Advantage West Midlands

Report and Accounts for the period 1 April 2012 to 30 June 2012

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Introduction by the Accounting Officer

These accounts cover the final three month period leading up to the abolition of Advantage West Midlands ("the Agency") on 1 July 2012.

The Agency ceased operations on the transfer of all remaining operational activity to the Department for Business, Innovation and Skills (BIS) on 30 March 2012. The results for the last year of operations are set out in the Agency's 2011/12 Annual Report and Accounts which were published in June 2012.

In the final three month period a small number of Agency staff remained in post to complete the Agency's Annual Report and Accounts for 2011/12, to prepare a draft Report and Accounts for the period 1 April to 30 June 2012 for completion by BIS after abolition, and to transfer to BIS all remaining records and residual rights and obligations. The Agency's former Chief Executive and Accounting Officer, Mick Laverty, remained in post until 30 June 2012. I became the responsible Accounting Officer for the Agency when the Agency's Chief Executive and Accounting Officer was made redundant and I take full responsibility for the Report and Accounts for the period to 30 June 2012.

At 00.01am on 1 July 2012, all of the Agency's residual rights and obligations were legally transferred to BIS. At 00.02am on 1 July 2012 the eight remaining Regional Development Agencies, including the Agency, were abolished by an Order commencing section 30(1) of the Public Bodies Act 2011. The appointments of the Agency's Chair and the other Board members terminated on the Agency's abolition.

On abolition, the Regional Development Act 1998 was repealed save for the provisions concerning the completion of a report and statement of accounts for the accounting period from 1 April 2012 to 30 June 2012.

After the abolition of the Agency, the Report and Accounts have been completed by my staff, using drafts provided by the Agency and drawing on additional supporting evidence and information provided by the Agency. The draft Report and Accounts were reviewed and approved in draft by Agency's Audit Committee on 14 June 2012 and Board on 14 June 2012. I have received assurances from the former Accounting Officer about the controls exercised by him, the officers and Board of the Agency during its existence to ensure compliance with the principles of *Managing Public Money* and in particular in relation to governance, decision-making and financial management. I am content that these assurances are sufficiently accurate and robust to allow me to place reliance on them to discharge my role as Accounting Officer and to sign the Report and Accounts for the period ending 30 June 2012.

The Report includes statements by the former Chairman and former Chief Executive to provide additional context. I would like to record my thanks to them and to the Board and staff of the Agency for their work in this final accounting period.

Martin Donnelly

Permanent Secretary and Accounting Officer
Department for Business, Innovation & Skills

Former Chairman's Statement

On 31 March 2012 Advantage West Midlands ("the Agency") closed operationally and it was abolished on 1 July 2012.

Over the years the Agency, and the Region, has faced some tough challenges. Businesses create jobs and prosperity, not organisations like Advantage West Midlands. But our unique position, above local interests but below Whitehall, meant that we were able to identify short, medium and long term priorities and manage a portfolio of projects – some large, some small – that have tackled economic problems head on. By robustly evaluating the impact of our interventions, we were able to gain a unique understanding of what worked and why. Our many achievements have been reflected in our 2011-12 Annual Report and Accounts. We hope that many of the new Local Enterprise Partnerships (LEPs) will learn from and continue our strategic approach.

It has been a pleasure to serve the Region in my brief time as Chairman. Mick Laverty and his team have tackled the challenges facing the Agency and the region head on, in a professional and exemplary manner, meaning that Advantage West Midlands leaves behind a strong and robust legacy.

Sir Roy McNulty, CBE
Chairman (until 30 June 2012)

Former Chief Executive's Statement

Following the Coalition Government's announcement, in June 2010, of its intention to abolish Regional Development Agencies, we worked hard to ensure the controlled closure of the Agency and, where applicable, the transfer of its functions and assets to appropriate successor bodies. Our updated mission statement during this period was, *'to close down Advantage West Midlands in an exemplary manner, ensuring the best possible outcome for our staff, our region and BIS, our sponsor department.'*

I am pleased to report that we achieved our mission, completing all required transfers and ceasing operational activity by the end of March 2012. During the period April to June 2012 we finalised the Agency's 2011-12 Annual Report and Accounts; transferred the few remaining commitments to the Department for Business, Innovation and Skills (BIS); and drafted our final set of Accounts for the period to 30 June 2012, for completion by BIS.

Finally, I'd like to take this opportunity to thank all our partners who, over the years, have helped us along the way. I believe Advantage West Midlands will be a hard act to follow. I would like to take this opportunity to wish all the very best to the businesses, business organisations, local authorities and other public and third sector partners who now take up the challenge of transforming the economic fortunes of this fine, world-class Region.

Mick Laverty
Chief Executive and Accounting Officer (until 30 June 2012)

Accounting Officer's Report

The Accounting Officer presents his Report and Accounts for the period 1 April to 30 June 2012.

The Agency's former Board Members were appointed by the Secretary of State for the Department for Business, Innovation and Skills (BIS) and included Local Authority, Trade Union and private sector representatives. Further details of Board Members' responsibilities are contained within the Code of Practice for Board Members available from BIS, 1 Victoria Street, London SW1H 0ET.

Former Non Executive Directors (The Board)

Sir Roy McNulty CBE	Agency Chair
Dr David Brown	Agency Deputy Chair *Member – Audit Committee* *Chair – Human Resources and Remuneration Committee*
Brendan Connor	*Member – Audit Committee* *Member – Human Resources and Remuneration Committee*
Gerard Coyne	*Member – Audit Committee* *Member – Human Resources and Remuneration Committee*
John Crabtree OBE	*Member – Audit Committee* *Member – Human Resources and Remuneration Committee*
Angela Maxwell OBE	
Kumar Muthalagappan OBE	*Chair – Audit Committee* *Member – Human Resources and Remuneration Committee*
Diane Rayner	*Member – Human Resources and Remuneration Committee*
Kenneth Taylor OBE	*Member – Audit Committee*
Michael Whitby	

Former Board Members were contracted to carry out two days work per month on behalf of the Agency (four days per month for the Deputy Chair). The former Chairman was contracted for three days per week.

Meetings of the former Board

The Agency had two formal Board Sub-Groups, an Audit Committee and a Human Resources and Remuneration Committee. One scheduled Board meeting was held during the period. Ten of the eleven Board members of the Board attended this meeting.

Former Executive Directors

Mick Laverty	Chief Executive
John Doherty	Corporate Director
Mark Pearce	Corporate Director

Going Concern

The Public Bodies Act, which paved the way for the abolition of all Regional Development Agencies (RDAs), received Royal Assent on 14th December 2011. The Agency was abolished on 1 July 2012. Accordingly, the Agency is no longer considered to be a going concern, and these accounts have therefore been prepared on a basis than going concern.

RDA Accountability and Financial Framework

The Department for Business, Innovation and Skills issued the RDA Accountability and Financial Framework which took effect from 1 October 2011. This document sets out the financial framework under which the Agency operated. The Agency complied with the terms of the RDA Accountability and Financial Framework in all material respects during the course of the period.

Principal Activities

Advantage West Midlands was established under the provisions of the Regional Development Agencies Act 1998 and came into existence on 14 December 1998. Over the period 1 April to 30 June 2012, the Agency focussed primarily on ensuring the professional closure of its remaining activites, including the transfer of all remaining assets and liabilities to the Department for Business, Innovation and Skills, the preparation of the 2011-12 Annual Report and Accounts and the Report and Accounts for the final reporting period.

The statements by the former Chairman and former Chief Executive include a review of the Agency's key activities during the period.

Financial Results

The results for the period ended 30 June 2012 are set out in the Accounts on pages 20 to 43.

Principal Risks and Uncertainties

The Agency's key risks are set out in its Risk Register which was presented to the Board at the main Board meeting.

Pension Costs

The treatment of pension liabilities and the relevant pension scheme details are set out in the Remuneration Report on pages 7 to 12.

Employee Relations

The Agency recognised the Prospect trade union for the purposes of negotiation in the areas of pay and benefits, holidays and hours and all matters relating to redundancy and closure.

Prompt Payment Policy

The Agency was committed to the Better Payment Practice Code (previously the CBI Prompt Payment Code) and aimed to pay all undisputed invoices and claims within 30 days of approval.

Personal Data Related Incidents

There have been no personal data related incidents during the period.

Environmental Policy

The Agency was committed to using, where possible, 'environmentally friendly' office and hospitality consumables from sustainable or recycled sources. Furthermore, the Agency was committed to controlling the amount of water and energy consumed in administration buildings, and where possible to make use of fuel efficient transportation methods to reduce unnecessary production of greenhouse gases and pollution. The Agency has received an exemption from providing a Sustainability Report.

Freedom of Information

With the cessation of operations at the end of March, responsibility for handling requests for information under the Freedom of Information Act 2000 passed to the Department for Business, Innovation and Skills from 1 April 2012.

Audit Services

The Comptroller and Auditor General is appointed by statute to audit Advantage West Midlands, and reports to Parliament on the truth and fairness of the financial statements and the regularity of income and expenditure.

The following costs have been incurred in relation to services provided by the Comptroller and Auditor General:

Statutory Audit Services for the accounts for the period to 30 June 2012 - £13,500

The Comptroller and Auditor General also has statutory powers to report on the economy, efficiency and effectiveness with which the Agency has used its resources.

The Accounting Officer has disclosed all relevant information to the auditors. So far as the Accounting Officer is aware, there is no relevant audit information of which the Agency's auditors are unaware, and the Accounting Officer has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information.

Report of the Agency's former Audit Committee

The Agency's former Audit Committee was chaired by Kumar Muthalagappan. It was wholly non-executive and during the period the other members were Gerard Coyne, John Crabtree, Ken Taylor, Brendan Connor and David Brown. The former Chief Executive, in his former role as Accounting Officer, attended the one meeting that was held in the period. All the Committee members attended that meeting. The Committee's purpose was to ensure that good financial practice was conducted throughout the Agency and to oversee the risk management process. The Committee's responsibilities are additional to those of the Accounting Officer, which are detailed separately in the Statement of Accounting Officer's Responsibilities.

Although there was no requirement to comply, the Audit Committee wished to follow best practice identified in the Corporate Governance Code for Central Government and guidance from HM Treasury within the Audit Committee Handbook. It therefore regularly reviewed its operations and made minor adjustments as appropriate to achieve the best practice identified.

Register of Chairman's, Board Members' and Directors' Interests

The Chairman, Board Members and Directors registered any declarations of interest or material benefits received, or any other links, which may have affected the execution of their duties on the Board or as a paid employee. The Register of Interests is available for inspection at BIS's offices at 1 Victoria Street London, SW1H 0ET by prior appointment with the Head of the Portfolio Management Office (PMO).

Remuneration Report

This report deals with the remuneration of the former Chair, Chief Executive, Board Members and Executive Directors who had influence over the decisions of the Agency as a whole.

Report of the former Human Resources and Remuneration Committee

The former Human Resources and Remuneration Committee was chaired by David Brown. The other members of the Committee were Brendan Connor, Gerard Coyne, John Crabtree, Kumar Muthalagappan and Diane Rayner. There was one meeting of the Committee during the period, which was attended by five of the six members. The Chief Executive Mick Laverty attended meetings of the Committee but was not a full member of the Committee. All key decisions regarding remuneration and redundancy were ratified by the Human Resources and Remuneration Comittee and consequent recommendations made to the Agency Board.

Remuneration of former Board Members

All Board Members were appointed on fixed term contracts by the Department for Business, Innovation and Skills as detailed in the audited part of the Remuneration Report and were contracted to carry out two days work per month (three days per week for Chair and one day per week for Deputy Chair) on behalf of the Agency.

Remuneration of former Senior Managers

Senior Management and staff were remunerated in line with the Agency's established pay and grading system. No bonus payments were awarded in the period to 30 June 2012.

Audited part of the Remuneration Report

Former Board emoluments

The emoluments of the former Board were:

Name	Date of Appointment From - To	Salary for the period to 30 June 2012 £	Salary for the year to 31 March 2012 £
Sir Roy McNulty CBE (Chair)	01/05/09 – 30/06/12	20,430	81,718
Dr David Brown (Deputy Chair)	13/02/06 – 13/12/08 14/12/08 – 30/06/12	4,333	17,332
Brendan Connor	14/12/06 – 13/12/09 14/12/09 – 30/06//12	2,167	8,666
Gerard Coyne	14/12/04 – 13/12/07 14/12/07 – 13/12/10 14/12/10 – 30/06/12	2,167	8,666
John Crabtree OBE	13/02/06 – 13/12/08 14/12/08 – 13/12/11 14/12/11 – 30/06/12	2,167	8,666
Angela Maxwell OBE	14/12/07 – 13/12/10 14/12/10 – 30/06/12	2,167	8,666
Kumar Muthalagappan OBE	14/12/09 – 30/06/12	2,167	8,666
Diane Rayner	14/12/04 – 13/12/07 14/12/07 – 13/12/10 14/12/10 – 30/06/12	2,167	8,666
Kenneth Taylor OBE	13/02/06 – 13/12/08 14/12/08 – 13/12/11 14/12/11 – 30/06/12	2,167	8,666
Michael Whitby	14/12/09 – 13/12/11 14/12/11 – 30/06/12	2,167	8,666

The appointments of the Chair and the other Board members terminated on the Agency's abolition on 1 July 2012.

Former Board Members' Pensions

No former Board Members were eligible for pension contributions, performance related pay or any other taxable benefit as a result of employment with the Agency, with the exception of the current and previous Chairman. Sir Roy McNulty, the Agency's Chairman until 30 June 2012, received a contribution towards an existing pension scheme.

Former Senior Managers' Remuneration

"Salary" includes gross salary and car allowance where applicable.

Remuneration and pension entitlements of the Chief Executive and the most senior managers were as follows:

	Salary including car allowance £	Employers pension costs £	Compensation Costs £	Total for period to 30 June 2012 £	Total for year to 31 March 2012 £
Mick Laverty *Chief Executive* *(Compulsory Redundancy 30/06/2012)*	36,443	7,873	140,772	185,088	331,537
John Doherty *Corporate Director* *(Voluntary Redundancy 30/06/2012)*	27,530	6,447	53,060	87,037	190,441
Mark Pearce Corporate Director *(Voluntary Retirement 30/06/2012)*	28,030	6,568	-	34,599	450,541

The compensation costs relate to retention costs for senior officers. (See Note 7 and Note 22 for further details of compensation payments). None of the former Executive Directors received any benefits in kind during this period or the previous year. The comparative figures include accruals for compensation under the Civil Service Compensation Scheme.

The former Chief Executive's total remuneration figure of £331,537 in the table above, for the year to 31 March 2012, includes accrued redundancy costs of £140,772. Since the end of the reporting period, Mick Laverty, the former Chief Executive, has voluntarily agreed to repay £82,117, a proportion of the redundancy payment he received on being made compulsorily redundant on 30 June 2012. Further details are given in note 7f.

Remuneration Ratio

	Period to 30/6/2012 (annualised)	Year to 31/03/12
Highest paid director's total remuneration (£)	285,000 – 290,000	420,000 – 425,000
Median total remuneration (£)	52,124	38,442
Ratio	5.5	11.0

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severence payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The ratio is affected by the change in the highest paid director's remuneration and by the mix of staff required to close the Agency. A core closure team was maintained to complete the closure which consisted of, on the whole, higher paid staff due to the level of skill and knowledge required in closing all facets of the organisation.

In the period to 30 June 2012, as in 2011-12, no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £3,217 to £177,215 (2011-12 £353 to £424,268).

The pension entitlements of the former most senior executives for period ended 30th June 2012 were as follows:

	Real increase in pension (£000)	Real increase in lump sum (£000)	Pension at 30/6/12 (£000)	Lump sum at 30/6/12 (£000)	CETV at 30/6/12 (nearest £000)	CETV at 31/03/12 (nearest £000)	Real increase in CETV funded by employer (nearest £000)
Mick Laverty	0-2.5	0-2.5	45-50	75-80	741	690	29
John Doherty*	0-2.5	-	5-10	N/A	71	65	1
Mark Pearce	0-2.5	0-2.5	40-45	120-25	742	716	6

** John Doherty is a member of the Nuvos scheme. Because this is a 'whole career' scheme the opening figures are subject to change. The CETV figure disclosed in the Agency's 2011/12 accounts was £42k.*

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalized value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Civil Superannuation Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance which may be due when pension benefits are drawn.

The real increase in the value of the CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the member (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pension

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a "final salary" scheme (classic, premium and classic plus) or a "whole career" scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and Nuvos are increased annually in line with changes in the Consumer Prices Index. New entrants from 1 October 2002 may opt for either the appropriate defined benefit arrangement or a good quality "money purchase" stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at rates of 1.5% to 3.9% of pensionable earnings for the classic scheme and 3.5% to 5.9% for the premium, classic plus and nuvos schemes. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

In Nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the CPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004. The maximum pension that nuvos will provide is 75% of pensionable earnings. There is no automatic lump sum but members may give up (commute) some of their pension to provide a lump sum. The maximum lump sum that can be taken is calculated as the pension, multiplied by 30, divided by 70 (the commutation rate is £12 of lump sum for every £1 of pension given up. On death, pensions are payable to the surviving spouse or eligible partner at a rate of 37.5% of the members pension. On death in service the scheme pays a lump sum benefit of twice the pay to a nominated person.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk.

Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme but Advantage West Midlands is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/civil-service/pensions).

For the 3 month period to 30 June 2012, employers' contributions of £44,669, were payable to the PCSPS (2011-12 £946,287) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Scheme's Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. There were no employers' contributions paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

Martin Donnelly

Martin Donnelly
Principal Accounting Officer and Permanent Secretary
Department for Business, Innovation & Skills

Date 5 December 2012

Statement of Accounting Officer's Responsibilities

Under the Regional Development Agencies Act 1998, the Secretary of State with the consent of HM Treasury directed the Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The Accounts Direction for 2012/13 required the statement of accounts to cover the Agency's final accounting period from 1 April 2012 to 30 June 2012. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its income and expenditure, changes in taxpayers' equity and cash flows for the period.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and

- prepare the accounts on a going concern basis, unless it is no longer appropriate to do so.

HM Treasury has appointed the Permanent Secretary of BIS as the Principal Accounting Officer for BIS and, as such, for the Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in Managing Public Money published by the HM Treasury.

Governance Statement

Context

The RDAs were established under the Regional Development Agencies Act 1998. The Government's decision to abolish RDAs, announced in June 2010, was enshrined in statute with the enactment of the Public Bodies Act in December 2011.

Governance of the Agency during the period has been informed by the RDA Accountability and Financial Framework, by Action Notes issued by BIS, and by Managing Public Money.

The former Board kept the Agency's governance arrangements under review during the period ending 30 June 2012 to ensure they remained fit for purpose. As the responsible Accounting Officer I have received robust assurances from the former Chief Executive and Accounting Officer about the governance, risk management and internal control in the period ending 30 June 2012.

After the transfer of all of the Agency's remaining rights and obligations to BIS and its abolition on 1 July 2012, the conclusion of the Agency's remaining business was handled by BIS and was subject to BIS's governance framework and systems of risk management and internal control.

Scope and purpose of the statement

This Governance Statement sets out the governance structures, risk management and internal control procedures that have operated in the Agency and within BIS during the period from 1 April 2012 to the date of the approval of the Report and Accounts.

Governance in the period to 30 June 2012

The Board's main focus was on achieving an orderly closure of the Agency. The Accounting Officer's Report contains further information about the former Board and its sub-groups.

Committee Structure and Reporting

To provide an appropriate level of oversight and governance the former Board met once during the period. The Board delegated responsibility for providing oversight on the effective operation of the risk management system to the Audit Committee.

The Audit Committee and the Human Resources and Remuneration Committee both met once and have considered a detailed breakdown of all risks that comprise the Corporate Risk Register.

The former Chief Executive served as the Closure and Transition Programme's Senior Responsible Owner (SRO) on behalf of the Board and the Programme was governed by a Closure and Transition Board which acted as the Programme's executive function. During the period to 30 June 2012, the Closure and Transition Board met on an exception basis with a membership comprising the Agency's two Corporate Directors and the Finance Director to provide senior and expert oversight to ensure the Agency achieved its closure and transition objectives.

The Audit Committee did not receive any whistle blowing referrals during the period or any reports of fraud.

Effectiveness of the former Board

The Agency's Board relied upon the effectiveness review carried out in 2011-12, which considered the change in circumstances of the Agency, and was deemed to be adequate.

The Board updated the existing Scheme of Delegation to account for the activities relating to closure and transition. This has been done in accordance with the RDA Accountability and Financial Framework and any supplementary instructions issued by BIS with respect to the closure and transition process.

The Board received a report covering a number of key issues including performance headlines, financial performance and risk management.

During the period, the Agency has, where applicable, applied the principles of the Code of Good Practice for Corporate Governance in Central Government Departments in order to meet its business needs and the Agency's practices were consistent with these principles.

The quality of the data used by the Agency's Board was endorsed by the Closure and Transition Board prior to being reported to the Board and as a result the Board was confident in the quality of the information that was presented to it.

Risk and Internal Control Framework

As already noted, it was recognised very early in the closure and transition process that the changes in the environment in which the Agency was operating represented an increase in the level of risk and uncertainty.

However, the transfer of assets and liabilities during 2011-12, reduction in budget and other changes to the operating environment, resulted in a significant reduction in the risks to the Agency achieving its closure and transition objectives during the period April – June 2012. For this reason, the provision of a discrete independent internal audit function ceased at the end of March 2012. After this assurance was provided through a further tightening of the Scheme of Delegation and managment scrutiny.

The system of internal control was designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It therefore provided a reasonable, rather than an absolute, assurance of effectiveness.

The Risk and Issue Management Strategy formed a key component of the 2012-13 Closure and Transition Programme and in accordance with the methodology endorsed by the Board, the Agency maintained an approach to the management of risk based on the Orange Book, published by HM Treasury.

Risk Profile and Assessment

The Agency's risk profile and approach to risk management was based on the structure of our Closure and Transition Programme. Levels of risk and the implementation of mitigation actions were monitored across the following areas:

- **People**

The key risk was the loss of staff and expertise during the period of closure and transition. In order to mitigate the risk, the Agency, with Cabinet Office approval, established and retained a closure team based on a consideration of the business-critical nature of key roles as well as the achievement of best value for money in staff and administrative costs.

- **Finance**

The heightened risks associated with closure related to fraudulent and/or erroneous payments due to significant changes in personnel and to the control environment. In order to mitigate these risks, the Agency implemented a revised Scheme of Delegation which was endorsed by the Audit Committee and ensured that all purchases were approved by the Closure and Transition Board and that all expenditure was approved by the former Accounting Officer or Corporate Directors.

- **Knowledge management**

The key risk was the loss or unavailability of the key information required to meet the needs of the National Audit Office (NAO), our external auditors. By working closely with the NAO and the transferee bodies we ensured that all the necessary information was provided in a timely fashion.

The Agency has not suffered any key data losses during the period.

Effectiveness of governance in the period to 30 June 2012

The Audit Committee reviewed the effectiveness of the system of governance including internal control and risk management. Due to the operational closure of the Agency on 31 March 2012, and the small scale of administrative activity during the period to 30 June 2012, the Audit Committee were able to do this without relying on Internal Audit.

Governance in the period after 30 June 2012

All the Agency's rights and obligations transferred to BIS on 1st July 2012 .The conclusion of the Agency's remaining business after this date was handled by BIS and was subject to BIS's governance framework and systems of internal control.

A key risk in this period concerned the satisfactory completion of the Agency's accounts. The risk of delay or other obstacles has been mitigated by:

a) the transfer of most of the Agency's assets, liabilities and activities to BIS and other bodies during 2011/12;
b) the production, audit and approval of a draft Report and Accounts for the period, for handover to BIS, with the supporting documents and accounting records; and
c) the close partnership working between staff at BIS and the Agency to achieve an effective handover, including attendance by BIS staff at Agency Board and Audit Committee meetings.

The final adjustments to the Agency's accounts were made by staff in BIS. The BIS Audit and Risk Committee (ARC) met on 3 December 2012 to review and approve the final Report and Accounts. The members of the BIS ARC, and their attendance at that meeting are as follows:

BIS Audit and Risk Committee members

Name	Attendance
Alan Aubrey (chair)	Yes
Grenville Hodge	Yes
Nigel Johnson	Yes

The governance structures in BIS are set out in more detail in the BIS Annual Report and Accounts 2011-12.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the governance, risk management and internal control systems in the Agency and in BIS for the period from 1 April 2012 to the date of the approval of the Report and Accounts. This review is informed by the work of senior managers within the Agency, by the internal control frameworks in place, by the past work of the internal auditors and by comments made by the external auditors in their management letter and other reports. The former Chief Executive and Accounting Officer of the Agency has provided me with formal assurances about the effectiveness of systems of governance, risk management and control for the period up to the abolition date. My review also takes account of the governance, risk management and internal control systems within BIS. This Governance Statement represents the end product of the review.

Conclusion

I have considered the evidence provided regarding the production of this Governance Statement, including the assurances provided by the Agency's former Board and former Accounting Officer, BIS Audit and Risk Committee and others, and I conclude that both organisations' overall governance and internal control structures have been effective. There are no significant control issues to report.

Martin Donnelly

Permanent Secretary and Accounting Officer
Department for Business, Innovation & Skills

Date 5 December 2012

THE AUDIT REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I have audited the financial statements of Advantage West Midlands for the period ending 30 June 2012 under the Regional Development Agencies Act 1998. The financial statements comprise: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the Statement of Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with the Regional Development Agencies Act 1998. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Advantage West Midlands' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Advantage West Midlands; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Advantage West Midlands' affairs as at 30 June 2012 and of the net expenditure after tax for the period then ended; and
- the financial statements have been properly prepared in accordance with the Regional Development Agencies Act 1998 and Secretary of State directions issued thereunder.

Emphasis of Matter – Preparation on a basis other than Going Concern

Without qualifying my opinion, I draw attention to note 1(b) to the financial statements which discloses that the financial statements have been prepared on a basis other than going concern as Advantage West Midlands was abolished on 1 July 2012.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Regional Development Agencies Act 1998; and
- the information given in the Accounting Officer's Report and Remuneration Report for the period for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Amyas C E Morse Date 7 December 2012
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Comprehensive Net Expenditure for the period ending 30 June 2012

	Notes	Agency Period ended 30-Jun-12 £'000	Agency Year ended 31-Mar-12 £'000	Group Year ended 31-Mar-12 £'000
Expenditure				
Programme expenditure	2	0	59,806	59,330
European funded programme expenditure	2	0	4,729	4,729
Staff costs	7	662	13,248	15,402
Other administration expenditure	8	271	1,979	3,601
Loss on transfer of Financial Assets		0	29,540	29,540
Loss on transfer of Subsidiary		0	4,606	4,606
Loss on revaluation of Venture Captial Funds		0	1,732	1,732
Loss on revaluation of Subsidiary		0	484	0
Total Expenditure		**933**	**116,124**	**118,940**
Income				
European funded income	3	0	6,809	6,809
Other income	5	0	4,925	4,985
Other government grants	4	0	158	2,918
Profit on disposal of inventories		0	98	98
Profit on disposal of PPEs		0	785	785
Profit on transfer of pension provision		0	434	434
Total Income		**0**	**13,209**	**16,029**
Net Expenditure		**933**	**102,915**	**102,911**
Interest payable	9	0	8	8
Interest receivable	6	(5)	(59)	(58)
Net Expenditure after interest		**928**	**102,864**	**102,861**
Taxation	19	1	(1,664)	(1,663)
Net Expenditure after taxation		**929**	**101,200**	**101,198**
Other Comprehensive Expenditure				
Net gain on revaluation of PPE		0	(133)	(133)
Net gain on revaluation of Bad Debts		0	(149)	(149)
Total Comprehensive Expenditure for the year		**929**	**100,918**	**100,916**

The notes on pages 25 to 43 form part of these accounts.

All activities are discontinued.

Statement of Financial Position
As at 30 June 2012

	Notes	Period ended 30-Jun-12 £'000	Year ended 31-Mar-12 £'000
CURRENT ASSETS			
Trade and other receivables	16	0	222
Cash and cash equivalents	17	890	12,379
Total Current Assets		**890**	**12,601**
CURRENT LIABILITIES			
Trade and other payables	18	859	2,141
Total Current Liabilities		**859**	**2,141**
TOTAL CURRENT ASSETS LESS CURRENT LIABILITIES		**31**	**10,460**
TAXPAYERS' EQUITY			
Grant-in-Aid Reserve		31	10,460
		31	**10,460**

The notes on pages 25 to 43 form part of these accounts.

The financial statements on pages 20 to 43 were approved and signed by:

Martin Donnelly
Accounting Officer

Date 5 December 2012

Statement of Cash Flows for the period ending 30 June 2012

	Notes	Agency 30-Jun-12 £'000	Agency 31-Mar-12 £'000	Group 31-Mar-12 £'000
Net Expenditure after interest		**(929)**	**(102,864)**	**(102,861)**
(Increase)/decrease in trade and other receivables	16	222	21,638	22,665
(Increase)/decrease in Inventories	15	0	4,345	4,345
Increase/(decrease) in Trade Payables	18	(1,282)	(57,521)	(58,395)
Use of provisions	20	0	(2,232)	(2,558)
release of revaluations		0	(133)	(133)
Disposal of Property, Plant and equipment		0	3,205	3,205
Disposal of assets to other government bodies		0	29,540	29,540
Disposal to BIS		0	4,169	(434)
Impairment of Venture Capital Funds		0	1,732	1,732
Impairment of Subsidiary		0	484	0
Corporation Tax Paid		0	0	1
Net cash outflow from operating activities		**(1,989)**	**(97,637)**	**(102,893)**
Cash flows from investing activities				
Purchase of property, plant and equipment	10	0	(30)	(30)
Repayments to Venture Capital Funds		0	(1,605)	(1,605)
Repayments from other bodies		0	763	763
Interest receivable		0	(59)	(58)
Interest on Investments		(5)	0	0
Net cash outflow from investing activities		**(5)**	**(931)**	**(930)**
Cash flows from financing activities				
Grant in aid from parent department		(9,500)	42,536	42,536
Grants from other departments		0	1,301	1,301
EU grants to fund Venture Capital Funds		0	1,605	1,605
Bank Interest		5	59	58
By Analogy pension scheme		0	8	8
Net financing		**(9,495)**	**45,509**	**45,508**
Net increase/(decrease) in cash and cash equivalents in the period		**(11,489)**	**(53,059)**	**(58,315)**
Cash and cash equivalents at the beginning of the period	17	12,379	65,438	70,694
Cash and cash equivalents at the end of the period	17	890	12,379	12,379

Agency Statement of Changes in Taxpayers' Equity for the period ending 30 June 2012

	General Reserve £'000	Reval Reserve £'000	Grant in Aid Reserve £'000	Total Reserves £'000
Balance at 1 April 2011	**6,219**	**133**	**60,521**	**66,873**
Changes in Taxpayers' Equity 2011-12				
Additions	1,605	0	0	1,605
Actuarial gain / (loss)	(5)	0	0	(5)
Transfers between reserves	(7,492)	0	7,492	0
Disposals	0	(133)	0	(133)
Transfers	157	0	(157)	0
Coal debtor prior year correction	0	0	502	502
Total Comprehensive Expenditure for the year	(484)	0	(100,434)	(100,918)
Total movements in 2011-12	**(6,219)**	**(133)**	**(92,597)**	**(98,949)**
Grant in aid from BIS to fund capital expenditure	0	0	1,622	1,622
Grant in aid from BIS to fund revenue expenditure	0	0	40,914	40,914
Balance at 31 March 2012	**0**	**0**	**10,460**	**10,460**

Balance at 1 April 2012	**0**	**0**	**10,460**	**10,460**
Changes in Taxpayers' Equity to 30 June 2012				
Total Comprehensive Expenditure for the period	0	0	(929)	(929)
Total recognised income and expense for the period to 30 June 12	**0**	**0**	**(929)**	**(929)**
Repayment of Grant-in-Aid to BIS	0	0	(9,500)	(9,500)
Balance at 30 June 2012	**0**	**0**	**31**	**31**

Group Statement of Changes in Taxpayers' Equity for the period ending 31 March 2012

	General Reserve £'000	Reval Reserve £'000	Grant in Aid Reserve £'000	Total Reserves £'000
Balance at 1 April 2011	**3,789**	**133**	**62,953**	**66,875**
Changes in Taxpayers' Equity 2011-12				
Additions	1,605	0	0	1,605
Actuarial gain / (loss)	(5)	0	0	(5)
Transfers between reserves	(5,062)	0	5,062	0
Disposals	157	(133)	(157)	(133)
Coal debtor prior year correction	0	0	502	502
Consolidation intercompany transactions	7,090		(7,090)	0
Total Comprehensive Expenditure for the year	(7,574)	0	(93,342)	(100,916)
Total recognised income and expense for 2011-12	**(3,789)**	**(133)**	**(95,025)**	**(98,947)**
Grant in aid from BIS to fund capital expenditure	0	0	1,622	1,622
Grant in aid from BIS to fund revenue expenditure	0	0	40,910	40,910
Balance at 31 March 2012	**0**	**0**	**10,460**	**10,460**

Notes to the Financial Statements for the period ending 30 June 2012

1 Accounting Policies

(a) Basis of Accounting

These financial statements are for the period from 1 April 2012 to 30 June 2012. The comparative figures are for the year from 1 April 2011 to 31 March 2012.

The financial statements of Advantage West Midlands have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury and in a form directed by the Secretary of State for Business Innovation and Skills, with approval of HM Treasury, in accordance with the Regional Development Agencies Act 1998.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agencyfor the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

(b) Going Concern

The Public Bodies Act, which paved the way for the abolition of the Regional Development Agencies, received Royal Assent on 14 December 2011. The Agency was abolished on 1 July 2012.

In 2011-12, the Department for Business, Innovation and Skills (BIS) issued two individual Transfer Schemes for each RDA under the Act. The first scheme came in to effect on 1 January 2012, transferring remaining projects and some staff to BIS so that the projects could be completed. A second Transfer Scheme was made on 30 March to take away most remaining assets and liabilities so that the Agency was able to achieve operational closure by 31 March 2012.

A third Transfer Scheme took effect on 1 July 2012, transferring the Agency's remaining assets and liabilities to BIS and the Agency was then abolished on 1 July 2012. Accordingly, the Agency was no longer a going concern as at 30 June 2012 and these Accounts have therefore been prepared on a basis other than going concern.

Notes to the Financial Statements for the period ending 30 June 2012

Accounting Policies (continued)

(c) Accounting Convention

The information contained in the financial statements relating to prior accounting periods is also prepared on a basis other than going concern. The accounting policies set out below were applied consistently to all periods presented in the financial statements.

(d) Basis of Consolidation

The consolidated accounts for the prior year incorporate the Agency and its subsidiary undertaking Business Link West Midlands Limited which was put voluntarily into administration on 24th February 2012 and transferred to BIS on 30th March 2012.

(e) Government Grants and Grant-In-Aid

Grant-in-Aid received to finance activities and expenditure which support the statutory and other objectives of the entity was treated as financing, and credited to the Grant-in-Aid Reserve, because it was regarded as a contribution from a controlling party. All other grants were credited to income unless there are specific repayment conditions.

(f) Pension Costs

Past and present employees of the Agency are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a non-contributory defined benefit scheme and is unfunded.

The Agency recognised the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employee' services by payment to the scheme of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the scheme.

Under the new Civil Service Compensation Scheme where an employee takes early retirement before their normal pension age, the cost of this was met by the Agency, and now by BIS, up to the point of their normal pension age, after which the scheme meets the cost.

(g) Leases

Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases.

Payments made under operating lease were charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the period of the lease.

There are no finance leases.

Notes to the Financial Statements for the period ending 30 June 2012

Accounting Policies (continued)

(h) Financial Instruments

The Agency has no borrowings and relied primarily on Grant-in-Aid from its sponsor Department and was therefore not exposed to liquidity risks. It had no material deposits and all material assets and liabilities were denominated in sterling, so there was no exposure to interest rate risk or currency risk.

Recognition

Financial assets and financial liabilities which arose from contracts for the purchase or sale of non-financial items (such as goods or services), which were entered into in accordance with the entity's normal purchase, sale or usage requirements, were recognised when, and to the extent which, performance occured i.e. when receipt or delivery of the goods or services was made.

All other financial assets and financial liabilities were recognised when the entity became a party to the contractual provisions of the instrument.

De-recognition

All financial assets were de-recognised when the rights to receive cashflows from the assets had expired or the entity had transferred substantially all of the risks and rewards of ownership.

Financial liabilities were de-recognised when the obligation was discharged, cancelled or expired.

Classification and Measurement

The entity assessed its assets and liabilities in accordance with IAS39.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. The Agency's receivables comprised: cash at bank and in hand and receivables.

Receivables were recognised initially at fair value, net of transactions costs, and were measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

Financial liabilities

Financial liabilities were recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method.

Notes to the Financial Statements for the period ending 30 June 2012

Accounting Policies (continued)

(h) Financial Instruments (continued)

Revenue Recognition

Operating income was recognised on a receivable basis.

(i) Provisions and Contingent Liabilities

The Agency made provision for liabilities and charges in accordance with IAS37 where, at the end of the accounting period, a legal or constructive liability (i.e. a present obligation from past events) exists, the transfer of economic benefits was probable and a reasonable estimate of the obligation could be made.

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and demand deposits and are subject to an insignificant risk of changes in value and are included as a component of cash and cash equivalents in the cash flow statement.

(k) VAT

The Agency was registered for VAT and operated within a Non Business Apportionment methodology agreed with HM Revenue and Customs. Any irrecoverable VAT resulting directly or indirectly from this methodology was written off to the Statement of Comprehensive Net Expenditure.

(l) Adoption of new IFRS standards

The Agency is governed by the Financial Reporting Manual (FReM) issued by HM Treasury. The adoption of any new IFRS is governed by their adoption into the FReM. There are no changes to the FReM for the period beginning 1 April 2012 identified as having an impact on the financial statements for the period. There has been no early adoption of IFRS changes.

Notes to the Financial Statements for the period ending 30 June 2012

2 Segmental Reporting of Programme Expenditure

Strategic Function	Agency 30-Jun-12 £'000	Agency 31-Mar-12 £'000	Group 31-Mar-12 £'000
International Business	0	462	462
Market Opportunities (through Clusters)	0	4,917	4,917
Enterprise & Business Development	0	12,620	12,144
Finance for Business	0	2,036	2,036
Technology Capacity & Business Innovation	0	9,473	9,473
Tourism & Culture	0	1,202	1,202
Skills for Business	0	1,116	1,116
Total Business	**0**	**31,826**	**31,350**
Land & Buildings for Economic Growth	0	4,721	4,721
Infrastructure & Asset Development	0	14,378	14,378
Total Place	**0**	**19,099**	**19,099**
Access to Employment (Economic Inclusion)	0	173	173
Total People	**0**	**173**	**173**
Regional Leadership	0	42	42
Total Powerful Voice	**0**	**42**	**42**
Total	**0**	**51,140**	**50,664**
Less Reconciling items			
Venture Capital Funds Capitalised	0	1,605	1,605
PXP Dowry reduction	0	(15,000)	(15,000)
Total Reconciling Items	**0**	**(13,395)**	**(13,395)**
Total Programme Expenditure	**0**	**64,535**	**64,059**
Funded by			
Expenditure funded from European income	0	4,729	4,729
Expenditure funded from Grant in Aid	0	59,806	59,330
Funding received by			
Public Sector Recipients	0	33,210	33,210
Private Sector Recipients	0	31,325	30,849
Total Programme Expenditure	**0**	**64,535**	**64,059**

Assets and liabilities have not been included in the segment information as they were managed on a portfolio basis and were not allocated to operating segments. The reconciling items represent programme expenditure that was reported by segment during the period and was then capitalised at the year-end and moved to the Statement of Financial Position. Administration costs were also not allocated to segments as the Board did not require a breakdown of this information.

There was no programme expenditure in the period ending 30 June 2012.

Notes to the Financial Statements for the period ending 30 June 2012

3 European Funding

	30-Jun-12 Agency £'000	31-Mar-12 Agency £'000	31-Mar-12 Group £'000
ERDF 2000 - 2006 Grants receivable	0	2,080	2,080
ERDF 2007-2013 Grants Receivable	0	4,729	4,729
	0	**6,809**	**6,809**

Funding from the European Regional Development Fund (ERDF) was claimed against defrayed expenditure. The funding was conditional on eligible expenditure within 'Objective 2' areas; mandatory regulations are laid down by the European Commission and if not followed correctly could be subject to claw-back. The responsibility for the management of the ERDF programme was transferred to Department of Communities and Local Government on 1 July 2011 although the Agency continued as applicant to a number of projects until 31 March 2012.

4 Other Government Grants

	30-Jun-12 Agency £'000	31-Mar-12 Agency £'000	31-Mar-12 Group £'000
UK Trade and Investment Grant	0	92	92
Other Grants	0	66	2,826
	0	**158**	**2,918**

5 Other Income

	30-Jun-12 Agency £'000	31-Mar-12 Agency £'000	31-Mar-12 Group £'000
Rent	0	54	54
Partner Contributions	0	117	117
Clawback	0	4,496	4,496
Other Income	0	247	307
Secondee Income	0	11	11
	0	**4,925**	**4,985**

Rent was received under operating leases in respect of property rentals received from assets held in Property, Plant and Equipment prior to transfer to the Homes and Communities Agency during 2011/12 or sale to third parties.

Notes to the Financial Statements for the period ending 30 June 2012

6 Interest Receivable

	30-Jun-12 Agency £'000	31-Mar-12 Agency £'000	31-Mar-12 Group £'000
Bank Interest	5	59	58
	5	**59**	**58**

Notes to the Financial Statements for the period ending 30 June 2012

7 Salaries and Wages

(a) Board and Staff Remuneration

	30-Jun-12 Agency £'000	31-Mar-12 Agency £'000	31-Mar-12 Group £'000
Permanent Staff			
Board Members			
Board Members' Fees	42	184	184
Social Security Costs	3	34	34
	45	**218**	**218**
By-Analogy pension paid to N Paul on retirement	**0**	**9**	**9**
Staff			
Salaries and wages inc. overtime	178	4,340	5,926
Pension Costs	45	913	975
Social Security costs	77	670	810
	300	**5,923**	**7,711**
Staff Seconded Out			
Salaries and wages inc. overtime	0	12	12
Pension Costs	0	1	1
Social Security Costs	0	(2)	(2)
	0	**11**	**11**
Other Staff Costs			
Agency staffing costs	**0**	**(87)**	**(87)**
Compensation payments	**317**	**7,174**	**7,540**
Sub Total	**662**	**13,248**	**15,402**
Income from Staff Seconded Out	**0**	**(11)**	**(11)**
Permanent Staff salaries coded to Programme Activities			
Salaries and wages inc. overtime	0	111	111
Pension Costs	0	31	31
Social Security Costs	0	16	16
	0	**158**	**158**
Total Salaries and Wages	**662**	**13,395**	**15,549**

Notes to the Financial Statements for the period ending 30 June 2012

(b) Staffing

The average number of full time equivalent (FTE) staff employed by the Agency during the period (including all Agency and seconded staff) was broken down as follows.

Department	Permanent Staff	Temporary and Agency Staff	Total	Prior Year
Leadership Team	3	0	3	3
Project One - people	0	0	0	6
Project Two – Facilities and Services	3	0	3	6
Project Four – Programmes projects and grants	0	0	0	20
Project Five – Tranfer of Functions and Assets	0	0	0	25
Internal Audit and Business Risk	0	0	0	4
Transition and Closure Team	0	0	0	7
Finance Team	6	0	6	13
ERDF / RDPE	0	0	0	7
Business Link West Midlands	0	0	0	2
UKTI	0	0	0	1
Maternity Leave / Long Term Sick	0	0	0	2
Total	**12**	**0**	**12**	**96**

(c) Seconded Staff

There were no staff seconded in from other organisations during the period.

(d) Staff Absence

The three month analysis to 30 June 2012 shows that 4 days were lost due to absence out of a possible 667 days. This equates to an absence rate of 0.58%. (2011/12: 453 days absence out of a possible 32,131 days equating to an absence rate of 1.41%.)

Notes to the Financial Statements for the period ending 30 June 2012

(f) Reporting of Civil Service and other compensation schemes

2012-13 Exit Package Cost Band (£)	**Number of Compulsory Redundancies**	**Number of Voluntary Redundancies**	**Total number of Exits by Cost band**
10,000 - 25,000	0	2	2
25,000 - 50,000	0	1	1
50,000 - 100,000	0	2	2
100,000 - 150,000	1	0	1
Total number of exits by type	**1**	**5**	**6**
Total cost of exits (£'000)	**141**	**176**	**317**

2011-12 Exit Package Cost Band (£)	**Number of Compulsory Redundancies**	**Number of Voluntary Redundancies**	**Total number of Exits by Cost band**
Less than 10,000	0	3	3
10,000 - 25,000	0	50	50
25,000 - 50,000	0	59	59
50,000 - 100,000	0	35	35
100,000 - 150,000	1	7	8
150,000 - 200,000	0	3	3
greater than 250,000	0	1	1
Total number of exits by type	**1**	**158**	**159**
Total cost of exits (£'000)	**140**	**7,034**	**7,174**

The redundancy costs for all staff exits in the period to 30 June 2012 were accrued in full in 2011-12 because all of their redundancy contracts were in place by 31 March 2012. The staff numbers and costs in the period ending 30 June 2012 are in respect of retention payments agreed and paid in that period (see note 22 for further details) and all of these staff are also included in the staff numbers for 2011/12 as their redundancies were agreed in that year.

Since the end of the reporting period Mick Laverty, the former Chief Executive, has been re-employed by another public sector body and he has voluntarily agreed to repay £82,117, a proportion of the compensation he received on being made compulsorily redundant on 30 June 2012. His re-employment does not trigger the normal rules on repayment because his new employer does not participate in the Principal Civil Service Pension Scheme. As the Agency has been abolished, this repayment will be received and accounted for by BIS. The total cost of exits for compulsory exits in 2011-12 shown in the table above is as published in the 2011-12 accounts and represents his full accrued redundancy costs of £140,772, which will be reduced by this voluntary repayment.

Notes to the Financial Statements for the period ending 30 June 2012

(f) Reporting of Civil Service and other compensation schemes (continued)

Redundancy and other departure costs have been paid in accordance with the provision of the new Civil Service Compensation Scheme, a statutory scheme made under the terms of the Superannuation Act 2010. Where staff were entitled to take early retirement, in accordance with the provision of the new Civil Service Compensation Scheme, the costs were met by the Agency and are now met by BIS. Ill-health retirement costs are met by the pension scheme and are not included in the table above.

8 Other Administration Costs

	30-Jun-12 Agency £'000	31-Mar-12 Agency £'000	31-Mar-12 Group £'000
Office costs	35	599	990
Other staff costs	2	185	377
Professional costs	3	64	310
Closure costs	25	1,052	1,052
Lease Payments - Property	98	385	810
IT and communication	93	252	433
Lease Payments - Plant and Equipment	0	135	205
Travel and subsistence	2	32	37
Auditors remuneration - Statutory audit services	13	88	88
Internal audit services	0	(50)	62
Apportionment of overheads	0	(763)	(763)
	271	**1,979**	**3,601**

9 Interest Payable

	30-Jun-12 Agency £'000	31-Mar-12 Agency £'000	31-Mar-12 Group £'000
Financing costs of By-Analogy Pension scheme	0	8	8
	0	**8**	**8**

Notes to the Financial Statements for the period ending 30 June 12

10 Property, plant and equipment (PPE)

	Land & Buildings £'000	Information Technology £'000	Fixtures and Fittings £'000	Total £'000
Cost				
As at 1 April 2012	0	0	0	0
Additions in period	0	0	0	0
Disposals	0	0	0	0
As at 30 June 2012	**0**	**0**	**0**	**0**
Depreciation				
As at 1 April 2012	0	0	0	0
Charge in year	0	0	0	0
As at 30 June 2012	**0**	**0**	**0**	**0**
Net Book Value 30 June 2012	**0**	**0**	**0**	**0**
Net Book Value 31 March 2012	**0**	**0**	**0**	**0**
Asset financing:				
Owned	0	0	0	0
Finance Leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
Net Book Value 30 June 2012	**0**	**0**	**0**	**0**

	Land & Buildings £'000	Information Technology £'000	Fixtures and Fittings £'000	Restated Total £'000
Costs				
As at 1 April 2011	3,455	1,607	2,048	7,110
Additions in year	30	0	0	30
Disposals	(3,485)	(1,607)	(2,048)	(7,140)
Impairment	0	0	0	0
Write up	0	0	0	0
As at 31 March 2012	**0**	**0**	**0**	**0**
Depreciation				
As at 1 April 2011	280	1,607	2,048	3,935
Disposals	(280)	(1,607)	(2,048)	(3,935)
As at 31 March 2012	0	0	0	0
Net book Value 31 March 2012	**0**	**0**	**0**	**0**
Net Book Value 31 March 2011	**3,175**	**0**	**0**	**3,175**
Asset financing:				
Owned	0	0	0	0
Finance Leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
Net Book Value 31 March 2012	**0**	**0**	**0**	**0**

Notes to the Financial Statements for the period ending 30 June 2012

11 Intangible Assets

Software Licences	30-Jun-12 £'000	31-Mar-12 £'000
Cost		
As at 1 April	0	827
Disposals	0	(827)
As at 30 June / 31 March	**0**	**0**
Amortisation		
As at 1 April	0	827
Disposals	0	(827)
As at 30 June / 31 March	**0**	**0**
Net Book Value at 30 June / 31 March	**0**	**0**

12 Financial Assets – Investments

Investment in former subsidiary

Name of Undertaking	Interest	Nature of Business	Net Assets £'000	Share of Net Assets £'000	Turnover £'000
Business Link West Midlands Limited 19 Ridgeway Quinton Business Park Birmingham B32 1AL	100%	Business advice, now in Voluntary liquidation			
Total as at 30 June 12			**0**	**0**	**0**
Total as at 31 March 12			**0**	**0**	**0**

The Agency's interest in Business Link West Midlands Limited was transferred to BIS on 30 March 2012.

13 Financial Assets - Long Term Loans

	30-Jun-12 £'000	31-Mar-12 £'000
Cost:		
Opening Balance as at 1 April	**0**	**8,500**
Disposals	0	(8,500)
Value as at 30 June / 31 March	**0**	**0**
Provision		
Opening Balance as at 1 April	**0**	**(5,000)**
Disposals	0	5,000
Value as at 30 June / 31 March	**0**	**0**
Net Book Value at 30 June / 31 March	**0**	**0**

Notes to the Financial Statements for the period ending 30 June 2012

14 Impairments

	30-Jun-12 £'000	31-Mar-12 £'000
Impairments		
Impairment of Venture Capital Funds	0	1,732
Impairment of Subsidiary	0	484
Closing balance at period end	**0**	**2,216**
Charged to the Statement of Comprehensive Net Expenditure	**0**	**2,216**

15 Inventories

	30-Jun-12 £'000	31-Mar-12 £'000
Balance as at 1st April	0	4,345
Movement in the period / year	0	(13)
	0	**4,332**
Book value on disposal of assets	0	(4,332)
	0	**(4,332)**
Write down charged to Statement of Comprehensive Net expenditure	0	0
Upward valuation transferred to Revaluation Reserve	0	0
Valuation at 30 June / 31 March	**0**	**0**

Notes to the Financial Statements for the period ending 30 June 2012

16 Trade and other Receivables

	30-Jun-12 £’000	31-Mar-12 £’000
Amounts receivable in 1 year:		
Trade Receivables	0	65
Prepayments	0	129
Other accrued income	0	28
Balance at the end of the period	**0**	**222**

Intra Government Balances

	30-Jun-12 £’000	31-Mar-12 £’000
Amounts receivable in 1 year:		
Balances with public sector bodies	0	0
Balances with bodies external to government	0	222
	0	**222**

17 Cash and cash equivalents

	30-Jun-12 £’000	31-Mar-12 £’000
Balance as at 1 April	12,379	65,438
Net change in cash and cash equivalents	(11,489)	(53,059)
Balance at end of period	**890**	**12,379**

The balances at the period end were held at commercial banks and as cash-in-hand.

Notes to the Financial Statements for the period ending 30 June 2012

18 Trade and other payables

	30-Jun-12 £'000	31-Mar-12 £'000
Amounts payable in 1 year:		
Trade payables	0	1
Accruals	830	2,111
Corporation Tax	29	28
VAT	0	1
	859	**2,141**

Intra-Government Balances

	30-Jun-12 £'000	31-Mar-12 £'000
Amounts payable in 1 year:		
Balances with other central government bodies	29	111
Balances with bodies external to government	830	2,030
	859	**2,141**

19 Taxation

	30-Jun-12 £'000	31-Mar-12 £'000
Corporation tax		
Current year	1	29
Prior year	0	(127)
Total	**1**	**(98)**
Deferred tax		
Current year	0	0
Prior year	0	(1,566)
Total	**0**	**(1,566)**
Tax charge/(credit) for the period	**1**	**(1,664)**

The Corporation Tax for the current year is expected to be charged at the prevailing rate of tax of 24% (2011-12, 26%).

Factors affecting the tax charge/(credit) for the period

	30-Jun-12 £'000	31-Mar-12 £'000
Net expenditure on ordinary activities	(928)	(102,579)
Calculated deficit before taxation based on net expenditure	(223)	(26,671)
Effects of:		
Non-allowable deficit on non-taxable activities	224	27,003
Expenses not deductable for tax	0	(226)
Other permanent differences (primarily capital gains)	0	(77)
Prior year adjustments	0	(1,693)
Corporation tax current year charge for the period	**1**	**(1,664)**

20 Provisions

	30-Jun-12 £'000	31-Mar-12 £'000
Balance as at 1 April	0	2,232
Movement in the year	0	(2,075)
Provided in the year	0	8
Transfer to BIS	0	(156)
Charged to Statement of Net Comprehensive Expenditure	0	(9)
Balance at the end of the period	**0**	**0**

Notes to the Financial Statements for the period ending 30 June 2012

21 Events after the Reporting Period

All remaining rights and obligations of the Agency transferred to BIS on 1 July 2012 by virtue of a transfer scheme under the authority of the Public Bodies Act 2011. The net assets transferred totalled £31,000 as shown in the Statement of Financial Position. The Agency was abolished on 1 July 2012 by virtue of an Order commencing section 30(1) of the Public Bodies Act 2011.

The financial statements are laid before the Houses of Parliament by the Secretary of State for Business, Innovation and Skills (BIS). *IAS 10 – Events after the Reporting Period* requires Advantage West Midlands to disclose the date on which the accounts are authorised for issue. The authorised date for issue is the date the audit report is signed by the Comptroller & Auditor General.

Since the end of the reporting period, Mick Laverty, the former Chief Executive, has been re-employed by another public sector body and has voluntarily agreed to repay £82,117, a proportion of the compensation he received on being made compulsorily redundant on 30 June 2012. Further details are given in note 7f.

22 Losses and Special Payments

The Agency incurred no losses during the period requiring disclosure under the guidance contained in 'Managing Public Money'.

In order to ensure an effective closure of the Agency, a retention scheme was put in place that identified key individuals with the necessary skills and experience to close the Agency. This scheme was approved by the Department for Business, Innovation and Skills (BIS), in conjunction with HM Treasury in December 2010. In the period ending 30 June 2012, 6 staff received retention payments totalling to £317,265, having met the required conditions. These payments were made to ensure highly specialised and experienced staff were retained to oversee the smooth and solvent closure of the Agency, ensuring value for money on all transactions and negating the need for engagement of consultancy resources which would have been at a greater cost.

23 Operating Leases

As at 30 June 2012 the Agency had no operating lease commitments.

	30-Jun-12 £'000		31-Mar-12 £'000	
	Buildings	**Other**	**Buildings**	**Other**
Not later than 1 year	0	0	70	0
Later than 1 year and not later than 5 years	0	0	0	0
Later than 5 years	0	0	0	0
	0	**0**	**70**	**0**

Rental costs of operating leases were charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

Notes to the Financial Statements for the period ending 30 June 2012

24 Related Party Transactions

Advantage West Midlands was an Non-Departmental Public Body (NDPB) whose sponsor was the Department for Business, Innovation and Skills (BIS). During the period ending 30 June 2012 the Agency returned funding to BIS. BIS was regarded as a related party. No other significant transactions have taken place with this body. BIS was the sponsor of the other Regional Development Agencies in England and therefore the other RDAs were regarded as related parties. There were no outstanding balances with the other RDAs at the period end.

25 Contingent Liabilities

At 30 June 2012 there were no significant contingent liabilities (31 March 2012: nil).

26 Categories of Financial Instruments

Financial Assets as at 30 June 2012	**Loans and receivables £'000**
Cash at bank and in hand	890
Total	**890**

Financial Liabilities as at 30 June 2012	**Other Financial Liabilities £'000**
Trade and other payables	859
Total	**859**

Embedded Derivatives

In accordance with IAS 39, ‘Financial Instruments: Recognition and Measurement’, the Agency has reviewed all material contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in the standard. No instances were found that required ‘embedded derivatives’ to be recognised at their fair value, separately from the non-derivative host contract. For the contracts reviewed, the economic characteristics and risks were closely related to those of the host contract.

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