



West Midlands  
Regional  
Observatory

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# Annual Report 2007/8

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v1.0	20 <sup>th</sup> October 2008	Audited accounts added

### 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.

# List of Contents

<b>1</b>	<b>OBSERVATORY CHAIRMAN'S STATEMENT</b> .....	<b>4</b>
<b>2</b>	<b>REVIEW OF OPERATIONS</b> .....	<b>5</b>
2.1	Core Activity.....	6
2.1.1	State of the Region Report .....	6
2.1.2	Supporting Key Regional Strategies .....	6
2.1.3	Mapping Data and Intelligence .....	7
2.1.4	RDIN Activity .....	8
2.2	Project Activity .....	10
2.2.1	Commissioned Research.....	10
2.2.2	Gap Filling Research .....	11
2.2.3	Regional Skills Partnership.....	12
2.2.4	Cultural Observatory .....	13
2.2.5	ONS Regional Presence .....	14
2.3	Development Activity .....	14
2.3.1	Website Development wmro.org.....	14
2.3.2	Developing a Regional GI Service .....	15
2.3.3	Establishing Economic Modelling Capability .....	15
2.3.4	Developing further Grant Applications .....	16
2.3.5	Preparing for Independence .....	16
2.3.6	Staff Changes .....	16
2.4	Key Performance Indicators.....	17
<b>3</b>	<b>FINANCIAL STATEMENTS 2007-08</b> .....	<b>19</b>
3.1	Foreword to the Financial Statements .....	19
3.2	National Audit Office Statement on WMRO Accounts .....	19
<b>4</b>	<b>REFERENCES</b> .....	<b>27</b>
	<b>APPENDIX 1 - KEY PERFORMANCE INDICATORS FOR 2007/08</b> .....	<b>28</b>
	<b>APPENDIX 2 - SUMMARY OF ACHIEVEMENTS OVER 5 YEARS</b> .....	<b>29</b>

## 1 Observatory Chairman's Statement

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I am delighted to report that the Observatory continues to go from strength to strength and the past year has seen us continue to enhance the quality and scope of regional data and intelligence.

Our 2007 update to the State of the Region Report was published at our very well attended conference in October. The update extended the original report, "Real Lives Real Issues", to examine the regional implications of two key issues - climate change and changing population.

The amount of commissioned research undertaken continues to grow, and this year the most significant project was research into the economic impact of migrant workers in the region. The report provides an excellent insight and is much in demand for its comprehensive coverage of recent migration issues.

The Observatory's work for the Regional Skills Partnership has been fundamental to the development of the Regional Skills Action Plan, helping policy makers focus on priorities and the scale of the task faced by the region in addressing the regional productivity gap caused by our relative underperformance on skills.

The Observatory team has continued to grow and, at the end of the year was twenty strong, compared to seventeen at the start of the year.

During the year, there were a number of changes to the Observatory Board. James Watkins, West Midlands Business Council, Phil Davis, RAWM and John Deegan, WMLGA stood down as members of the Observatory Board. I would like to thank them all for their contributions to our success in the past.

In September 2007 the Observatory celebrated its fifth birthday, a significant milestone for a young but maturing organisation. We commissioned an external evaluation, which concluded that we have been successful in achieving our original objectives. A summary of our achievements is given at the end of this report. The evaluation suggested a slight change of emphasis for the future as we continue to develop, and the Observatory's focus for the coming year is on facilitating the evidence for the proposed single integrated regional strategy.

Richard Hyde  
Chairman, Partnership Board.

## 2 Review of Operations

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This has been a successful year for the Observatory, with a strong achievement of the 2007/08 Business Plan and our key performance indicators.

The delivery of our core activity continues to be good, with the production of the State of the Region update report and the increased membership of the Regional Data and Intelligence Network. We made a substantial contribution to the recently revised Regional Economic Strategy, notably in developing the framework of performance indicators, including starting work on a new regional perceptions indicator. The ONS team who are hosted by the Observatory has made a major contribution to the latter. In addition, as part of our communications activity, we have made considerable efforts to enhance our resource catalogue, and the increase in monthly viewings has risen from 11,000 to 30,000 over the year.

We secured a substantial amount of commissioned research, including a number of significant projects; including research in to the Economic Impact of Migrant Workers, reporting on Local Area Agreements, incorporating a new tool for the presentation of data through the website, and an outline integrated economic assessment for the Birmingham, Coventry and Black Country city region.

Our work for the Regional Skills Partnership remains a significant focus for our activity. As well as the annual skills assessment, we undertook a number of gap filling projects during the year, including research into raising aspirations and the benefits of, and barriers to training. Our 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.

Turning to our development activity, we secured funding to take forward the first stage of a regional integrated policy model, which will be delivered in summer 2008. We also made a significant investment in our website, a key tool for dissemination of research, which went live in May 2008.

During the year, we undertook and acted on the findings of an external evaluation. This has helped us to secure funding for the next three years and position the Observatory at the heart of the evidence base for the proposed Integrated Regional Strategy.

The Business Plan for 2007/8 set out our proposed activity under three headings - Core, Project and Development activities. A summary of progress against each of these strands of work is provided in the following sections.

## 2.1 Core Activity

### 2.1.1 State of the Region Report

We published the third and final annual update to our first State of the Region report at our Annual Conference in October. The updates are intended to extend the coverage of the main report both in terms of the depth of coverage and in terms of its breadth, as the updates cover new material not originally covered. This year, we explored two key external influences on the region with wide range implications - climate change and changing population demographics.

As with previous reports, it was important to identify gaps in intelligence and understanding on the key issues facing the region. We hope that partners will incorporate these in the plans for future research but, as we did with our Lifestyle Survey, we also hope to fill some of them ourselves.

This year's report marks the end of the first four-year cycle of reporting. In order to inform future developments, we carried out a range of research with users of the report during the course of the year. The research found that whilst users had a favourable view of the content and style of the report, it generally didn't have a major impact on their work or the policies they were responsible for.

This has led us to review our plans for the State of the Region process in the future. Instead of focusing on significant annual reports, the process will take the form of an ongoing dialogue between researchers and policy-makers in the Region. To some extent this will reinforce existing situations where the dialogue is well established. However, we will also initiate new thematic dialogues to develop the evidence base and its links to policy. These will lead to a series of thematic reports, published throughout the year – we hope to publish at least four of these during the coming year. There will still be an annual synthesis report but this will be much shorter than in previous years.

### 2.1.2 Supporting Key Regional Strategies

This year saw the publication of the new West Midlands Economic Strategy (WMES), Connecting to Success. The new WMES drew heavily on the evidence base which we contributed to last year. Activity this year has focused on developing a framework of monitoring indicators for the new strategy. These indicators were included within the WMES itself and a baseline report was published alongside it. We will be discussing monitoring arrangements with AWM in due course.

Within the monitoring framework, there are a number of proposed indicators which still require development. The most significant of these is the perceptions indicator, which is one of six headline measures. During the year we completed a scoping study establishing the approach to be taken to delivering the perceptions indicator. Towards the end of the year we engaged consultants to take forward the development and piloting of the new indicator, due to be completed in the autumn.

This year, for the first time, we contributed a chapter to the Annual Monitoring Report for the Regional Spatial Strategy (RSS). The chapter covered the policies relating to Urban and Rural Renaissance. It built upon the earlier Contextual Monitoring Report produced by the Observatory. This work will be repeated in future years.

In addition to this, we were commissioned by Culture West Midlands to contribute to a mapping and gapping project relating to regional cultural assets. This project, undertaken jointly with planning consultants appointed by the Regional Assembly, will form part of the technical evidence for the Phase 3 revision of the RSS.

The Skills Team has also undertaken a programme of research linked to the Leitch Review of Skills, which together with the framework of skills performance indicators and the summary skills index, has provided the evidence base for the new Skills Action Plan for the region.

### **2.1.3 Mapping Data and Intelligence**

Mapping data and intelligence has remained an activity into which we have put considerable effort and resources.

During the year we have agreed and conducted more mapping projects with partners than previous years, but several of these did not deliver anything of substance. This meant that the 247 resources produced from these projects fell short of our target of 300. The chief reason that some projects failed was the perception by collaborating organisations that the effort they must expend on mapping and cataloguing their resources was greater than the benefit they would receive by doing it. This is a potentially worrying situation and we have resolved to understand the issues as a priority in the coming year.

Despite these problems the year has seen some successes with mapping. Projects with Centro and equality and diversity in the cultural sector proceeded well. We also, for the first time, won two fully funded mapping projects, where organisations paid us to map out resources (Capacitybuilders and the e-business support directory).

There were over 900 internal catalogue submissions by Observatory staff that were not part of mapping projects. This more than doubles the figure from the year before.

Use of the resource catalogue has shown a healthy increase over the year. At the start there were 11,000 views of resources per month. By the end of the year this had risen to nearly 30,000 per month.

#### 2.1.4 Regional Data and Intelligence Network (RDIN) Activity

There are three established mechanisms by which we support RDIN activity - the Annual Conference, the programme of monthly seminars and the co-ordination of the Topic Groups and the User Group.

The first of these, the Annual Conference, was held on 19<sup>th</sup> October 2007 at the Chesford Grange Hotel in Warwickshire. This year we again saw an increase in both numbers and level of seniority of delegates, with over 200 delegates attending the conference. In addition, we succeeded in attracting sponsorship from 13 businesses and organisations, resulting in total sponsorship income of over £15,000.

The day was opened by Glenn Everett, Director - Regional Economic Analysis & Allsopp Division, Office for National Statistics (ONS). He shared with delegates the role of Office for National Statistics and their vision for the ONS regional presence. This was followed by our Chief Executive, Rosie Paskins, who demonstrated how the Region had changed over the last 100 years, and posed several pertinent questions to delegates, demonstrating how important data was in assisting the decision making process. After a networking lunch, and an opportunity for delegates to visit our exhibitors, the State of the Region 2007 update report was launched by Joe Montgomery, Director General, Regions and Communities at the Department for Communities and Local Government. Joe's message was focused on the opportunities available to regional observatories arising from the Sub National Review (SNR). This recommends building analytical and economic capacity at regional level and regional observatories are in the forefront of taking forward the SNR with a new Government focus on place

The conference was seen as a great success with comments from delegates making the following points " ...the conference highlights the *growing significance of the Observatory as a valued and impartial source of regional data*"

*"I would like to say that the event was exceptionally well organised. The theme and the content of the conference were excellent and for an event of this nature it was exceptionally good value.*

Our programme of seminars has continued, covering such issues as "Research in the voluntary sector", "Indices of Deprivation" and "Rural Evidence". Feedback from

delegates indicates that the seminars have continued to be of a high standard, confirming the success of the seminar programme.

The RDIN Topic Groups also continued their programmes of activity.

The Economy and Labour Force Topic Group is playing a strong role in helping shape the integrated policy model (see 2.3.3) and has improved its links to the Regional Economic Development Officers Group at the Regional Assembly. The group contributed significantly to a seminar on the theme of "Aspiration and Localisation" and undertaken a mapping project on migrant workers.

Over the last year the Environment and Natural Resources Topic Group has discussed the work of Green Arc Partnership and planning for access to greenspace, biodiversity data issues and the physical environment domain for the index of deprivation (environmental equalities). In recent months it has decided to focus on climate change, and in particular to advise the Observatory on developing key performance indicators against which to benchmark regional progress towards reduced emissions and adaptation/resilience to likely climate change impacts.

A major focus for the Society, Demography and Health Topic Group has been its engagement with the Observatory's project on developing social inclusion indicators. The group has also discussed the Joint Strategic Needs Assessment, part of a new duty to co-operate that has been introduced to Primary Care Trusts and Local Authorities, to consider how best to link the Local Area agreements and the Joint Strategic Needs assessment. The regional Health and Wellbeing Strategy was also considered by the group.

The Geographical Information Topic Group continues to be well attended, and has considered issues such as the Digital National Framework and its impact on the GI community, the work of the Regional Statisticians and the latest developments on the ONS website. It has welcomed a number of external speakers who have prompted a helpful dialogue and stimulated additional activity. Members of the group held a workshop to map out a plan of action to deliver a catalogue of digitised boundaries. As a result, many new resources have been added to the Observatory website. The group has also played a significant role in the development of a regional GI service, as described in paragraph 2.3.2.

Topic Groups have also developed electronic newsletters containing information relevant to their group. Both the Environment and Natural Resources and Geographical Information Topic Groups produced three bulletins, whilst the Economy and Labour Force and Society and Demography and Health Topic Groups produced two bulletins. These bulletins contain articles of interest submitted by topic group members and make a major contribution to sharing information across the network.

Topic Groups and the User Group continue to be a high priority for our activity. Their articulation of the regional needs for data and intelligence give appropriate

focus to our work. The terms of reference for all groups have been refreshed and work programmes developed for 2008/09 that form an integral part of the Observatory's 2008/09 Business Plan.

## 2.2 Project Activity

### 2.2.1 Commissioned Research

As in previous years we secured a significant amount of commissioned research work and this part of our activities remains important to us for the income it generates, and for maintaining our status as an authoritative creator of regional intelligence. The year has seen research commissioned from a number of new organisations, leading to strengthened relationships which will bring future benefits.

The most significant piece of commissioned research undertaken during the year was research into the Economic Impact of Migrant Workers. This was published in November and generated a significant amount of press coverage. The project involved both analysis of existing data sources and a substantial amount of new data collection; via surveys of individuals and employers, focus groups and structured interviews. The result was the most comprehensive picture ever produced of recent migration at regional level, and six months on it remains the most popular download from our website.

A second substantial piece of commissioned work was the consolidation and reporting on the floor targets for the Local Area Agreements (LAAs) in operation within the region. The client for this was Government Office for the West Midlands (GOWM) and, as part of the project, we developed a new method for presenting the data through the website using the Instant Atlas tool. This has since been used for presenting a much wider range of data on the website. Throughout the year we have also been involved in a range of work advising and consulting on the new National Indicator Set which will form the basis of LAA targets in the future.

Early in the year we completed a project baselining economic inclusion within the Region. This focused on key demographic, economic and labour market issues in those parts of the region where economic exclusion was most prevalent - such as the Regeneration Zones. This work is being developed further in a separate project looking at wider social inclusion indicators (see below).

Towards the end of the year, we were commissioned by the Birmingham, Coventry and Black Country City Region to produce an outline economic assessment for the city region. This identified some of the key features of the city region economy and the main issues affecting its future direction. This is being developed into a wider Regional Integrated Economic Assessment, which will be delivered during 2008/09.

Other commissioned projects undertaken during the year included baseline reporting of innovation indicators, the second annual monitoring report for the Rural Regeneration Zone, an economic baseline report for the Coventry, Solihull & Warwickshire Partnership area, an analysis of the impact of the Milton Keynes South Midlands Growth Area on the region and the development of a set of monitoring indicators for the Regional Sustainable Development Framework.

### 2.2.2 Gap Filling Research

Within the Research Team, progress with gap filling research has been limited, due to the significant amount of commissioned research during the year. Two key projects which originated from research gaps were, however, in progress at the year end.

One of these, the development of a regional Integrated Policy Model is referred to below. As it progresses to its next stage, this project will also deliver the final stage of the long-standing Brownfield to Greenspace project, which will close another research gap. In anticipation of this, little work was undertaken on this project during the year, although the Black Country Observatory have been commissioned to take forward certain aspects on behalf of regional partners.

The other major project is an analysis of Social Inclusion Indicators for the region. This develops work undertaken previously on a Social Inclusion Indicators Toolkit. The project identified a series of key social inclusion indicators available for local geographies in the region. It then focused on the most deprived areas in the region and looked for patterns and inter-relationships between the indicators. The project was well underway at year end and the report is due to be completed during the first quarter of 2008/09.

Gap filling research conducted by the Skills Team on behalf of the Regional Skills Partnership has been wide ranging and substantial, including:

Research to investigate the benefits of, and barriers to, investment in training and up-skilling by employers. This project, which involved the development of 25 detailed employer case studies, highlighted good practice and successful approaches to investment in training and up-skilling, the real benefits for both employers and employees to be gained from such investment and the issues and barriers that need to be overcome if higher levels of investment are to be achieved. The research is providing a useful evidence base for RSP partners in their work to encourage and make the case for investment in skills and has been used by the Confederation of British Industry (CBI), Chambers of Commerce, the Learning & Skills Council (LSC) and Business Link.

Research to explore the motivations, aspirations and barriers to participation in education, training and employment by people from disadvantaged groups was conducted in collaboration with Jobcentre Plus. The research included a survey of benefit claimants in Birmingham, Stoke and Coventry, using focus groups and 1:1 on-street interviews with vulnerable and disadvantaged individuals from a wide range of communities. Specifically the project assessed aspirations of people from disadvantaged communities to improve their skills and access employment, the deep seated and inter-related barriers they face and practical action that could be taken to address these barriers. The research has since fed into the policy development and action planning of a range of public and voluntary sector organisations.

Research to provide an evidence base for the Regional Skills Action Plan, which aspires to deliver a step change in skills attainment in the West Midlands and meet the ambitious targets set out in the Leitch Review of Skills. The project benchmarked the region's recent skills performance relative to other parts of the country, the England average and by sub-regions. It set out the 'scale of the task' to meet the targets for 2011 and 2020, identifying the potential economic benefits for the region if we are successful in meeting the targets for increased productivity, gross value added and employment rates. Additionally, it considers the actions required and the barriers that need to be overcome if we are to be successful.

A study of the key issues influencing graduate retention, attraction and employment in the region conducted on behalf of AWM, the LSC and the West Midlands Higher Education Association. The research investigates where graduates tend to find employment, the issues and drivers that influence their decisions, the demand for higher level skills from the region's employers, any recruitment issues they face and the impact of interventions such as careers advice, guidance and work placements. The study will be published in early 2008-2009.

### **2.2.3 Regional Skills Partnership**

2007-2008 has been a year of significant progress in supporting the work of the Regional Skills Partnership. The research projects highlighted in the previous section have been a key feature of the work programme, addressing key gaps in the evidence required for policy and strategy development. Additional activity has included:

The third in the series of annual Regional Skills Assessments which highlight the changing nature of the regional labour market and the key issues and challenges for policy makers. They are a key planning tool for public agencies responsible for the planning and funding of skills such as the LSC, AWM and HEFCE.

'Skills balance sheets' that play a critical role in informing work to align the supply of education and training with the needs of the employers and the regional economy. The balance sheets include a review of the demand for skills from employers, the available supply of training and education and any key gaps and mismatches. A balance sheet for the retail sector was completed during the year and a 'cross sector' balance sheet on management and leadership skills will be completed early in 2008-2009.

Work to develop and refine the framework of skills performance indicators to assess and monitor the skills performance of the region and the value added contribution of the RSP, demonstrate the 'scale of the task' to close the gap in performance with other regions and provide an overall summary measure of performance via a single 'skills index'. This year we have worked with RSP partners to ensure close alignment with other performance frameworks associated with the West Midlands Economic Strategy, the Skills Action Plan and PSA target. We have made progress in developing a series of 'operational' indicators that track the success of partners in tackling the Region's skills issues and problems. A review of recent performance is to be published early in 2008-2009.

#### 2.2.4 Cultural Observatory

The West Midlands Cultural Observatory was established in late 2005, initially for three years, and is co-located with us. Half way through the year, the Cultural Research Analyst, Laura Venn, left the post and we had not been able to replace her by the end of the year. Therefore, the output from the Cultural Observatory during the year was more limited than we had hoped.

The Cultural Observatory co-ordinates the Cultural Research and Intelligence Group (CRAIG), and is supported by the Cultural Research and Intelligence Network (CRAIN). These operate in a similar way to the RDIN and its Topic Groups. Both continued to operate throughout the year, with support provided by Culture West Midlands. At the start of the year, CRAIG reviewed the progress of the Cultural Observatory at the half way point of its funding period. The review's findings were very positive and priorities for the remainder of the period were established. Despite the lengthy period without a Cultural Research Analyst in post, the partners represented on CRAIG remain committed to the Observatory and we hope to resume activities early in 2008/09.

Despite the lack of resource for much of the year, a number of projects were undertaken. These included - further mapping of cultural research resources, including a major report on the evidence base for the Equality & Diversity Action Group; initial analysis of the cultural aspects of the Regional Lifestyle Survey; preparation of a range of cultural datasets for presentation using Instant Atlas, particularly using Sport England data; and a major event looking at the implications of climate change for the cultural sector, based on the 2007 State of the Region

Update report. There continue to be considerable benefits of co-location, with cultural issues being reflected in many of our publications and projects, including the RES Monitoring Framework indicators and the State of the Region Update.

### 2.2.5 ONS Regional Presence

At the start of the year, the Observatory was joined by two colleagues from the Office of National Statistics, Anthony Szary and Peter Drake. Between them, they provide the regional presence for ONS recommended by Christopher Allsopp in his Review of Statistics for Economic Policymaking.

Between a quarter and a third of the time of the Regional Statisticians is intended to be used for work on collaborative projects with regional partners. During 2007/08, the most significant project of this kind has been a major contribution to the scoping work for the regional perceptions indicator. This high profile and innovative project would not have progressed so far without their involvement. They have also been involved in several other projects, including the development of a set of Social Inclusion Indicators, a review of evidence relating to the region's image and the development of the Integrated Policy Model.

Beyond this, the Regional Statisticians have acted as an effective route for communication between the region and ONS nationally. This has led to improved access to data and analysis, better understanding of data sources and some improvements in the quality of regional data.

Following a generally positive evaluation of the ONS Regional Statisticians across all English regions, funding has been confirmed for a further two years and we look forward to continuing to develop the relationship and build on the benefits over the coming year.

## 2.3 Development Activity

### 2.3.1 Website Development [wmro.org](http://wmro.org)

The year has been one of continued success for our website, with an increase in use continuing through the year. This increase, which builds on the increases of previous years, required us to move the website to a new and more powerful server in May 2007. By year end we were achieving 64,000 visits a month and reached and maintained half a million hits a month.

The continued increase in website use is gratifying and shows that our policy of paying attention to the correctness and freshness of content as well as providing high quality research outputs through the website is correct and attractive to users.

A major focus of effort for the website this year has been the design and procurement of its replacement. Work on user feedback early in the year and the Observatory evaluation showed that users wanted a website that would allow them to see more easily the linkages within themes and to access the full range of resources that related to a particular topic. We therefore took the decision to invest significant additional money in a major redevelopment of our site. This went live on 7<sup>th</sup> May 2008 and has received almost universally favourable comment. The new website retains the existing databases but provides an entirely new look to the public site and a more efficient back-office interface, by which we create and maintain content. We have also taken the opportunity to update the website to .net2 technology which will reduce future development costs.

As part of our policy of maximising awareness of the website, we have initiated a project to modify our corporate logo so that the website address is included by default in all future materials produced by us.

### **2.3.2 Developing a Regional GI Service**

The provision of a web-based GIS service has been a long standing objective of the Observatory, but feedback from users, especially the GI Topic Group, led us to question the validity of this. In our view the regional need for GIS systems has moved on, and the provision of a full web based system ran the risk of being a costly duplication of existing systems. Following the guidance of the GI Topic Group, we have chosen to implement a much simpler system based on dynamic thematic maps that allows users to view predefined datasets topographically and to make comparisons between different geographies. The first phase of this was successfully implemented through our website in November and we are now considering extending the service to provide bespoke maps in response to user requests.

### **2.3.3 Establishing Economic Modelling Capability**

At the start of the year we received a scoping report looking at the possible approaches for developing a regional integrated policy model, incorporating spatial interactions between economic, demographic and environmental issues. Two options were proposed, one based on the 34 local authority areas making up the region, the second based on middle-level super output areas. The report concluded that both options were technically feasible and that costs would not be excessive.

Following on from the scoping report, we were commissioned to develop the first phase of the Integrated Policy Model, the local authority level system. We appointed contractors to carry out the development of the model and by the end of the year they had developed a technical specification for the model. Development will continue into 2008/09 and we expect to have a working model by the summer of 2008.

#### **2.3.4 Developing further Grant Applications**

As noted in last years' report, two sizeable funding streams ended in March 2008 – the LSC/AWM/ESF funding of our three year work programme for the Regional Skills Partnership and the three year core funding from AWM. We worked hard to secure additional sources of income to compensate for the possibility of an almost simultaneous end to our most significant sources of income. The success of this is reflected in the overachievement of the key performance indicator in section 2.4 below.

The Observatory has secured additional funding from AWM of just over £3m for core activity and support for research activity in key policy areas. Funding from the LSC and ESF is currently awaiting a call for applications, but an assurance has been given of minimum funding of £500k over the next three years. The Observatory has also secured additional ERDF funding from January 2009 of £435k, and continues to benefit from an ERDF Objective 2 grant which will run through to December 2008.

#### **2.3.5 Preparing for Independence**

The Partnership Board decided in 2005 to postpone indefinitely the originally planned move to independence. It was agreed that, operationally, the Observatory had established a clear and effective reputation for objectivity in the work it had undertaken to date, and there was no significant strategic advantage to be gained from securing full independence as a self-standing legal entity. On the other hand, the costs, both financial and in staff resources, of moving to independent status were substantial. The recent external evaluation of the Observatory has confirmed this position, but the issue will be kept under review to ensure that the Observatory does act if the balance shifts to favour independence at some point in the future.

#### **2.3.6 Staff Changes**

There have been a number of changes in staffing at the Observatory during the year.

Katy Bregazzi returned to the team in January 2008 after maternity leave.

Anthony Szary, Regional Statistician, and Peter Drake, Regional Analyst, form the regional team from ONS and joined us in May 2008.

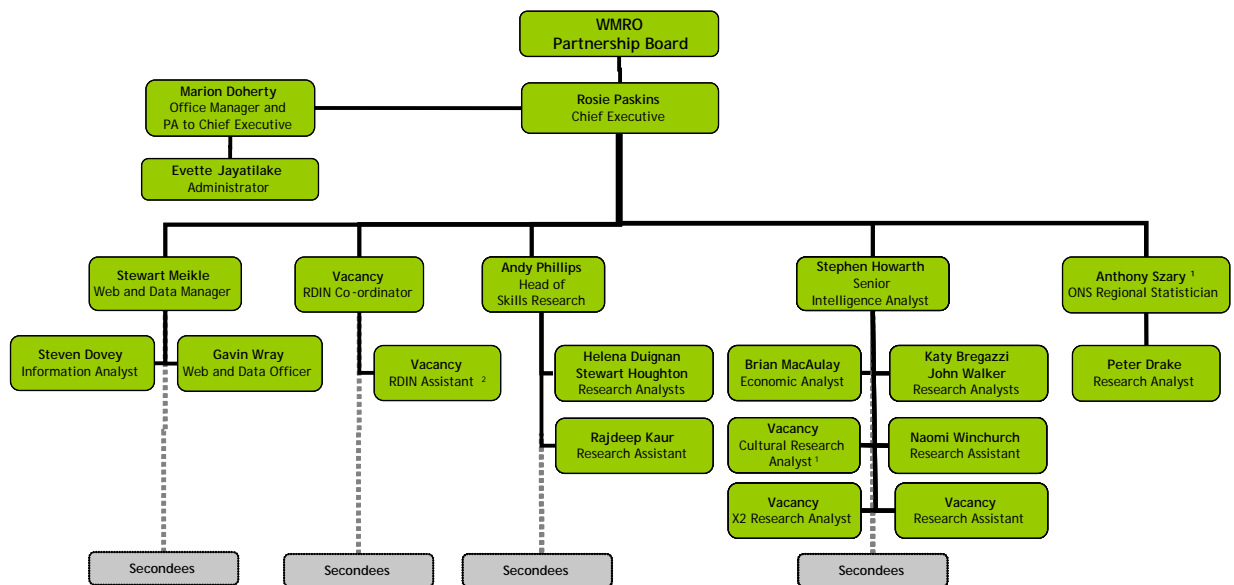
Vanessa Latty, Sponsorship Officer, left the RDIN team in October 2007, and Laura Venn, Cultural Analyst left in the same month.

Evette Jayatilake joined the Observatory as administrator in January 2008.

Rebekah Eden, RDIN coordinator left the Observatory at the end of March 2008.

Our organisation chart on 1<sup>st</sup> April 2008 is shown in the figure below:

## West Midlands Regional Observatory Organisation Structure April 2008



1. Employed by external agencies and with dual reporting.
2. Currently this post remains unfunded. Viability of filling this post to be revisited during the next business planning cycle.

### 2.4 Key Performance Indicators (KPIs)

The Observatory Board has agreed a set of key performance indicators by which to judge the progress and success of the Observatory. Performance against the targets for March 2008 is presented in Appendix 1, together with comparative data for 2006/07.

It should be noted that, at the time of writing, some of the KPIs derived from our annual satisfaction survey, which is carried out each summer, are unavailable.

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 2007/08, we earned 60% of our total costs from such activity, a considerable achievement for a young and growing organisation, but still some way short of financial independence.

It is pleasing to note that customer satisfaction on individual projects was 3.05, on a scale of 1-4, poor to good, exceeding the target of 2.5.

### 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 Memorandum Accounts for the year ended 31 March 2008**

The West Midlands Regional Observatory (the Observatory) 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 Accounts covering the activities of the Observatory (set out on pages 21 to 26 ) 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 Observatory 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 Accounts of the Observatory and the audited financial statements of Advantage West Midlands. My work was based on a materiality level relevant to the Observatory financial statements and included substantive tests of income and expenditure on a sample basis for the year ended

31 March 2008 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 an audit for the purposes of providing a stand alone true and fair audit opinion on the 2007-08 Memorandum Accounts of the Observatory.

I have reviewed the 2007-08 Memorandum Accounts of the Observatory 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 Accounts of the Observatory are inconsistent with the audited 2007-08 financial statements of Advantage West Midlands on which the C&AG gave an unqualified audit opinion.

Signed by:

**Neil Sayers**

**Director**

**National Audit Office**

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## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2008

	2007-2008	2006-2007
<b>INCOME</b>	<b>£</b>	<b>£</b>
Advantage West Midlands	£345,705	£327,840
WM Regional Assembly	£25,000	£25,000
Other Income	£1,321,251	£856,560
<b>Total Income</b>	<b>£1,691,956</b>	<b>£1,209,400</b>
<b>EXPENDITURE</b>		
Staff	3      £759,539	£597,365
Staff Overheads	£31,524	£51,417
Premises	£99,411	£107,209
Projects and Consultants	£513,191	£276,561
Operational	4      £203,843	£176,848
<b>Total Expenditure</b>	<b>£1,607,507</b>	<b>£1,209,400</b>
<b>Trading Surplus / (Deficit)</b>	<b>£84,449</b>	<b>£0</b>
<b>Transferred to Reserves</b>	<b>£84,449</b>	<b>£0</b>

**BALANCE SHEET**  
For the year ended 31 March 2008

<b>FIXED ASSETS</b>	<b>Notes</b>	<b>2007-2008</b>	<b>2006-2007</b>
		<b>£</b>	<b>£</b>
<b>Tangible operating assets</b>	<b>2</b>	£53,645	£42,889
 <b>CURRENT ASSETS</b>			
Debtors		£346,486	£174,649
Prepayments		£19,795	£18,964
Cash Amounts held by Advantage West Midlands		£0	£217,537
Cash in Hand		£250	£126
		<b>£366,531</b>	<b>£411,276</b>
 <b>CURRENT LIABILITIES</b>			
Creditors		£26,667	£9,449
Cash Amounts owed to Advantage West Midlands		£179,965	£0
Deferred Income - Advantage West Midlands		£0	£345,705
Deferred Income - Specific		£75,450	£56,122
		<b>£282,082</b>	<b>£411,276</b>
 <b>NET CURRENT ASSETS</b>		<b>£84,449</b>	<b>£0</b>
 <b>TOTAL NET ASSETS</b>		<b>£138,094</b>	<b>£42,889</b>
 <b>FINANCED BY:</b>			
<b>Reserves</b>		<b>£138,094</b>	<b>£42,889</b>

Signed by:

**Chief Executive of West Midlands Regional Observatory**

**Rosie Paskins**

**CASH FLOW STATEMENT**  
For the year ended 31 March 2008

	<b>2007-2008</b> £	<b>2006-2007</b> £
Net cash (outflow) inflow from operating activities	(£203,477)	£231,731
Capital Expenditure	(£24,693)	(£3,127)
Financing	£10,757	(£11,186)
(Decrease)/Increase in cash	(£217,413)	£217,418

**Notes to the cash flow statement**

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

Operating surplus / (deficit)	£84,449	£0
Depreciation charges	£13,935	£14,313
(Increase)/Decrease in debtors	(£171,837)	(£122,674)
(Increase)/Decrease in prepayments	(£831)	(£329)
Increase/(Decrease) in current liabilities	(£129,193)	£340,421
<b>Net cash (outflow) inflow from operating activities</b>	<b>(£203,477)</b>	<b>£231,731</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 1 Accounting Policies

The financial statements have been prepared in accordance with all applicable Financial Reporting Standards and Statements of Standard Accounting Practice.

- 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 Tangible Operating Assets

	Computer Equipment	Furniture	Fixtures & Fittings	Total
Cost b/f	38,086	35,014	53,507	126,607
Additions in year	0	7,405	17,288	24,693
<b>31-Mar-08</b>	38,086	42,419	70,795	151,300
Depreciation b/f	30,576	29,025	24,117	83,718
Depreciation in year	4,481	3,530	5,925	13,936
<b>31-Mar-08</b>	35,057	32,555	30,042	97,654
<b>Net Book Value 31 March 2008</b>	3,029	9,864	40,753	53,646

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

		2007- 2008	2006-2007
<b>3</b>	<b>Salaries and Wages</b>	<b>£</b>	<b>£</b>
	<b>Board and Staff Remuneration</b>		
	Salaries	£580,390	£452,464
	Pension and Social Security Costs	£166,289	£131,755
		£746,679	£584,219
	<b>Temporary Staff</b>		
	Temporary Staff	£12,859	£13,146
		£12,859	£13,146
	<b>Total</b>	£759,538	£597,365
<b>4</b>	<b>Operational Costs</b>		
	Finance & IT SLA	£47,588	£37,462
	Communications	£7,591	£13,860
	Office Equipment	£6,748	£6,878
	Stationery	£10,624	£7,202
	Website/ICT Maintenance	£9,260	£10,069
	RDIN Events	£18,362	£19,775
	Catering & Room Hire	£2,221	£3,197
	Professional Fees	£2,000	£2,000
	Marketing	£11,037	£3,197
	Depreciation	£13,935	£14,313
	Irrecoverable VAT	£72,228	£56,411
	Software	£2,249	£0
	<b>Total</b>	£203,843	£176,848

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 March 2008**

### **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.

## 4 References

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1. Business Plan 2007/8, Version 0.3 8th December 2006, West Midlands Regional Observatory

## Appendix 1 - Key Performance Indicators for 2007/08

Objective	Performance Indicator	Target 2006/07	Actual 2006/07	Target 2007/08	Actual 2007/08
S1. Review the state of the region	Customer rating of State of the Region Report	3.0	3.15	3.00	<b>3.13</b>
	Number of Gaps identified by the SOR that are filled during the year	5	4	5	<b>4</b>
S2. Engage partners to determine regional intelligence priorities and mobilise relevant research	Number of projects undertaken >£10k in value	5	4	8	<b>8</b>
	Number of multi-year projects and/or core funding agreements ongoing	4	4	5	<b>6</b>
	Total RDIN membership	450	437	450	<b>540</b>
S3. Provide effective access to information and intelligence	Average monthly visits to the website	20,000	34,536	40,000	<b>42,590</b>
	Average monthly number of catalogued resources viewed	6,500	10,653	12,000	<b>29,220</b>
	Active Topic Group membership	50	53	50	<b>57</b>
S4. Ensure consistency and best practice in producing and sharing intelligence	Use of, and satisfaction with WMRO products and services to deliver consistency and best practice	3.1	2.7	3	<b>3</b>
	Number of Enquiries received and satisfactorily answered that seek advice on consistency and best practice	3	2	4	<b>4</b>
C. Customer rating	Overall customer satisfaction rating	3.0	3.03	3.00	<b>3.00</b>
	Average project satisfaction rating	2.5	Not available	2.50	<b>3.05</b>
F. Financial Performance	Ratio of non core/grant income to total income	0.32	0.33	0.32	<b>0.6</b>
O. Operational Performance	Staff satisfaction rating	3.0	2.9	3.0	<b>3.3</b>
	Ratio of actual/planned project days	0.95-1.05	0.88	0.95-1.05	<b>0.96</b>

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

# Appendix 2 - Summary of achievements over 5 years

## WEST MIDLANDS REGIONAL OBSERVATORY ACHIEVEMENTS OVER 5 YEARS



2002/03

On the 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](http://www.wmro.org), the primary means for disseminating regional data and intelligence, and key channel for communication

First resource catalogues 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.

**WMRO Annual Conference** well established with keen engagement attracting central government speakers and over 150 delegates.



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 on line.

Second **Regional Skills Assessment** published, together with a number of sectoral skills balance sheets and a series of papers on cross-cutting issues such as the skills needs of individuals.

Customer satisfaction rate of 2.91, (scale of 1-4, low to high) with 76% of respondents either satisfied or very satisfied and 88% regarding our reputation as good or very good.

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