC, combined 19.9%, Sussex enterprise 30.05% and Brighton University 30.05%. On the SEEDA exit it is expected Brighton University and Sussex Enterprise will increase their share of ownership to 40.05% each because the Local Authorities have unofficially indicated they do not wish to increase their interest above the current level.

The accounting 'value' in the Company is £2.6m as at March 2010, as based on the 20% membership. This is not the same cash value covered by the Funding Agreement for release of SEEDA grant, which is based on a claw back under certain circumstances. To extract the accounting 'value' would mean a sale of assets, which SEEDA cannot legally enforce unless there is breach of the Funding Agreement.

Since 2005, the SEEDA the annual grant has been within the approved regeneration plan, which has been invested in buildings and infrastructure projects still held under the Company ownership or control. The Funding Agreement allows for the SEEDA right to claw back grant to reduce over 5 years, in the meantime any disposal of an asset funded by SEEDA to be referred to SEEDA for consideration of claw back or a recycle of funds into approved projects. Also, claw back is only in the event of default including material failure to notify changes to the Business Plan, non compliance with the agreed Business Plan, a winding - up or administration order, use of funds for other than approved purpose, failure to keep proper records, transfer of rights and obligations under the Funding Agreement without consent.

On the SEEDA exit, it will be necessary for the existing or new Funding Agreement to be transferred to central Government or a residual body. In this way the change in membership percentage will not prejudice the rights under the Funding Agreement. The intention is to extend the purpose of the Company to act as a delivery vehicle for the East Sussex element of the LEP and the original wish to attract private sector investors is yet to be fully realised.

Remaining Company members have indicated they may invite a private sector organisation to join as a new member, but no further information is available and this will be a decision for the remaining members and not SEEDA.

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Appendix 2(iii) - Countryside Maritime (limited by shares)

This is a long standing 50/50 joint venture between countryside Properties plc and SEEDA. Originally an English Partnership JV, it was transferred to SEEDA membership in 1999. Activity is to build houses on St. Mary's Island, being part of the former historic Navy Dock Yard, SEEDA own the remaining 26 acres of land (£9.7m) which is released under a building licence for each phase of building. The project has received recent 'Kick Start' funding from the HCA, in addition to extra working capital provided by the two JV partners.

The JV Company own the Community Centre, Doctor's Surgery building, unadopted roads and footpaths, street lighting, landscaping and a foul waste pumping station as part of the infrastructure. A disposal of the SEEDA share could trigger [redacted].

The land cost is recovered by surpluses on the development after each phase of building is completed. However investment in forward infrastructure has meant there no surplus cash to repay the historic surpluses to the JV partners and a large debt remains on the Balance Sheet. In order to prepare for future building, access roads etc. (infrastructure stock) have been built by using partner funds which otherwise would have been distributed. [redacted]

[redacted] Ideally, a solution is for the HCA to assume the SEEDA partnership and the land ownership, allowing the project to continue and housing to be developed. However, without the land being made available for future development, the JV becomes defunct which would involve a complicated legal process.

An alternative to the HCA is to transfer the land to the Medway Local Authority who could also assume the JV partnership to replace SEEDA. However the land ownership involves responsibility to pay an annual sum ([redacted]) to the Chatham Maritime Trust for the upkeep of common parts, including pumping stations and riverside safety. [redacted]

There is no easy route to extract the cash value in the JV without an injection of third party borrowed and/or equity funds in order to provide the cash to repay the partners entitlements. In the current economic climate there is little hope of borrowing for this type of activity in the medium term. [redacted]

[redacted]

Appendix 2(iv)

Appendix 2(iv) - Seeda Companies – Options Summary and Probability Of Outcome

A summary table of the following options and probability outcome in each case is below. The options being considered are:

- **Withdrawal with no replacement body**
  This option can only apply where SEEDA is a minority member and if the remaining members agree to take over the SEEDA part ownership.

- **Withdrawal and transfer membership to another public sector body**
  Where another suitable public body has been identified and prepared to take over the SEEDA ownership in order to provide a smooth continuity.

- **Withdrawal and transfer membership to a private sector body**
  This will depend on identifying a suitable private sector company, however given there is no or little financial gain to be realised, this may be difficult to fulfil. The Company Articles will have to provide for any private sector membership.

- **Withdrawal and replacement by management takeover**
  Where SEEDA is the 100% owner, the membership could be taken over by current staff, but this depends on the financial and other public assets which would have to be protected from asset stripping.

- **Withdrawal and Company wound-up**
  This applies where SEEDA's withdrawal results in the Company losing essential support, which results in an inability to meet liabilities and loss of going concern criteria.

- **Transfer membership to a residuary body**
  This is, in effect, a 'do nothing' option and awaits a residual to be set up by Government enabling a transfer of SEEDA SPV membership in each case. It is an option of last resort.

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Appendix 2(iv) - Seeda Companies – Options Summary and Probability Of Outcome (Contd)

SPV	Withdrawal with SEEDA share taken by remaining members	Withdrawal and transfer membership to another public sector body	Withdrawal and transfer membership to a private sector body	Withdrawal and replacement by management take-over	Withdrawal and Company wound up
1. SPVs with low level complexity exit					
Aylesbury Vale 20% No investment value	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Ashford's Future 25% No investment value	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Ryde Business Park 100% No investment value	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
SEEP 100% No investment value	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
2. SPVs with medium level complexity exit					
BLAC 20% Investment value £1.5m	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
East Kent Spatial 71% Investment value £7.3m	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
3. SPVs with higher level complexity exit					
HBRL 20% Investment value £2.6m	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Countryside Maritime 50% Investment value £3.6m	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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Key to probability score	**-**	**Low**	**-**	**unlikely due to high level issues**
		Medium	**-**	**possible with medium level issues**
		High	**-**	**possible with low level issues**
		High	**-**	**probable with few issues**

Note: The investment value is the consolidated accounting figure as represented by assets which mostly cannot be realised.
The value of claw back is covered by Funding Agreements

REDACTED VERSION

Appendix 2(v) - SEEDA SPV Exit - Preferred Options

The option in each case has been selected as the most appropriate for the SEEDA exit and where applicable, provides protection for any future claw back of investment. The is no immediate claw back possible in each case, except for a small cash balance in the winding-up of one SPV.

1.	**OPTION - WITHDRAW AND SEEDA SHARE TAKEN BY REMAINING MEMBERS**		**OPTION APPRAISAL**
	○ Ashford Futures ○ Aylesbury Vale ○ East Kent Spatial Development ○ Hasting and Bexhill Renaissance		This option involves a SEEDA resignation of membership without undue consequence, or return of assets. • Ashford Futures membership has already decided to wind down operations. SEEDA has made no investment in this Company. • Aylesbury Vale is a local regeneration Company with invited public sector membership, there is no SEEDA investment. • East Kent Spatial has received SEEDA grant aid for infrastructure investment into local business parks with a long term recovery position; it also owns the SEEDA funded Canterbury Innovation Centre. In order to protect the SEEDA investment it is planned to transfer the claw back rights to [redacted] which is also an existing member of the Company. • Hastings and Bexhill Renaissance are expected to continue as the delivery vehicle for the East Sussex LEP. The existing members to absorb the SEEDA share. SEEDA has made large grant aid programmes into this Company, all of which is invested in land and property regeneration sites. Claw back is covered by the funding agreement but only within a time frame and if the assets are sold. There is no claw back expectation for form this Company.

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Appendix 2(v) - SEEDA SPV Exit - Preferred Options (Contd)

2.	**OPTION – WITHDRAW AND TRANSFER SEEDA SHARE TO ANOTHER PUBLIC BODY**		
	Countryside Maritime		The intention is to transfer the SEEDA ownership to another public sector body. Countryside Maritime is a housing project set up originally by English Partnerships and transferred to SEEDA in 1999. Project continuity can be achieved by shares and land ownership transferred to the [redacted].
3.	**WITHDRAWAL AND COMPANY TAKEN OVER BY PRIVATE SECTOR BODY**		
	○ Ryde Business Park Management		This Company has no assets but activity has to continue in some form to provide maintenance and upkeep services for the privately owned business park (it was originally owned by SEEDA by plots have all been sold). The Company collects a levy from the owners and this income is used to provide the maintenance and upkeep resources for the common parts. The Company could be taken over by [redacted].
4.	**WITHDRAWAL AND COMPANY WOUND UP**		
	○ Brownfield Land Assembly ○ South East England Properties		• Brownfield Land Assembly Company was established only three years ago and has received grant from the SEEDA and the Homes and Communities Agency. The only assets are small land sites but there are no continuing funds for running costs. There is also a lack of private sector partners willing to invest or further participate. The land asset remaining have been funded by the Homes and Communities Agency and it is planned these are transferred to [redacted], where the can continue to be developed under [redacted]. The may be a small cash balance to return to SEEDA. • South East England Properties was intended as joint venture with the Homes and Communities Agency in 2010. This Company has not traded and in a dormant state.

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Appendix 2(vi) - BIS TEMPLATE

RDA Section 5 companies - Asset and Liability Classification and Analysis Table (please include all off balance sheet bodies including those where "Step-in Rights" exist which should be treated as "wholly owned")

Indicate whether any commercial activity is being undertaken	Interest by % of membership	Strategic Significance - Please indicate with an X			Company Net asset value and estimated value		RDA shared of net asset value		Can this Organisation survive without RDA/BIS Financial Support?	Cost to RDA of any proposed wind-up or liquidation	Cost of any transfer to another body	Is there any plans to TUPE staff?	Value of shares when purchased, £	Current Value of shares, £	Please state whether any provisions have been made towards write-off and how much?	Exit Strategy	Is this aligned with A&L Principles and HMG policies?	Legal and other issues which need to be addressed
		National	Regional	Local	31.3.2010 £'000	31.3.2011 £'000	31.3.2010 £'000	31.3.2011 £'000										
No	20			x	£190k	[redacted]	£38k	[redacted]										
No	25			x	(£224k)	[redacted]	(£56k)	[redacted]										
Yes	100			x	£6k	[redacted]	£6k	[redacted]										
No	100		x		Nil	[redacted]	Nil	[redacted]										
						[redacted]		[redacted]										
Yes	71			x	£10.287m	[redacted]	£7.304m	[redacted]										
No	20			x	Nil	[redacted]	Nil	[redacted]										
						[redacted]		[redacted]										
Yes	20			x	£13.070m	[redacted]	£2.618m	[redacted]										
Yes	50			x	£602	[redacted]	£302k	[redacted]										
Yes	50		x		£3.120m	[redacted]	£1.560m	[redacted]										

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CHAPTER 3 – Business Finance Assets & Liabilities

1. Purpose

1.1 To advise BIS on the range of SEEDA's financial assets and liabilities, excluding those relating to land and property investments, which are covered separately, and make recommendations as to the way forward. The recommendations are based on the presumption that BIS will wish SEEDA to dispose of assets and liabilities prior to closure with minimal handover to a residuary body. Next steps and timelines are set out in Section 8.

2. Background

2.1 This paper details the financial assets and liabilities arising from SEEDA's investment of Single Pot and European funds. It does not cover land and property assets. SEEDA's Board has reviewed this work and will be advised further as guidance is forthcoming from BIS on the destination for these assets, and the processes and timescales to follow (expected during February/March 2011).

2.2 The paper covers contingent assets and liabilities in both live and closed projects and groups these into product type. Where values are known they are stated. For those assessed as having potential clawback we are seeking to quantify this however, it is not possible in instances where clawback is dependent upon performance and this will not be known until the final assessment is made and contract closed. This is an ongoing process and SEEDA will continue to provide an updated assessment over the next 6 months. SEEDA proposes in Section 6 a method of segmenting and managing both live and closed contracts that is based on their financial significance, and upon the likelihood of clawback arising.

2.3 In summary, in terms of assets:

- SEEDA's most significant financial assets are managed by FSE in four SEEDA-sponsored funds. Section 3 gives further detail, and proposes that these assets be managed as part of the transfer of functions to Capital for Enterprise Ltd.

- There are 11 single pot funded projects (9 live and 2 closed) identified as with a likelihood of clawback. Of these, 6 have a low likelihood of clawback, 1 has a medium likelihood (of [redacted]) and we are pursuing clawback against 4 (to the value of [redacted]). The clawback action will be completed by SEEDA; for the remainder, SEEDA proposes a way ahead in Section 4 of this chapter.

- There is ongoing work in hand to assess the extent of contingent assets for Grant for Business Investment and Grant for R&D for a period of 5 years post final claim date for each award. From previous experience this is assessed as a low probability. SEEDA proposes a way ahead for these projects in Section 4 of this chapter.

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2.4 In terms of financial liabilities for non property related investments:

- No contingent liabilities have been declared for single pot live or closed projects, or for FSE.

- Contingent liabilities for European programmes are assessed as <u>very low</u> and where some potential liabilities have been identified these will be actively managed by SEEDA.

3. Finance South East

3.1 SEEDA's most significant financial assets are managed by FSE. There are four SEEDA-sponsored funds, which total some [redacted] worth of investment of approximately [redacted] of funds under FSE's management (see appendix 3(i) for details of the Venture Capital and Loan Funds).

3.2 Guidance from the RDA Transition Board (25 January) notes that for Venture Capital and Loan Funds (VCLFs) established by RDAs using single programme funds only, responsibility for oversight and governance will be transitioned to BIS, who will delegate oversight to Capital for Enterprise Limited (CfEL). For VCLFs incorporating ERDF, ERDF grant funding agreements and monitoring responsibility will transfer to DCLG; single programme responsibility for oversight and governance will be transferred to BIS and delegated to CfEL. CfEL and CLG's regional ERDF teams will work closely together to share information on fund performance and compliance:

- CfEL will represent the interests of BIS on fund governance bodies and, whilst being mindful of any potential conflicts of interest, will ensure that any issues that could be relevant to CLG from an ERDF compliance perspective are considered and reported back to CLG.
- The ERDF teams, shortly to move to CLG, will continue to visit and monitor as appropriate as set out in the ERDF funding agreements.

3.3 CfEL's preferred option is to retain current sub-national delivery structures whereby fund management, referral and investment decisions remain sited within the areas where funds are commissioned. CfEL is also suggesting 'legacy wrappers' where repaid funds are recycled within the regions: optimising continuity of delivery to provide support for growth SMEs and to maintain existing legal and contractual fund management structures as a policy driver. As is the case for SEEDA, where the exit policy for a fund has been left open, where there is no legal commitment for the re-use of returns, these will be dealt with according to which stream of funding (ERDF[4] or Single programme[5]) generated the return. CfEL has proposed a number of options for receiving and/or recycling the returns from funds to satisfy the demands that any solution should:

- be efficient and effective, offering VFM

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[4] ERDF returns have to be recycled at least once within the region and for the purposes for which they were originally contracted. DCLG will consider whether achieving this objective is best left with the fund or whether to receive and recycle the funds itself, and will consider how to deal with further returns, drawing on the expertise of CfEL as appropriate.
[5] Commercialisation Fund, Transition Loan Fund and SE Seed Fund

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- meet Government accounting requirements and separates ERDF funds that have to legally and
- demonstrably meet the ERDF requirements.

3.4 CfEL will be consulting with BIS, CLG and the RDAs to resolve the final mechanism(s) for this.

3.5 SEEDA will not provide core funding for FSE from April 2011 and an assessment of the financial sustainability of the company has been undertaken. [redacted]

3.6 SEEDA will divest of its 50% membership of FSE during 2011/12. The National RDA Transition Board (25th January meeting) agreed that existing legal participations and rights held by the RDA through its Access to Finance role will be transferred to BIS and delegated to CfEL. This includes, where they exist, rights to formal or observer status on fund boards, investor advisory panels or similar governance structures. The paper also identifies that SEEDA's right to nominate a director, through its membership of the FSE Board, could be transferred to BIS Secretary of State. We are in the process of agreeing the mechanics and timeline for these arrangements with BIS/ CfEL in order to divest of our membership of FSE, while safeguarding public oversight and control of the company.

3.7 Timings and the process for transfer of the oversight of the funds and membership have yet to be agreed and CfEL has indicated their preference to undertake a phased approach across the RDAs. An updated plan taking into account these issues is being finalised for circulation by 31st January, building on the draft plan submitted in November 2010. This refreshed plan will cover:

- Proposed Structure and Delivery
- Financial and Budgetary Implications
- Timelines and Milestones
- Staffing
- Knowledge Management
- Legal issues

3.8 SEEDA will continue to work with BIS/CfEL, and consequently FSE, to effect a smooth transition of the programmes and 'ownership'.

4. Contingent Assets & Liabilities – Live Projects (non-property)

4.1 SEEDA has some 460 live contracts and each project manager is identifying whether there are any opportunities for clawback, profit sharing arrangements, or contingent liabilities. This exercise is nearly completed and is showing that:

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a) Almost 100% of SEEDA's non-property contract register has been reviewed; and this review will be completed by early February.

b) Of the work undertaken thus far, less than 4% of contracts have <u>any</u> likelihood of clawback, profit sharing or contingent liabilities.

c) There are 11 contracts with a likelihood of clawback/recovery. Of these, the majority have a <u>low</u> likelihood of clawback. [redacted] and whilst there is a low likelihood of clawback, arrangements for on-going monitoring need to be agreed at a national level, under plans for the transition of Collaborative R&D product, as part of an Innovation Transition Plan. The CR&D part of the innovation transition plan also needs to address whether the TSB will take over the monitoring of SEEDA's economic development conditions, as well as their own technical monitoring.

d) There is 1 contract with a profit sharing arrangement ([redacted]). [redacted]

e) Contingent assets may apply to a range of live and closed Grant for Business Investment and Grant for R&D awards for a period of 5 years post the final claim. There is a low probability of clawback.

f) No contingent liabilities in non-property projects have been identified.

4.2 As part of normal contract closure processes there may be some reserves to return to SEEDA during 11/12 for programmes that are closing such as the Innovation and Growth Teams. These monies will be recovered in-year once a final reconciliation is completed and are not, therefore, included as contingent liabilities.

5. Contingent Assets & Liabilities - Closed Projects (non-property)

5.1 A review of SEEDA's closed projects is ongoing. We have reviewed arrangements for the largest contracts of Single Regeneration Budget (SRB), Area Investment Frameworks (AIF), Small Rural Towns (SRT), Rural Access to Services Programme (RASP) and Redundant Building Grants (RBG) contracts to identify cases where clawback is either due or likely.

5.2 Only two SRB schemes have been identified as having an issue or impending issue on clawback, these are: (a) [redacted] project (£119,600); and (b) [redacted] (£15k). These matters are being actively managed to be concluded before SEEDA's closure.

5.3 Appendix 2 groups the contingent assets for both live and closed contracts into product type and where we know the value this has been stated. Those assessed as having potential are being quantified, where possible.

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6. Proposals for managing contingent assets and liabilities relating to Single Pot projects

6.1 SEEDA proposes a course of action that would result in minimal on-going action for any residuary body:

- To continue to completion current management action as part of SEEDA's closure, in relation both to potential clawback already identified and any further opportunities identified as part of the final review of the contract files;
- To address decisions on key remaining live projects where there is potential for significant clawback as part of the transfer of functions (i.e. to CfEL, TSB);
- In relation to the remaining contracts, to categorise those which are low value contracts, and/or where the potential for clawback is very low [redacted]

7. European Programmes

European Social Fund (ESF)

7.1 There are seven ESF contracts under this programme. Following a recent audit inspection, the potential liability in 11/12 is currently assessed as likely to be [redacted]. Financial provision has been made and there will no liability post SEEDA closure. There are no profit sharing arrangements under these contracts. ESF projects close in March 2011 and we will have resource through to June 2011. Documents will be transferred to ESFD in DWP through a process and timescale to be agreed.

European Regional Development Fund (ERDF) Competitiveness Programme

7.2 The ERDF programme is transferring to CLG on 1st July and the processes and responsibility for recovering irregularities from projects will transfer into CLG and the contingent liability remains on projects until c.2025. There are no profit sharing arrangements in the ERDF programme.

Rural Development programme for England (RDPE)

7.3 There is no current likelihood of clawback under the RDPE programme. There are no profit sharing arrangements or contingent liabilities to SEEDA. These activities will be transferring to Defra on 1st July and the processes and responsibility for recovering irregularities from projects will also transfer to Defra at that time.

Pan European Projects (INTERREG FP7 and Life+)

7.4 SEEDA leads or is a partner in approximately 10 pan European projects, bid for under a number of different European funding streams such as INTERREG, FP7 and Life+. SEEDA's liabilities are higher when it is the lead

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partner in a project and some projects are governed by European contracts drafted under Belgian or French law.

7.5 Transition plans for all European projects are in place and are being negotiated with the EU and project partners. The majority of projects will close early (by April 2011) and a small number (approximately 4) are due to be transferred to another host organisation by March 2011. Liabilities for the remainder of the projects will formally transfer to the new delivery partners at that time.

7.6 Two projects POWER and PEOPLE will be retained in SEEDA, closing activity in December 2011. As we are the Managing Authority there is a small risk that the financial activities associated with the final claim in Q4 could extend beyond March 2012 due to EU Programme delays.

7.7 Again, for the C2C project where we are the Lead Partner, there is a small risk that the financial activities with the final claim could extend beyond March 2012 although delivery activity will cease by June 2011.

7.8 There could be claw back on all bid-for European projects if infringements are found up to a maximum value of around [redacted] Euros. However based on current progress and risk register assessment for each project, the likelihood of this occurring is assessed as <u>very low</u> as project transition plans are on track.

7.9 Substantial liabilities could arise from two transport projects which are now closed, [redacted] however the likelihood of these liabilities arising is assessed as <u>very low and unlikely</u>.

7.10 There are no profit sharing liabilities in the Pan European projects.

8. Next steps and timelines

8.1 The next steps and timelines will be as follows:

<u>January – March 2011</u>

- Contract review completed
- Clawback action in hand
- Detailed work supporting the transition of VCLF assets and Innovation work continues
- Transition of ERDF to CLG and RDPE to Defra continues
- Transition/Closure of pan-European work continues

<u>April – June 2011</u>

- VCLF assets transferred to BIS
- Management of VCLF transferred to CfEL and staff implications resolved
- Clawback action completed

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- Transition and closure of Innovation work continues
- ERDF and RDPE transferred 30 June 2011
- ESF files transferred to DWP
- Transition/Closure of pan-European work continues

July – September 2011

- Transition of Innovation work completed
- Transition/Closure of pan-European work continues

September – December 2011

- Closure of innovation work not transferring completed.
- Transition/Closure of pan-European work continues

[redacted]

January – March 2012

Transition / closure of pan-European work completed

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Business Finance Assets & Liabilities - Appendices

Appendix 3(i)	:	SEEDA Venture Capital and Small Loan Fund Portfolios - Asset and Liability Classification and Analysis Table
Appendix 3(ii)	-	SEEDA Contingency Assets (non-property**)**

NB – please note that information within Appendices 3(i) and 3(ii) has been redacted as these appendices contain commercially sensitive information which is exempt from disclosure under Section 43 of the Freedom of Information Act.

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Appendix 3(i) - SEEDA Venture Capital and Small Loan Fund Portfolios - Asset and Liability Classification and Analysis Table

Strategic Significance - Please indicate with an X			Fund Valuation at		Value of Single Pot contribution to the fund (grant)	Value of ERDF contribution to the fund	Value of EIB loan to the fund	Any Other Private Sector Funding	RDA Annual Contibution to Management Loan Fund Costs or Applications	Fund end date for distribution of loans	Fund closure for loan repayments	Indicate whether fund is evergreen / legacy provisions	Indicate whether clients are being taken to court for recovery	Indicate whether warranties given and, value if possible	Value of any provisions made	Value of any Amortisations	Exit Strategy - If transfer - to whom and when; if write-off - value
National	Regional	Local	31.3.2010	30.09.2010	£'000	£'000	£'000	£'000	£'000						£	£	
									Mgt fee 10/11*								
X	X		£1,664,835	[redacted]	4,250	-	-	2,810	[redacted]								
X	X		Not undertaken	[redacted]	3000	-	-	-	[redacted]								
X	X		0 (no loans awarded at that date)		-	2000	-	-									
X	X		£3,300,453		2,875	-	-	-									

* taken from capital in funds

[redacted]

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Appendix 3(ii) - SEEDA Contingency Assets (non-property)

Project No	Underlying transaction (eg grant)	Type/ description (eg, clawback)
Grants		
[redacted]		
Selective Finance for Investment		
[redacted]		
Grant for R&D		
[redacted]		
Grant for Business Investment		
[redacted]		
Collaborative R&D		
[redacted]		
Closed		
[redacted]		

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CHAPTER 4 - Office Leases and Equipment

1. Purpose

1.1 This chapter of the Plan outlines the work that SEEDA has undertaken to gather information about the Assets and Liabilities relating to SEEDA operational offices and office equipment; makes recommendations as to action needed on the basis that BIS will wish SEEDA to manage out liabilities prior to 31/3/12; and sets out a timeline for action.

2. Background

2.1 The attached BIS templates {appendices 4(i) to 4(iii)} contain an inventory of information from SEEDA's operational centres in Guildford, Chatham and Brussels; from those SEEDA employees located in other countries as part of SEEDA's Foreign Direct Investment team; and from SEEDA's delivery partners where SEEDA grant funding has been used to purchase office equipment.

2.2 The major assets and liabilities comprise SEEDA's leases for operational offices in Guildford, Chatham and Brussels for which we estimate a closure cost liability of somewhat over £6m. This figure includes the cost for dilapidation and other expenses. Under Paragraph 8 we set out proposals for the disposal of these leases which represent existing liabilities. Information is contained in appendix 4(iv).

2.3 Office equipment is divided into (a) ICT equipment and (b) furniture. We estimate that by the time of closure, most ICT equipment will have depreciated to the point where they will have negligible net book value and where the cost of transport and disposal externally could be greater than the cost of open market sale. Furniture and other office equipment is also likely to have at best a very small net residual value.

2.3 Although some final information from 3rd parties is awaited in order to complete the final office equipment calculation, this is not likely to change the overall picture. SEEDA therefore proposes, subject to BIS guidance, to dispose of ICT and furniture in the most cost-effective and environmentally friendly way prior to 31st March 2012.

3. Office Equipment Assets

3.1 SEEDA has grouped the information gathered into four sections. These are:

a. SEEDA IT Office Equipment;
b. SEEDA Facilities Office Equipment;
c. External Project Office Equipment;
d. SEEDA Leased Items (including buildings and equipment).

3.2 The templates indicate where items may have a financial asset value. All of the SEEDA IT will have depreciated to a Nil value by the end of March 2012 so

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this has been reflected as a £0 Asset. There may be some residual value to furniture, however this is based on a market value which is unlikely to be realised. Recent experience in disposing of office furniture has shown it is unlikely to assume an income for disposal (outlined later on in this section). A good outcome therefore would be that the disposal is cost neutral. There is a possibility that this may not be possible and may actually be a liability so it has been identified as a Risk.

3.3 The major liabilities are from SEEDA's operational offices. SEEDA does not own its office locations in Guildford, Chatham and Brussels. The current leases extend post SEEDA's assumed closure of 31st March 2012 and in the case of the Guildford office, there is no break clause. The related potential Liabilities of these leases reflect information provided previously to BIS about the potential closure costs of SEEDA. For completeness, we have also included minor leased items such as leased ICT equipment, including the period of time remaining on the leases.

4. SEEDA ICT Office Equipment

4.1 SEEDA's ICT equipment was last renewed in 2007 although some items have been renewed since then (some servers were purchased in Feb 2009). SEEDA has therefore shown our ICT items that currently have a Net Book Value (as at December 2010) which will have depreciated to Nil value by 31st March 2012. We have not included on the template items currently over 3 years old as they have depreciated and are therefore written off. ICT items include the following: A4 printers, laptops, servers, citrix, routers and hardware to support Uninterrupted Power Supply.

4.2 In order to determine the value of the ICT assets that have some residual value as at now, and entered onto the template at Appendix 4(i), the following methodology was applied. The purchase value was divided by the amount of months over which the asset was to be written off, and then multiplied by the remaining term of depreciation. For example:

Sony Vaio Laptop VGN-SZ4WN/C

Purchase Cost	£1,057.49
Life Expectancy	36 months
Expiry Date of Life Expectancy	28/02/2011

Current Net Book Value = £58.91
(£1,057.49 / 36 = £29.37 per month X 2 months remaining = £58.91)

(Although this example has a current Net Book Value, by the time of SEEDA closure on 31/3/12 this specific item will have depreciated to a nil value.)

4.3 Those IT assets that have deprecated and are currently written off as having no financial value have not been included in Appendix 4(i).

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4.4 SEEDA has also captured information on Office Equipment located with our Inward Investment team located overseas. We are awaiting further detail on these items, but early assumptions are that most of the Equipment will have insignificant residual value post SEEDA closure of March 2012.

4.5 All SEEDA ICT information, covering the above points, is captured in Appendix 4(i).

5. SEEDA Facilities Office Equipment

5.1 Appendix 4(ii) sets out SEEDA's office furniture, split into:

a. General Office furniture (which includes straight office desks, curved office desks, pedestals, office chairs and cupboards);
b. Meeting room furniture;
c. Electrical Assets (covering items such as fridges, dishwashers, kettles and microwaves for which we have assumed a Nil value).

5.2 In order to give market value for items that have a value, price comparisons have been carried out via the internet to gain an understanding of the price for 2nd hand furniture on the open market, and entered onto the Facilities Assets template. SEEDA has already disposed of some items of furniture as part of vacating one and a half floors of the Guildford office building as numbers have reduced. The process behind the removal of this furniture is expanded in paragraph 8.2 below.

5.3 There are other items which can be classed as assets which SEEDA considers to have a Nil resalable value and are too numerous to include on the template. This covers items such as: cutlery; crockery; white boards; display board; flipcharts; stationary.

6. SEEDA Delivery Body Office Equipment

6.1 Information on Office Equipment within delivery bodies that has been purchased through grants from SEEDA has been gathered and recorded according to ownership as stated within the relevant Grant Framework agreement. This is set out in Appendices 4(iiia) to 4(iiic).

6.2 The value of assets has been determined by delivery providers and as such may vary across the range of projects. For example, Business Link has cited book values rather than realisable values; European projects have depreciated laptops to £0 after 4 years. Further work is in hand to ensure that all equipment is valued on the same basis. The information provided by delivery bodies it is included in the closure plans of all projects. The final asset list for delivery bodies cannot be determined until closure/termination notice has been served with relevant conditions regarding purchase of assets.

7. SEEDA Operational Office Leases

7.1 Appendix 4(iv) sets out SEEDA's operational office leases and office items which are leased by SEEDA. In both cases there will be a liability attached to

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cancelling these leases where the end date of the lease contract is post SEEDA's anticipated closure of 31st March 2012.

7.2 The major liabilities relate to SEEDA's leases for our offices in Guildford, Chatham and Brussels and we estimate a closure cost liability of approximately £6m.

7.3 The lease for the Guildford office has a termination date of 25th March 2015 with no break clause. The cost for the period April 2012 to March 2015 is calculated as [redacted] for the lease alone. In addition rates, other foregone receipts, and dilapidations are likely to be required: for example SEEDA has a full repair lease, which means the building should be returned to its original condition at the date of SEEDA's occupation. We have anticipated a rough estimate of [redacted] for these elements of costs.

7.4 The lease for the Chatham office ends on 20th June 2014 but it has a break clause on 21st June 2012 (which requires a six month notification on 21st January 2012). If notification of termination is served on the break clause date of January 2012 for exit on 21st June 2012, we understand that the remaining term of the lease until June 2014 would not need to be paid. Therefore the only costs we foresee are the remaining rental payments until June 2012 and an estimated cost of [redacted] to cover dilapidations on exit of the building. (The annual rental for Chatham is [redacted].)

7.5 The lease for the Brussels office ends on 31st January 2016 but it has a break clause of January 2013 (which requires a six month notification on June 2012). If notification of termination is served on the break clause date of June 2012 for exit in January 2013, we understand that the remaining term of the lease until January 2016 would not need to be paid. Therefore the only costs we foresee are the remaining rental payments until January 2013 and the cost of dilapidations on exit of the building. The Remaining Rental Costs until January 2013 is [redacted] (approx [redacted]). This is based on the current rent, however in the lease the rental can be increased on an annual basis by indexation and taxation, so Kent County Council may want slightly more than this to cover future rises. [redacted] Total cost therefore of the Brussels office could be around [redacted]

7.6 We have included items such as multi functional printers, coffee machines in meeting rooms and franking machines. There are no car lease schemes that extend post SEEDA's closure in March 2012.

8. Proposals for way ahead and timelines

8.1 SEEDA proposes that the office ICT equipment be disposed of to achieve some receipts albeit these will be small. Subject to any guidance from BIS we propose to draw up a protocol with the following objectives:

a. Dispose to staff at second-hand market cost.

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b. If this is not achieved, dispose of in most cost-effective and environmentally friendly way, for example to charities or schools.

8.2 SEEDA proposes that office furniture should be disposed of as it is freed up. We have recent experience of disposing of office equipment. In December 2010 we managed the disposal of office furniture that was no longer needed. As staff numbers have reduced, we have vacated some parts of the Guildford office to consolidated staff. This resulted in office furniture that was no longer required. SEEDA did not want to incur additional cost to have this furniture taken away so we openly advertised it to voluntary and community groups. These groups did not pay for the furniture, but covered the associated costs of removal and transport. This resulted in a zero net cost.

8.3 In terms of our office leases, there are two options:

Option 1: SEEDA deals with the Guildford office lease prior to 31/3/12. This would involve [redacted] and carrying out dilapidations required. [redacted]

The termination of the Chatham lease would be notified by 21 Jan 2012 allowing the June 2012 break clause to be exploited. The termination of the Brussels office lease would be carried out by a residuary body in June 2012 to allow exploitation of the January 2013 break clause.

Option 2: The leases of all 3 offices would be handed over at the point of SEEDA's closure, 31/3/12. Termination of the Chatham office would have been notified by SEEDA by 21st January 2012. [redacted] Under this option SEEDA staff would consolidate on one floor as soon as possible to allow dilapidations work to be undertaken on the other 3 floors to minimise the amount of work outstanding at 31/3/12.

8.4 A decision is required from BIS on which option they would prefer, which will impact on which year the closure costs for the Guildford office should fall in. [redacted] our recommendation is that we should implement Option 1 notwithstanding some additional costs associated with moving out of the Guildford offices, as this will allow SEEDA rather than BIS to manage the liabilities out prior to closure.

8.5 It should be noted that SEEDA has proactively marketed space in both the Guildford and Chatham offices but no potential tenants have been found due to the glut of office space in both locations.

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9. Timelines for action

9.1 Timelines will depend on decisions by BIS but we anticipate under the preferred option:

Jan – March 2011

- Finalise the inventory and costings

April – June 2011

- Begin negotiations with the landlord of the Guildford office

July – Sept 2011

- Sell surplus ICT equipment
- Move out of the Guildford office once major staff reduction has taken place post consultation and sell surplus furniture
- Continue negotiations with landlord and start dilapidations work at Guildford
- Consolidate staff in Chatham office and carry out dilapidations if possible

Sept – Dec 2011

- Continue and seek to finish dilapidations work

Jan – March 2012

- Finalise dilapidations work and hand Guildford building back to landlord.
- Pay landlord
- Give notice on Chatham office and complete dilapidations work as much as possible
- Sell remaining furniture at Chatham and Guildford

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Office Equipment - Appendices

Appendix 4(i)	:	SEEDA IT Equipment (Estate and Office Equipment)
Appendix 4(ii)	:	SEEDA Facilities (Office Equipment)
Appendix 4(iii)(a)	:	Finance South East (Estate and Office Equipment)
Appendix 4(iii)(b)	:	Business Link (Estate and Office Equipment)
Appendix 4(iii)(c)	:	Project Comments
Appendix 4(iv)	:	Lease Assets

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Appendix 4(i) - SEEDA IT Equipment (Estate and Office Equipment)

Asset - Title and Reference Nos	Type: See Classification on separate sheet or add type	Strategic Significance - Please indicate one with X			Net Book Value - Dec '10 (£000s)	Capital Value – Please insert figure £'000s i.e. Market Value based current use/planning permissions if suggesting transfer to a Local Authority or LEP or, development va						Ongoing Monitoring Required - e.g for clawback / overage / ERDF	Proposed Option for Disposal - eg Sale, LA, LEP, National Body, Residuary Body	Is this aligned with A&L Principles and HMG policies? How?
						Positive and realisable in:-			Further Investment required to improve realisable value	Negative	Neutral or nil			
		National	Sub-National	Local		Short term (3-12 months)	Medium Term (12-36 months)	Long Term (36 months plus)						
					£'000	£'000	£'000	£'000	£'000	£'000				
	20 A4 Printers			X	18.82	0.00					Nil	N/A		
	Uninterrupted Power Supply			X	2.38	0.00					Nil	N/A		
	3 Sony Laptops			X	0.24	0.00					Nil	N/A		
	Panasonic Projector			X	0.06	0.00					Nil	N/A		
	7 Server (RAM/internal memory)			X	18.94	8.01						N/A		
	12 Server (Hard Drive Storage)			X	25.67	2.99						N/A		
	11 Server (Processing)			X	15.44	0.63						N/A		
	6 Citrix (Remote Working)			X	4.64	0.00					Nil	N/A		
	3 Routers			X	5.20	1.81						N/A		
	Housing for Servers			X	8.52	0.00					Nil	N/A		
					99.91	13.44								

SEEDA IT Equipment OVERSEAS REPRESENTATIVES
Estate and office equipment

Asset - Title and Reference Nos	Type: See Classification on separate sheet or add type	Strategic Significance - Please indicate one with X			Estimated Net Book Value - Dec '10 (£000s)	Capital Value –						Ongoing Monitoring Required - e.g for clawback / overage / ERDF	Proposed Option for Disposal - eg Sale, LA, LEP, National Body, Residuary Body	Is this aligned with A&L Principles and HMG policies? How?
						Positive and realisable in:-			Further Investment required to improve realisable value	Negative	Neutral or nil			
		National	Sub-National	Local		Short term (3-12 months)	Medium Term (12-36 months)	Long Term (36 months plus)						
						£'000	£'000	£'000	£'000	£'000				
	Laptop			US - Chicago	0.54	0.00					Nil	N/A		
	Laptop			US - Los Angeles	1.05	0.00					Nil	N/A		
	iphone			US - Los Angeles	0.17	0.00					Nil	N/A		
	Laptop			US - Boston	0.34	0.00					Nil	N/A		
	Laptop			US - San Francisco	0.63	0.00					Nil	N/A		
	Wireless mouse & keyboard set			US - San Francisco	0.15	0.00					Nil	N/A		
	Docking station			US - San Francisco	0.20	0.00					Nil	N/A		
	Blackberry			US - San Francisco	0.18	0.00					Nil	N/A		

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Appendix 4(ii) - SEEDA Facilities (Office Equipment)

Asset - Title and Reference Nos	Type: See Classification on separate sheet or add type	Strategic Significance - Please indicate one with X			Book Value as at March 2010 (£000s)	Capital Value – Positive and realisable in:-			Capital Value – Further Investment required to improve realisable value	Capital Value – Negative	Capital Value – Neutral or nil	Ongoing Monitoring Required - e.g for clawback / overage / ERDF	Proposed Option for Disposal - eg Sale, LA, LEP, National Body, Residuary Body	Is this aligned with A&L Principles and HMG policies? How?	
		National	Sub-National	Local		Short term - (3-12 months)	Medium Term (12-36 months)	Long Term (36 months plus)							
					£'000	£'000	£'000	£'000	£'000	£'000					
General Office Furniture	162 Workstations - Straight			X	16.20	16.20						N/A			At an average of £100.00
	83 Workstations - Curved			X	6.23	6.23						N/A			At an average of £75.00
	258 Pedestals			X	12.90	12.90						N/A			At an average of £50.00
	254 Office Chairs			X	12.70	12.70						N/A			At an average of £50.00
	150 Cupboards			X	9.00	9.00						N/A			At an average of £60.00
Conference Room Furniture	26 Tables			X	2.60	2.60						N/A			At an average of £100.00
	148 Chairs			X	7.40	7.40						N/A			At an average of £50.00
Low Value Electrical Items	8 Fridges			X	0.00	0.00					Nil	N/A			
	6 Dishwashers			X	0.00	0.00					Nil	N/A			
	7 Kettles			X	0.00	0.00					Nil	N/A			
	4 Microwaves			X	0.00	0.00					Nil	N/A			

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Appendix 4(iii)(a) - Finance South East (Estate and Office Equipment)

Asset - Title and Reference Nos	**Type: See Classification on separate sheet or add type**	**Strategic Significance - Please indicate one with X**			**Book Value as at 31.3.10**	**Capital Value –**						**Ongoing Monitoring Required - e.g for clawback / overage / ERDF**	**Proposed Option for Disposal - eg Sale, LA, LEP, National Body, Residuary Body**	**Is this aligned with A&L Principles and HMG policies? How?**
						Positive and realisable in:-			Further Investment required to improve realisable value	Negative	Neutral or nil			
		National	Sub-National	Local	£'000	Short term - (3-12 months) £'000	Medium Term (12-36 months) £'000	Long Term (36 months plus) £'000	£'000	£'000				
	VARIOUS IT EQUIP		X		9	9						to 31.3.11	Residuary body - FSE as fund manager	
	OFFICE FURNITURE		X		7	7						to 31.3.11	Residuary body - FSE as fund manager	
	TELEPHONE SYSTEM		X		2	2						to 31.3.11	Residuary body - FSE as fund manager	
6 laptops - ESF team	ESF assets		x		1							Yes (ESF)	Residuary body	Best value
4 Blackberries - ESF team	ESF assets		x		0							Yes (ESF)	Residuary body	Best value
Laser pen - ESF team	ESF assets		x		0							Yes (ESF)	Residuary body	Best value
4 voice recorders - ESF team	ESF assets		x		nil (depreciated)							No (ESF)	Residuary body	Best value
14 laptops (ESF SEED project)	ESF assets		x		2							Yes (ESF)	Residuary body	Best value
14 mobile phones (ESF SEED project)	ESF assets		x		0							Yes (ESF)	Residuary body	Best value
6 laptops - ERDF team	ERDF assets		x		1							Yes (ERDF)	To CLG	Best value
5 Blackberries - ERDF team	ERDF assets		x		0							Yes (ERDF)	To CLG	Best value
4 laptops - ERDF projects	ERDF assets		x		2							Yes (ERDF)	No change	ERDF compliance
IMPACTE laptop Asset No. 0003696			x		£0 (depreciated)									
PATCH laptop Asset No. 003942			x		1									
Intrade Laptop Asset No. 003943			x		1									
Computer Hardware - Solent IGT				X	3				0		Neutral	31.08.11	TBC	TBC
Computer Hardware - Gatwick IGT				X	2				0		Neutral	31.08.11	TBC	TBC
Office Equipment - W Surrey IGT				X	3				0		Neutral	31.08.11	TBC	TBC
Computer Hardware - W Surrey IGT				X	9				0		Neutral	31.08.11	TBC	TBC
Office Equipment- Thames Valley IGT				X	0.4				0		Neutral	31.08.11	TBC	TBC
Computer Hardware - Thames Valley IGT				X	6				0		Neutral	31.08.11	TBC	TBC
Computer Hardware - Kent IGT				X	6				0		Neutral	31.08.11	TBC	TBC
Computer Hardware - East Sussex IGT				X	5				0		Neutral	31.08.11	TBC	TBC
Computer Hardware - Bucks IGT				X	3				0		Neutral	31.08.11	TBC	TBC
Computer Hardware - Oxfordshire				X	7				0		Neutral	31.08.11	TBC	TBC

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Appendix 4(iii)(b) - Business Link (Estate and Office Equipment)

Asset - Title and Reference Nos	Type: See Classification on separate sheet or add type	Model	Strategic Significance - Please indicate one with X			Book Value as at March 2010 (£000s)	Capital Value – Please insert figure £'000s i.e. Market Value based current use/planning permissions if suggesting transfer to a Local Authority or LEP or, development va						Ongoing Monitoring Required - e.g for clawback / overage / ERDF	Proposed Option for Disposal - eg Sale, LA, LEP, National Body, Residuary Body	Is this aligned with A&L Principles and HMG policies? How?	
							Positive and realisable in:-			Further Investment required to improve realisable value	Negative	Neutral or nil				
			National	Sub-National	Local		Short term (3-12 months)	Medium Term (12-36 months)	Long Term (36 months plus)							
						£'000	£'000	£'000	£'000	£'000	£'000					
Laptops and desktops																
102 laptops and desktops	Lenovo	T500/M58/T510			x	55.08	27.54	0	0							Book value of average of £540 each / £270 over 3-12 months
Monitors																
39 monitors	Lenovo L197				x	3.9	1.95	0	0							Book value of £100 each / £50 over 3-12 months
Printers																
has been tagged - number tbc	HP printer Burgess Hill	HP4100TN			x	0	0	0	0							
has been tagged - number tbc	HP printer Burgess Hill	HP4100DTN			x	0	0	0	0							
has been tagged - number tbc	HP printer Burgess Hill	HPCM2320mfp			x	0.523	0.26	0	0							
has been tagged - number tbc	HP printer Burgess Hill	HPCM2320mfp			x	0.517	0.25	0	0							
SA030780	HP printer Woking	HP4200DTN			x	0	0	0	0							
SA030781	HP printer Woking	HP4200n			x	0	0	0	0							
SA030795	HP printer Woking	HP1320n			x	0	0	0	0							
has been tagged - number tbc	printer Woking	Konica Minolta BizHub C552			x	7.75	3.86	1.93	0							
has been tagged - number tbc	printer Woking	Konica Minolta BizHub C552			x	7.75	3.86	1.93	0							
has been tagged - number tbc	Konica printer Fareham	HPCM2320mfp			x	0.517	0.25	0	0							
has been tagged - number tbc	Konica printer Fareham	HP4600 Colour Laserjet			x	0	0	0	0							
SA030547	HP printer West Malling	HPCM2320mfp			x	0.517	0.25	0	0							
SA030544	HP printer West Malling	HP5550 Colour Laserjet			x	0	0	0	0							
Mobiles																
41 mobile phones	HTC minis				x	11.07	5.33	0	0							Book value of £270 each / £130 over 3-12 months
14 untagged HTC minis	not yet distributed to staff				x	3.78	1.89	0	0							
Switches																
tag number to be confirmed	Cisco switch Woking			x	x	4.21	2.1	1.05	0							
tag number to be confirmed	Cisco switch Woking			x	x	4.21	2.1	1.05	0							
tag number to be confirmed	Cisco switch Woking			x	x	4.21	2.1	1.05	0							
tag number to be confirmed	Cisco switch Burgess Hill			x	x	4.21	2.1	1.05	0							
tag number to be confirmed	Cisco switch Burgess Hill			x	x	4.21	2.1	1.05	0							
tag number to be confirmed	Cisco switch West Malling			x	x	4.21	2.1	1.05	0							
tag number to be confirmed	Cisco switch Aylesbury			x	x	4.21	2.1	1.05	0							
tag number to be confirmed	Cisco switch Faream			x	x	4.21	2.1	1.05	0							
tag number to be confirmed	Cisco (Serco location)			x	x	4.21	2.1	1.05	0							
tag number to be confirmed	Cisco (Serco location)			x	x	4.21	2.1	1.05	0							
Routers																
12 routers	can't be tagged			x	x	0.28	0.14	0	0							
Telephones																
47 handsets	Alcatel Lucent 4038			x	x	tbc		0	0							
100 Signify tokens (cannot be tagged - each has a unique number	for laptop security	100				8.55	4.27	2.13	0							
130 Signify tokens (cannot be tagged - each has a unique number		130				8.81	4.4	2.2	0							
Servers																
SA17012	File & Print Cluster Node			x	x	4.32	2.16	1.08	0							
SA17011	File & Print Cluster Node			x	x	4.32	2.16	1.08	0							
SA17010	Proxy Server			x	x	4.32	2.16	1.08	0							
SA17017	Exchange 2007 Cluster Mailbox			x	x	4.32	2.16	1.08	0							
SA17016	Exchange 2007 Cluster Mailbox			x	x	4.32	2.16	1.08	0							
SA17015	Exchange 2007 CAS/HUB			x	x	4.32	2.16	1.08	0							
SA17014	Exchange 2007 EDGE			x	x	4.32	2.16	1.08	0							
SA14600	File and Print Server			x	x	4.32	2.16	1.08	0							
SA14601	Proxy Server			x	x	4.32	2.16	1.08	0							
SA14602	Exchange 2007 Mailbox			x	x	4.32	2.16	1.08	0							
SA14603	Exchange 2007 CAS/HUB			x	x	4.32	2.16	1.08	0							
SA14604	Exchange 2007 EDGE			x	x	4.32	2.16	1.08	0							
tbc	Application Server	Freedom tel servers		x	x	tbc	tbc	tbc	0							
tbc	Application Server	Freedom tel servers		x	x	tbc	tbc	tbc	0							
tbc	Application Server	Freedom tel servers		x	x	tbc	tbc	tbc	0							
tbc	CPUs	Freedom tel servers		x	x	tbc	tbc	tbc	0							
tbc	CPUs	Freedom tel servers		x	x	tbc	tbc	tbc	0							
tbc	Red box	Freedom tel servers		x	x	tbc	tbc	tbc	0							
no tag	Marimba Server (incl licences)			x	x	3.33	5	0.83	0							
no tag	Marimba Server (incl licences)			x	x	3.33	1.66	0.83	0							
Hard drives (9)	for servers			x	x	10.39	5.19	2.59	0							
Hard drives (9)	for servers					0.91	0.45	0.22	0							

REDACTED VERSION

Appendix 4(iii)(b) - Business Link (Estate and Office Equipment) (Contd)

Asset - Title and Reference Nos	Type: See Classification on separate sheet or add type	Model	Strategic Significance - Please indicate one with X			Book Value as at March 2010 (£000s)	Capital Value – Please insert figure £'000s i.e. Market Value based current use/planning permissions if suggesting transfer to a Local Authority or LEP or, development va						Ongoing Monitoring Required - e.g for clawback / overage / ERDF	Proposed Option for Disposal - eg Sale, LA, LEP, National Body, Residuary Body	Is this aligned with A&L Principles and HMG policies? How?
							Positive and realisable in:-			Further Investment required to improve realisable value	Negative	Neutral or nil			
			National	Sub-National	Local		Short term (3-12 months)	Medium Term (12-36 months)	Long Term (36 months plus)						
						£'000	£'000	£'000	£'000	£'000	£'000				
Furniture															
42 chairs Woking	various types - most are tagged				x	0	0	0	0						
13 tables Woking	various types - most are tagged				x	0	0	0	0						
5 flip charts Woking	various types - most are tagged				x	0	0	0	0						
4 cabinets Woking	various types - most are tagged				x	0	0	0	0						
173 chairs Burgess Hill (BH)	various types - most are tagged				x	0	0	0	0						
5 flipcarts BH	most are tagged				x	0	0	0	0						
63 desks BH	various types - most are tagged				x	0	0	0	0						
56 pedastals BH	various types - most are tagged				x	0	0	0	0						
28 tables BH	various types - most are tagged				x	0	0	0	0						
11 cupboards / cabinets BH	various types - most are tagged				x	0	0	0	0						
2 projector screens BH	tagged				x	0	0	0	0						
3 wipeboards BH	tagged				x	0	0	0	0						
Software - can't be tagged															
MS exchange	2007 enterprise server licence				x	2.68	1.34	0	0						
	2007 standard server licence				x	0.61	0.3	0	0						
MS exchange Commvault					x	0.94	0.47	0	0						
Becryt licences	243 users				x	11.7	5.85	0	0						
MS Mcafee	12 server licences				x	0.4	0.2	0	0						
Windows 2008 client access licences	326 users				x	2.48	1.24	0	0						
Windows server 2008 enterprise	5				x	1.54	0.77	0	0						
Windows server 2008 standard	7				x	0.66	0.33	0	0						
MS Exchange 2010 server client access licence	326 users				x	2.54	1.27	0	0						
MS Office pro 2010 licence					x	25.1	12.55	0	0						
Forefront TMG web protection	single user licence				x	6.75	3.37	0	0						
Forefront TMG standard 2010 for server					x	0.62	0.31	0	0						
MS Mcafee total protection	326 users				x	13.6	6.8	0	0						
Freedom server licences plus SQL licence					x	0.57	0.28	0	0						
Misc															
7 Hypertech portable hard drives	no need to be asset tagged				x	0.48	0.24	0	0						
138 memory modules for HP laptops now redundant	no need to be asset tagged				x	7.13	3.56	0	0						
30 Lenovo laptop bags	no need to be asset tagged				x	0.86	0.43	0	0						
25 back up tapes Altrium fours	no need to be asset tagged				x	0.83	0.41	0	0						

REDACTED VERSION

Appendix 4(iii)(c) - Project Comments

	FSE	ESF/ERDF
If SEEDA owns assets is there a contractual clause that we can reclaim those assets and how?	Equipment purchased with or primarily with the Grant must be used for the Project. It must not be sold or transferred to anyone before the completion of the Project. On completion of the Project or the termination of this Agreement, the Recipient must, i	Assets purchased with ESF are depreciated over a three year period, at which point they cease to be counted for ESF clawback purposes. Until the end of that period they should be used for ESF purposes only. ESF and SEEDA would have a right to recovery thr
What is the likelihood of reclaiming the assets	Tangible fixed assets purchased by the grant claim are depreciated over two years by Finance SE and this depreciation is matched with the deferred grant to which the asset relates. SEEDA could reclaim the assets but given the fact that Finance SE will wri	For these funds we will not reclaim any assets, i.e. we would never have a pile of laptops arriving, however we could reclaim ESF or ERDF funding paid but only if there has been irregular activity or expensiture. ESF recovery would be pursued by ESF Divis

Option 1: Forced Sale

REDACTED VERSION

Appendix 4(iv) - Lease Assets

Multi Function Printers

Model	Serial no.	Annual cost	Expiring	Remaining Financial Liability as of March 2012
7345NFA	3529114159	£1182.72	Sep-13	£1174.08
7345NFA	3529114051	£1182.72	Sep-13	£1174.08
7345NFA	3529110323	£1182.72	Sep-13	£1174.08
7345NFA	3529111788	£1182.72	Sep-13	£1174.08
7345NFA	3529110366	£1182.72	Sep-13	£1174.08
7345VAZ	3556554573	£1690.44	Mar-11	£0.00
C7245VA	3525132934	£1399.84	Nov-11	£0.00
7346V	3513684966	£720.76	Sep-12	£360.38

Other Leased Assets

Details	Annual Cost	Expiry	Remaining Financial Liability as of March 2012
Coffee Machine Guildford Reception	£1,497.60	09/03/2013	£1497.60
Coffee Machine Guildford Meeting Rooms	£1,497.60	09/03/2013	£1497.60
Franking Machines Guildford	£5,502.84	19/05/2012	£917.14
Franking Machines Chatham	£5,502.84	19/05/2012	£917.14

Property Leases

Location	Rental Per Annum	Lease End Date	Break Clauses
Guildford	[redacted]	25th March 2015	N/A
Chatham	[redacted]	20th June 2014	21st June 2012 **(6 month notice required - 21st January 2012)**
Brussels	[redacted]	31st January 2016	Jan 2013 **(6 month notice required - June 2012 Notification)**