



West Midlands  
Regional  
Observatory

# Annual Report 2006/7

Version v1.0

30<sup>th</sup> November 2007

## Document Information

**Title:** Annual Report 2006/7

**Creator:** Rosie Paskins [rosie.paskins@wmro.org](mailto:rosie.paskins@wmro.org)

**Publisher:** West Midlands Regional Observatory ([www.wmro.org](http://www.wmro.org))

**Contributor:**

R. Eden	RDIN, Coordinator WMRO
D. Harris	Advantage West Midlands
S. Howarth	Senior Intelligence Analyst, WMRO
R. Hyde	Chairman, WMRO
S. Meikle	Web and Data Team Manager, WMRO
R. Paskins	Chief Executive, WMRO
A Phillips	Head of Skills Research, WMRO
National Audit Office	

**Date created:** 2006-07-08

**Status:** Version v1.1

**Identifier:** [Not yet available online]

**Document Contact:** [enquiries@wmro.org](mailto:enquiries@wmro.org)

(A full set of Document Information is available at the back of this document).

## Revision History

Version	Date	Comments
d1.0	June 21, 2007	Initial draft
d2.0	July 8, 2007	Second draft
d3.0	July 11, 2007	Draft for Richard Hyde
d3.1	July 23, 2007	Incorporating comments from Richard Hyde
v1.0	November 30, 2007	Inclusion of NAO signed accounts

### 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>WMRO CHAIRMAN'S STATEMENT .....</b>	<b>3</b>
<b>2</b>	<b>REVIEW OF OPERATIONS .....</b>	<b>3</b>
2.1	Core Activity .....	3
2.1.1	State of the Region Report .....	3
2.1.2	Supporting Key Regional Strategies .....	3
2.1.3	Mapping Data and Intelligence.....	3
2.1.4	RDIN Activity .....	3
2.2	Project Activity.....	3
2.2.1	Gap Filling Research .....	3
2.2.2	Commissioned Research.....	3
2.2.3	Regional Skills Partnership .....	3
2.3	Development Activity .....	3
2.3.1	WMRO.ORG Website Development .....	3
2.3.2	Developing a Regional GI Service.....	3
2.3.3	Establishing Economic Modelling Capability .....	3
2.3.4	Information Asset Register .....	3
2.3.5	Developing further Grant Applications .....	3
2.3.6	Preparing for Independence.....	3
2.3.7	Staff Recruitment .....	3
2.4	Key Performance Indicators.....	3
<b>3</b>	<b>FINANCIAL STATEMENTS 2006-07 .....</b>	<b>3</b>
3.1	Foreword to the Financial Statements .....	3
3.2	National Audit Office Statement on WMRO Accounts.....	3
3.3	Income and Expenditure Account For the year ended 31 March 2007 .....	3
3.4	Balance Sheet as at 31 March 2007 .....	3
3.5	Cash Flow Statement For the year ended 31 March 2007.....	3
3.6	Notes to the Financial Statements 2006-07 .....	3
<b>4</b>	<b>REFERENCES .....</b>	<b>3</b>
	<b>APPENDIX 1 BASELINE OF KEY PERFORMANCE INDICATORS FOR WMRO .....</b>	<b>3</b>

## 1 WMRO Chairman's Statement

---

This has been another good year for the Observatory. There has been considerable growth in the resources available to the organisation that has enabled it to build on its strengths in data analysis for the Regional Skills Partnership (RSP) and undertake additional work that has made a major contribution to the regional evidence base, not least to underpin the review of the Regional Economic Strategy (RES).

We have developed our work for the RSP by enhancing our framework of skills performance indicators to monitor regional skills performance. In particular we have analysed the "scale of the task" in absolute terms to close the gap between regional performance, the national average and the best performing English region. This has been critical in highlighting where the RSP should focus its attention and help demonstrate why tackling skills should be recognised as one of the top priorities in the draft revised RES. This work continues to attract national recognition as best practice,

Our 2006 update to the State of the Region Report, which was published at our very well attended conference in October, extended the original report, Real Lives, Real Issues, to cover the areas of the knowledge economy, culture and transport.

Earlier this year we again surveyed users and potential users of Observatory services in an attempt to measure our performance. The results told us that 85% of respondents are either satisfied or very satisfied with our work and that 82% rated our reputation as good or very good. These are strong results, showing we continue to consolidate the progress we have made in our first five years.

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

During the year, Mick Laverty, Advantage West Midlands (AWM), Paul Redfern, RDIN representative, Val Tomlinson, Association of Colleges and Michael Wright, West Midlands Higher Education Association stood down as members of the Observatory Board. I would like to thank them for their contributions to our success in the past. I would also like to thank Tim Gebbels, the Observatory's Chief Executive since September 2002, who left the Observatory, to join AWM, during the year, for his significant contribution to the Observatory. Tim will represent AWM on the Board so we have not lost his expertise.

Richard Hyde  
Chairman, Partnership Board.

## 2 Review of Operations

---

Our core activity remains a key strength of the Observatory, with the success of our annual conference and the continued active engagement of the RDIN membership. In addition, in October we published the second of three annual updates to Real Lives, Real Issues, our state of the region report first published in 2004 (Section 2.1.1). This strengthened and broadened our analysis of regional issues and challenges, focussing on the knowledge economy, culture and transport and drawing on the Cultural Observatory capability.

We have made a major contribution to the review of the Regional Economic Strategy, assisting with the development of the evidence base for the review through three specific commissioned projects and also through our data analysis for the Regional Skills Partnership.

We also undertook a substantial piece of work for GOWM reporting on the progress against the floor targets within the local area agreements, which incorporated changes to our website so that the analysis can be interactively examined on line.

The Observatory's work to support the Regional Skills Partnership continues to grow and this year we published our second Regional Skills Assessment, 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.

We continued our development activities during the year, including the enhancement of our website to help us deliver our objectives and taking forward the project to establish an economic modelling facility.

The Business Plan for 2006/7 (Reference 1) 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 second of three annual updates 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 (produced only every fourth year) both in terms of the depth of coverage, where material in the main report is re-visited, and in terms of its breadth, as the updates cover new material not originally covered. This

year, we explored three key areas for regional policy through chapters on the knowledge economy, culture and transport.

An important part of the report was again to identify remaining 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.

In our 2007 report, which we began work on towards the end of the year, we will be focusing on two areas which will have critical implications for the region in the future – climate change and changing population demographics. These issues cut across all regional strategies and policies, which will need to adapt to them whilst having relatively little influence over them. This marks a change of emphasis towards monitoring of the context within which regional strategies operate, which will be developed further in the full report planned for 2008.

### **2.1.2 Supporting Key Regional Strategies**

This year the primary support to regional strategies has been the development of an evidence base to support the regional economic strategy (RES) review. To this end the Observatory was commissioned by AWM to produce three substantial pieces of work to examine particular issues relevant to the evidence base. This work was managed and supervised by the Observatory, with the analysis and reporting done by leading academics at the Universities of Birmingham and Aston. In addition to this the Observatory organised two public consultation events to discuss the reports' findings, consolidated all feedback and produced an additional paper synthesising the key points from the programme of work.

Because of the emphasis on developing a new RES, the annual monitoring of the RES has been less intense, but the Observatory has consulted with AWM delivery teams to identify key indicators for supporting RES delivery mechanisms. The wider availability of sub-regional and small area data enabled the Observatory to present evidence at the level of the key delivery areas - High Technology Corridors, Regeneration Zones and a more detailed sectoral breakdown for Clusters. An interactive workbook was developed for this, accompanied by a short commentary on the main indicator tables.

Whilst there has been no specific analysis undertaken for the regional spatial strategy (RSS) this year, the work on the functioning economic geography of the region undertaken for the RES has provided a powerful stimulus to thinking and debate about the RSS.

### 2.1.3 Mapping Data and Intelligence

Our work in developing the resource catalogue continued which was supported by three mapping projects: management and leadership (31 resources), biodiversity (37 resources) and Cultural Observatory Partners (336 resources). The latter project was done using additional dedicated temporary labour and shows how effective this approach can be.

During the year the number of catalogue searches being done declined from an average of 1520 per month during the first three months to an average of 1160 per month in the last three months. However, the number of resources being viewed rose from an average of 5380 per month in the first three months to 7690 per month in the last three months, with March 07 being particularly high. This suggests that while users are doing fewer searches they are finding much more that interests them when they do, and that the quality or relevance of the resources in our catalogue is increasing.

Early in the year we completed interoperability between our website and the public health observatory's website. During the year, this facility was used on average 26 times a month, demonstrating the benefits of this facility.

### 2.1.4 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 17<sup>th</sup> October 2006 at the Telford International Centre. This year we saw an increase in both numbers and level of seniority of delegates, with over 180 delegates attending the conference. In addition, we succeeded in attracting sponsorship from 15 businesses and organisations, resulting in total sponsorship income of over £7,000.

Our headline speakers, Karen Dunnell from the Office for National Statistics (ONS) and Andrew Steele of the Department for Trade and Industry (DTi) both discussed the importance of messages that can be gleaned through the analysis of data, to inform policy. Once again the conference was seen as a great success with delegates reporting the conference "to be the highlight of the knowledge".

Our monthly programme of seminars has continued, with eight out of a possible twelve seminars held. 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 Society Demography and Health Topic Group identified a need to develop a performance

index to measure social inclusion within the West Midlands. This project is now being taken forward by the Observatory in 2007/08. The Environment and Natural Resources undertook a mapping project to identify information resources within the theme of biodiversity, particularly species and habitat data. The topic group identified 37 resources and added these to the online resource catalogue. A secondee was provided by the West Midlands Biodiversity Partnership to undertake the submission of resources to the catalogue. Likewise the Economy and Labour Force topic group, also undertook a mapping project to map information resources within the theme of management and leadership. Over 60 resources were identified and submitted to the catalogue by a secondee provided by Birmingham City Council.

Topic Groups have also developed electronic newsletters containing information relevant to their group. The Environment and Natural Resources Topic Group has issued three bulletins, with topics ranging from the development of the physical environment domain to tranquillity mapping in England. The bulletin has been well received and members of the topic group continue to deliver articles for publication. The Economy and Labour Force Topic Group has released two bulletins. Articles within the bulletins have covered topics such as the West Midlands Construction Sector profile and innovation and skills.

Each bulletin is circulated to the RDIN by email and made available through the WMRO website. The Geographical Information topic group and the Society Demography and Health topic group plan to produce similar bulletins.

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.

## **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. It is gratifying that we have been able to maintain strong performance in this area during a time of potentially disruptive personnel change. Chris Owen the incumbent Senior Intelligence Analyst (SIA) left the Observatory in June 2006 and this role was covered by Stewart Meikle, the Web & Data Manager, for the remaining nine months of the year. At the end of the year, Stephen Howarth was permanently appointed as SIA.

The most significant piece of commissioned research undertaken during the year was the development of the evidence base for the review of the RES (mentioned earlier). This generated three streams of work: Future Prospects for the West Midlands Economy and Employment, Factors Influencing the Relative Performance of the West Midlands and The Functioning Economic Geography of the West Midlands.

A second substantial piece of commissioned work was the consolidation and reporting on the floor targets for the Local Area Agreements in operation within the region. The client for this was the GOWM and as part of the dissemination process modifications were made to the website so the analysis can be interactively examined on-line.

In the last quarter of the year we secured a contract to deliver a research project on the economic impact of migrant workers. Most of the delivery of the project is due after the time covered by this report, but we expect this to be an important project for both the region and the Observatory. The topic is newsworthy, which makes the project high-profile, and it also involves the collection of substantial quantities of new data, adding to the Observatory's skills and experience in the field.

Other commissioned work of note included support for the city region by modelling the impact of its proposed policies, and the first of a series of annual reports on the performance of the rural regeneration zone.

### **2.2.2 Gap Filling Research**

The Brownfield to Greenspace project took forward a gap identified in 2004/5. This project aims to create an area based public benefit resource system (PBRs) to allow a systematic and consistent assessment of brownfield sites suitable for conversion to greenspace. At the beginning of 2006/7 consultants TEP were commissioned to carry out a scoping study, to assess the feasibility of developing a PBRs for the Region and to deliver a technical specification to go out to Tender. The scoping study, which was completed in January 2007, recommended that a PBRs should be built for the region. The next stage will be to secure funding from those partners identified in the scoping study as having most benefit from the tool.

Another project was to develop a Physical Environment Domain of the Indices of Multiple Deprivation. This work had already been carried out in Wales, and is being led in the West Midlands by the Environment Agency who provided a secondee to undertake the work. This project is now complete and is awaiting authorisation for national release.

The Skills Team also began work on two projects to address important gaps in evidence identified by the Regional Skills Partnership. The first project explores the aspirations, motivations and barriers to investment in learning and skills among disadvantaged groups. The second will identify good practice in investment in training and up-skilling by employers, the real business benefits and barriers that are encountered.

### **2.2.3 Regional Skills Partnership**

During 2006-2007 the Observatory has built substantially on the excellent start made in 2005-2006 on work to support the Regional Skills Partnership. In particular, while continuing to pull together data and analysis from existing sources, we have also made significant progress in addressing critical gaps in the Region's skills evidence base.

We published the second Regional Skills Assessment, which highlights changes in the regional labour market and identifies key policy implications and challenges. The Assessment has become a key planning tool for public agencies across the West Midlands and this year underpinned both the skills elements of the review of the West Midlands Economic Strategy and the LSC Regional Statement of Priorities.

Building on the sector skills profiles we produced in 2005-2006, we have developed a series of '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. While 'demand side' analysis has been completed for the health & social care and retail sectors, we are currently working on a 'cross sector' balance sheet on management and leadership skills.

A series of papers addressing key "cross cutting" skills issues, produced in 2005-2006, highlighted a range of key gaps in the regional skills evidence base. During 2006-2007 we have agreed priorities for taking this work forward with RSP work streams and partners and are now at an advanced stage with two key projects. Research on the aspirations, motivations and barriers to participation in learning among disadvantaged communities, involving a survey of Jobcentre Plus clients and qualitative focus group and one to one research will be completed in early 2007-2008. Research on good practice, real business benefits and barriers to investment in skills by employers, which involves the development of in-depth case studies, will be completed by the end of summer 2007. Both projects will inform the development of a marketing and communications strategy for the RSP.

Finally, we have built substantially on the work that took place in 2005-2006 to develop a framework of skills performance indicators through which to assess and monitor the skills performance of the region and the value added contribution of the RSP. In particular we have developed analysis of the 'scale of the task' in absolute terms to close the gap with national performance and that of the best performing English region on each measure in the framework. We have also made significant progress in developing a series of 'operational' indicators that track the success of partners in tackling the Region's skills issues and problems. Further development of this indicator set, in consultation with RSP partners, is planned for 2007-2008.

#### **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. Laura Venn, the Cultural Research Analyst, is seconded to the Observatory from Culture West Midlands. 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.

At the start of the year, CRAIG published an action plan covering the period up to the end of 2008. The key elements of this are developing, and making accessible, the cultural evidence base and fostering collaboration between the regional cultural agencies. Delivery of the action plan is well underway and we are already seeing considerable benefits from the co-location. One particular example was the inclusion of a chapter on culture within this year's State of the Region Update.

During the year, the Cultural Observatory led two projects mapping cultural resources and submitting them to our resource catalogue. Between them these contributed 336 resources which have subsequently been well used. The submission of the resources used placement students, which proved an effective model for work of this kind. We also made a significant contribution to the preparation of the major Culture West Midlands publication "Growing the Cultural Economy in the West Midlands" which provides evidence of the economic importance of the sector.

### **2.3 Development Activity**

#### **2.3.1 WMRO.ORG Website Development**

Last year we introduced an entirely new website to replace the previous rather simple one we had since our inception. This year has been one of exploiting the new site's capabilities and increasing its capability through a series of enhancements.

Use of the website has increased very significantly during the year. The year started with visits at 14,500 per month and ended at 38,000 per month. This is an increase of 160% over the year. The increase can be partly attributed to the region's increased awareness of the Observatory with time, but we believe that it is more the result of considerable effort by us to ensure that the website's content is good; and by improved search engine ranking, which rose after improvements in page metadata were introduced in October 2006.

Work to improve the website's underlying information architecture has also continued. In May the final stage of interoperability with the Public Health Authority was completed which now gives both the websites the ability to automatically search each other's databases of research information and return this as one unified search to the user. In September the Observatory's site was converted from the Government Category List (GCL) to the newly standardised Integrated Public Sector Vocabulary (IPSV). Once again this means that our website is fully compliant with the e-Government Interoperability Framework and remains at the forefront of good practice in the region.

In May 2006 we took steps to improve the response time of our website by moving it from a shared server to a dedicated server. The move was entirely successful and has resulted in an improved user experience.

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

The provision of a web-based GIS service is a long standing objective of the Observatory, but our recent user satisfaction survey has provided little evidence that our users require a GIS service from us. We will be reviewing our whole approach to web-based GIS to see whether a simpler and less costly approach meets the region's needs.

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

The first stage of the process for developing modelling capacity within the region was completed during the previous year and the resulting REEIO (Regional Economic Environment Input Output) model was used on a number of projects during the course of this year. Most notably, it provided much of the input into the evidence base for the revision of the Regional Economic Strategy.

During the course of this work, our initial belief that a more sophisticated model would be valuable for the region was confirmed. The existing REEIO model only allows projections for a single geographical area. In our view, development of regional policies and strategies would be much better served by a model which could take into account spatial interactions between different local areas within the region.

This year, we commissioned a scoping study to establish the feasibility of developing a model of this kind. The scoping study reported just after the end of the year but emerging findings indicated that an Integrated Spatial Policy model of this kind would be feasible and the cost would not be excessive. We hope to secure funding to develop such a model during the course of the next year.

#### **2.3.4 Information Asset Register**

Last year we foresaw the potential for developing our resource catalogue into a pay-to-store regional information asset register that would allow participating public sector organisations to meet their obligations around the Re-use of Public Sector Information Regulations. Despite enthusiasm from OPSI and commercial users, it has not so far been possible to get commitment from public bodies. The reluctance to commit arises from: the regulations being voluntary; concerns about complicating compliance with the legal obligation for a publication scheme imposed by the Freedom of Information Act; and a failure to understand the commercial value of the information held and to capitalise on it.

Until the regulatory framework surrounding the reuse of public sector information changes we do not propose to do more work in this area.

#### **2.3.5 Developing further Grant Applications**

The Observatory continues to benefit from an ERDF Objective 2 grant which will now run through to December 2008. The total value of this extension is over £800k, distributed more or less equally across the three years.

In addition, as part of the RSP funding we have secured through the regional LSC, we continue to receive considerable ESF Objective 3 grant funding which is due to run to March 2008.

Both these sizeable funding streams are due to come to an end shortly. This coincides with the end of our current core funding in AWM's corporate plan, beyond which we cannot take their funding for granted. We continue to work hard to secure additional sources of income to compensate for the possibility of an almost simultaneous end to our three most significant sources of income.

The Observatory is undergoing an evaluation to inform the future progress of our work and to help secure funding from April 2008 onwards. The evaluation will be both summative and formative, looking backwards at what the Observatory has achieved and if it has met its objectives that it was set up to do, and also looking forward at understanding the policy climate, change and how we respond to change so that the Observatory can become even more successful.

## 2.3.6 Preparing for Independence

The Partnership Board decided in 2005 to postpone the planned move to independence indefinitely. 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 Board has asked that this decision be kept under review to ensure that the Observatory does act if the balance shifts to favour independence at some point in the future.

## 2.3.7 Staff Recruitment

The Observatory team has grown during the year from 13 at the start of the year to 17 at the year-end, with changes in every team, including the arrival of Rosie Paskins who took over the reins as Chief Executive in January 2007

Three new faces joined the research team; Stephen Howarth, who was appointed as the new Senior Intelligence Analyst at the end of the year, John Walker who joins as an additional Research Analyst and Naomi Winchurch as Research Assistant. Towards the end of the year Katy Bregazzi left temporarily on maternity leave.

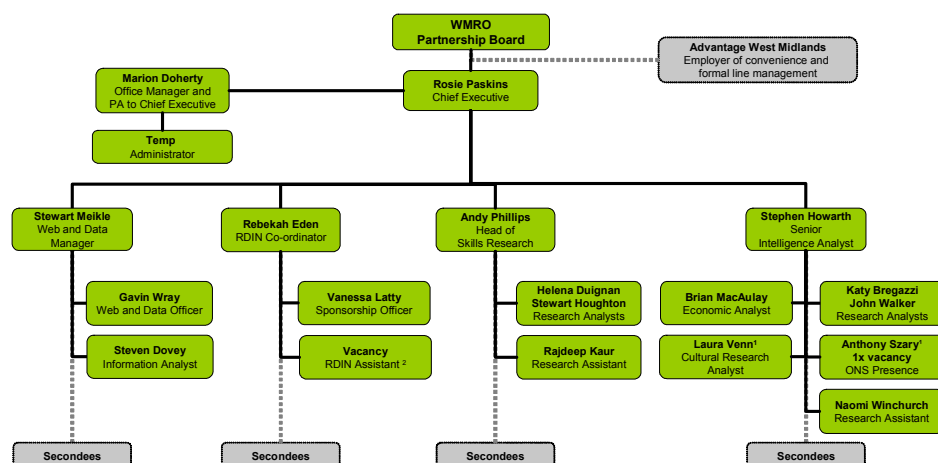
The Skills Team has grown from three to four in number, with Rajdeep Kaur filling a newly created post of Research Assistant from August 2006 and Stewart Houghton joining us as a Research Analyst, replacing Mats Lund, in January 2007.

Vanessa Latty, Sponsorship Officer, joined the RDIN team in July 2006 .

The Web and Data team has grown from two to three, with the arrival of Steven Dovey in January 2007, filling a long standing vacancy.

Our organisation chart at 31<sup>st</sup> March 2007 is shown in the figure below:

### West Midlands Regional Observatory Organisation Structure April 2007



## Key Performance Indicators

The Observatory Board has agreed a set of key performance indicators by which to judge the progress and success of the Observatory. Initial baseline values for a subset of the indicators were determined in June 2006 and targets set in September 2006.

Performance against the targets for March 2007 together with the June KPI baseline is presented in Appendix 1, with brief comments on each indicator. In future Annual Reports, these indicators will be updated to develop trends of progress. It is also intended that targets for each indicator will be reviewed annually as part of the business planning process.

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 2006/7, we earned 33% of our total costs from such activity, a considerable achievement for a young and growing organisation, but still some way short of financial independence.

Another key component of the KPI dataset comes from the results of a User Satisfaction Survey we undertook for the first time in the summer of 2006 and repeated in summer 2007 (Reference 2). This asked a very broad range of our users and potential users a series of questions on their perception of and satisfaction with our work. The timing of the survey means that responses reflect opinions of our work delivered largely in the 2006/7 year and we can look at any movement between the two years. Key headline results are that 85% of respondents are either satisfied or very satisfied with our work and 82% rate our reputation as good or very good. We intend to repeat this survey annually to support the monitoring of our KPIs.

## 3 Financial Statements 2006-07

---

### 3.1 Foreword to the Financial Statements

The accounts presented herein are deemed to be equivalent to final audited accounts for WMRO. Since WMRO 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 2007**

The West Midlands Regional Observatory (WMRO) currently forms a part of the operations of Advantage West Midlands. The financial transactions and balances relating to WMRO 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 WMRO (set out on pages 19-24) have been prepared by Advantage West Midlands under the terms and conditions of a service level agreement with WMRO.

At the request of Advantage West Midlands I have agreed to review the Memorandum Accounts of 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 Accounts 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 2007 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 2006-07 Memorandum Accounts of WMRO.

I have reviewed the 2006-07 Memorandum Accounts of WMRO and can confirm that the transactions and balances have been properly extracted from the accounting records of Advantage West Midlands. The only area that has come to my attention to indicate that the Memorandum Accounts of WMRO are inconsistent with the audited 2006-07 financial statements of Advantage West Midlands on which the C&AG gave an unqualified audit opinion is the treatment of specific and AWM deferred income in the Memorandum Accounts of WMRO.



Neil Sayers  
Director  
National Audit Office  
157 – 197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

30 November 2007

### 3.3 Income and Expenditure Account

For the year ended 31 March 2007

		<b>2006-2007</b>	<b>2005-2006</b>
<b>INCOME</b>		<b>£</b>	<b>£</b>
Advantage West Midlands		£327,840	£246,555
WM Regional Assembly		£25,000	£45,000
Other Income		£856,560	£914,140
<b>Total Income</b>		<b>£1,209,400</b>	<b>£1,205,795</b>
 <b>EXPENDITURE</b>			
Staff	3	£597,365	£547,812
Overheads		£51,417	£47,644
Premises		£107,209	£106,135
Projects and Consultants		£276,561	£335,374
Operational Set-up	4	£176,848	£168,830
<b>Total Expenditure</b>		<b>£1,209,400</b>	<b>£1,205,795</b>
 <b>Trading Surplus / (Deficit)</b>		 <b>£0</b>	 <b>£0</b>
 <b>Transferred to Reserves</b>		 <b>£0</b>	 <b>£0</b>

### 3.4 Balance Sheet as at 31 March 2007

	Notes	2006-2007 £	2005-2006 £
<b>FIXED ASSETS</b>			
Tangible operating assets	2	£42,889	£54,074
<b>CURRENT ASSETS</b>			
Debtors		£174,649	£51,975
Prepayments		£18,964	£18,635
Cash Amounts held by Advantage West Midlands		£217,537	£0
Cash in Hand		£126	£245
		£411,276	£70,855
<b>CURRENT LIABILITIES</b>			
Creditors		£9,449	£13,185
Deferred Income - General		£0	£17,908
Deferred Income - AWM		£345,705	£0
Deferred Income - Specific		£56,122	£39,762
		£411,276	£70,855
<b>NET CURRENT ASSETS</b>		£0	£54,074
<b>TOTAL NET ASSETS</b>		£42,889	£54,074
<b>FINANCED BY:</b>			
Deferred Income		£42,889	£54,074

### 3.5 Cash Flow Statement

For the year ended 31 March 2007

	2006-2007 £	2005-2006 £
Net cash (outflow) inflow from operating activities	£231,731	£52,890
Capital Expenditure	(£3,127)	(£15,681)
Financing	(£11,186)	(£37,199)
<b>(Decrease)/ Increase in cash</b>	<b>£217,418</b>	<b>£10</b>

#### 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	£14,313	£18,012
(Increase)/Decrease in debtors	(£122,674)	(£22,155)
(Increase)/Decrease in prepayments	(£329)	(£9,595)
Increase/(Decrease) in current liabilities	£340,421	£66,628
<b>Net cash (outflow) inflow from operating activities</b>	<b>£231,731</b>	<b>£52,890</b>

### 3.6 Notes to the Financial Statements 2006-2007

#### 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	31,887	53,507	123,480
Additions in year	0	3,127	0	3,127
<b>31-Mar-07</b>	38,086	35,014	53,507	126,607
Depreciation b/f	25,489	25,147	18,769	69,405
Depreciation in year	5,087	3,878	5,348	14,313
<b>31-Mar-07</b>	30,576	29,025	24,117	83,718
<b>Net Book Value 31 March 2007</b>	7,510	5,989	29,390	42,889

2006-2007

2005-2006

<b>3</b>	<b>Salaries and Wages</b>	<b>£</b>	<b>£</b>
	<b>Board and Staff Remuneration</b>		
	Salaries	£452,464	£421,614
	Pension and Social Security Costs	£131,755	£125,728
		£584,219	£547,341
	<b>Temporary Staff</b>		
	Temporary Staff	£13,146	£470
	<b>Total</b>	<b>£597,365</b>	<b>£547,811</b>
<b>4</b>	<b>Operational Costs</b>		
	Finance & HR SLA	£37,462	£36,467
	Communications	£13,860	£11,086
	Office Equipment	£6,878	£4,217
	Stationery	£7,202	£7,655
	Website/ICT Maintenance	£10,069	£9,983
	RDIN Events	£19,775	£17,930
	Catering & Room Hire	£3,197	£5,555
	Professional Fees	£2,000	£159
	Marketing	£5,681	*£9,491
	Depreciation	£14,313	£18,013
	Irrecoverable VAT	£56,411	£48,275
	<b>Total</b>	<b>£176,848</b>	<b>*£168,831</b>

\* Marketing was understated in last year's accounts.  
Total restated as £168,831 for 2005/06

## **7 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

---

1. Business Plan 2006/7, Version 1.2, 15<sup>th</sup> December 2005, West Midlands Regional Observatory
2. WMRO User Satisfaction Survey 2007

# Appendix 1

## Key Performance Indicators for WMRO 2006/07

Objective	Performance Indicator	KPI Value	Target	Actual
S1. Review the state of the region	Customer rating of State of the Region Report	<b>3.04</b>	<b>3.00</b>	<b>3.15</b>
	Number of Gaps identified by the SOR that are filled during the year	<b>11</b>	<b>5</b>	<b>4</b>
S2. Engage partners to determine regional intelligence priorities and mobilise relevant research	Number of projects undertaken >£10k in value	<b>5</b>	<b>5</b>	<b>4</b>
	Number of multi-year projects and/or core funding agreements ongoing	<b>3</b>	<b>4</b>	<b>4</b>
	Total RDIN membership	<b>406</b>	<b>450</b>	<b>437</b>
S3. Provide effective access to information and intelligence	Average monthly visits to the website	<b>12,499</b>	<b>20,000</b>	<b>34,536</b>
	Average monthly number of catalogued resources viewed	<b>6,152</b>	<b>6,500</b>	<b>10,653</b>
	Active Topic Group membership	<b>45</b>	<b>50</b>	<b>53</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	<b>3.12</b>	<b>3.10</b>	<b>2.7</b>
	Number of Enquiries received and satisfactorily answered that seek advice on consistency and best practice	<b>Not yet available</b>	<b>3</b>	<b>2</b>
C. Customer rating	Overall customer satisfaction rating	<b>2.91</b>	<b>3.00</b>	<b>3.03</b>
	Average project satisfaction rating	<b>Not yet available</b>	<b>2.50</b>	<b>Not available</b>
F. Financial Performance	Ratio of non core/grant income to total income	<b>0.41</b>	<b>0.32</b>	<b>0.33</b>
O. Operational Performance	Staff satisfaction rating	<b>Not yet available</b>	<b>3.00</b>	<b>2.9</b>
	Ratio of actual/planned project days	<b>1.21</b>	<b>0.95-1.05</b>	<b>0.88</b>

## Full Document Information

<b>Title:</b>	Annual Report 2006/7
<b>Creator:</b>	Rosie Paskins, <a href="mailto:rosie.paskins@wmro.org">rosie.paskins@wmro.org</a>
<b>Publisher:</b>	West Midlands Regional Observatory
<b>Contributor:</b>	R. Eden (WMRO), D Harris (AWM), S.Howarth (WMRO) R. Hyde (WMRO), S. Meikle (WMRO), A Phillips (WMRO), National Audit Office
<b>Date created:</b>	2006-07-11
<b>Next version due:</b>	Final version
<b>Status:</b>	Final version
<b>Subject category:</b>	Government, politics and public administration
<b>Subject keywords:</b>	Annual Report, Financial Statements, Accounts, Review of Operations
<b>Description:</b>	Annual report of Observatory operations and financial accounts for the financial year 2006/7
<b>Coverage, Geographical:</b>	West Midlands Region
<b>Coverage, Time period:</b>	Financial year 2006/07
<b>Type:</b>	Annual Report
<b>Format:</b>	Text, PDF
<b>Rights:</b>	West Midlands Regional Observatory
<b>Cost:</b>	Free of Charge
<b>Access restrictions:</b>	None
<b>Language:</b>	English
<b>Identifier:</b>	Not yet available online
<b>Location:</b>	West Midlands Regional Observatory
<b>Document contact:</b>	<a href="mailto:Enquiries@wmro.org">Enquiries@wmro.org</a>