



West Midlands  
Regional  
Observatory

[www.wmro.org](http://www.wmro.org)

# Annual Report 2008/9

Version 1.0  
July 2009

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# Document Information

**Title:** Annual Report 2008/9

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**Date created:** 2009-05-01

**Status:** Version v1.0

**Identifier:** [www.wmro.org](http://www.wmro.org)

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

## Revision History

Version	Date	Comments
d1.0	1 <sup>st</sup> May 2009	Outline draft for contributors
d2.0	18 <sup>th</sup> May 2009	Draft for User Group
d3.0	21 <sup>st</sup> May 2009	Draft for Chairman
d4.0	27 <sup>th</sup> July 2009	Inclusion of audited accounts and KPIs
v1.0	31 <sup>st</sup> July 2009	Final version

### Note

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

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

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## 1 Observatory Chairman's Statement

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This year saw a rapid expansion in the demand for the Observatory's work, and I am pleased to report that we have been engaged in some ground breaking work, ranging from the development of an Integrated Policy Model to the piloting of a regional perceptions indicator.

The Observatory completed an integrated regional economic assessment for the West Midlands, another first for the region, and extended its work on skills across the other key drivers of productivity identified in the Regional Economic Strategy - enterprise, innovation, economic inclusion, and transport.

During the latter part of the year, the Observatory became increasingly involved in monitoring the impact of the recession, providing valuable information to a range of partners.

The annual conference, at which the State of the Region 2008 synthesis report was launched, was a great success and the theme of "Better Evidence...Better Policy" provided an opportunity for some lively and entertaining contributions.

Significant changes have been made to improve the dissemination of the research undertaken by the Observatory, with the introduction of new technology to reach out to our audience.

During the year there were a number of changes to the Observatory's Board. I should like to record my thanks to Charlotte Ritchie, of the West Midlands Business Council and Sue Reekie, of the Learning and Skills Council for their contributions to the Board and the success of the Observatory over the years.

It is encouraging to see the Observatory continue to grow and enhance its reputation for high quality evidence that helps inform policy making. A brief resume of the Observatory's progress over the years is given in Appendix 3 to this report, showing some significant achievements in a relatively short space of time, providing a strong platform from which to move forward.

Richard Hyde  
Chairman, Partnership Board.

## 2 Review of activity

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The Observatory has grown considerably in 2008/09 in response to the increasing demand for better evidence to inform regional policy, and has undertaken significant research activity on behalf of regional partners.

Our work for the Regional Skills Partnership continues to be one of our strengths, with an annual regional skills assessment supplemented by specific pieces of research to inform key issues, such as graduate recruitment and retention. In many ways, this has been the model adopted for a programme of research work commissioned by AWM extended across the other key drivers of productivity identified in the Regional Economic Strategy, namely enterprise, innovation, transport and economic inclusion. The resulting “Scale of the Challenge” three year programme started in June 2008 and will continue to March 2011.

We have completed the development of the Integrated Policy Model this year, a significant achievement for the Observatory. It has generated considerable interest as a modelling tool at both Local Authority, sub regional and regional level, and our focus in 2009/10 will be to build capacity in the use of the model.

We have responded to the needs of partners to understand the impact of the current economic recession in a number of ways, including contributing to monthly briefings for the Regional Task Force and a number of quarterly bulletins covering labour market/skills, the cultural sector and vulnerable communities/groups.

We continue to develop the ways in which we make our research and analysis accessible to the region’s policy makers and decision takers. We have revised our State of the Region process to move away from its previous concentration on an annual report to a more iterative dialogue between researchers and policy colleagues, underpinned by a thematic approach, which continues throughout the year. We have also reviewed the way in which we disseminate the key findings of our work, and have added podcasts and slidecasts, as well as “Observations”, our blog, to improve the way in which we reach our target audience.

The work of the Observatory is framed by its strategic objectives, as set out in the 2008/09 Business Plan, reiterated here:-

Strategic Objectives
1. Support regional policy decision-making through the provision of intelligence based conclusions and (where appropriate) policy implications.

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

The remainder of this section sets out the Observatory's activities in 2008/09 and how it has delivered each of these strategic objectives.

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

### **2.1.1 State of the Region 2008**

This year saw a significant change to the State of the Region process. Previous years have seen the publication of annual State of the Region reports. However, following research with users of the report on how we could maximise the relevance of the reports, we decided to move away from the previous emphasis on a major annual report. Our focus now is to increase the impact of the evidence we produce on regional policies and strategies and move towards a more iterative process of dialogue between researchers and policy makers in the region.

The new State of the Region process is structured around a series of "thematic dialogues" each leading to one or more thematic reports. Each dialogue starts with a workshop bringing together the key policy and decision makers with the researchers and analysts who supply evidence. The workshops receive "think-pieces" from experts in the field drawn from across the country to provide a fresh perspective and to stimulate debate. Following the workshops, work programmes are produced to develop the regional evidence base and link it to policy developments.

During the year, the first six thematic dialogues have been initiated, with five initial workshops completed and the sixth held in April 2009. Between them these dialogues cover the region's knowledge economy, wider forms of innovation, sustainable communities, developing the evidence base, population change and climate change. Thematic reports from each of these dialogues will be published during 2009-10.

The new process will still incorporate the publication of an annual State of the Region report. The first new style report was published at our annual conference in October 2008, and launched by the Regional Minister Ian Austin. This report summarises some of the key developments in the region since the first State of the Region report in 2004. It identifies some of the key challenges facing the region now and how the development of the region's evidence base can help inform responses to these challenges.

Accompanying the State of the Region report we produced a memory stick providing access to previous reports & datasets, wider Observatory reports, data sources and websites. This will continue to be a regular feature of future reports.

### **2.1.2 Integrated Policy Model**

This year saw the delivery of the Observatory's Integrated Policy Model. This is the culmination of a long-term project developing the region's modelling capacity. The model covers both economic, demographic, land-use and environmental elements and the inter-relationship between them. It produces information not just at regional level but also for the 34 local authority areas within the region, taking account of interactions between different areas.

The final version of the Integrated Policy Model was completed towards the end of 2008-09 and there is already considerable interest in using it to inform policies at regional and local level. During the coming year, we will build our capacity to utilise the model, in partnership with an external supplier, to meet the demands of partners from across the region.

### **2.1.3 Regional Skills Partnership**

Over the year we have continued to provide a wealth of intelligence to support the strategic thinking of the Regional Skills Partnership and the policy development work of individual partners. In particular, we undertook:

- The 2008 Regional Skills Assessment, which was published in November, and provided an overview of the key skills and labour market challenges the region faces. In particular the report provided the principal evidence base for the annual planning and policy development activity of funders of education and training such as HEFCE, AWM and the LSC.
- A review of the demand for and supply of leadership and management skills, published in October 2008, which played a key role in helping the relevant RSP work stream to identify the issues and barriers deterring businesses from investing in these skills, the quality and relevance of existing training and development available from both the public and private sectors and ways of working in other regions from which lessons can be learned.
- A study of the key issues impacting on graduate retention, attraction and employment that has informed partners' work to expand the provision of work placement activity, to encourage additional employer investment in graduate training and to provide effective careers information, advice and guidance
- Further analysis, largely based on this research and published in September 2008, to support the implementation of the government's University Challenge initiative across the region. The research highlighted 'market failures' within the region in terms of low levels of employer investment in graduate and higher level skills, skill gaps and shortages which are constraining business growth and innovation, poor information and knowledge among graduates about career opportunities in the region and low rates of participation in higher education among disadvantaged groups and communities.

#### 2.1.4 Scale of the Challenge

Building on the success of the work for the Regional Skills Partnership, Advantage West Midlands commissioned a 3-year programme of work from the Observatory to develop the evidence base in relation to five other challenges identified in the Regional Economic Strategy: Enterprise, Innovation, Economic Inclusion, Transport and the Low-carbon Economy. Work on this programme commenced in June 2008 and will continue until the end of 2010-11. The work will inform advisory boards such as the Enterprise Board, Innovation & Technology Council and Economic Inclusion Panel.

The early stages of the programme involved the production of baseline evidence for each of the five strands. Results from this work were used to inform the speech given by the chairman of AWM at the agency's annual conference in November 2008. Since then, the evidence base has been developed further through a series of major reports, many of which have been published on the Observatory's website. Towards the end of the year, a work plan for 2009-10 was developed, building on the work undertaken to date and providing much richer information to inform policies in these key areas.

### **2.1.5 Cultural Observatory**

The West Midlands Cultural Observatory has been based with us since its inception in late 2005. The cultural research analyst post was vacant at the start of this year but was filled in June 2008. Since then, the Cultural Observatory has delivered two major evidence papers - Culture & Prosperity and Culture, People & Place. These wide-ranging papers provide a major development of the region's cultural evidence base. They emphasise the importance of the cultural sector to many aspects of the region's economy, quality of life and identity.

In addition to these papers, the Cultural Observatory also commissioned a major piece of research into demand for cultural activities in the region and initiated a survey of the impact of the recession on cultural organisations, feeding into a quarterly bulletin monitoring the sector. The work of the Observatory continues to be supported by the Cultural Research & Intelligence Group (CRAIG) which, along with its associated network CRAIN, is co-ordinated by the cultural research analyst.

At the end of the year, Culture West Midlands, which employed the cultural research analyst, was wound up. Following a period of uncertainty, funding has been secured to continue the Cultural Observatory during 2009-10. The post of the cultural research analyst will transfer to Arts Council for England but will continue to be located with the Observatory as previously. This decision reflects the important contribution which the Cultural Observatory has made to the region's cultural sector.

## **2.2 Monitor and evaluate the progress and impact of regional strategies and programmes.**

### 2.2.1 WMES monitoring

Last year, we developed a framework of indicators for monitoring the new West Midlands Economic Strategy. This year we completed and published the first of a series of annual reports updating these indicators. The indicators include six headline impact measures, one of which, the Regional Perceptions Indicator, is still under development (see 2.2.4 below).

As well as the Regional Perceptions Indicator, the framework includes four other new indicators which are under development. None of these indicators was in place for this year's update report but all should be defined in time for next year's report. The Observatory has been involved in the development of all four indicators, although some are being led by others.

### 2.2.2 Office for National Statistics

This year was the second in which the ONS Regional Statisticians were based at the Observatory. During 2008/09, there was a period of a few months when the Regional Analyst post was vacant. Despite this, the ONS team has made a significant contribution to the work of the Observatory and has also assisted colleagues from a range of other regional organisations, including several local authorities.

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. This year, projects in collaboration with the Observatory have included contributions to the Regional Integrated Economic Assessment, the Regional Skills Assessment and the monitoring report on the Rural Regeneration Zone. They have also contributed to the cultural evidence papers produced by the Cultural Observatory. In addition, the team carried out a project analysing diversity issues in the Civil Service West Midlands for GOWM. They have also helped us to access a wide range of data that we would previously been unable to use.

### 2.2.3 RSS monitoring

Once again, we contributed a chapter to the Annual Monitoring Report for the Regional Spatial Strategy. This covered progress against the overarching policies relating to Urban and Rural Renaissance. This year's chapter developed the analysis significantly beyond what was included in the previous report, using a number of new data sources, including a wider range of economic indicators. It also highlighted the potential impact of the worsening economic conditions on achievement of objectives.

#### 2.2.4 Regional Perceptions Indicator

The West Midlands Economic Strategy, *Connecting to Success*, published in December 2007, contains proposals for six headline indicators of performance. Five of these indicators are either fully specified or well developed already. However, the indicator on perceptions does not currently exist. During 2008, a pilot project was undertaken on measuring perceptions of the region, and this showed that it was feasible to construct such an indicator.

Early in 2009 the Board of Advantage West Midlands approved the production of the first version of the regional perceptions indicator and in the last quarter of the year we started work on establishing the first regional perceptions indicator, with the aim of publication at AWM's annual conference in November 2009. This is a large and innovative project seeking the perceptions of citizens, businesses and opinion formers throughout the UK of this region and how it compares with others in England.

#### 2.2.5 Evidence to support an Integrated Regional Strategy

Progress with the development of the evidence base for the Single Integrated Regional Strategy has been slower than anticipated. This is due to the limited guidance which has been available from government, which means that the nature of the work required is still unclear.

Nevertheless, a number of pieces of work have been undertaken. The most significant was the Regional Integrated Economic Assessment. This major project, the first undertaken by any English region, involved the Observatory working in collaboration with the region's 14 strategic local authorities. The resulting assessment consisted of a regional summary, three major thematic chapters and local profiles for each of the 14 local authority areas, which highlighted their contribution to the overall regional picture.

Towards the end of the year, we worked in collaboration with colleagues from Advantage West Midlands to carry out a review of the existing evidence bases for regional strategies. This identified some of the key messages from the evidence base and the major issues with and gaps in the existing evidence which may need to be addressed in preparation for the SIRS. The outcomes of this work will be discussed in a series of workshops during the coming year and will inform plans for the development of the evidence base.

Alongside proposals for the SIRS, the sub-national review also proposes that all strategic local authorities will need to prepare a Local Economic Assessment. These will form part of the evidence base for the SIRS, as well as informing local policies. In order to fulfil this role, there will need to be a degree of consistency between LEAs in the region. To this end, we have been working with colleagues from local authorities to establish a set of principles, including core indicators and key issues to be included in each LEA.

### 2.2.6 Monitoring the Recession

This year has seen a significant worsening in economic conditions. This has meant that there has been significantly greater demand for monitoring of short-term indicators in addition to our more traditional longer-term perspective. Over the summer we contributed to a joint AWM/Treasury report outlining the regional response to the worsening economic situation.

Since then, we have been contributing to briefing for the Regional Task Force, including significant input to the monthly economic briefings published by AWM. We have also developed three quarterly bulletins, covering the labour market & skills, the population & vulnerable groups and the cultural sector. We anticipate that the range of such briefing will expand in the coming year, with an increasing focus on positioning the region for the up-turn, when it comes.

### 2.2.7 Skills research

Over the year we have further developed and updated our three tier framework of skills performance indicators that monitors the skills performance of the region and the value added contribution of the Regional Skills Partnership:

In June 2008 we published an annual review of performance which identified trends in the region's overall skills performance via our summary 'skills index', the 'scale of the challenge' to close the gap in performance with other regions and the England average (providing an exemplar for similar work being undertaken in other policy areas) and trends in key operational indicators (for example relating to Train to Gain, Apprenticeships, leadership and management and higher level skills) that are driving change.

In the second half of the year we started tracking trends in a series of additional indicators that relate to specific objectives within the region's Skills Action Plan (for example relating to Train to Gain, the Skills Pledge, the Public Sector Challenge, Local Employment Partnerships and leadership and management development) on a quarterly basis. A series of performance 'dashboards' have been produced which keep the RSP's Board and Executive Group informed of latest performance.

We produced quarterly bulletins identifying the impact of the economic downturn on skills and the labour market. The analysis of the impact on particular sectors, industries and occupations and mismatches between the skills of the unemployed and those required by employers is helping Sector Skills Councils, the LSC and AWM to target support where it is most needed.

### **2.2.8 Other research projects**

Beyond the projects outlined above, we have been involved in a number of other research projects during the year. These have included a survey of e-business adoption amongst SMEs in the region, repeating a similar survey undertaken four years ago. The results are already influencing regional policies around business support. We also managed a project evaluating the effectiveness of business support activities in the region, including Business Link, Train to Gain and the Manufacturing Advisory Service.

Other projects completed during the year include contributions to the Mapping and Gapping of Cultural Assets in the region and the mapping of the voluntary sector in the region, an analysis of the patterns of economic and social inclusion in the region and monitoring reports covering the Rural Regeneration Zone and the Manufacturing Support Strategy.

During the year, we secured a contract with Government Office for the West Midlands to provide them with ongoing analytical support. The main focus of this contract is to provide analysis of the targets linked to Public Service Agreements and Local Area Agreements. However, the contract can also be used for other analytical work that we undertake for GOWM.

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

### **2.3.1 Gap Filling**

We continue to facilitate regional activities to fill research gaps, although because of the large scale of work commissioned from the Observatory during the year, we have had limited resources available to contribute to gap filling projects. We have reviewed our process for identifying and prioritising regional research gaps and are in the process of establishing a new register of research gaps. This will be reviewed by the RDIN Topic Groups at each of their future meetings. They will confirm that the gaps identified are accurate and give a view about their importance. The register will then be taken to the RDIN User Group which will decide which gaps to prioritise and the best way for them to be taken forward.

### 2.3.2 Skills Data Group

During the year we have continued to chair and co-ordinate the activity of the RSP Data Group and supporting the RSP Board in:

- Reviewing the range of skills and labour market research activity being undertaken by partners across the region
- Identifying key synergies and opportunities for collaboration and pooling expertise
- Identifying gaps and weaknesses in the evidence that need to be addressed
- Agreeing priorities for new research and developing a work programme to address these

### 2.3.3 Scale of the Challenge Data and Advisory Groups

In support of the Scale of the Challenge programme (see 2.1.4 above), a number of data and advisory groups have been established. The primary purpose of these groups is to inform the work to be undertaken as part of the programme. However, in most cases they also have a wider role in determining research priorities in their area, beyond those which can be addressed within the programme. A number of research projects have been initiated by these groups, to fill gaps in the regional evidence base, with some being taken forward by the Observatory and some by other partners.

### 2.3.4 Local Authority Links

The Observatory has had a long-standing aspiration to work more closely with local authorities in the region. In the past, our relationships with local authorities have been patchy and based on individual contacts. The proposals emerging in response to the sub-national review have increased the importance of strengthening these links, since there will be increasing needs for the regional and local levels of government to work together.

In order to strengthen links, we have designated lead contacts within the Observatory's research teams for each of the region's local authority areas. As well as acting as the main point of contact for colleagues from their area, the contacts will also be actively exploring how we can work better with the local authorities that they cover. This will allow us to ensure that our work complements the research undertaken locally and that our impact is extended beyond the regional tier of government. The new arrangements are in their infancy but there are already signs that positive progress is being made.

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

### 2.4.1 Demographics

One long-standing research gap which the Observatory has been taking forward relates to understanding the nature and impact of demographic change in the region. The first stage in addressing this was the inclusion of a chapter in the 2007 State of the Region Update report. Since then, we have been in discussion with the Population & Society Topic Group and others about the nature of any further research needed in this area.

As a result of this, we have decided that the best approach would be to initiate a State of the Region thematic dialogue looking at population change. The initial workshop for this dialogue took place in March 2009 and a work programme is being developed to take the work forward. Some of the work will be taken forward by Topic Group members, as well as contributions from the Observatory and ONS Regional Statisticians.

### 2.4.2 Skills research

The Skills Team has managed and delivered two key gap filling projects on behalf of the Regional Skills Partnership over the year:

A study of key issues influencing graduate retention, attraction and employment, delivered in collaboration with the West Midlands Higher Education Association, was published in August 2008. The research included both large scale surveys and qualitative focus groups and 1:1 interviews with both graduates and employers to identify:

- The extent of demand for graduate and other higher level skills in the region
- Issues and barriers that act to limit the recruitment of graduates
- Where graduates find employment and key influences on their career choices
- Perceptions of the West Midlands as a place to live and work

A review of skills issues in the environmental technologies cluster which commenced in November and is due to be completed in July 2009. The research aims to identify the relative importance of these industries to the regional economy, key developments in the sector, potential market opportunities and drivers of skills change, current and potential labour and skill needs and any gaps

and shortages, investment in training and upskilling by employers and the use of publicly funded, private sector and internally run training and any gaps or weaknesses in provision. Reports reviewing published data and an initial on-line employer survey were published in March 2009. A series of in-depth employer case studies will be completed in May 2009 and the final report is due to be published in July 2009.

### **2.4.3 Register of consultants**

In previous years partners have identified a gap in regional information whereby there is no easy way of finding out about consultants/contractors who can do social policy research, especially where innovation or niche activities are required. To fill this gap we undertook to create and maintain a regional register of consultants. This service went live on our website in August 2008 (<http://wmro.org/register-of-consultants.aspx>). We provide a free to use service by which consultants can post their details into our databases and potential users can search the database to find consultants that match their requirements. There is also a voluntary facility for users of the consultant's services to post their willingness to provide references and contact details. At the time of writing there are 27 consultants on the database.

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

### **2.5.1 Regional Information services**

During 2008 we planned to review the value and benefits of the on-line information services we offer through the website. This review has been completed for the regional resource catalogue which is the most complex and expensive service. This has concluded that the regional resource catalogue is a valuable service, but that the present manual method of creating and maintaining it means that it is growing at too slow a rate and absorbs considerable staff time. Accordingly we are now in the process of implementing technology that will automatically find and harvest relevant resources into the catalogue and allow much more powerful and effective searching of the resulting datastore. The first phase of this will go live in July 2009.

The review of the less used information services such as regional organisations, the directory of specialists and research gap handling has not been completed. We are carrying this work forward into the current year.

### 2.5.2 Regional Data Sharing Protocol

Initiatives to improve the sharing of data are now being developed at a national level. This reduces the need for regional solutions to data sharing and so during the last year we have not done any detailed work to lead the further development of the regional data sharing protocol. However, we will ensure that it is adapted as necessary to align with national initiatives.

### 2.5.3 RDIN seminars

Directed by the four topic groups, our programme of seminars continued throughout 2008/9, covering subjects such as "Population Change", "Engaging in the 2011 census" and "Geographical Information (GI) day". Feedback from delegates continues to indicate that the seminars are of a high standard. However the User Satisfaction Survey suggested a need to improve publicity and awareness of the events, and changes have now been implemented to that effect.

Of particular note was GI day held in November, where the GI Topic group hosted an extremely successful event to engage research professionals with teachers and those in the education sector. Presentations ranged from "What is GI?" to "How Nectar cards use GI", and began a process of engaging a new audience with the subject. The group plan to work with the Geographical Association to build on this success in 2009/10.

A significant development in event dissemination in 2008/9 was the introduction of podcasting and slidecasting, allowing the Observatory to reach an even wider audience through its events.

### 2.5.4 Annual conference

The 2008 conference was held on 13<sup>th</sup> October at the Royal Court Hotel in Coventry. The conference was attended by around 140 delegates and explored the subject "Better Evidence... Better Policy". Feedback showed that overall satisfaction levels were high, with an average rating of 8 out of 10.

Comments from delegates included:

"I enjoyed the conference and learnt a lot about the region."

"A very user-friendly conference, very comprehensive speeches and discussions given in an imaginative but relevant way."

Ian Austin MP opened the event, speaking at his first public engagement as the new Minister for the West Midlands. Ian stressed the importance of having a robust evidence base for the region's strategies and urged policy makers and research experts to work in closer proximity. Ian was followed by Observatory Chief Executive, Rosie Paskins. Rosie highlighted the role of the Observatory in making evidence based policy a reality through, amongst other things, the revised State of the Region process.

Delegates were then given the opportunity to put their questions to a panel of experts from around the region. The questions ranged from "How do we make the West Midlands cool?" to "Who are the customers for higher education in the region?"

Following a networking lunch, delegates were entertained and informed by a lively and engaging talk from Professor Carl Chinn on what we can learn from the social and economic history of the West Midlands. This was followed by Professor Alan Harding, who explored how the West Midlands could repeat the past successes highlighted by Carl Chinn, using evidence to gain the backing of national government to take forward the regional agenda.

Delegates were then given the opportunity to engage in the evidence based policy debate themselves through one of five workshops covering innovation, economic inclusion, the knowledge economy, the regional evidence base and sustainable communities. The workshops generated a number of issues for the Observatory to take forward via the ongoing State of the Region process.

#### **2.5.5 Observations (<http://wmro.wordpress.com>)**

The Observations blog was introduced in June 2008 on a trial basis, to complement the main website and encourage better online engagement with our customers. By the end of April 2009, Observations had attracted 148 blog posts and viewings of articles have been steadily increasing over time. As a result, the management team have decided to continue using the Observations site.

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

### **2.6.1 On-line Enquiries Service**

Since its inception, the Observatory has operated an enquiry services. Until this year, this has been handled mainly through a dedicated telephone line and e-mail address. Whilst this approach has served us well, there are some drawbacks to it, most significantly that the results of enquiries weren't readily available for anyone else who might be interested in them. To address this, during the year we have developed a new on-line enquiries service, accessed through our website. This allows progress to be tracked more easily, by both the enquirer and Observatory staff, and the results are normally published to the website, where they can be seen by any interested users. The system went live in February 2009 and we will review its progress in July, but the early signs are that it is working well.

### **2.6.2 Developing further Grant Applications**

As noted in last year's report, the Observatory was successful in securing additional grant funding from Advantage West Midlands for the period to March 2011. During 2008/09, the Observatory was successful in achieving additional funding from the LSC (co-financed with ESF) of £1m until March 2010. ERDF funding of £435k has also been contracted from 1 January 2009 for three years.

### **2.6.3 Legal Independence**

The legal position of the Observatory is that it is an operating unit of Advantage West Midlands. Operationally, the Observatory acts as an independent body, with, for example, its own Board, a distinct website and its own office at Millennium Point.

The Observatory has established a reputation for objectivity in its work, and it is considered that there are no significant strategic advantages to be gained from a move to full independence. There could however be significant costs involved in such a move, both financial and in staff resource. Consequently there is no desire from the Observatory to become legally independent.

The issue is kept under review to ensure that, if there is a change in circumstances, the Observatory takes appropriate action.

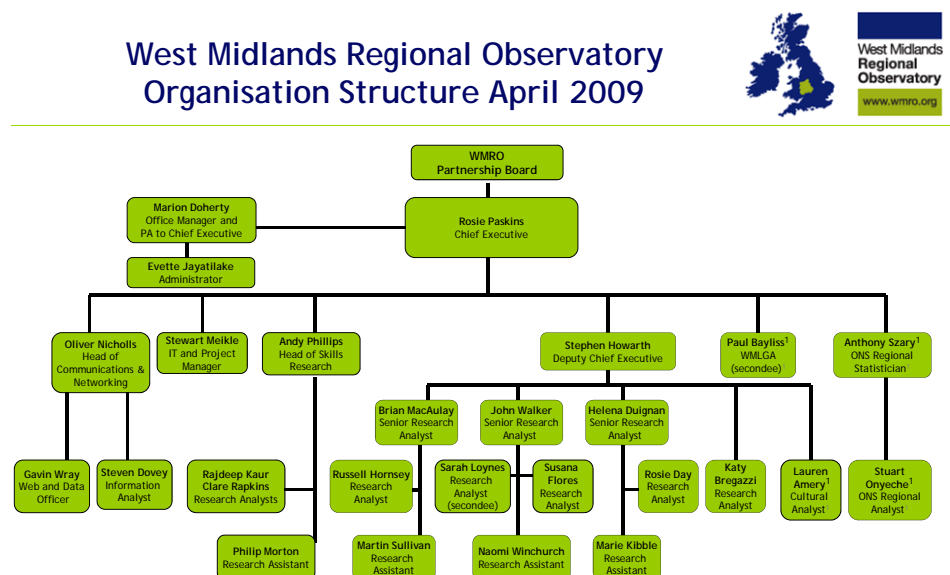
## 2.6.4 Staff Changes

The Observatory saw significant expansion in 2008/9 to strengthen our research capability, and a number of additional staff were recruited during the year. Helena Duignan, Brian McAulay and John Walker were promoted to Senior Research Analysts, with Rajdeep Kaur promoted to Research Analyst. Rosie Day, Russell Hornsey, Clare Rapkins and Susana Flores joined as Research Analysts, and Marie Kibble, Martin Sullivan and Philip Morton took up posts as Research Assistants.

Oliver Nicholls also joined the Observatory as Head of Communications and Networking.

During the year there were also some changes in personnel employed by others but who are co-located at the Observatory, with Lauren Amery taking up the vacant Cultural Analyst post, and Stewart Onyeche becoming the ONS regional analyst.

Our organisation chart on 1<sup>st</sup> April 2009 is shown in the figure below:



1. Employed by external agencies and with dual reporting.

## 2.7 Key Performance Indicators (KPIs)

The Board of the Observatory sets key performance indicators each year, which are used to determine the overall progress and success of the Observatory. Details of the performance in 2008/9 are given in Appendix 1, together with results of previous years for comparison.

There was a significant increase in the overall customer satisfaction rating in 2008/09, with a rating of 3.11 on a scale of 1-4 (low to high). This is well above the target of 3.00 and ratings of previous years. Comments linked to this rating included:

*"Great team, great service and great products - enjoy working with you"*

*"Good products, data well organised and disseminated"*

*"I'm always very happy to be associated with the WMRO and I think that the support that is offered is particularly high level."*

The customer rating of the State of the Region process has remained stable at 3.13 again on a scale of 1-4 (low to high). This is below the target of 3.20, but matches the 2007/08 rating. Given the substantial changes to the State of the Region process in 2008, it is pleasing that this measure has remained stable, and we will now seek to improve on it over 2009/10.

A key financial indicator measures the proportion of our total costs that we cover through funded projects and other income generating activities (as opposed to grants and core funding). In 2007/08, we earned 60% of our total income from such activity. In 2008/09 this reduced slightly to 59%, but it was still above the 45% target. Although 59% is an impressive proportion for a young and growing organisation, it demonstrates that we are still some way to achieving financial independence.

It is good to see that staff satisfaction remains high, measured at 3.1 exceeding the target of 3.0.

## 3 Financial Statements 2008-09

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### 3.1 Foreword to the Financial Statements

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

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

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

### 3.2 National Audit Office Statement on WMRO Accounts

#### **Report to Advantage West Midlands on the West Midlands Regional Observatory Financial Statements for the year ended 31 March 2009**

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

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

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

31 March 2009 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 2008-09 Memorandum Financial Statements of WMRO.

I have reviewed the 2008-09 Memorandum Financial Statements of WMRO and can confirm that the transactions and balances have been properly extracted from the accounting records of Advantage West Midlands. Nothing has come to my attention to indicate that the Memorandum Financial Statements of WMRO are inconsistent with the audited 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

16<sup>th</sup> July 2009

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## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2009

	2008-2009	2007-2008
INCOME	£	£
Advantage West Midlands	£209,560	£345,705
WM Regional Assembly	£15,319	£25,000
Other Income	£1,479,319	£1,321,251
<b>Total Income</b>	<b>£1,704,198</b>	<b>£1,691,956</b>

### EXPENDITURE

Staff	3	£906,579	£759,538
Staff Overheads		£24,762	£31,524
Premises		£109,862	£99,411
Projects and Consultants		£463,389	£513,191
Operational	4	£199,606	£203,843
<b>Total Expenditure</b>		<b>£1,704,198</b>	<b>£1,607,507</b>

Trading Surplus / (Deficit) £0 £84,449

Transferred to Reserves £0 £84,449

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**BALANCE SHEET**  
For the year ended 31 March 2009

	Notes	2008-2009 £	2007- 2008 £
<b>FIXED ASSETS</b>			
Tangible operating assets	2	£49,974	£53,645
<b>CURRENT ASSETS</b>			
Debtors		£242,331	£346,486
Prepayments		£41,611	£19,795
Cash Amounts held by Advantage West Midlands		£0	£0
Cash in Hand		£250	£250
		<b>£284,192</b>	<b>£366,531</b>
<b>CURRENT LIABILITIES</b>			
Creditors		£10,723	£26,667
Deferred Income - General		£0	£179,965
Cash Amounts due to AWM		£189,020	£0
Deferred Income - Specific		£0	£75,450
		<b>£199,743</b>	<b>£282,082</b>
<b>NET CURRENT ASSETS</b>		<b>£84,449</b>	<b>£84,449</b>
<b>TOTAL NET ASSETS</b>		<b>£134,423</b>	<b>£138,094</b>
<b>FINANCED BY:</b>			
Reserves		£134,423	£138,094
Signed by:			
Chief Executive of West Midlands Regional Observatory		Rosie Paskins	
Date		16 <sup>th</sup> July 2009	

## CASH FLOW STATEMENT

For the year ended 31 March 2009

	2008-2009 £	2007-2008 £
Net cash (outflow) inflow from operating activities	£16,286	(£203,477)
Capital Expenditure	(£12,614)	(£24,693)
Financing	(£3,672)	£10,757
(Decrease)/Increase in cash	£0	(£217,413)

### Notes to the cash flow statement

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

Operating surplus / (deficit)	£0	£84,449
Depreciation charges	£16,286	£13,935
(Increase)/Decrease in debtors	£104,155	(£171,837)
(Increase)/Decrease in prepayments	(£21,816)	(£831)
Increase/(Decrease) in current liabilities	(£82,339)	(£129,193)
<b>Net cash (outflow) inflow from operating activities</b>	<b>£16,286</b>	<b>(£203,477)</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

### 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	42,419	70,795	151,300
Additions in year	9,947	1,892	775	12,614
<b>31-Mar-09</b>	<b>48,033</b>	<b>44,311</b>	<b>71,570</b>	<b>163,914</b>
Depreciation b/f	35,057	32,555	30,042	97,654
Depreciation in year	5,158	3,997	7,131	16,286
<b>31-Mar-09</b>	<b>40,215</b>	<b>36,552</b>	<b>37,173</b>	<b>113,940</b>
<b>Net Book Value 31 March 2009</b>	<b>7,818</b>	<b>7,759</b>	<b>34,397</b>	<b>49,974</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2009

		2008-2009		2007-2008
<b>3</b>	<b>Salaries and Wages</b>	£		£
	<b>Staff Remuneration</b>			
	Salaries	£690,526		£580,390
	Pension and Social Security Costs	£195,321		£166,289
		<b>£885,847</b>		<b>£746,679</b>
	<b>Temporary Staff</b>			
	Temporary Staff	£20,732		£12,859
		<b>£20,732</b>		<b>£12,859</b>
	<b>Total</b>	<b>£906,579</b>		<b>£759,538</b>
<b>4</b>	<b>Operational Costs</b>			
	Finance & IT SLA	£36,749		£47,588
	Communications	£4,192		£7,591
	Office Equipment	£2,464		£6,748
	Stationery	£6,791		£10,624
	Website/ICT Maintenance	£17,439		£9,260
	RDIN Events	£18,617		£18,362
	Catering & Room Hire	£1,649		£2,221
	Professional Fees	£2,000		£2,000
	Marketing	£13,686		£11,037
	Depreciation	£16,286		£13,935
	Irrecoverable VAT	£76,676		£72,228
	Software	£3,057		£2,249
	<b>Total</b>	<b>£199,606</b>		<b>£203,843</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2009

### **5 Related Party Disclosure**

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

## Appendix 1 - Key Performance Indicators for 2008/09

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

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

## Appendix 2 -Topic Group achievements

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Highlights on how the four topic groups supported the wider Regional Data & Intelligence Network over the course of 2008/9 were as follows:

### Population & Society

- Successfully developing and delivering a seminar on “Population Change” in 2008.
- Linking the group’s work on population change to the Observatory’s State of the Region Population Change dialogue, through assisting the dialogue launch and ongoing process.

### Environment

- Significantly and successfully restructuring the group to meet the policy needs of the region going forward.

### Economy & Labour Force

- Providing development support for the Observatory’s Integrated Policy Model.
- Two successful resource mapping projects that identified 50 new resources for the Observatory’s Resource Catalogue on “graduates in the region’s labour market” and “innovation”.

### Geographical Information (GI)

- Successfully organised and hosted the first GI day in the region, highlighting GI to a new audience in the education sector.
- Developing and integrating a map onto the GI pages of the website to direct others to sources of GI technical support throughout the region.

### Following a review in the final quarter of 2008/9:

- the Population & Society group will take a lead role on the State of the Region Population Change dialogue.
- The Environment group will take a lead role on the State of the Region Climate Change dialogue, developing the evidence base for the SIRS and supporting the Observatory’s low carbon economy work.
- The Economy & Labour Force group will help inform the State of the Region work undertaken on the economy.
- The Geographical Information (GI) group will provide GI support to all the topic groups, but particularly to the Environment group around the subject of climate change mapping.

## Appendix 3 - The Observatory over the years

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### 2002/03

- **24<sup>th</sup> 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.

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

## 2007/08

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

## Full document information

<b>Title:</b>	West Midlands Regional Observatory Annual Report 2008/9
<b>Creator:</b>	Rosie Paskins, Chief Executive West Midlands Regional Observatory Email : <a href="mailto:rosie.paskins@wmro.org">rosie.paskins@wmro.org</a>
<b>Publisher:</b>	West Midlands Regional Observatory Level 3, Millennium Point Curzon Street Birmingham B4 7XG Tel: 0121 202 3250 Fax: 0121 202 3240 Email: <a href="mailto:info@wmro.org">info@wmro.org</a> Web: <a href="http://www.wmro.org">www.wmro.org</a>
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<b>Date created:</b>	2009-05-01
<b>Date available:</b>	2009-07-31
<b>Next version due:</b>	
<b>Status:</b>	Version 1.0; 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 the West Midlands Regional Observatory's operations and financial accounts for the financial year 2008/9.
<b>Coverage, Geographical:</b>	West Midlands region
<b>Coverage, Time period:</b>	2008-04-01/2009-03-31
<b>Type:</b>	Annual Report
<b>Format:</b>	Text, PDF/Internet
<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>	<a href="http://www.wmro.org/resources/res.aspx?p=/CmsResource/resourceFilename/2823/2008-09-Annual-report_v1.0_report_RP.pdf">http://www.wmro.org/resources/res.aspx?p=/CmsResource/resourceFilename/2823/2008-09-Annual-report_v1.0_report_RP.pdf</a>
<b>Location:</b>	West Midlands Regional Observatory
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