



West Midlands
Regional
Observatory

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Note

The accounts presented herein are excerpted from the audited accounts of AWM

These accounts are for information only and have no independent legal status.

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1 Observatory Chairman's Statement

I am delighted to report that the Observatory has had an excellent year, with continuing strong demand from regional partners for the research that the team provides. Increasingly the outcomes of the research are informing policy makers and decision takers at local, sub-regional and regional levels, across a range of issues.

The Observatory is quick to undertake innovative areas of work, such as the development of a perceptions indicator for the West Midlands Economic Strategy and the analysis of demographic factors affecting an individual's chance of being workless.

The annual State of the Region report and the Regional Skills Assessment remain flagship publications which are highly regarded and well used. The Observatory's focus remains on the communication of key headline messages from what is often complex analysis and detailed reports.

The popular and well attended Observatory annual conference encouraged the region to look forward to recovery from the economic recession, and provided an opportunity for discussion of how we could collectively ensure that the region was ready for economic recovery.

During the year there were a number of changes to the Observatory's Board. I should like to record my thanks to Roger McKenzie of the West Midlands Regional Assembly, Paul Tynan of the Learning and Skills Council and Pamela Taylor of the West Midlands Higher Education Association for their contributions to the Board and the success of the Observatory over the years.

A brief resume of the Observatory's progress over the years is given in Appendix 3 to this report, which demonstrates its significant achievements. This strong track record, together with the recognition as an Investor in Excellence, should stand the organisation in good stead as we look ahead to more uncertain times.

Richard Hyde
Chairman, Partnership Board.

2 Review of activity

The year has been extremely busy, with a major programme of research undertaken for regional partners. Our State of the Region dialogues with policy makers have proved to be thought provoking, not least the book we produced called *West Midlands: Fit for the Future?* This set the theme for our annual conference, which again proved very successful, attracting a wide range of attendees who debated how the region could best position itself in readiness for economic recovery.

This seemed a welcome change from some of the slightly gloomier work we undertook to assess the impacts of the economic recession, in particular looking at our vulnerable communities both now and in the future.

Our work on the Scale of the Challenge programme, looking at the various drivers of economic productivity, continued to develop as we dug deeper beneath the headlines. This has been particularly welcomed by the Economic Inclusion Panel, who are looking at ways of reducing the high levels of worklessness in the West Midlands and need an appreciation of the more detailed issues that can affect an individual's chances of becoming workless. On a more positive note, the low carbon strand of this programme has looked at opportunities for growth into a low carbon economy and we also produced a report on the skills needs of the environmental technologies sector. During the year we also informed the deliberations of the Enterprise Board and the Innovation Technology Council by producing performance "dashboards", which convey complex information in an easily accessible way.

Our annual skills assessment was successfully re-positioned this year to reflect the changing policy arena and is being used to inform many aspects of regional skills policy. This year, in response to customer demand, we supplemented the report with a series of sub-regional reports and a report on key sectors and clusters, all of which have been well received and well used.

Ground breaking work was completed this year, with the publication of the first version of the Regional Perceptions Indicator, one of the headline indicators of the West Midlands Economic Strategy.

We also started work to prepare the evidence base for the Strategy for the West Midlands. Pace has been slower than we expected and our contribution accordingly has been less than anticipated. Nevertheless we produced a significant study reporting on the sub-regional dynamics of the West Midlands. This has been very useful to Local Authorities in drafting their Local Economic Assessments, in which we have also been involved.

Communication of our research to a wide variety of audiences remains a priority for the Observatory. We continue to explore new ways of getting the key messages across and our slidecasts have proved a popular innovation.

The Observatory is committed to continuous improvement and has adopted the Investors in Excellence framework as an enabling mechanism. The Observatory achieved the Investors in Excellence standard in March 2010.

The work of the Observatory is framed by its strategic objectives, as set out in the 2009/10 Business Plan, reiterated here:

Strategic Objectives
1. Support regional policy decision-making through the provision of intelligence based conclusions and (where appropriate) policy implications.
2. Monitor and evaluate the progress and impact of regional strategies and programmes.
3. Engage the region in determining regional data and intelligence priorities and seek better alignment of regional resources.
4. Coordinate and facilitate the delivery of agreed new research priorities where appropriate.
5. Provide effective access to intelligence to encourage higher standards of evidence-based decision-making.
6. Lead best data and intelligence practice by sharing best practice for research methods and specifications, backed up by an enquiry service.

The remainder of this section sets out the Observatory's activities in 2009/10 and how it has delivered each of these strategic objectives.

2.1 Support regional policy decision-making through the provision of intelligence based conclusions and (where appropriate) policy implications

2.1.1 State of the Region 2009

This year was the first full year of the new State of the Region process and saw the publication of the second annual synthesis report. As in previous years, the State of the Region report was published at our annual conference in October 2009. The report drew on findings from the thematic dialogues which made up the project and on wider research work undertaken by the Observatory and our regional partners. The report had a particular focus on the impact of the recession on the region but also drew on new evidence about the longer-term challenges faced by the region. Once again, the report was accompanied by a memory stick which included copies of most of the Observatory's publications from the last year and links to a wide range of other research, including sources quoted in the report itself.

In addition to the annual synthesis report, we published the first six thematic reports during the year. The first two, published in July 2009, covered the knowledge economy and innovation. The innovation report included four chapters written by academic experts covering different aspects of innovation. These were also presented at a workshop in April 2009 and the discussions at that workshop also formed part of the report.

In October 2009, we published four further thematic reports covering sustainable communities, the regional evidence base, demographic change and climate change. The last three of these reports included chapters written by external contributors, alongside material prepared by the Observatory. The reports on demographics and climate change were produced with the involvement of the Population & Society and Environment Topic Groups respectively.

In addition to these thematic reports, in July 2009, the Observatory published the book *West Midlands: Fit for the Future?* This consisted of ten chapters written by a variety of independent experts, each setting out thoughts on how the region could position itself to prosper post-recession. The book was the starting point for an ongoing dialogue about the economic future of the region, which was continued at our annual conference. This dialogue is now being continued through the State of the Region process.

In addition to the Fit for the Future dialogue, three other thematic dialogues were ongoing at the end of the year. Two new dialogues are covering the image and identity of the region and equality and diversity, whilst the sustainable communities dialogue is continuing following the publication of the first thematic report. Each of the ongoing dialogues will lead to outputs over the summer of 2010.

2.1.2 Integrated Policy Model

Towards the end of 2008-09, the Observatory completed the development of the Integrated Policy Model, a major advance in the region's modelling capacity. Since then, the model has been used within the Observatory to provide analysis of the future prospects of the region post-recession and to inform analysis of future skill needs in the Regional Skills Assessment. Copies of the model have also been made available to a small number of local authorities to support their economic development activities.

During the year, the Observatory contracted with an external supplier to provide support to us in running the model, allowing us to offer services to customers which we might otherwise have been unable to resource. To date, use of this contract has been limited, in part because of delays in progressing the evidence underpinning the Strategy for the West Midlands. Discussions are ongoing about how modelling and forecasting will be used to inform the strategy and local economic assessments. We remain committed to ensuring that the model has a role in this process, which will help to establish its credibility with a range of potential users across the region.

2.1.3 Regional Skills Partnership

Over the year we have continued to provide a wealth of intelligence to support the strategic thinking of the Regional Skills Partnership and the policy development work of individual partners. We have also produced a series of illustrative case studies demonstrating the impact of our work. In particular:

The 2009 Regional Skills Assessment was successfully re-positioned and is informing many areas of policy - notably the regional skills strategy and statement of priorities, reforms to careers information, advice and guidance for young people, and the new arrangements for the planning and commissioning of 16-19 learning. The new consultative arrangements, with an "expert panel" of key partners and a separate group of local authority colleagues working on Local Economic Assessments, have worked particularly well in shaping the work and ensuring policy traction. This year, as well as a main report, we produced reports highlighting key skills issues and prospects for key sectors and clusters and a series of six sub-regional reports, which have been used extensively by local authorities to inform the development of their Local Economic Assessments and Work & Skills Plans.

We also undertook a detailed review of skills issues in the environmental technologies cluster. A combination of desk research, online survey and a series of in-depth employer case studies provided new insights into the issues and challenges for the cluster and identified, with the input of partners, practical recommendations for action that are now being taken forward by public sector agencies, employers and universities. In particular work is underway to promote collaboration and networking within the cluster and the strengthening of links between businesses and the region's universities, to promote the cluster as a potential career choice, to more closely align education and training provision with business needs and to promote the uptake of Apprenticeships.

During the year we have also started work on a 'policy supplement' paper to underpin the work of the Regional Skills Partnership to produce a skills strategy for the region - and in particular the work of the task & finish groups looking at strategic priorities and investment priorities. The policy supplement will highlight the changing needs of the region's economy and labour market to inform the decisions of employers, individuals, providers and the skills system, with a focus on how the key drivers of change and emerging skill needs vary both by sector and cluster and in different areas of the region.

The policy supplement will draw together the 2009 Regional Skills Assessment with other research we have taken forward in the latter part of the year. This includes a review of key issues and challenges for the regional economy post-recession and a review of potential employment and skill needs at 16 of the 20 Impact Investment Locations which have been identified by the Joint Strategy and Investment Board to act as a key focus for expenditure on economic development, housing and transport.

2.1.4 Scale of the Challenge

2009/10 was the second year of the Observatory's three year contract to undertake research into the Scale of the Challenge facing the region around five of the key themes identified in the Regional Economic Strategy: enterprise, innovation, economic inclusion, transport and the low-carbon economy. During the year, in agreement with the project board, the transport strand was removed from the programme. This was because there was a significant amount of other research being undertaken in the transport field and also recognition that transport didn't fit as well with the Scale of the Challenge model as the other strands.

Early in the year, we published the first annual summary report for the programme. This drew together the main findings from each of the strands and also incorporated findings from our skills research. As well as presenting evidence from each of the strands individually, the report also included a section which pulled together the headline findings and assessed the connections between them. A further annual report, covering this year's work, will be produced in early 2010/11.

Our work on the enterprise strand is part of a wider research programme informing the Enterprise Board, through a data and strategy sub-group. We have published a major report on start-up businesses, benchmarking the region against national figures and looking at sub-regional variation and demographic factors. We have also developed a new enterprise dashboard, containing a range of relevant indicators and have carried out detailed analysis of the industrial structure of the region (and sub-regions), both in terms of employment and numbers of businesses. At the end of the year we were working on a project looking at the growth aspirations of the region's businesses, a report on which will be published early in 2010/11.

Innovation is another area where we have developed a new dashboard of performance indicators during the past year. This was presented to the Innovation & Technology Council (ITC) and was well received. In addition to this, we have produced a detailed paper on first steps towards measuring regional innovation, a notoriously difficult area. As well as looking in more detail at the performance indicators which make up the dashboard, the report also presented an analysis of the performance of the sectors which make up Advantage West Midlands' clusters and the themes identified by the ITC. During the year, we have also built up links with NESTA, who are carrying out a range of research at national level, and plan to exploit these links through our work plan over the coming year.

The work as part of the economic inclusion strand is designed to inform the work of the region's Economic Inclusion Panel (EIP). This has included the preparation of four spotlight reports covering demographic groups identified as priorities by the EIP, based on the analysis in our Economic Inclusion Baseline Report, produced last year. We have also carried out monthly and quarterly monitoring of the latest data about the impact of the recession. On top of this, we have completed two major research projects, looking at the dynamics of worklessness and the influence of demographic factors on an individual's chance of being workless. The former was published at the end of the year and findings from the latter were presented to the EIP's meeting in May 2010, along with findings from the Economic Inclusion Annual Report which was in preparation at the end of the year.

The main focus of the low-carbon economy strand this year has been a major project looking at the opportunities for growth into a low-carbon economy. This was carried out in two phases. The first looked at the constraints, legislative or otherwise, that will impact on businesses and what that would mean for each local authority area. The second stage then identified industries with particular opportunities for growth, either through technological development or through decarbonising existing processes. This stage also looked at some of the barriers which might prevent businesses from taking advantage of these opportunities. Following publication of this research, the Observatory was commissioned by the City Region to undertake more detailed analysis of opportunities in its area. This work was delivered at the end of the year. In addition to this, we have produced a number of low-carbon monitoring reports during the year.

2.1.5 Cultural Observatory

Following the wind-up of Culture West Midlands at the end of March 2009, the regional cultural analyst post transferred to the Arts Council for England. The post-holder continues to be located at the Observatory, allowing her to contribute to wider Observatory activities including the State of the Region process. The post is now funded by Advantage West Midlands, with a particular focus on evaluating the West Midlands Culture Programme for London 2012.

In accordance with the funding, much of the work of the Cultural Observatory during the year has been focused on evaluating the 2012 Culture Programme. This has included a range of primary research with event organisers, volunteers and participants, monitoring of media coverage and analysis of the economic impact of events. This work will continue over the next two years.

In addition to the 2012 work, the Cultural Observatory has carried out a regular survey on the impact of the recession on the sector, which has contributed to a quarterly recession monitoring report, also drawing on a range of secondary sources. The Cultural Research & Intelligence Group (CRAIG) and its associated network (CRAIN) continue to thrive and the first CRAIN conference was held in June 2010.

2.1.6 Economic downturn

During the year, the Observatory has contributed to regional activity to monitor the effect of the economic recession. We were involved in the evidence strand of the work of the regional minister's taskforce and contributed to the monthly economic updates. In addition to this, we have produced a series of quarterly monitoring reports covering skills and labour market issues; the impact on demographic groups; and the impact on the cultural sector. We have also produced interactive maps presenting the latest unemployment statistics at local authority and ward level. Finally, we carried out a number of specific pieces of analysis, notably one identifying geographical areas which were likely to be particularly vulnerable to the recession. This was used by the taskforce to help target interventions.

2.2 Monitor and evaluate the progress and impact of regional strategies and programmes

2.2.1 West Midlands Economic Strategy monitoring

As in previous years, the Observatory produced a report updating the monitoring indicators for the West Midlands Economic Strategy. The report was published in May 2010, alongside the update on the delivery framework for the strategy. For the first time, the report includes data from the Regional Perceptions Indicator (see below) and two other new indicators, covering rural disadvantage and the natural environment.

2.2.2 Regional Spatial Strategy monitoring

For the third year, the Observatory contributed a chapter to the Annual Monitoring Report on the Regional Spatial Strategy. The chapter covers progress towards the overarching urban and rural renaissance policies. It analyses a range of indicators to give an overview of progress against those policies and also to provide context for the remainder of the report, which addresses the more detailed policies in the strategy.

2.2.3 Office for National Statistics

The Observatory hosts the Regional Statisticians from the Office for National Statistics. The Regional Statisticians have a number of roles, including quality assuring regional statistics, providing a route for communication between ONS and regional partners and providing advice to regional users of ONS products. In addition to this, they work with regional partners on collaborative projects, accounting for around one third of their time. During the year, the Regional Statistician moved to a new post in ONS and has not been replaced. His post is being covered on a part-time basis by the Regional Statistician from the East Midlands.

Over the past year, the Regional Statisticians have worked with the Observatory on a number of collaborative projects. They have provided data and analysis as contributions to a number of projects within the Scale of the Challenge and skills research programmes, including the Regional Skills Assessment. The largest contribution involved collating and analysing complex datasets as part of research into the impact of demographic factors on worklessness. The team also contributed a chapter to the State of the Region thematic report on the regional evidence base and made regular contributions to the Observatory's website and to *Observations*.

2.2.4 Regional Perceptions Indicator

The first version of the Regional Perceptions Indicator was published in November 2009. This innovative new indicator, the first of its kind, is one of the six headline impact measures in the current West Midlands Economic Strategy. It involves the analysis of data from three surveys, covering residents, businesses and opinion-formers. The first two surveys covered the whole of England, to allow regional comparisons, whilst the opinion-formers survey included individuals from across the UK and internationally.

Publication of the Regional Perceptions Indicator marked the end of a development process which took over two years and included a pilot study undertaken during 2008/09 to test the methodology. A detailed report sets out an analysis of the findings from the surveys, which include a wide range of data in addition to that needed for the indicator itself. An accompanying methodological report sets out how the indicator was constructed. We anticipate that the Regional Perceptions Indicator will be repeated every two years, with the next iteration planned for 2011/12.

2.2.5 Evidence to support the Strategy for the West Midlands

Progress towards the Strategy for the West Midlands has been slower than expected. Nevertheless, the Observatory has been involved in a number of activities over the past year. During 2008/09 we carried out a review of the existing evidence base with colleagues from Advantage West Midlands. The findings from this review fed into the State of the Region thematic report on the regional evidence base.

The most significant piece of work undertaken during the year was a major study into the sub-regional dynamics of the region. This looked at a range of functional links between different parts of the region, including commuting, housing markets, travel for shopping or leisure purposes and community identities. The resulting report informed decisions about future sub-regional working arrangements as well as providing important evidence for both the regional strategy and local economic assessments.

Local Economic Assessments (LEAs) will be an important part of the evidence base for the strategy. The Observatory is represented on the regional steering group for LEAs, which aims to ensure a consistent approach across the region. This group developed guidance materials through two workshops held around the turn of the year and the Observatory contributed to both the workshops and the resulting documents. We have also developed technical guidance on evidence sources to support those producing LEAs.

2.2.6 Skills research

Over the year we have further developed and updated our three tier framework of skills performance indicators that monitors the skills performance of the region and the value added contribution of the Regional Skills Partnership. In June 2009 we published an annual review of performance which identified trends in the region's overall skills performance via our summary "skills index", the "scale of the challenge" to close the gap in performance with other regions and the England average and trends in key operational indicators (for example relating to Train to Gain, Apprenticeships, leadership and management and higher level skills) that are driving change.

The intelligence within the report played a key role in the update and refresh of the region's Skills Action Plan by the Regional Skills Partnership. The report itself formed an appendix to the plan and is a key reference document for partners looking to track progress against plan objectives.

2.2.7 Other research projects

The scale of work on ongoing programmes of work, such as Scale of the Challenge, our skills research and preparations for the Strategy for the West Midlands, have limited the scope of other research projects we have undertaken during the past year. Amongst those that we have completed are two major pieces of work for the City Region, a skills assessment to inform the delivery of the Multi-Area Agreement, and a report on the low-carbon economy based on our regional report.

Other projects undertaken during the year include analytical work to support Government Office for the West Midlands, particularly around monitoring Public Service Agreement targets; a study mapping activities supporting the Prevent programme to prevent violent religious extremism; the fourth annual report monitoring the activities of the Rural Regeneration Zone; and the development of a Rural Disadvantage Indicator as part of the monitoring of the West Midlands Economic Strategy.

2.3 Engage the region in determining regional data and intelligence priorities and seek better alignment of regional resources

2.3.1 Gap Filling

During the year, the Observatory introduced a new process for identifying, prioritising, and ultimately filling, gaps in the regional evidence base. The process involves the Observatory maintaining a register of gaps identified by research projects, the Regional Data and Intelligence Network (RDIN) Topic Groups and other stakeholders. This register is reviewed by the Topic Groups bi-annually and their views are then taken to the User Group which makes a final decision about which gaps should be prioritised. The User Group also provides advice on approaches to filling the gaps, including suggestions for sources of funding where the Observatory is best placed to progress work.

The first review of the research gap register was undertaken in the autumn of 2009, with decisions on prioritisation confirmed at the User Group meeting in November. Several of the gaps identified are currently being taken forward, either by one of the Topic Groups or by individual organisations. This includes a major study looking at the impact of emerging markets, and other international links, on the West Midlands economy. We are working closely with UKTI and Advantage West Midlands on this project.

2.4 Coordinate and facilitate the delivery of agreed new research priorities where appropriate

2.4.1 Register of consultants

A review of web services in January 2010 showed that the majority of registered users on wmro.org do not find this service useful any more, with the introduction of commercial services elsewhere on the web. Around 80% of our users said that they rarely or never use the Register of Consultants and gave low scores for the overall value of it. 85% stated that there would be little or no impact on their job if we discontinued the service. Currently there are 30 consultancies listing their details on the register, slightly up from 27 in 2008/9.

As a result of the January web services review, we plan to discontinue the service in 2010/11 and instead direct customers to alternative websites and resource lists.

2.5 Provide effective access to intelligence to encourage higher standards of evidence-based decision-making

2.5.1 Regional information services

Following a review of the Regional Resource catalogue in 2008/9, we implemented hosted search and resource harvesting technology to it in 2009/10. This technology automatically finds and harvests relevant resources into the catalogue and allows much more powerful and effective searching of the resulting datastore. By the end of 2009/10, we were successfully including all relevant resources from Advantage West Midlands, the West Midlands Learning and Skills Council, the Staffordshire Observatory, West Midlands Public Health Observatory, Staffordshire Research Unit and the Warwickshire Observatory.

The review of web services in January 2010 has led us to discontinue and remove the Directory of Specialists and Organisations pages from the website. From the results of the survey it was clear that the majority of users rarely or never use either service, and removing them would have little impact on their jobs.

The web survey showed that the social networking tool [LinkedIn](#) would prove a useful alternative to the Directory of Specialists as a wider networking tool. We will investigate how to pursue this further in 2010/11.

2.5.2 Regional Data and Intelligence Network (RDIN) seminars

The RDIN seminars held in 2009/10 certainly built on the success of the previous year, with almost all of them selling out well before the day. This seems to have been a direct result of better event promotion, a recommendation of the 2008/9 User Satisfaction Survey. Supported by the four topic groups, the seminars covered subjects such as "Sharing Information Digitally", "Geographical Information" and "Better evidence... Better funding bids".

"Sharing Information Digitally" and "Better evidence... Better funding bids" were of particular note. The former attracted a new audience to the work of the Observatory, a range of experts in the fields of social media, communications and web development. Bringing these people together with researchers from a range of organisations was very positive, as it encouraged the research community to share its work in a different way. "Better evidence... Better funding bids" built on the Observatory's growing relationship with the third sector and allowed organisations from the sector to learn important skills for writing funding bids from professional researchers and funders.

Our post-event slidecasts have been well received again this year. As well as offering important presentations from events in a bite-sized format, the slidecasts have also developed into a new way of communicating our research.

2.5.3 Annual conference

The 2009 conference was held on 20th October at the Ramada Hotel in Sutton Coldfield. The conference was attended over 140 delegates and took the title *West Midlands: Fit for the Future?*

The conference followed on from a book of the same name, *West Midlands: Fit for the Future?*, released by the Observatory in July. The book comprised ten chapters, written by ten different authors, reflecting their personal views on how the region could best place itself in readiness for economic recovery. The conference provided an opportunity for delegates to discuss the ideas raised in the book. Feedback showed that satisfaction levels were high, with an average rating of 8 out of 10.

Comments from delegates included:

“Excellent event, the range of delegates with different viewpoints & experience adds greatly to the discussion and questions.”

“It seems there is a fantastic representation of organisations and institutions here and this event has crystallised a shared agenda for the region.”

The conference was opened by Richard Woolhouse, Senior Economist for Centre for Cities, speaking on “Surviving the Recession”. Richard outlined the many challenges facing the West Midlands. In response, Rosie Paskins, Chief Executive of the Regional Observatory, highlighted the work of the Observatory over the past year and its role in “shining some clear light” on what’s happening in the region. Rosie demonstrated how the Observatory could give vital insight to the region’s decision makers to make the right interventions and investments in order to help the West Midlands make the best possible recovery from recession.

A series of workshops allowed delegates to discuss and debate the contents of the Fit for the Future book, and generate questions for a closing plenary question panel. After hearing from Daniel Gidney, Chief Executive of the Ricoh Arena, who gave a local perspective to economic recovery, delegates heard from Sir Roy McNulty, Co-Chair of the Shadow Joint Strategy & Investment Board, on how the outputs of the conference would feed into the forthcoming Strategy for the West Midlands. Delegates then put their workshop questions to a panel of experts including two of the authors from the Fit for the Future book, Prof. David Bailey (Coventry Business School) and Dr. Chris Upton (Newham University College). Questions ranged from “What does success look like in the region?” to “How do we sell the environment and its benefits better?”

2.5.4 Observations (<http://wmro.wordpress.com>)

The importance of *Observations* as one of our key communications tools was cemented in 2008/9. Members of Observatory staff and the wider Regional Data & Intelligence Network posted over 200 blog posts, and average views of those posts rose steadily month on month over the course of the year.

In 2010/11, the Communications team will seek to increase the number of referrals from *Observations* to Observatory research on wmro.org.

2.6 Lead best data and intelligence practice by sharing best practice for research methods and specifications, backed up by an enquiry service

2.6.1 Online Enquiries Service

During the year, the Observatory's online enquiry service handled approximately 350 research enquiries. The majority came from public sector partners but there were also many enquiries from the private sector and from individuals. Once their enquiry is dealt with, enquirers are given the opportunity to provide feedback. This includes a satisfaction rating. Around one in five enquirers used this facility and the average score provided was 3.7 (out of 4). No scores of less than 3 were received.

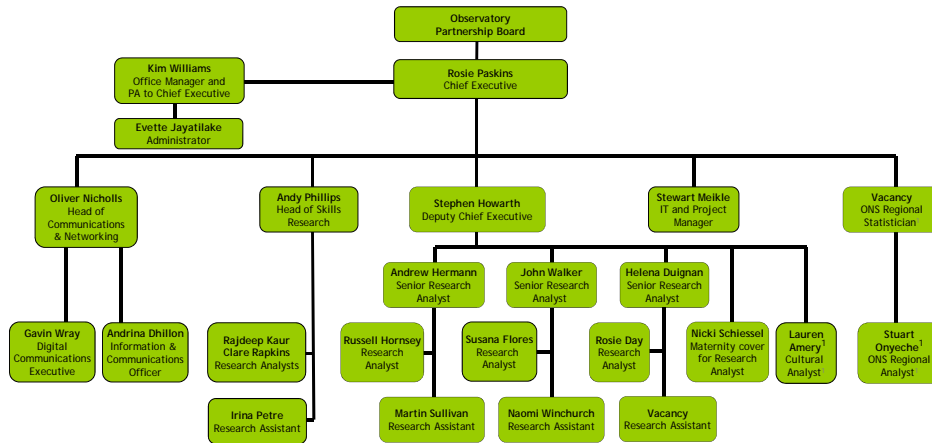
2.6.2 Resource

The Observatory's research programme was funded in 2009/10 by regional partners, predominantly the Learning and Skills Council, co-financed with European Social Funds, and Advantage West Midlands. Core funding was also provided by Advantage West Midlands under a three year agreement which ends in March 2011.

As part of its continuous improvement activity, the Observatory made a commitment to becoming an Investor in Excellence in summer 2009 and successfully achieved the standard in March 2010. This is a significant achievement for the team and we will seek to build on our high standards in 2010/11.

Our organisation chart on 1st April 2010 is shown below:

West Midlands Regional Observatory Organisation Structure April 2010



1. Employed by external agencies and with dual reporting.

2.7 Key Performance Indicators (KPIs)

The Board of the Observatory sets key performance indicators each year, which are used to determine the overall progress and success of the Observatory. Details of the performance in 2009/10 are given in Appendix 1, together with results of previous years for comparison.

The overall customer satisfaction rating increased again in 2009/10, with a rating of 3.19 on a scale of 1-4 (low to high). This is above the target of 3.00 and ratings of previous years. Comments linked to this rating included:

“As you can see from my scores we are in desperate need of hard facts and a cool assessment of what the facts tell us. It is too tempting to manage by anecdote and the Observatory helps stop this. In a world of Local Enterprise Partnerships we still need the Observatory output.” **Business Leader**

“It is important that in the current economic climate that we retain the capacity and specialism of the Observatory.” **Local Authority Chief Executive**

“The Observatory provides a range of useful regional and sub regional analysis which I have used in my work to provide context and better understanding of the area.” **Head of Department, Skills Funding Agency**

“The Observatory is playing a crucial role in helping decision makers in the region take tough policy decisions with a sense of confidence about the future, confidence that would be weakened without the intelligence and foresight that the Observatory provides.” **Senior Local Authority Officer**

The customer rating of the State of the Region process has remained stable at 3.13 again on a scale of 1-4 (low to high). This is below the target of 3.20 and matches ratings of the last 2 years. We had hoped to improve on the rating over the course of 2009/10.

A key financial indicator measures the proportion of our total costs that we cover through funded projects and other income generating activities (as opposed to grants and core funding). In 2009/10, 61% of our funding came through funded projects and other income generating activities (against a target of 60%), showing that we are still some way to achieving financial independence.

Staff satisfaction levels have held up well given the current uncertainties about the future of regional organisations, including the Observatory. Overall satisfaction ratings were 3.05, which compares to last year of 3.10, and a target of 3.30.

3 Financial Statements 2009-10

3.1 Foreword to the Financial Statements

The accounts presented herein are deemed to be equivalent to final audited accounts for the Observatory. Since the Observatory is not an independent legal entity, but operates as a unit of Advantage West Midlands, no legally separate accounts can formally be prepared.

Advantage West Midlands maintains separate memorandum accounts for WMRO, and these are what are presented below. In order to ensure the integrity and transparency of these accounts, they have been reviewed by the National Audit Office, whose opinion on them is given in Section 3.2.

These accounts are presented for information only and have no independent legal status.

3.2 National Audit Office Statement on WMRO Accounts

Report to Advantage West Midlands on the West Midlands Regional Observatory Financial Statements for the year ended 31 March 2010

The West Midlands Regional Observatory (WMRO) currently forms a part of the operations of Advantage West Midlands. The financial transactions and balances relating to the Observatory are included in the annual financial statements of Advantage West Midlands which are subject to external audit by the Comptroller and Auditor General, the head of the National Audit Office.

The Memorandum Financial Statements covering the activities of WMRO (set out on pages 23 to 28) have been prepared by Advantage West Midlands under the terms and conditions of a service level agreement with the Observatory.

At the request of Advantage West Midlands I have agreed to review the Memorandum Accounts of the WMRO and to form an independent opinion on whether the transactions and balances have been properly extracted from their accounting records. I have also agreed to report whether I am aware of any inconsistencies between the Memorandum Financial Statements of WMRO and the audited financial statements of Advantage West Midlands. My work was based on a materiality level relevant to the WMRO financial statements and included substantive tests of income and expenditure on a sample basis for the year ended 31 March 2010 and an examination of a sample of balances at that date.

In accordance with the terms of my agreement with Advantage West Midlands my review work was primarily based on internal management information and was carried out on the basis that all information provided to us by the management of Advantage West Midlands was reliable and, in all material respects, accurate and complete. My review does not therefore constitute and audit for the purposes of providing a stand alone true and fair audit opinion on the 2009-10 Memorandum Financial Statements of WMRO.

I have reviewed the 2009-10 Memorandum Financial Statements of WMRO and can confirm that the transactions and balances have been properly extracted from the accounting records of Advantage West Midlands. Nothing has come to my attention to indicate that the Memorandum Financial Statements of WMRO are inconsistent with the audited 2009-10 financial statements of Advantage West Midlands.

Signed by:

Neil Sayers

Director

National Audit Office

7th July 2010

NET EXPENDITURE ACCOUNT
For the year ended 31 March 2010

	2009-2010	2008-2009
	£	£
EXPENDITURE		
Staff	3 £1,044,227	£906,579
Staff Overheads	£23,551	£24,762
Premises	£121,313	£109,862
Projects and Consultants	£422,751	£463,389
Operational	4 £248,038	£199,606
Total Expenditure	£1,859,880	£1,704,198
INCOME		
	£	£
Advantage West Midlands	£293,193	£209,560
WM Regional Assembly	£10,000	£15,319
Other Income	£1,556,687	£1,479,319
Total Income	£1,859,880	£1,704,198
Net Expenditure taken to Reserves	£0	£0

STATEMENT OF FINANCIAL POSITION
As at 31 March 2010

	Notes	2009-2010 £	2008-2009 £
NON CURRENT ASSETS			
Property, Plant and Equipment	2	£39,687	£49,974
CURRENT ASSETS			
Trade and other Receivables		£51,893	£242,331
Prepayments		£27,357	£41,611
Accrued Income		£17,177	£0
Cash Equivalents		£250	£250
Total Current Assets		£96,677	£284,192
CURRENT LIABILITIES			
Trade and other payables		£18,237	£10,723
Deferred Income - General		£0	£0
Cash Amounts due to AWM		£78,202	£189,020
Deferred Income - Specific		£238	£0
Total Current Liabilities		£96,677	£199,743
NON CURRENT ASSETS PLUS CURRENT ASSETS/LESS CURRENT LIABILITIES		£39,687	£134,423
ASSETS LESS LIABILITIES		£39,687	£134,423
TOTAL ASSETS		£39,687	£134,423
FINANCED BY:			
Reserves		£39,687	£134,423

CASH FLOW STATEMENT
For the year ended 31 March 2010

	2009-2010 £	2008-2009 £
Net cash (outflow) inflow from operating activities	£115,948	£16,286
Capital Expenditure	(£4,035)	(£12,614)
Financing	(£111,913)	(£3,672)
(Decrease)/Increase in cash	£0	£0

Notes to the cash flow statement

Reconciliation of operating surplus/(deficit) to net cash outflow from operating activities

Operating surplus / (deficit)	£0	£0
Depreciation charges	£14,322	£16,286
(Increase)/Decrease in trade and other receivables	£190,438	£104,155
(Increase)/Decrease in prepayments	£14,254	(£21,816)
Increase/(Decrease) in current liabilities	(£103,066)	(£82,339)
Net cash (outflow) inflow from operating activities	£115,948	£16,286

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

1 Accounting Policies

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards

- a) The financial statements are prepared under the historical cost convention using the accruals basis. Income and Expenditure is therefore recognised in the accounting period to which it relates rather than that in which the cash transaction actually occurs.
- b) Tangible fixed assets are valued at depreciated historic cost, which is not materially different from depreciated replacement cost.
- c) Depreciation is provided to write off the replacement cost of tangible fixed assets over their anticipated useful lives on a straight line basis at the following annual rates:

Computer Equipment	3 Years
Furniture	4 Years
Fixtures and Fittings	10 Years

- d) Funding received from Advantage West Midlands and income received from other regional partners for operational expenditure may be received in advance of that expenditure being incurred. In this instance, this income is deferred to the balance sheet until a point in time where it may be released to match expenditure.

2 Non Current Assets

	Computer Equipment	Furniture	Fixtures & Fittings	Total
Cost b/f	48,033	44,311	71,570	163,914
Additions in year	4,035	0	0	4,035
31-Mar-10	52,068	44,311	71,570	167,949
Depreciation b/f	40,215	36,552	37,173	113,940
Depreciation in year	3,591	3,574	7,157	14,322
31-Mar-10	43,806	40,126	44,330	128,262
Net Book Value 31 March 2010	8,262	4,185	27,240	39,687

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

		2009-2010	2008-2009
3	Salaries and Wages	£	£
	Staff Remuneration		
	Salaries	£740,699	£690,526
	Pension and Social Security Costs	£196,443	£195,321
		£937,142	£885,847
	Temporary Staff		
	Temporary Staff	£107,085	£20,732
		£107,085	£20,732
	Total	£1,044,227	£906,579
4	Operational Costs		
	Finance & IT SLA	£33,033	£36,749
	Communications	£2,923	£4,192
	Office Equipment	£2,934	£2,464
	Stationery	£8,427	£6,791
	Website/ICT Maintenance	£21,052	£17,439
	RDIN Events	£24,649	£18,617
	Catering & Room Hire	£5,736	£1,649
	Professional Fees	£2,040	£2,000
	Marketing	£15,114	£13,686
	Depreciation	£14,322	£16,286
	Irrecoverable VAT	£107,564	£76,676
	Software	£10,244	£3,057
	Total	£248,038	£199,606

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2010

5 Related Party Disclosure

Advantage West Midlands (AWM) is the sponsor body of West Midlands Regional Observatory and AWM is therefore regarded as a related party. During the period AWM have transacted in respect of a service level agreement under which AWM provide support to West Midlands Observatory.

Appendix 1 - Key Performance Indicators for 2009/10

Performance Indicator	Target 2006/07	Actual 2006/07	Target 2007/08	Actual 2007/08	Target 2008/09	Actual 2008/09	Target 2009/10	Actual 2009/10
Overall customer satisfaction rating	3.0	3.03	3.00	3.00	3.00	3.11	3.00	3.19
Customer rating of State of the Region Report/process	3.0	3.15	3.00	3.13	3.20	3.13	3.20	3.13
Average project satisfaction rating	2.5	Not available	2.50	3.05	3.00	2.6	3.00	2.70
Ratio of non core/grant income to total income	0.32	0.33	0.32	0.6	0.45	0.59	0.60	0.61
Composite measure of partner engagement	3.0	2.9	3.0	2.84	3.00	2.81	3.00	2.88
Composite measure of web access and enquiries handled	n/a	n/a	+20%	+50%	+15%	+83%	+15%	+3%
Staff satisfaction	3.0	2.9	3.0	3.0	3.0	3.1	3.30	3.05

Note that satisfaction ratings are measured on a scale of 1 to 4, low to high.

Appendix 2 -Topic Group achievements

Highlights on how the four topic groups supported the wider Regional Data & Intelligence Network over the course of 2009/10 were as follows:

Population & Society

- Supported the Population Change State of the Region dialogue by contributing to the final report
- Organised “Sharing Information Digitally” seminar to network social media and communications professionals with researchers
- Identified two research gaps including measuring disability and impairment and mapping faith groups
- Produced two e-newsletters sent to 309 and 398 subscribers
- Prioritising research gaps identified through the new gap filling process

Environment

- Identified a number of research gaps including regional habitats data and soil quality data.
- Informed a work programme for the Observatory’s Climate Change State of the Region dialogue
- Informed development of an evidence base to support Public Service Agreement 28 (Securing a healthy natural environment)
- Produced two e-newsletters sent to 325 and 330 subscribers
- Prioritising research gaps identified through the new gap filling process

Economy & Labour Force

- Identified a research gap regarding a consistent measure for Gross Value Added (GVA) data
- Advising the Citizens Advice Bureau on how to make more of their data and information available
- Produced two e-newsletters sent to 434 and 354 subscribers
- Prioritising research gaps identified through the new gap filling process

Geographical Information (GI)

- Worked with the Geographical Association to deliver Geographical Information day 2009, aimed at supporting the education sector
- Developed a web based facility to direct members of the network to sources of advice on Geographical Information
- Informed the region’s response to Ordnance Survey regarding opening up their data
- Produced two e-newsletters sent to 285 and 386 subscribers
- Prioritising research gaps identified through the new gap filling process

Following a review in the final quarter of 2009/10:

- The Population & Society group will support the ongoing State of the Region Sustainable Communities dialogue
- The Environment group will continue to take a lead role on developing the environmental evidence base for the Strategy for the West Midlands
- The Economy & Labour Force group will help inform the ongoing State of the Region Fit for the Future dialogue
- The Geographical Information (GI) group will continue to provide GI support to all the topic groups

Appendix 3 - The Observatory over the years

2002/03

- **24th September 2002**, the Observatory was set up located in Millennium Point, Birmingham Eastside.
- **Establishment of the Regional Data and Intelligence Network (RDIN)**, helped to foster communication between individuals, aiding in the breakdown of traditional domain silos and encouraging the co-ordination of research work and sharing of best practice.
- **Development of www.wmro.org**, the primary means for disseminating regional data and intelligence, and key channel for communication.
- **First resource catalogue published online**, providing public access to key regional and sub-regional data and intelligence resources.

2003/04

- **The first State of the Region report published**, with a number of significant recommendations for future research necessary to inform the regional policy agenda.
- **Gap filling projects identified** for the Observatory to address on behalf of multiple regional partners.

2004/05

- **Comprehensive skills evidence baseline published**, as part of the launch of the Regional Skills Partnership, providing an overview of the skills issues facing employers, employees, learners and non-learners.
- **GIS User Needs Assessment** developed into a formal system specification for online GIS.
- **Data sharing protocol agreed** to simplify the process of sharing data between organisations in the region and increasing the likelihood of data being shared.

2005/06

- **Links with Cultural Observatory established**, to map the cultural data and intelligence resources of the region.
- **Regional Lifestyle Survey undertaken**, providing a new regional dataset of over 56,000 survey responses, supplemented through further face to face interviews in selected areas.
- **780 active resource entries** in the resource catalogue.

2006/07

- **Knowledge economy, culture and transport** as the focus of the annual update to the State of the Region report.
- **Major contribution to the review of the Regional Economic Strategy**, through the development of the evidence base.
- **Report on the progress against the floor targets within Local Area Agreements**, incorporating changes to the website so that the analysis can be interactively examined online.
- **Second Regional Skills Assessment published**, together with a number of sector skills balance sheets and a series of papers on cross-cutting issues such as the skills needs of individuals.
- **User satisfaction rating of 2.91**, (scale of 1-4, low to high) with 76% of respondents either satisfied or very satisfied and 88% regard our reputation as good or very good.

2007/08

- ONS regional presence team hosted by the Observatory.
- Secured a substantial amount of commissioned research, including research in to the **Economic Impact of Migrant Workers**.
- Work on the region's aim of reaching the Leitch targets for world class skills provided much of the data to underpin the **Regional Skills Action Plan**.
- Secured funding to take forward the **first stage of a regional integrated policy model**.
- **Significant investment in our website**, a key tool for dissemination of research, which went live in May 2008.
- **Positive external evaluation** helped secure funding for the next three years and position the Observatory at the heart of the evidence base for the proposed Integrated Regional Strategy.

2008/09

- **Increased demand** for better evidence to inform regional policy led to expansion of activity.
- **"Scale of the Challenge"** three year programme of research started, looking at the key drivers of productivity for the region.
- **Integrated Policy Model development completed**, a modelling tool for use at local authority, sub-regional and regional level.
- **Impact of the economic recession** reported on, including quarterly bulletins covering labour market/skills, the cultural sector and vulnerable communities/groups.
- **State of the Region process revised** to move away from its previous concentration on an annual report to a more iterative dialogue between researchers and policy colleagues, underpinned by a thematic approach, which continues throughout the year.
- **Podcasts and slidecasts**, as well as our **"Observations"** blog, introduced to improve the way in which we reach our target audience.
- **Customer and staff satisfaction both very high**

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