

Report of the Comptroller and Auditor General

The East of England Development Agency financial statements 2011-12

Introduction

1. The Regional Development Agencies Act 1998 established the East of England Development Agency (the Agency), a non-departmental public body, sponsored by the Department for Business, Innovation and Skills (the Department). Under the Act, Regional Development Agencies (RDAs) are empowered to:

- further the economic development and regeneration of their area;
- promote business efficiency, investment and competitiveness in their area;
- promote employment in their area;
- enhance the development and application of skills relevant to employment in their area; and
- contribute to the achievement of sustainable development in the United Kingdom where it is relevant to their area to do so.

2. The Public Bodies Act 2011 includes provisions for the abolition of the RDAs. A Commencement Order is expected to be issued under this Act and signed by the Secretary of State, setting an abolition date of 1 July 2012.

Qualified Opinion on Regularity

3. I have qualified my regularity opinion for the year ended 31 March 2012 because the Agency incurred expenditure in respect of ex gratia payments to staff (£51,000) which I concluded were not in conformity with the authorities which governed them, and were, therefore, irregular.

Purpose of Report

4. The purpose of this Report is to explain the background to the qualification of my audit opinion on regularity.

Audit Opinion

Qualified opinion on regularity as a result of a breach of pay remit

5. At the Emergency Budget in June 2010, the Government set out plans for a significant acceleration in the reduction of the structural current budget deficit over the course of the Parliament. These included a two year pay freeze for public sector workforces, from 2011-12, for those earning above the full-time equivalent of £21,000 per annum.

6. The Agency is required to agree annual pay remits with its sponsor Department and HM Treasury which set out the maximum level of pay increases for permanent employees. For 2011-12, this also had to comply with the pay freeze instruction.

7. Notwithstanding the environment of pay constraint, the Department wished to achieve a smooth and efficient closure of the Regional Development Agency network. Following consultation with HM Treasury, in February 2011 the Department approved retention payments of up to 12 months' salary for nominated key staff in each RDA who were considered essential to the delivery of this objective.

8. The Agency agreed its pay remit with the Department on 24 May 2011. The remit included a clause that EEDA was not proposing to pay any other increases or non-consolidated bonuses to any staff.

9. On 21 July 2011, and despite the pay freeze and retention scheme outlined above, the Board decided that they would like to make ex-gratia payments to staff in recognition of the additional responsibilities they had taken on and their continued hard work as the organisation closed down.

10. Following discussion, the Remuneration and Selection Committee agreed to make two separate ex gratia payments of £500 each to almost all members of staff barring the Executive Directors. These payments totalled £51,000; the individual payments were made on 31 August and 30 December 2011 and were paid to a total of 66 staff, although not all staff received both payments.

11. These payments were identified through audit as having breached the Agency's pay remit and, consequently, the Agency sought retrospective approval for these from the Department. In response, the Department declined to provide retrospective approval because "these payments, in BIS's view, fall outside EEDA's pay remit and appear to be special payments for which BIS and HMT would have needed to give approval. We are declining to give this."

Conclusion

12. I have concluded that these payments are not in conformity with the authorities that govern them and are, therefore, irregular. While I recognise that, in total, the sums involved here are not substantial, the wider considerations of public sector pay restraint and the specific initiative already in place to recognise and reward those individuals considered key to delivering closure of the Agency have led me to consider that my opinion should be qualified in this regard.

13. As the Agency is expected to be abolished shortly, I have not made any recommendations.

Amyas C E Morse

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