Advantage West Midlands

annual report and accounts
08/09

Advantage West Midlands

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Annual Report and Accounts 2008-2009

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section 17(3) of the Regional Development Agencies Act 1998

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Chairman's Statement

For the final time as Chairman, I am pleased to present the Advantage West Midlands Annual Report and Accounts.

At the outset of this year I'm not sure any of us could have predicted the challenges we would face as an organisation, as a region or indeed, as a nation.

In times of such economic difficulty it is vital that we learn the lessons from our past experiences. Experience has shown that a co-ordinated response is a more effective and efficient response, insight we have applied to our regions response to the global economic crisis and resulting UK recession. The commitment to an integrated regional response has been unanimous - from the Regional Minister to local support agencies.

The West Midlands Economic Taskforce, led by Advantage West Midlands, has been the spearhead for this regional response, addressing regional business and employment issues specifically associated with the recession, minimising their impact on our businesses and our communities - and perhaps most importantly, working to ensure business resilience in the West Midlands, over the long term.

The structural issues we articulated in the West Midlands Economic Strategy (WMES) remain, and as a result of the global economic crisis are, in many instances, worse than they were when we identified them back in 2007.

Raising the level of entrepreneurial activity, encouraging much greater levels of innovation in companies, improving the skills base of our workforce, reducing levels of worklessness and improving the transport infrastructure are all crucial if this region is to take its place on the world stage, when the upturn begins.

We also face the challenge of achieving this balance against a backdrop of reductions in the funds available to many public bodies, including regional development agencies.

It is important that we remain optimistic about what we can still achieve with these resources. Our achievements over the last twelve months – despite the deepening recession – are testament to what this region can achieve with often limited resources.

These are difficult times, but we must remain focused on one goal – investing in projects and programmes that give maximum impact for the region.

Over the past twelve months we have given evidence to both the West Midlands and BERR Select Committees, the latter of which concluded that there is broad support for a business-led, public body operating between national and local level on economic development issues.

Advantage West Midlands can clearly articulate and quantify the economic impact of its investments. We know what works and the WMES gives us a clear framework for delivery.

So, as I begin the process of passing over the Chairman's mantle to Sir Roy McNulty, I'm proud to be handing over at a point when as a region we're working so well together - toward a common goal. Until quite recently, the region was growing and flourishing. It will again, once the global crisis is over. Sir Roy's contribution to this will be a vital one – his challenge, and our collective challenge, is to continue to work together to ensure the West Midlands that emerges following the recession, is leaner and stronger than ever.

Nick Paul.

Nick Paul

Chief Executive's Statement

In delivering our contribution to the West Midlands Economic Strategy, Advantage West Midlands invested £330 million during 2008-09 in the West Midlands - the highest amount we've invested in our 10 years as regional development agency.

With the help of our partners we're confident we've made every penny of that investment count. Since last year's annual report, PricewaterhouseCoopers (PwC) has published its national report on the impact of RDA spending. I am delighted to report the PwC study indicated Advantage West Midlands has already achieved a return of £4.20 (GVA) for every £1 invested in the region. This return will further rise to an estimated £7.45, as our projects come to fruition.

In 2006-07, the National Audit office awarded the highest possible rating of 4 for Advantage West Midlands' overall performance and assessed the Agency as 'Performing Strongly'.

In further recognition of our commitment to continuous improvement I'm delighted that, having achieved 'Investors in Excellence' standard at our first attempt back in 2007, we were selected as one of the finalists at the Midlands Excellence Awards in 2008-09.

Building on the lessons learned from the evaluation study and these performance audits, we continue to work to continuously improve our own performance to ensure the best support for the region, and to ensure we focus resources to where they offer the best return on the investments we make.

This insight has been used to inform our contribution to the recent Regional Funding Advice (RFA) recently requested by Government.

Given the backdrop of a recession, we've worked with a number of partners to ensure RFA has focused on projects that will help the region's businesses and communities face current economic challenges whilst ensuring a stronger and more robust future regional economy.

We remain committed to working with our partners to ensure that our short term response to the current crisis doesn't take off-track longer term plans for development of the West Midlands economy. Our need to relieve immediate pressure on the region has to be balanced with our strategy of long term growth.

Throughout the management commentary examples of that balancing act are clearly evident – this year, unlike any other, has been one of change. Our ability to react to the changing picture and be flexible in our delivery has been critical this year – and is likely to be a common theme for some time to come.

Since completing our current Corporate Plan back in May 2008, the economic climate has deteriorated dramatically. As a result we have had to prioritise activity to ensure an effective response to immediate pressures facing the region.

Our first response, announced last September, was a £64 million package of support which included the establishment of a business loan fund, the Advantage Transition Bridge Fund, a grant scheme for property developers and increased funding for our Manufacturing Advisory Service & Business Link network.

We've also taken the lead role in the formation and leadership of the West Midlands Taskforce, and commissioned and delivered a support signposting campaign which ran across press and radio to ensure businesses and individuals in the region, affected by the economic downturn, are aware of and know how to access the support available.

Our output figures reflect the impact of the global downturn, with jobs created or safeguarded on target at 16,997, but businesses created and surviving at 12 months understandably proved too demanding, coming in under target at 1,757 (against a target of 4,193). Our investment activity has provided employment support to 9,155 individuals and 16,622 people have been assisted in their skills development.

Against a target of 101 hectares, we have successfully managed to bring back 102 hectares of redundant and derelict land into productive economic use. This land, previously unsuitable for development and use by the private sector, will play a major role in the provision of employment land across the region.

Key milestones have been met on a number of our flagship projects.

In June 2008 the Agency signed the funding agreement for the £600 million New Street Gateway Project, with Birmingham City Council. The joint scheme between Birmingham City Council, Network Rail, Advantage West Midlands and Centro has made significant progress this year, including the unveiling of visionary new designs. The new station will double capacity and provide a catalyst for the further regeneration of the south side of the city, eventually creating over 10,000 new jobs.

At the 100-acre Ansty Park site in Warwickshire, Ericsson have been secured as the first occupier on what we're proudly calling 'the future home of R&D'. The Agency has also secured an increased planning consent of 140,000 sqm of floorspace on site. It was also confirmed that the new £120 million National Manufacturing Technology Centre will be located at Ansty Park. The Park will eventually be home to 5,000 high technology-led jobs. Exactly the right kind of jobs we need to provide in our region.

And our Birmingham Science City programme has taken huge steps forward. Through the initiative - a three year, £80 million funding programme investing in collaborative activity in the areas of materials, energy and translational medicine - we awarded the Universities of Warwick and Birmingham with just under £20 million to develop the world-class medical research undertaken at both institutions into practical applications for patient care.

This year, the redevelopment of the former MG Rover car plant at Longbridge took an important step forward. In February 2009, Government approved the Longbridge Area Action Plan, which proposes the creation of 10,000 new jobs and at least 1,450 homes on the former MG Rover site.

There is considerable expertise in energy technology in the Midlands, and during 2008 the Agency and the East Midlands Development Agency worked in close partnership to make win a successful bid to locate the Energy Technology Institute (ETI) in the Midlands at Loughborough University. The ETI will be at the forefront of the development of low carbon technology over the next ten years and will invest up to £1 billion in exploitative research. Our support and commitment helped Loughborough University (on behalf of the Midlands Energy Consortium including Birmingham and Nottingham Universities) win the right to host the institute.

We were also able to confirm our support for a £36 million investment in the £282 million project for a state-of-the-art learning quarter in Stoke-on-Trent. The University Quarter brings together Staffordshire University, Stoke-on-Trent FE College and Stoke-on-Trent Sixth Form College in a unique learning quarter that will encourage people to progress into university education and will see major improvements to an important area of Stoke-on-Trent – between the railway station and the city centre. The improvement will include new shared facilities for the colleges and the university as well as commercial and residential development.

Similarly our investment in Coventry City Centre will see a revitalised city emerge. We've committed £40 million to help drive the £2.2 billion ten-year plan to improve the city centre. Our funding will help pull together and deliver the key schemes planned for Coventry city centre including Friargate, Swanswell and Coventry University developments as well as the hugely important masterplan which will radically redevelop the retail centre of the city.

None of these projects would have been possible without the hard work of partners from around the region, and I would like to take this opportunity to thank each and every one of you for your support this year.

As we continue to work our way through these difficult times, I remain focused on delivering economic development which is business-driven, based as it is on the businesses with the potential to grow our economy, the places in which they operate and the people who comprise the workforce.

Another difficult year lies ahead for us all - I look forward to working alongside the Advantage West Midlands team to redouble our efforts to deliver our own corporate contribution to the WMES and work with all our partners to close the output gap left once the recession begins to lift.

Mick Laverty

Performance Report

2008-2009

Advantage West Midlands

Regional Context

Much has happened since our Corporate Plan was completed in May 2008. National and regional economies have been severely affected by the global recession. Businesses, individuals and communities are suffering as a result. Immediate and substantial intervention has been required by the public sector to address the root causes of the recession and help mitigate its consequences.

The West Midlands has been hit harder than other regions. In the first three months of 2009, the region saw the fastest decline in business activity of any English region. We have also experienced the most significant job shedding of any UK region over the same period and now have the highest unemployment rate in the UK (9.3% compared with a UK rate of 7.1%).

This downturn in performance is reflected in the fact that in terms of GVA per head (the headline measure of our Regional Economic Strategy) the region is currently in the bottom third of all English region - and worsening (West Midlands - £17,1616, England - £20,463).

This is largely because the very industries which characterise our region – particularly manufacturing and automotive, are among those which have been most affected by the recession.

They do however, remain significant contributors to the economy – manufacturing accounts for 17% of regional Gross Value Added and many of our activities are focused on these companies - enabling businesses to innovate, change and compete in all markets. Whilst manufacturing's share of total employment is likely to continue to contract, it will remain an important part of the regional economy. High value manufacturing, in particular, will continue to be important for the future prosperity of the region.

Communities dominated by employment in traditional, low value-added industries have been most vulnerable to the recession. Five of the ten worst affected English local authority districts (in terms of the rise in claimant count proportions) are within the West Midlands (Cannock Chase, Redditch, Walsall, Tamworth and Sandwell).

The Agency has responded swiftly to these challenges by re-prioritising activity whilst retaining an appropriate balance between the short-term actions needed to mitigate the impact of the recession and prepare for the upturn, and activity to address the medium and longer term issues facing the region. The major regional challenges identified in the West Midlands Economic Strategy (related to skills, enterprise, innovation, economic inclusion and transport) have not fundamentally changed – and addressing them remains critical to the region.

More information on regional economic performance is available in the WMES Monitoring Framework: Outcome Indicators Update Report, February 2009. This is on the West Midlands Regional Observatory web site

http://www.wmro.org.uk/standardTemplate.aspx/Home/OurResearch/Businesseconomy/WestMidlandsEconomicStrategyMonitoringFramework

The backdrop to our review of activity includes:

- **Responding to the recession** –The Agency acted swiftly and the West Midlands was the first region to put a series of major initiatives in place. In September 2008, we announced a £64 million support package, including the Advantage Transition Bridge Fund (re-opened in November). Our strong track record of effective partnership working meant that we were also the first region to establish a Council of Economic Advisors and Regional

Taskforce. We have learned from past experience and applied the lessons from dealing with crises, such as the closure of MG Rover. The most important initiatives put in place by the Agency were focused around improving the availability of finance, providing targeted advice and support for businesses and encouraging regeneration and investment in infrastructure.

- **Learning and applying the lessons from impact evaluation** – During 2008-09 the Agency began the implementation of an ambitious and comprehensive programme of impact evaluation. Complementing the Agency's overall commitment to continuous improvement, the purpose was to improve our economic impact by learning the lessons from past interventions. The evaluations, which fed into the national report on RDA impact and were also used in the recent Public Value Programme Review of RDAs, encompassed over £1.2 billion of Agency expenditure between 2002-03 and 2006-07. The study showed that the Agency is achieving very good value for money, and will generate £7.45 of overall benefit for the region for every £1 invested. We have – and will continue – to use the information generated by this work to inform our investment planning decisions.

- **Applying new policy directions from Government** – Since our Corporate Plan was produced Government has launched a number of policy statements and strategies that are relevant to our activities. These include the Low Carbon Industrial Strategy[1] and New Industry, New Jobs[2]. A significant amount of existing Agency activity is already contributing to the delivery of these agendas and we will continue to build on this.

[1] *Low Carbon Industrial Strategy*: *A vision*, Department for Business, Enterprise and Regulatory Reform and Department for Energy and Climate Change, March 2009, available at: http://interactive.berr.gov.uk/lowcarbon/

[2] *New Industry, New Jobs: Building Britain's Future,* HM Government, April 2009, available at: http://www.berr.gov.uk/files/file51023.pdf

Delivering the Corporate Plan

Introduction

Connecting to Success, the West Midlands Economic Strategy, launched in December 2007, has been operational now for just over a year. This report presents Advantage West Midlands contribution to the delivery of the WMES for that first year 2008-09, and through its first year of the Corporate Plan (2008-11).The report focuses on the Corporate Objectives, outputs, outcomes and deliverables as specified in the Corporate Plan, and is therefore structured around the 13 Corporate Objectives (CO). It also reflects on changes resulting from budget cuts and additional new actions taken to help businesses deal with the current economic climate.

The 13 Corporate Objectives include 10 under the WMES themes of Business (CO1 – CO3), Place (CO4 – CO6), People (CO7 – CO9), and Powerful Voice (CO10). The other 3 come under the organisational development themes of Organisational Performance (CO11), Implementing SNR (CO12), and Evaluation & Learning (CO13).

13 Corporate Objectives

Business	
CO1	Seizing market opportunities
CO2	Improving competitiveness
CO3	Harnessing knowledge
Place	
CO4	Increasing Birmingham's competitiveness
CO5	Improving infrastructure
CO6	Sustainable communities
People	
CO7	Sustainable living
CO8	Raising ambitions and aspirations
CO9	Achieving full potential and opportunities for all
Powerful Voice	
CO10	Powerful voice for the West Midlands
Organisational Development	
CO11	Organisational performance
CO12	Implementing SNR
CO13	Evaluation and learning

BUSINESS

CORPORATE OBJECTIVE 1 - SEIZING MARKET OPPORTUNITIES

Activity within this objective includes:

Business Clusters

This year, we have implemented the first year of the current three year Business Cluster Programme, establishing initiatives within each of the 13 clusters to exploit target markets which provide the best prospects for increased wealth, sustained market share and jobs. Major initiatives have been funded in low carbon vehicles, sustainable energy, assistive living and digital content.

As part of our response to the recession, clusters have provided regional leadership. For example the West Midlands Centre for Constructing Excellence (WMCCE) held a Construction Summit and has taken forward resulting issues; Accelerate has played a similar role for the automotive industry and the Rail Alliance held a well attended seminar programme for companies wishing to diversify into rail.

During the year we have also had results of the impact evaluation of our cluster activity over the previous five years. The findings are positive – we are on course to generate a return of £7.60 of additional GVA for every £1 invested in cluster activity.

Access to Finance[3]

Advantage West Midlands' activity contributed to the announcement in the Pre-Budget Report of RDA backed 'Transition Funds' and the Advantage Transition Bridge Fund (ATBF) was the first to become operational in November 2008. As part of our recession response we developed the ATBF – a mid-range loan fund for businesses affected by the credit crunch, who have viable long-term business plans but are unable to get commercial loans.

The ATBF has achieved excellent success. It initially re-opened as a £4.2 million fund, but in view of the level of demand, the Agency injected a further £5 million in January 2009. Since then a further £0.5 million has been injected, bringing the fund up to the maximum £9.9 million sanctioned by BERR. The ATBF has been particularly active in sectors which the banks currently view with caution – 32% of it's lending has been to the automotive sector and a further 24% to other manufacturing sectors. One third of all loans made under the fund nationally have been by Advantage West Midlands. The fund is in addition to the range of finance schemes currently being offered by Advantage West Midlands.

Inward Investment

During 2008-09 the International Business Forum (IBF) was created - a new regional strategic level board. Acting as advisor and advocate for the Agency on international business issues, the IBF also leads the development and implementation of the International Business Action Plan (IBAP). The IBAP seeks to maximise the economic benefits derived for the region from international business activity into/out of the West Midlands region.

Business Tourism

Business Tourism has benefited in 2008-09 as the Agency committed £3 million to a £12 million three year business tourism programme, led by Marketing Birmingham.

[3] (Note – The activities under Access to Finance are shared across Corporate Objective 1 and Corporate Objective 2).

The Programme includes the promotion of the region's world leading business tourism facilities to attract major events, including the International Rotary Convention in 2009 (with about 20,000 delegates travelling to the West Midlands, the largest such event in the UK for 10 years).

Sustainable Development

During 2008-09 the Agency has been developing a Decentralised Energy Programme trialling the implementation of decentralised energy solutions. The programme includes the roll out of the Re:Think Energy initiative providing grant support to businesses implementing renewable energy solutions. The Agency also approved a £5 million commitment to the Waste Infrastructure and Recycling Development Programme in 2008-09.

Key achievements for CO1 - Seizing Market Opportunities, include:

- One of the greatest successes in 2008-09 for Clusters has been in environmental technology exploitation. Cluster support for Converteam has helped them to develop a low-weight generator for wind turbines, and has led to a multi-million pound order book. The Ludlow and Greenfinch demonstrator biomass digestors have also been very successful.

- Building on the success of the Premium Automotive R&D programme, we are investing £30m over the next three years to support the Low Carbon Vehicles (LCV) plan from the National Automotive Innovation Growth Team. Part of this will go to a regionally based programme and part will be co-invested with the TSB in support of its Low Carbon Vehicles Innovation Platform.

- Other achievements for Clusters include:

  - the establishment of a Centre of Excellence in Lightweight Vehicle Technology, and the development of a plan for a major telematics proving facility
  - the launch of a regional aerospace technology exploitation project and the spin-out of the successful Midlands Aerospace Alliance, setting it on a path towards financial independence ,
  - the establishment of a £10 million joint investment with Channel 4 to create the West Midlands 4iP fund to help develop innovative digital content. This has announced its first 4 projects funding of good go-ahead products and services),
  - the commission of a regional food academy;
  - the extension of our work through the intelligent-health demonstrator work; and
  - the establishment of a regional rail alliance and supply chain programme.

- In terms of inward investment performance, smaller scale projects from innovative companies have held up remarkably well and this has led to the highest number of inward investments successes handled by the Agency in any 12 month period. The team handled 56 projects (against a target of 34) which created or safeguarded 1,492 jobs. Larger scale projects involving 50+ jobs have been more susceptible to the economic downturn and in many instances have been put on hold. The major exception to this has been our key inward investment achievement - the expansion of Deutsche Bank into Birmingham, with the creation of an additional 300+ jobs.

- UK Trade and Investment (West Midlands) works as the International Trade Arm of the Agency. It has assisted 152 companies in starting to export for the first time and a further 744 companies to increase their exports worldwide. The Market Visits Scheme helped 150 companies to research and visit new overseas markets seeking new business. With the Agency funding a further 199 companies were assisted in investigating overseas investment opportunities. 238 companies have also been assisted through the international elements of the Cluster Strategies with over 100 jobs created or safeguarded. All projects have recorded customer satisfaction figures in excess of 90%.

- The Agency has also facilitated a joint bid to the Technology Strategy Board by Birmingham & Coventry City Councils to host a trial of low carbon vehicles (LCVs) of some 100 vehicles of various types, and of related infrastructure. Following discussion with ONE we are hoping to develop a full "low carbon corridor" from the West Midlands to the North East.

CORPORATE OBJECTIVE 2 - IMPROVING COMPETITIVENESS

Activity within this objective includes:

Business Support

The Agency provides Business Link branded Information, Diagnostic and Brokerage (IDB) in the region. The service comprises three elements: Gateway service; Brokerage and Business Start-up service; and the specialist Manufacturing Brokerage service. All three services were contracted to meet various KPIs including levels of market penetration, businesses intensively assisted, business start-ups, customer satisfaction and gross value added (GVA).

To help businesses and individuals affected by the economic downturn, the Agency has implemented the 'Support West Midlands' campaign and introduced a package of support, including: a dedicated website as an interface with the public www.supportwm.com (which had received over 20,000 visits by the middle of April 2009); a credit crunch hotline; to deal specifically with enquiries relating to the downturn and a programme of events to deal with the most frequently occurring issues.

We acted very quickly in response to the downturn. The West Midlands was the first region to put a series of major initiatives in place, with the Agency announcing a £64 million support package in September 2008. The strong track record of effective partnership working in the West Midlands meant that we were also the first region to establish a Council of Economic Advisors and Taskforce. Chaired by Ian Austin MP, the Taskforce covers support for individuals and communities as well as support for businesses. We provide support and leadership to the work of the task force. For business, it seeks to ensure that help is available for all businesses, but with a particular focus on the worst affected sectors. The major Agency initiatives to help businesses have centred on improving the availability of finance, providing advice and support to businesses and encouraging regeneration and investment in infrastructure.

Access to Finance

The principal activity has continued to be focused in ensuring that businesses, in particular, small and medium sized enterprises (SMEs) looking to start up, innovate and develop are not constrained from doing so by not being be able to access appropriate finance. Based on advice provided by the Regional Finance Forum (RFF) and supporting evidence, a comprehensive range of publicly supported grants, loans and equity based finance is available to West Midland businesses. Most of this is externally managed, although the Agency's Access to Finance team operates the Grant for Business Investment (formerly Selective Finance for Investment in England) and the Grant for Research and Development schemes.

The Regional Finance Forum and the Access to Finance Team have been particularly active over the last year in discussions with banks and others on issues affecting finance for business, responding to consultation documents and providing input to the development of national initiatives such as the Enterprise Finance Guarantee Scheme as well as regional action (such as Transition Bridge Fund) in response to the current economic climate.

Investbx, the share trading platform for growing West Midlands-based SMEs, (launched in the Summer of 2007), has welcomed two more companies this year. Key Technologies became a member of Investbx in November 2008, raising £2 million against a backdrop of further economic decline - proving that the Investbx business model is a viable vehicle to help address the equity gap. In March 2009 a third company joined Investbx, thus obtaining a dual listing to improve the opportunity for liquidity in their shares.

Skills

The Higher Skills programme is a number of linked activities that focus on reducing the output gap by getting more highly skilled people into private sector jobs. In 2008-09 a Graduate Recruitment service has been launched to add to the portfolio and a higher skills upskilling programme has been taken through the Agency approval process and is now contracted. To help with the economic downturn we introduced a 50% wage subsidy into the graduate placement offer of the programme. This has enabled the same level of activity as forecast. Before the subsidy we had seen a 70% drop in supply of placements.

Key achievements for CO2 - Improving competitiveness, includes:

Investment into Business Support has achieved the following:

- 71,980 businesses have received some form of information, advice or support from Business Link, against a target of 67,000;
- 13,996 business were intensively assisted (6 hours of support and an action plan completed) against a target of 12,278; and
- 2,976 businesses were started up with assistance from Business Link, against a target of 2,838.

This year the Manufacturing Advisory Service have made £511,000 worth of loans to 114 SME manufacturers, and this is estimated to generate a benefit to the businesses of over £1.7 million.

The Enterprise Board's key achievements include:

- As well as providing ongoing advice and support to the Agency on Business Support and Enterprise related matters the West Midlands Regional Enterprise Board has over the last 12 months overseen the launch of the Centres of Expertise and the development of a new Framework focused on targeting underrepresented groups. It has also helped implement initiatives identified in the Governments National Enterprise Strategy, in particular the Enterprise Academy with Aston Villa and Women's Business Centre pilot; and

- The Enterprise Board has also established sub groups in partnership with other stakeholders to help research and implement initiatives which will look to measure the 'Scale of the Challenge', develop an enterprising culture and ensure that start-up provision meets the needs of individuals and businesses in the region.

Minority Ethnic Business Forums key achievements include:

- Over the last 12 months the Forum has helped launch the Minority Ethnic Enterprise Centre of Expertise (MEECOE); and completed a Halal Standard/ Qurbani pilot, the first of its kind, set up to bring the Farming and Muslim communities together to exploit the potential to develop alternative supply chains.

Key achievements in Access to Finance include:

- Injecting an additional £2.5 million into the region's Community Development Finance Institutions (CDFIs) to help them address the needs of viable businesses requiring loans of up to £50,000; In the year to 31 March 2009 Advantage West Midlands supported CDFIs made 256 loans totalling £4.5 million, an increase of 68% by number and 81% by amount over the figures for 2007-08;
- Bringing together senior representatives of the region's banking community with the RFF and other business representatives to encourage better understanding of the issues affecting business and financiers, to encourage take up of the Enterprise Finance Guarantee Scheme, to identify issues regarding its operation, to consider other actions which may help improve business finance and to advise the Agency and Government accordingly; and
- As previously mentioned (under Objective 1), The Advantage Transition Bridge Fund has been reopened and the current £10 million fund is getting close to full commitment, reflecting the major success that the fund has had.

Support on skills[4], under this objective, has led to:

- Approval of a programme to upskill 6,000 people at a graduate level;
- Launch of a recruitment service to get 2,000 graduates to work in SMEs; and
- An extended pilot programme, Graduate Works, focused on developing newly recruited graduate talent and ensuring it is deployed effectively for the benefit of smaller businesses.

CORPORATE OBJECTIVE 3 - HARNESSING KNOWLEDGE

Activity within this objective includes:

High Technology Corridors

The region's three High Technology Corridors continue to provide a spatial focus for interventions that promote the establishment and growth of high value-added, innovative businesses by capitalising upon the concentration of knowledge and technology assets in the Birmingham-Worcester, Wolverhampton-Telford and Coventry, Solihull, Warwickshire corridors. During 2008-09 the Agency has worked with partners, such as universities, colleges and research institutions, to support the creation of new facilities and activities that promote the application of new technology, the development of new products and services and the establishment and growth of businesses that exploit technology. The Agency invested £42 million to support the development and delivery of Corridor projects.

During the year the impact and evaluation study carried out on HTCs has found that in value for money terms, the HTC programme represents excellent value for money. We are on course to generate a return of £4.50 (in terms of regional GVA) for every £1 invested.

Innovation

The West Midlands Innovation & Technology Council (ITC) oversees the innovation strategy of the Agency. The ITC has chosen five key technology themes that form the focus for innovation in the West Midlands Economic Strategy - Transport and Advanced Materials support the large, established manufacturing base, Energy and Medical & Healthcare Technologies provide global opportunities where there is a strong knowledge base in the region, and Digital

[4] Further examples of our achievements on Skills are listed under CO 8: Raising Ambitions and Aspirations and CO9: Achieving Full Potential & Opportunities for All

Media promises significant new business opportunities derived from creative talent and ICT expertise.

Science City

Birmingham Science City has continued to support the development of leading edge research collaboration between West Midlands universities and businesses for the benefit of the people of the region. A 10-year, £80 million investment by the Agency in a collaborative package of innovative infrastructure projects is well underway, backed by a programme of demonstrator projects including pioneering work in hydrogen energy to help create a low carbon economy, and measures to support public communication and engagement.

The ITC's technology exploitation focus is supported by R&D activity under the Birmingham Science City initiative. In response to the economic downturn and to ensure that the knowledge base is increasingly fit for the support of innovation in businesses ("the supply side") we have developed plans to more than double the number of Knowledge Transfer Partnerships operating in the region. Funding has been allocated to support demonstrator project activity through the Science City programme and the Innovation and Technology Council programme, aimed at activities where public sector procurement can be used to stimulate the market or to increase the application focus of basic research activity.

Access to Finance

Access to Finance activity under this objective includes provision of a regional "Proof of Concept" grant scheme and working with Business Link and others to encourage increased uptake of the Grant for Research and Development. Significant progress has been made on both activities during 2008-09, as shown in the achievements below.

Key achievements for CO3 - Harnessing Knowledge, include:

- At Ansty, construction has completed on two buildings for telecommunications leader Ericsson. The company will be the first high-profile occupier at the site, employing up to 850 staff. It was also confirmed that the £120 million National Manufacturing Technology Centre will be located at Ansty Park;

- The Agency and the Central Technology Belt partners have played a key role in ensuring the provision of employment land at Worcester in the Regional Spatial Strategy and emerging Worcester Joint Core Strategy in order to delivery certainty for Worcester Bosch. Feasibility on the site has been completed and we are in the process of submitting outline planning application for a 68 ha Technology Park off J6 of the M5;

- Manufacturing is critical to the region and we are planning to invest over £30m, jointly with EMDA and supported by the TSB, in the Manufacturing Technology Centre. It will bring together Tier 1 manufacturing companies, and their supply chains, key Midlands universities and The Welding Institute (TWI), with an aim of creating a step change in the competitiveness of UK manufacturing performance focused on joining technology. We have also approved major capital investment expected to rise to £20m in materials analysis and development at the Universities of Birmingham and Warwick as part of the Science City programme;

- Through the Science City, the Universities of Warwick and Birmingham, were together awarded £9.6 million by the Higher Education Funding Council for England's Strategic Development Fund. This represents a massive investment in Birmingham Science City and will establish *"The Birmingham Warwick Science City Interdisciplinary Research Alliance",* an alliance of the region's two highest ranking research universities. The funding will allow the Alliance to recruit 15-20 young but very high potential researchers in science, engineering and medicine, who will be appointed as staff in one of the two universities, but who will also have an honorary position in the other university. They will focus on interdisciplinary projects between the two institutions;

- The University of Warwick's flagship building – the Digital Lab – was completed and opened by Prime Minister Gordon Brown. The £13 million Lab, part funded by the Agency, had been two years in construction and brings together some of the world's top academics in digital technologies working on digital manufacturing and digital healthcare;

- Work has progressed at i54, a major 96 hectare development adjacent to junction 2 of the M54 on the outskirts of Wolverhampton. Working in partnership with Wolverhampton City Council and South Staffordshire District Council, the Agency is creating a Major & Regional Investment Site, with the potential to create 6,000 jobs over 235,000m^2;

- To encourage businesses to invest in innovation and to exploit the knowledge base in the region ("the demand side"), we have piloted with ESRC and EPSRC a scheme for innovation vouchers (INDEX, managed by Aston University). This has proved very successful at increasing the engagement of SMEs with the universities in the region. The success of this scheme has been widely recognised and is now being replicated nationally;

- There is considerable expertise in energy technology in the West Midlands and in partnership with emda we have supported the successful bid to locate the Energy Technology Institute in the Midlands at Loughborough University. We have invested over £6m in Hydrogen Fuel Cell activity and in a further project to develop energy efficient technologies at the Universities of Birmingham and Warwick as part of the Science City programme;

- Strong collaboration between medical technology businesses led by Medilink West Midlands and supported by AWM, have resulted in a major demonstration programme in the region that supports the Assisted Living Innovation Platform of the Technology Strategy Board. Seeking to exploit the economic development potential of the hospitals and medical schools in the region, we have committed around £20m to support development of clinical trialling and experimental medicine facilities at the Universities of Birmingham and Warwick within the Translational Medicine part of the Science City programme, as well as investing in a Health Technologies Design Institute at Coventry University and further expansion of Keele Science Park facilities which have a significant medical dimension;

- We have launched the Serious Games Institute at Coventry University to provide advanced research, incubator space and shared facilities for companies to catalyse faster exploitation of serious gaming for a range of business applications; and

- The Advantage Proof of Concept Grant was launched in October 2008. During the period to 31 March 2009 it has offered 59 grants totalling £1.5 million. In addition in 2008/09 Advantage West Midlands has made GRD offers totalling £2.2 million to 26 businesses (2007-08 £2 million to 26 businesses).

PLACE

CORPORATE OBJECTIVE 4 - INCREASING BIRMINGHAM'S COMPETITIVENESS

Activity within this objective includes:

Regeneration Zone & High Technology Corridor

By promoting transformational change and technology-led economic development, the East Birmingham North Solihull (EBNS) Regeneration Zone and Central Technology Belt (CTB) are helping Birmingham to compete on a global level.

Birmingham City Centre, Infrastructure and the Climate Change Strategy

In addition to the Regeneration Zone & High Technology Corridor activity, the Agency is a key partner in projects to improve facilities at New Street Station and Birmingham International Airport. Both are projects of regional and national significance and each has the potential to generate significant economic benefits for the City and the wider region. During this year the Agency has also agreed a series of joint priorities with Birmingham Strategic Partnership leading to a low carbon city adapting to climate change.

Birmingham and its surrounding area is also the focus for the significant investment under the Science City (achievements described under corporate objective 3)

Key achievements for CO4 - Increasing Birmingham's Competitiveness, include:

- In June 2008 the Agency signed the funding agreement for the £600m New Street Gateway Project, with Birmingham City Council. Progress at New Street has gained pace since the project implementation team was procured in summer 2008 and visionary new designs for New Street station were unveiled to the public in September 2008. The outline design for the scheme was completed during winter 2008 and the CPO public inquiry was concluded in March 2009;

- At Longbridge, the government approved the Longbridge Area Action Plan in February 2009, which proposes the creation of 10,000 new jobs and at least 1,450 homes on the former MG Rover site in Birmingham;

- At Bristol Street South the site preparation is now completed; the former Matthew Boulton College building has been demolished and the development agreement with Birmingham City Council has been reviewed;

- The Central Technology Belt pilot, Technology Transfer Fund II, has been completed. Pilot activity developed by this Corridor has now been rolled out regionally as the Proof of Concept Fund; and

- The Agency sponsored Birmingham Climate Change Festival - Birmingham hosted the UK's first Climate Change Festival, a weeklong event aimed at raising awareness of climate change, encouraging citizens to pledge to reduce their emissions. The Council also used the festival to launch their ground-breaking Climate Change Strategy '*Cutting CO2 for a smarter Birmingham*'. The Festival is one part of the Joint Low Carbon Priorities agreed between Be Birmingham (the LSP) and the Agency. From June 2008 the Agency became the main funder.

CORPORATE OBJECTIVE 5 - IMPROVING INFRASTRUCTURE

Activity within this objective includes:
Transport & Infrastructure

Under improving transport and communications we have established the Regional Infrastructure Fund (RIF), providing support for critical infrastructure required to unlock the development of key sites during the economic downturn (announced as part of the regional package of support during the recession).

We have agreed regional transport priorities. The nine regional transport priorities were endorsed by a wide range of regional stakeholders early in 2008 at the Regional Transport Challenge Conference in response to the Regional Ministers "Transport Challenge". This resulted in the production of the West Midlands Regional Transport Priorities Action Plan in December 2008.

In the Agency's role as RDA Transport lead a number of responses have been made on behalf of the nine English Regional Development Agencies to Department of Transport consultations including to: Delivering a Sustainable Transport Strategy; Local Transport Plan 3 Guidance; and Funding Transport Infrastructure for strategically significant developments. In addition written and oral evidence to the Transport Select Committee Inquiry into the Future of Aviation was submitted on behalf of the eight RDAs outside London. We are also working closely with both High Speed 2 and Greengauge 21 to explore the regional economic benefits of High Speed Rail and options for a high speed line between London and the West Midlands.

Sustainable Management & Use of our Assets

In supporting a secure low-carbon energy infrastructure for the region we have been working with the European Institute of Innovation and Technology whose main public activity has been to issue a call for three Knowledge and Innovation Communities. As part of its European strategy, the region has seen the potential to develop an innovative proposal on climate change with a range of European partners. This can help to meet the region's objective to become a low carbon economy and lift our profile and prestige. The development of the proposal has brought together a wide number of low carbon projects already underway in the region and begun to strengthen our links with several major European players. This initiative will be a major element of the European strategy during 2009-10 and will help to generate a further range of spin-off activity.

Key achievements for CO5 - Improving infrastructure, include:

- Under the RIF - the first two projects have been implemented. It includes the enhancing of the rail infrastructure between Southampton Port and the West Midlands to enable the transfer of high cubed rail freight. A Regional Priorities Action Plan, which sets out the short term actions required to take forward the delivery of the regions' transport priorities, was published on 15th December 2008.

- During 2008-09 the Agency strengthened its partnership working approach to agree genuine investment/project priorities, with, a strong focus on impact and deliverability, in agreeing the region's response to the Government's request for Regional Funding Advice (RFA). This includes testing of projects in 20 'Impact Investment Locations', to demonstrate real, local-level integration between the themes of the RFA and to ensure the 'deliverability' of these key regional projects. At one of the key investment locations, Ansty, construction has commenced on two buildings for telecommunications leader Ericsson, the £120 million National Manufacturing Technology Centre will be located at Ansty Park. Also work has continued to progress at i54, a major 96 hectare development adjacent to junction 2 of the M54 on the outskirts of Wolverhampton.

- Under the sustainable management & utilisation of our land and property assets we have established the Natural Assets programme and Natural England has been contracted to deliver the main tranche of programme activity. This will involve providing grants to environmental businesses and organisations to support environmental activity bringing about economic benefit and impact. Future procurement of activity will be defined as the programme develops.

- Following the success of its 2006 programme, and recognising the potential stagnation of development/regeneration activity due to the economic downturn, Advantage West Midlands launched a new gap funding programme in autumn 2008. The programme supports developers by providing 'top-up' investment for worthwhile commercial or industrial developments that are not currently financially viable. The scheme is region-wide and provides investment of £100,000 to £9 million towards development projects that meet the scheme's criteria.

- Development and publication of the Regional Transport Priorities Action Plan - enabled a collaborative approach to driving forward a single set of shared priorities for the region in a timely and transparent way that supports both the regional and national goals and objectives; and

- Establishing the Waste Infrastructure and Recycling Development Programme.

CORPORATE OBJECTIVE 6 - SUSTAINABLE COMMUNITIES

Activity within this objective includes:

Market Towns

We have been working towards completing the delivery of the final year of our Market Towns programme, evaluating the 2001 – 2009 programme, assessing the impact of the recession on Market Towns and making preparations for a possible successor programme. The findings of our evaluation show that for every £1 we have invested since 2002, the benefit to the rural economy is £2.90.

Regeneration Zones

RZs are our main instruments to promote economic development in deprived areas. In the current economic circumstances, several of the regeneration schemes in our RZs have been hit hard – and delivery has been slower than anticipated. RZs contain our most vulnerable sub regional economies - in terms of both rates of unemployment and business base. One example, is that as a direct result of the recession, the Rural RZ has refocused its intervention in the Enterprise Centre Network from the provision of workspace, to a range of financial incentives for new tenants at the existing centres.

Our evaluation of previous investment in the RZs programme (2002-07) has shown they are already starting to make a significant difference to our areas of highest deprivation. As a result of our investment, over 800 businesses have been created and 6,340 jobs have been created and safeguarded.

Economic Inclusion

The West Midlands Economic Inclusion Panel launched in June 2008 aims to address the 20% of the £10 billion output gap attributed to exclusion. The Panel bought together 23 key regional partners with an interest in addressing worklessness. The Panel agreed to address as part of its initial action plan: social benefits from procurement and, mapping the scale of the challenge against current collective provision in order to understand the "gap". This will result in a Regional Worklessness Action Plan, developing the evidence base to inform the scale of the challenge and mapping health and housing against current provision. The recession has had a major impact on worklessness and as a result the West Midlands Economic Task Force established work streams to address individuals and communities affected by worklessness.

Tourism[5]

Most of our effort in the year has been focused on establishing a comprehensive three year £25 million regional tourism, Olympics and culture programme. This is designed to grow the sector's GVA contribution and provide a leading input to regional perception and image.

Key achievements for CO6 - Sustainable Communities, include:

During the year a number of significant achievements have been made in market towns:

- The successful extension of the Redundant Building Grant scheme to Staffordshire, Warwickshire and parts of Solihull;
- The completion of Ledbury Cottage Hospital, providing 3 workspace units and managed by the Ledbury Development Trust;
- The near completion of the Stourport Basin Cafe, that provides a cafe and office space to be leased, to be managed by Stourport Forward; and
- The near completion of the Mill on the Green in Ludlow, that provides a cafe, office space and craft space all for lease, that will be managed by the Dinholm Green Millennium Trust, as well as the restoration of the water wheel and interpretation.

The most notable Regeneration Zone (RZ) achievements include:

- In the Rural RZ, we have invested in a new Sports and Complimentary Therapy Centre at the Royal National College for the Blind in Hereford resulting in the chance for 300 blind and partially sighted people to gain meaningful employment as a direct result of the project. As a result of agency funding, the Rural RZ has also completed and opened the Craven Arms Multi Use Facility providing vastly improved access to employment, training and educational services. We have delivered new, high quality business accommodation by opening 4 Enterprise Centres in Ludlow, Shrewsbury, Leominster and Rotherwas. They provide flexible workspace on easy in easy out terms for new and growing businesses across the RRZ;
- In the Coventry & Nuneaton RZ, the Agency has invested £3.6 million in the redevelopment of the Belgrade Theatre. The new Theatre, which opened in 2008, is a key element of the large-scale transformation of Coventry. During 2008-09 the completion and adoption of the Nuneaton and Bedworth Masterplan, has also taken place. We completed our investment in public realm and the Markets, leading to both Markets winning national awards. We completed strategic acquisitions with our partners to bring a key site into public ownership which will be brought forwards as a mixed use development to create more jobs in Nuneaton Town;

- [5] Tourism activity is also covered in CO1 Business Tourism & 10 Tourism Marketing

- In the East Birmingham & North Solihull RZ good progress has been made in the delivery of Eastside. Negotiations were concluded with Birmingham City Council to secure a site for the Ormiston Academy. The Agency also concluded all the other property acquisitions required in the area. Outline consent for Eastside Locks was granted in January and work will commence on site early in 2010. Also in Birmingham, the Agency has supported the continued development of the creative offer in Birmingham, and completed three GAP funding schemes in Digbeth and the Jewellery Quarter;
- During 2008-09 the Agency invested just under £4 million towards the £29 million remodelling and modernisation of the NEC Arena, rebranded LG Arena, to provide enhanced audience and performer facilities. The Arena will be able to attract a greater number of top class artistes, and wider audiences, three quarters of them from outside the region;
- In the North Staffordshire RZ, the Business District proposal has progressed significantly during the last 18 months, despite the economic downturn, the North Staffordshire Regeneration Partnership (NSRP) has followed the OJEU approved competitive dialogue procedure through stages one to three, resulting in the appointment Genr8 Developments LLP. At Stage three - all three developers submitted bids and gave presentations, a considerable achievement in the current market;
- In the Black Country, we approved £14 million for the first elements of the £31 million West Bromwich Town Centre programme which will develop West Bromwich into a premier retail, leisure, learning and business destination by 2018, improving competitiveness and making the town centre a more attractive place to invest. Work is expected to start on site summer of 2009. We also approved some £9 million towards the regeneration of Sandwell College; and
- The £120 million transformational redevelopment of the Royal Shakespeare Theatre (RST), in Stratford-upon Avon, is a flagship project aimed at transforming the RST as a regional and international cultural destination and at improving the experience of audiences and visitors. This is a major project, which is being funded through a £20 million contribution from Advantage West Midlands, £50 million from the Arts Council and from the RSC's own funds and an international fund raising campaign. The investment reflects the RSC's position as a national flagship for cultural tourism and a significant economic force in the region. Stratford-upon-Avon in 'Shakespeare's County' is a global tourism brand and a gateway to the region and an important component of the West Midlands Visitor Economy Strategy. This project is on schedule for completion in July 2010.

Key achievements for RegenWM (The Regional Regeneration Centre of Excellence), funded by the Agency, include:

- The UK's largest annual social enterprise conference – 1,500 delegates at the event with support from them regional minister;
- Delivery of organisational development programmes for North Staffs Regeneration Partnership and Urban Living in Sandwell/Birmingham;
- 113 entrants to the 2008 RegenWM Prizes, giving good practice examples in regeneration which have generated 40 case studies;
- A successful event on the credit-crunch was held for house builders, RSLs and private sector developers in June 2008. This was part of a growing programme of work which has seen participation rise significantly compared to 2007-08; and
- Organising over 60 events for the region, from large conferences to small workshops, all of which have been to encourage cross-sector working and to build the capacity of the regeneration community by improving skills and to share best practice of regeneration.

One of our key achievements in tourism, has been the £8m towards Blist's Hill - the largest and most significant visitor attraction owned by the Ironbridge Gorge Museum Trust. The new facilities, opened in April 2009, is hoped to increase visitor numbers by 95,000 per year.

PEOPLE

CORPORATE OBJECTIVE 7 - SUSTAINABLE LIVING

Activity within this objective includes:

Sustainable Development Action Plan & Low Carbon Economy

Advantage West Midlands has developed a number of projects aimed at encouraging greater innovation and sustainability in public procurement. This includes an 'Innovation in Procurement' project with Birmingham City Council and an internal assessment and new sustainable procurement policy for Advantage West Midlands.

The Agency has also provided core funding for Sustainability West Midlands (SWM) which acts as the regional champion body for sustainable development.

Key achievements for CO7 - Sustainable Living, include:

The £450,000 'Smarter Working West Midlands' Programme developed with Coventry University will act as a communication, co-ordination and facilitation hub for the dissemination of knowledge and the implementation of individual smarter working initiatives across the breadth of the West Midlands economy. The programme begun in 2008-09 will be implemented over the next three years, to support businesses to improve their productivity and reduce carbon emissions through adopting 'smarter working' practices.

CORPORATE OBJECTIVE 8 - RAISING AMBITIONS AND ASPIRATIONS

Activity within this objective includes:

Skills

Work on Leadership and Management has been coordinated by a task and finish group of the Regional Skills Partnership. From June 2008 a new specialist leadership and management service became operational, funded by Advantage West Midlands. The service provides support to senior management teams of businesses with high growth potential, to help improve their companies' competitiveness.

Economic Inclusion

The Connecting to Opportunities Programme, launched in December 2008, is a programme targeted at hard to reach communities that fall outside of mainstream provision. The Programme, developed by Advantage West Midlands in partnership with other key organisations, aims to introduce such communities and individuals into mainstream provision, in order to ensure that they can benefit from regeneration initiatives delivered by the Agency and other key regional public and private sector partners. Delivered by Local Strategic Partnerships and their Third Sector partners who have access to the focus client group, delivery is planned from 2009-10. Three pilot projects were delivered through Aspire Housing, East Birmingham North Solihull Regeneration Zone and Black Country Consortium.

The Routes to Opportunity programme (R2O) is a programme of business support to increase the capacity of BME third sector organisations to bid for public sector contracts. The Programme has so far managed to successfully engage over 500 organisations from public and the third sector. The programme also raised the profile of the Agency's support for this intervention, the first of its kind, in the country.

Key achievements during the year include:

The Leadership and Management service has been fully integrated into the Business Link offer and has supported a total of 81 businesses to improve their performance (64 middle market and /or aspirational businesses, and a further 17 owner - managers). To encourage more employers to take up the Leadership and Management service during the recession a partial cost subsidy was temporarily introduced.

Our key achievements under CO8 have directly generated:

- 162 business assists;
- 50 people assisted in skills development;
- 10 BME businesses assisted with marketing support; and
- Creation of 5 BME rural networks, along with the creation of a new BME regional network and a new consortium based consultancy.

CORPORATE OBJECTIVE 9 - ACHIEVING FULL POTENTIAL & OPPORTUNITIES FOR ALL

Activity within this objective includes:

Skills[6]

- Considerable development work has been undertaken with several partners, by encouraging more focused support for employers through partnership working, most notably work with individual businesses such as Jaguar Land Rover and trade bodies such as Engineering Employers Federation (EEF). The most significant investment has been through the Learning Centres. There has been £139,000 (Agency funded) capital investment through Unionlearn to equip 17 Workplace learning centres to enable Trade Union Learning representatives to have access to high quality training environments in the workplace; and

- There is also the Skills data programme, a high strategic added value project that funds and coordinates all skills research, to achieve a better match between public investment and the demand for skills from employers and individual learners.

Key achievements during the year include:

- 17 Trade Union Learning Centres completed during the year 2008-09;
- 11 Trade Union Learning Centres have ‘officially’ launched and six are in the process of being arranged;
- 12 businesses have been assisted in 2008-09 and five were reported the previous year.
- Skills Assessment 09 completed on schedule;
- Scoping work to develop EEF capital project undertaken; and
- Some additional data work has been completed that examined the skills implications of completing the investments in the Regional Funding Advice.

[6] Activities under this objective are shared and spread across other related objectives namley CO2 and CO9

POWERFUL VOICE

CORPORATE OBJECTIVE 10 - A POWERFUL VOICE FOR THE WEST MIDLANDS

Key achievements for powerful voice include:

Marketing the Region

In the summer of 2008, Professor Michael Clarke was appointed Chairman of the Regional Marketing Board. With the appointment of three additional members last autumn, the main Board was established. Comprising eight business influencers from public and private sector organisations, Board membership is representative of key interests from across the region.

The Board's primary task was to revisit the Regional Marketing Strategy, last published in 2005. The West Midlands Economic Strategy calls for the region to project a more Powerful Voice and the adoption of a cohesive and aligned approach to regional marketing was recognised as being fundamental to this.

During winter 2008, as part of the strategy development process, the Board revisited the findings of the regional evidence base review, including an examination of regional strengths, identification of primary target audiences and consideration of the Heart of England regional identity. Their findings and recommendations were published in the Regional Marketing Strategic Framework in March 2009.

Also in March, a programme of events commenced across the region, engaging key regional partners with the revised Strategic Framework. Adoption of the Heart of England signature has been fully explored at these events and has been met with a positive response. A communication programme is planned to encourage adoption of the signature across regional organisations. This activity will feature as part of a comprehensive Action Plan to support delivery of the Regional Marketing Strategic Framework.

Regional marketing work on targeting key audiences continued to include: the Ambassadors programme, Champions programme, inward investment communications focussing on ICT, Building Technologies and Automotive sectors, perceptions research carried out among UK and European business audiences, regional on-line portal being developed, regional library refreshed, comprehensive guidelines for new regional signature – Heart of England developed, Heart of England promotional material developed, and media engagement.

During MIPIM 2009 there were over 450 visits to the Team West Midlands apartment, holding over 20 Team West Midlands events across the four days at MIPIM. Every visitor rated the apartment as useful. This year there were twice as many visitors to the stand in the Palais. With 22 positive business leads being followed up.

Improving the Evidence Base

The Agency has continued to provide core funding to the West Midlands Regional Observatory to allow it to develop the regional evidence base. In 2008-09 this resulted in:

- In response to the SNR, the Observatory was commissioned by the Regional Forum of Leaders and Advantage West Midlands to develop a Regional Integrated Economic Assessment (RIEA). WMRO worked with individual local authorities to complete the RIEA in autumn 2008. It provided an important first step in the iterative development of the evidence base for the SIRS, including the development of local economic assessments;
- A programme of research has commenced, commissioned by the Agency, to better understand the *'Scale of the Challenge'* facing the region in the areas of enterprise,

innovation, economic inclusion, transport and the low carbon economy. Initial results from the research were used at the Agency's Annual Conference;

- A programme of research relating to skills and the labour market is already well advanced and has provided a model for the work in the other thematic areas, mentioned above. In addition to quarterly skills monitoring, relevant to the Skills Action Plan, an annual Regional Skills Assessment is produced;
- The development of the methodology for the regional perceptions indicator;
- The development of an Integrated Policy Model (IPM) by WMRO, with external support from Cambridge Econometrics. This is a cutting-edge approach to spatial economic modelling; and
- Research has been undertaken in relation to key sectors and clusters; cross-cutting issues such as graduate retention and attraction; good practice in investment in skills by employers and the potential economic benefits of achieving the Leitch targets.

International Partnerships

The Agency has reviewed regional processes for engagement with Europe and strengthened both strategy and implementation processes and management structure. Through close working with regional partners, the regional Brussels office West Midlands in Europe (WMiE) and EU networks such as European Regional Research and Innovation Network, substantial effort has been made to increase the region's take up of the seventh Framework Programme (FP7) and other EU R&D funding programmes. The FP7 awards are given to aid the preparation of major projects on which a West Midlands organisation is the lead applicant. By March 2009 20 awards had been granted and more than €3 million won for the region.

EU Connects, the project support office assisting organisations in the region bid for EU funds, in its first year of operation (08/09) given support and advice to more than 350 West Midlands organisations. 63% of organisations which applied for funding were successful with more than £4.5 million of new European money gained for the region.

In collaboration with partners, notably the West Midlands Regional Assembly (WMRA), a West Midlands Regional European Strategy was produced in order to give a more comprehensive approach to European working in the region. The strategy is overseen and directed by a partnership-based and newly constituted European Strategy Board.

Tourism Marketing

Advantage West Midlands implemented a £1 million tourism marketing campaign in 2008-09, including for the first time the development of TV advertising (to run in April and May 2009). Enhanced tourism marketing was brought forward in Q3 and Q4 2008-09 in response to the economic downturn, both to support businesses affected by the recession and to maximise opportunities to generate additional trade. To this end, the low exchange rate means more UK residents holidaying at home and an increased number of international visitors. Festivals and events are critical to supporting trade across the visitor economy, and the Agency has established a fund to support those threatened by the significant reduction in private sector sponsorship. As a result of our Tourism Marketing activity this year we have achieved:

- 500 people recruited to the champions programme;
- A 10:1 return on investment for our tourism marketing activity;
- 4,777 businesses registered on the 'CompeteFor' system with 40 regional businesses successfully winning Olympic related contracts; and
- The Regional Library has recorded, at last count, 1,620 visits per month. 63% are international visits and 37% are from the UK.

Underlying Principles

The underlying principles embedded across the WMES are: Pursuing equality, reaping the benefits of diversity; valuing the natural environment; and supporting urban and rural renaissance. The WMES is intending to deliver sustainable economic growth, not just through its overall focus on improving productivity and reducing carbon, as the UK's first low carbon regional economic strategy, or the individual actions within the WMES Delivery Framework, but also through the application of underlying principals to all actions.

A recent review concluded that the application of the underlying principals within the key areas was progressing well. It also showed that requiring the relevant owners of the actions in the WMES Delivery Framework to report back on progress has helped to build a better ownership and understanding of the issues pertaining to the underlying principles.

Key achievements during the year include:

- Running of design review panels for North Staffordshire (Urban Vision) and the rest of the region (MADE);
- Creating and supporting the use of, sustainability check list for use by planning authorities;
- Development of a comprehensive evidence base for the rural economy. Communication of the rural evidence base has led to increased understanding of the key issues for the rural economy – as reflected in the Business Link contract;
- Delivery of the Rural Regeneration Zone and Market Towns Programmes;
- Mandatory questions included in Agency application forms, has led to increased numbers of buildings supported by the Agency meeting higher environmental and design quality standards;
- Agreement via Regional Funding Advice on the top priorities for development in the region to reflect the underlying principles.
- Advantage West Midlands was the first RDA to produce a C02 reduction target in 2008-09; and
- Delivery of the £40 million Blue Planet, the UK's first BREEAM 'Outstanding' building since the regulations were tightened last year. The Blue Planet building in Chatterley Valley contains offices and a logistics centre.

Organisational Development

CORPORATE OBJECTIVE 11 - ORGANISATIONAL PERFORMANCE

Key Achievements

Aiming for Excellence

As part of Aiming for Excellence the Agency is committed to benchmarking its performance each year against the EFQM Excellence Model. This is done through an annual entry for the Midlands Excellence Awards. The feedback report and score provide confirmation of where the Agency is performing well, and where it can make further improvements in its performance.

Following its submission for the Midlands Excellence Awards 2008 the Agency was very pleased to be shortlisted as a finalist. The Agency's score against the EFQM Excellence Model increased by 40 points compared to the 2007 score, an improvement of 10%, which demonstrates that the Agency is making real improvements in its performance.

As part of its Aiming for Excellence activity the Agency carried out its third annual survey during 2008-09 to obtain feedback from stakeholders and partners on its performance. The results showed that the level of positive responses was on an upward trend compared to the results of previous years' surveys.

As part of Aiming for Excellence, the Agency has a continuous improvement programme, and this is of high importance to the Agency. The Improvement Plan was originally developed following the Independent Performance Assessment carried out by the National Audit Office in 2006-07. However it has subsequently been updated annually to reflect new areas for improvement identified through both internal and external assessments of the Agency's performance. Shortly before the year end a further update commenced to incorporate the lessons learned through the Agency's impact evaluation studies (see Objective 13 – evaluation and learning). Progress against the Improvement Plan is reported to the Agency's Audit Committee every quarter.

Investors in People (IiP)

Re-assessment of the Agency against IiP standard was originally scheduled for December 2008, but was put back to May 2009 by the West Midlands Quality centre (the assessment body). The Agency subsequently achieved re-accreditation against the IiP standard after the year end in May 2009.

Stakeholder Engagement

A strategic stakeholder list has been created, contacts within have been grouped, ranked and have been assigned a corporate director-level engagement lead. Strategic stakeholders groups have been further segmented into Tier 1 and Tier 2 groups. Strategic engagement frameworks have been created for all Tier 1 groups – these frameworks inform corporate communications and engagement activity. 2009-10 will see strategic engagement frameworks created for Tier 2 groups.

Supporting the region through the economic downturn

During 2008-09 the impact of the economic downturn has significantly affected the delivery of the communications team; from the development and launch of the West Midlands Economic Outlook report in September 2008 and the associated launch at the Birmingham meeting of the Cabinet, through to communication support for the West Midlands Taskforce and the launch of a business and individual facing support signposting campaign in January 2009. The Agency-led communications activity and campaigning has received regional and national praise.

Equality & Diversity

The Agency has been engaged with partners through various programmes, while leading by example, influencing and supporting West Midlands Businesses to adopt Equality and Diversity Good Practice, including: the project funding application process changed to ensure that all applicants for Agency funding address equality and diversity from the design stage through to delivery; improvements made to the Business Link Knowledge Bank to ensure that SME's have up to date information regarding equality and diversity; and the Economic Inclusion Panel established a task and finish group to improve the social benefits from procurement.

CORPORATE OBJECTIVE 12 - IMPLEMENTING THE SUB-NATIONAL REVIEW (SNR)

Key achievements during the year

During 2008-09 the Sub-National Review Transition Team was established at Advantage West Midlands, working closely with the West Midlands Regional Assembly, Local Government, Government Office and regional partners. The team has develop strong partnership arrangements between the Agency and Local Government and other Government Agencies including Learning & Skills Council, Highways Agency, Homes and Communities Agency, and the Environment Agency, to name a few. This has resulted in the following achievements being delivered effectively and efficiently:

- West Midlands response to the Government's SNR Consultation – June 2008;
- Preparation for developing a Single Regional Strategy – review of key messages from regional strategies and evidence base;
- Review of partnership arrangements;
- Review of funding streams and Regional Integrated Economic Assessment;
- Significant number of meetings with partners and partnerships to advise of impending change and secure views on future activity and arrangements - the team produces monthly SNR briefings for partners;
- Led on the development of Regional Funding Advice (RFA) - including the establishment of the Working Group, Regional Partners Workshop resulting in RFA submission to Regional Minister on the 2nd of March 2009, with discussions with the Regional Minister and senior civil servants on the 26th of March 2009;
- Established shadow Joint Strategy and Investment Board (six Local Government Leaders and up to six Advantage West Midlands Board members) to oversee submission of Regional Funding Advice and SNR activities. Now meeting every two months and supported by a Regional Advisory Group comprising senior officers from the Agency, Local Government, LSC, Highways Agency, Homes and Communities Agency;
- SNR Transition Work Programme agreed by partners - this is a 'live' document and updated regularly; and

- Change Management Programme developed and submitted to Regional Minister on the 31st of March 2009.

Although the roll out of the SNR agenda was slowed down both nationally and regionally, due to Government's own agenda and processes, the West Midlands is still on target to secure all required change by March 2010.

CO13 Evaluation and Learning

Key achievements during the year

Building on the development activity undertaken in 2007, during 2008-09 the Agency began the implementation of an ambitious and comprehensive programme of impact evaluation studies. Complementing the Agency's work on continuous improvement, the purpose of this work was to learn lessons from the activities that we have funded over previous years in order to improve the quality of our interventions, systems and processes and those of our partners as well as evaluate the economic impact of the Agency's activities and our contribution to the objectives set out in the West Midlands Economic Strategy. The scope of the evaluation agreed with BERR covered the years 2002-03 – 2006-07 and encompassed £1.2 billion of Agency expenditure on projects and programmes.

Against a BERR coverage target of 60% for each RDA, the evaluation studies, conducted by independent consultants and quality assured by PricewaterhouseCoopers (PwC), against standards specified by BERR, covered £990m (81%) of the Agency's investments over the evaluation period. The findings of the nine separate evaluation studies were summarised in a national report produced by PwC and published by BERR at the end of 2008-09.

It is extremely gratifying to report that the PwC analysis indicated that our activities have already generated benefits to the region of £4.2 billion (GVA) and that when future anticipated benefits are included this will rise to £7.4 billion. In terms of value for money, the report's findings indicated that the Agency has already achieved a return of £4.20 (GVA) for every £1 invested and that when future anticipated outcomes are taken into consideration, this will rise to £7.45 (GVA) for every £1.

Building on the lessons learned and key actions agreed with stakeholders, during 2008-09 we began to implement a number of actions aimed at improving the impact of our activities in the future. For example, the development of our Investment and Performance Framework using findings of the impact evaluation.

A key finding from the evaluation programme was the need to sharpen our project-level focus on economic impact and in order to facilitate this change all Agency staff with project sponsorship roles were given additional training during the last quarter of the year. In addition, further staff development was commissioned to support project managers and also equally importantly to roll out our approach to project development to key external partners. This phase of activity will commence in 2009-10.

In order to address other key findings, we instigated important changes to our project-level evaluation planning and appraisal systems with economic impact being the most important factor in our investment decision-making process. Looking to the future, and linking the our evaluation findings to our Aiming for Excellence continuous improvement activities, important enhancement were made to our Balance Scorecard including the establishment of an over-arching economic impact target for all of our activities.

ANNEX - Performance Report – Summary

Table 1: 2008- 09 Investment Activity – Summary of Performance

Headings	Business	Place	People	Powerful Voice
Corporate Plan Objectives	1. Seizing market opportunities 2. Improving competiveness 3. Harnessing knowledge	4. Increasing Birmingham's competitiveness 5. Improving infrastructure 6. Sustainable communities	7. Sustainable living 8. Raising ambitions and aspirations 9. Achieving full potential and opportunities for all	10. Powerful voice for the West Midlands
Headline Milestones Achieved in 2008 -09	To support business we have: • Enabled the start up of 2,976 businesses with assistance from Business Link, against a target of 2,838; • Assisted 152 companies (through UK Trade and Investment) in starting to export for the first time and a further 744 companies to increase their exports worldwide; • In response to the recession, the Agency was the first RDA to put in place a series of major initiatives in place, announcing a £64m support package in September 2008. We are the lead public sector agency supporting the Regional Taskforce; and have implemented the 'Support West Midlands' campaign; • Implemented the £10M Transition Bridge Fund – a mid-range loan fund for businesses affected by the credit crunch, who have viable long-term business plans but are unable to get commercial loans. The Fund has made 48 loans close to full commitment; • The additional £2.2m for Community Development Finance Institutions has led to a 206% increase in the value of the loans made by these institutions; • Commenced construction at Ansty on two buildings for telecommunications leader Ericsson. The company will be the first high-profile occupier at the site, employing up to 850 staff. It was also confirmed that the £120	The highlights in terms of place include: • Longbridge: In February 2009, the Government approved the Longbridge Area Action Plan, which proposes the creation of 10,000 new jobs and at least 1,450 homes on the former MG Rover in Birmingham; • New Street: • In June 2008 the Agency signed the funding agreement for the £600m New Street Gateway Project, with Birmingham City Council. The project implementation team was procured in summer 2008 and visionary new designs for New Street station were unveiled to the public in September 2008. The outline design for the scheme was completed during Winter 2008 and the CPO public inquiry was concluded in March 2009; and • Eastside: Negotiations were concluded with Birmingham City Council to secure a site for the Ormiston Academy. The Agency also concluded all the other property acquisitions required in the area. Outline consent for Eastside Locks was granted in January and work will commence on site early in 2010; In our infrastructure programmes we have: • Established the Regional Infrastructure Fund, providing support for critical infrastructure	Under the theme of Sustainable living we have: • Developed a new 'Smarter Working West Midlands' Programme, that will support businesses to improve their productivity and reduce carbon emissions through adopting 'smarter working' practices. Developed with Coventry University this programme will act as a communication, co-ordination and facilitation hub for the dissemination of knowledge and the implementation of individual smarter working initiatives across the breadth of the West Midlands economy. • Delivered the Innovation in Procurement project has supported Birmingham City Council to identify opportunities for sustainable procurement. Our other highlights include: • The Routes to Opportunity programme (R2O) provides business support to increase the capacity of BME third sector organisations to bid for public sector contracts. The Programme has so far managed to successfully engage over 500 organisations from public and the third sector. The programme also raised the profile of the Agency's support for this	Our key marketing the region activity: • We have produced a refreshed and revised regional marketing strategic framework, published in February 2009. • Adopted the 'Heart of England' as the regional signature. Headline improvements to the evidence base: • We have developed the methodology for the new regional perceptions indicator. As one of the six headline impact measures in the West Midlands Economic Strategy, it covers perceptions of the region as a place to invest, work, learn, visit and live. • We have also developed the Integrated Policy Model (IPM), to improve the evidence base on economic

million National Manufacturing Technology Centre will be located at Ansty Park;
- Launched a graduate recruitment service to place 2000 graduates into jobs; and
- Launched 'think Energy' - a £1million grant scheme which enables SMEs to raise awareness of the potential to deploy renewables and can provide funding for 50% of the capital costs for installation.

In our priority Clusters we have:
- Established a Centre of Excellence in Lightweight Vehicle Technology;
- Launched a regional aerospace technology exploitation project (in addition to the national aerospace strategy);
- Established the £10M 4iP digital content development fund with Channel 4, to help generate innovative digital media content;
- Commissioned a regional food academy;
- Extended our work through the intelligent-health demonstrator work; and
- Established a regional rail alliance and supply chain programme.

As part of our Innovation Strategy and the Science City programme we have:
- Invested over £6m in Hydrogen Fuel Cell activity, and in a further project to develop energy efficient technologies at the Universities of Birmingham and Warwick;
- Committed around £20m to support development of clinical trialling and experimental medicine facilities at the Universities of Birmingham & Warwick within the Translational Medicine theme of Science City, as well as investing in a Health Technologies Design Institute at Coventry University;
- Launched the Serious Games Institute at Coventry University to provide advanced

required to unlock the development of key sites during the economic downturn (announced as part of the regional package of support during the recession). So far two project applications have been approved, totalling £1.8m;

- Through the West Midlands' Regional Funding Advice submission, Advantage West Midlands is seeking a further £28m from the Department for Transport to extend the current infrastructure fund to help bring forward the implementation of additional regionally significant development schemes; and

- Established the Waste Infrastructure and Recycling Development Programme.

To deliver on sustainable communities we have:
- Completed and opened four Enterprise Centres in Ludlow, Shrewsbury, Leominster and Rotherwas providing flexible workspace on easy in easy out terms for new and growing businesses across the rural regeneration zone

- Worked with the Homes and Communities Agency to bring about the redevelopment of the Camp Hill area, where we have invested over £6m in the first phases of the redevelopment, creating affordable housing and uplifting one of the sub regions most deprived communities; and

- Delivered the £40m Blue Planet, the UK's first BREEAM 'Outstanding' building since the regulations were tightened last year. The Blue Planet building in Chatterley Valley contains offices and a logistics centre.

- Contributed just over £8m towards new investment in Blist's Hill - the largest and most significant visitor attraction in the Ironbridge Gorge Museum Trust's portfolio of sites. The

ground breaking intervention (the first of its kind) in the country.

- 17 Trade Union Learning Centres completed during the year - 11 Learning Centres have 'officially' opened to enable high quality training environments in the workplace.

- From June 2008 a new specialist leadership and management service became operational, funded by Advantage West Midlands. The service provides support to senior management teams of businesses with high growth potential, to help improve their companies' competitiveness. This service has been fully integrated into the Business Link offer and so far, has supported a total of 81 businesses improve their performance.

- The Connecting to Opportunities Programme, was launched in December 2008, and is targeted at hard to reach communities that often fall outside of mainstream provision. The Programme aims to introduce such communities and individuals into mainstream provision, in order to ensure that they can benefit from regeneration initiatives delivered by the Agency and other key regional public and private sector partners.

and spatial planning in the region.

Key 2012 Olympic Activity:
- Through the provision of procurement workshops and one to one business engagement the region now has over 5,000 businesses registered on the national CompeteFor e-brokerage system to tender for Olympic related contracts. Around 40 firms in the region have won direct or indirect contracts from the London 2012 Games.

In Tourism Activity we have:
- In Tourism Marketing Advantage West Midlands implemented a £1 million tourism marketing campaign in 2008-09.

- Tourism also benefited through our commitment of £3 million to a Marketing Birmingham led £12 million three year business tourism programme. The Programme includes the promotion of the region's world leading business tourism facilities to attract major events, including the International Rotary Convention in 2009 (circa 20,000 delegates travelling to the region -, largest event

	research, incubator space & shared facilities for companies to catalyse faster exploitation of serious gaming for a range of business applications; • Supported the first phase of Warwick International Digital Laboratory to increase economic benefit of ICT to a range of business applications; and • Further expanded Keele Science Park facilities with a significant medical dimension.	new facilities aim to increase visitor numbers by 95,000 visitors per year.		in the UK for 10 years).
Total Investment during 2008-09 (£m)	117.3	162.0	4.2	8.5
(1) Future impact on GVA (total achieved and future potential)(£bn)	£2.6bn			

(2) Outputs generated in 2008-09

	Targets	Actuals	% Achieved of Target
Jobs Created and Safeguarded	16,450	16,997	103%
Business Created and Surviving at 12 months	4,193	1,673	40%
Business Support	21,253	22,524	106%
Business Support - Collaborations within the UK Knowledge Base	1,041	1,077	103%
Employment Support	7,347	7,833	107%
Skills - People assisted in skills development	15,700	16,622	106%
Skills - Leadership and Management	1,040	739	71%
Skills - Upskilling to graduate levels	300	-	0%
Skills - Graduates into Employment	400	127	32%
Public/Private Sector Leverage (£m's)	416	425	102%
Brownfield Land Remediated (hectares)	101	102	101%

Notes: **(1)** Estimated future impact on GVA relates to the 2008-09 expenditure on Business /People /Place and rate of return that we expect to achieve. The rate of return is based on PwCs analysis of the value for money of RDA expenditure (categorised as Business /People /Place), published in the BERR Report - Impact Evaluation of RDA Spending (2009). Expenditure provided by internal management statement - April 2009.

(2) It is important to note that outputs are derived, in the main, from investment activity that took place prior to 2008-09.

Achievement of Outputs

Working with partners in the region, we have achieved all of our core targets for Public/Private Sector Leverage (£425 million), Brownfield Land Remediated (102 hectares) Jobs Created of Safeguarded (16,997), Business Supported (22,524), Business Support - Collaborations within the UK Knowledge Base (1,077), Employment Support (7,833) and Skills - People assisted in skills development (16,622).

However, the economic downturn has caused us to amend the types of interventions we make to assist businesses to improve their performance and this has in turn affected our ability to achieve outputs in a number of areas. We have not fully met the target for Business created & survived at 12 months (1,673 against a target of 4,193), Skills - Leadership and Management, (739 against a target of 1,040), Upskilling to graduate levels (no outputs were reported) and Graduates into Employment (127 against a target of 400).

The financial crisis has impacted upon our ability to support the creation of new business start ups. We underperformed on our targets for business created (surviving 12 months) as the climate for regional businesses is extremely challenging. The nature and focus of support from Business Link is altering as a consequence, reflecting the current market demand for business support which is more concerned about cash flow, downsizing and diversification. We are examining, with Business Link, what action can be taken to improve performance in 2009-10 and will have constructed new targets in line with our revised expectations.

During 2008-09 we have made a considerable effort to start new and innovative activity to improve skills for business. As a result of the recession, demand for graduate placements dropped significantly and we responded by introducing a wage subsidy for a limited period. As a result of the experience with the wage subsidy, we are now developing a more innovative and cost effective approach to encourage more employers to offer graduate placements during the recession. Difficulties continue with the graduate recruitment service due to a lack of graduate vacancies.

Work on Leadership & Management continues but with lower than expected take-up. We are working on more targeted marketing to stimulate demand.

Reflecting on the extremely difficult time for the land & property sector, the fact we have exceeded our Brownfield land targets, is one indication that our drive and commitment to support the viability of physical development schemes is helping weather the economic storm.

Directors' Report

The Directors present their Annual Report and Accounts for the year ended 31 March 2009.

The Board members are appointed by the Secretary of State for Business, Enterprise and Regulatory Reform (BERR) and include 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 the Agency.

On the 8th June 2009 BERR merged with the Department for Innovation, Universities and Skills (DIUS) to become the Department for Business, Innovation and Skills (BIS).

Non Executive Directors (The Board)

Nick Paul CBE - Agency Chair

Jas Bains

Dr David Brown – Agency Deputy Chair (Appointed Deputy Chair 14th December 2008)

(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)

Richard Hyde – Agency Deputy Chair (Term ended 13th December 2008)

Roger Lawrence (*Member – Audit Committee)*
(Member – Human Resources and Remuneration Committee)

Angela Maxwell

Michael Oakes

Sue Prince OBE

Diane Rayner *(Member – Human Resources and Remuneration Committee)*

David Smith *(Chair – Audit Committee)*
(Member – Human Resources and Remuneration Committee)

Prof Michael Sterling

Kenneth Taylor *(Member – Audit Committee)*

Michael Whitby (Appointed 14th December 2008)

Board members are contracted to carry out two days work per month on behalf of the Agency (four days per month for the Deputy Chair). The Chairman is contracted for three days a week.

Board meetings

Twelve scheduled Board meetings were held during the year. The Agency has two formal Board Sub-Groups, an Audit Committee and a Human Resources and Remuneration Committee. Four Audit Committee meetings and four Human Resources and Remuneration Committee meetings were held during 2008-09.

The Agency maintains a register of Board Members' interests. The register is available for inspection at the Agency's offices by prior appointment with the Corporate Director of Strategy and Communications.

Executive Directors

John Edwards	Chief Executive (resigned 30th April 2008)
Mick Laverty	Chief Executive (appointed 1st March 2008)
Michael Crich	Corporate Director of Resources (appointed 1st August 2008)
Karen Yeomans	Corporate Director of Operations
Tim Gebbels	Corporate Director of Strategy & Communications
Richard Hutchins	Corporate Director of Economic Development
Mark Pearce	Corporate Director of Economic Regeneration

Statement of Directors' Responsibilities

Under Section 14 of the Regional Development Agencies Act 1998 the Agency is required to prepare a statement of account for each financial year in the form and on the basis determined by the Secretary of State, with the consent of HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs at the year-end and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Agency and its Chief Executive are required 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 have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the accounts on a going concern basis, unless it is inappropriate to presume that the Agency will continue in operation.

Statement of Accounting Officer's Responsibilities

Under the Regional Development Agencies Act 1998, the Secretary of State with the consent of the Treasury has directed Advantage West Midlands 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 are prepared on an accruals basis and must give a true and fair view of the state of affairs of Advantage West Midlands and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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 Department for Business, Enterprise and Regulatory Reform, 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

- Disclose all relevant information to the auditors

The Permanent Secretary of BERR has designated the Chief Executive as Accounting Officer of Advantage West Midlands. 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 the Accounting Officers' Memorandum issued by the Treasury and published in Managing Public Money.

RDA Accountability and Financial Framework

The Department for Business, Enterprise and Regulatory Reform issued the RDA Accountability and Financial Framework which took effect from 1st October 2008. This replaced the Financial Memorandum issued in November 2005. The documents set out the financial framework under which the Agency should operate. The Agency has complied with the terms of both the Financial Memorandum and the RDA Accountability and Financial Framework in all material respects during the course of 2008-09.

Principal Activities

Advantage West Midlands was established under the provisions of the Regional Development Agencies Act 1998 and came into existence on 14th December 1998.

The Agency became fully operational on 1st April 1999 when it took over some of the regional activities of English Partnerships, the Rural Development Commission and the SRB Challenge Fund, formerly administered by the Government Office for the West Midlands. The Agency is a Non Departmental Public Body (NDPB) sponsored by the Department for Business, Enterprise and Regulatory Reform.

The Chairman's and Chief Executive's statements include an outline of the Agency's future development and the Chief Executive has given a detailed review of the Agency's activities during the last year.

Principal Risks and Uncertainties

The Agency's key risks are set out in its Risk Register which is available at the Agency's offices by prior appointment with the Corporate Director of Strategy and Communications.

Pension Costs

The treatment of pension's liabilities and the relevant pension scheme details are set out in the accounting policies note on page 65 in the salaries and wages note to the financial statements (note 7) and in the Remuneration Report on pages 45 to 52.

Employment of Disabled People

The Agency's equality and diversity policy is in place and was last reviewed in April 2009.

Since 2006 the Disability Duty has obliged public listed bodies to develop and implement a disability equality scheme (DES) which the Agency has in place and rolled out mandatory workshops on the DES over 2006 and 2007. In addition to legal compliance the Agency also applies good practice e.g. an Access Audit of the premises which was last conducted in 2007 and is scheduled to be repeated every two years and has an Equality and Diversity Action Plan in place (published on the Agency website), which was endorsed by the Agency's Board in October 2007.

Both the Equality and Diversity policy and DES strongly support the employment of disabled people. Additional initiatives like "Positive About Disability" ("Two Ticks") are also in place which is administered by Job Centre Plus and has the following five commitments:

1. Recruitment: To interview all applicants with a disability that meet the minimum criteria for a job vacancy and consider them on their abilities;

2. Consultation with disabled employees: To ensure there is a mechanism in place to discuss at any time, but at least once a year, with disabled employees what we and they can do to make sure they can develop and use their abilities;

3. Retaining disabled people: To make every effort when employees become disabled that they stay in employment with their current employer;

4. Developing Awareness: To take action to ensure that all employees develop the appropriate level of disability awareness needed to make the commitments work; and

5. Reviewing progress and keeping people informed: To review the commitments each year and what has been achieved, to plan ways to improve and inform staff and the Employment Service about progress and future plans.

The Agency has to undergo and annual review of its 'Two Ticks' status, the latest taking place in April 2009; and it can be reported that the Agency was successful in retaining its 'Two Ticks' status with Job Centre Plus.

Encouraging staff to disclose an impairment or disability is proving to be a challenge; and according to HR records, only one of the Agency's 341 staff has declared a disabling condition or impairment. The Agency will take every reasonable step to make the necessary adjustments regarding the recruitment, retention and development of disabled people. Moreover, the Agency recognises that a disability can be acquired at any time and to this end encourages managers and staff to review personal circumstances in section six of the new

Performance Management & Review System, which supports commitment three of the "Positive About Disability" inititiative.

Examples of a reasonable adjustment could be the introduction of aids or adaptions to the working environment, or a change in working patterns. In the event that an individual is unable to undertake or continue their job following reasonable adjustments, the Agency will take all reasonable steps to bring about an amicable solution for both parties.
All working practices are in line with legislative requirements of the Disability Discrimination Act and disability best practise.

Employee Relations

The Agency recognised two Trade Unions (Prospect and PCS) in 1999 for the purposes of negotiation in the areas of pay and benefits, holidays and hours. This relationship with Prospect has since been developed and strengthened, however due to the low level of membership of PCS within the Agency and their inability to field representatives for various Agency activities it was decided to withdraw recognition from PCS in 2005. The relationship with Prospect continues to be strong.

In September 2000 the Agency's Staff Consultative Forum was established. The Forum (which has a representative from Prospect) comprises a cross-section of staff from across the organisation. The Forum meets quarterly and is chaired by a Corporate Director with support from the Director of Human Resources.

Representatives are elected to the Forum by their colleagues and are able to discuss, consult and consider a wide range of issues, including policies, terms and conditions of employment and specific organisational issues.

Better Payment Practice Code

The Agency is committed to the "Better Payments Practice Code" (previously the CBI Prompt Payment Code) and aims to pay 95% of undisputed invoices within 30 days of approval. In 2008-09, the Agency met this target, paying 99% of invoices within 30 days of approval (99% 2007-08). The Agency has been unable to calculate payment performance in accordance with HM Treasury guidelines set out in Managing Public Money, as it does not retain information on the date of receipt of invoices for goods and services. There may have been a period between the receipt of invoices and their approval, which the Agency is unable to identify.

In November 2008 the Agency adopted Government's prompt payment pledge where it seeks to pay all SME's within 10 working days. The Agency is committed to improving this performance in the next financial year.

Personal Data Related Incidents

There has been one personal data related incident during the financial year. A private laptop was stolen from the home of a sub-contractor employed by one of Advantage West Midlands delivery chain organisations. Immediate steps were taken to improve the process including a detailed review, using a specialist consultant firm, to examine overall current practices and advice on any necessary improvements.

Improving Performance

In 2008/09 the Agency implemented a programme of impact evaluation studies to learn lessons from activities that we have funded over previous years in order to evaluate the impact of our intervention and the contribution we have made to the West Midlands Economic strategy. The studies which were conducted by independent consultants reviewed £990m of the Agency's investments over the period 2002-03 to 2006-07. The findings of this analysis identified that our activities have generated benefits to the region of £4.2 billion (GVA) which when future benefits are added will rise to £7.4 billion. In value for money terms this indicates that the Agency has already achieved a return of £4.20 (GVA) for every £1 invested which will rise to £7.45 for every £1.

A key finding from this evaluation process was the need to revisit our focus on economic impact and in order to deliver this change all Agency staff with project sponsorship roles have been given additional training. Further support has been provided to project managers in order that this approach can be rolled out to key external partners. Looking forward and linking these evaluation findings to our Aiming for Excellence activities, changes are being made to our project level evaluation planning and appraisal systems with economic impact being the most important factor in our decision making process.

Freedom of Information

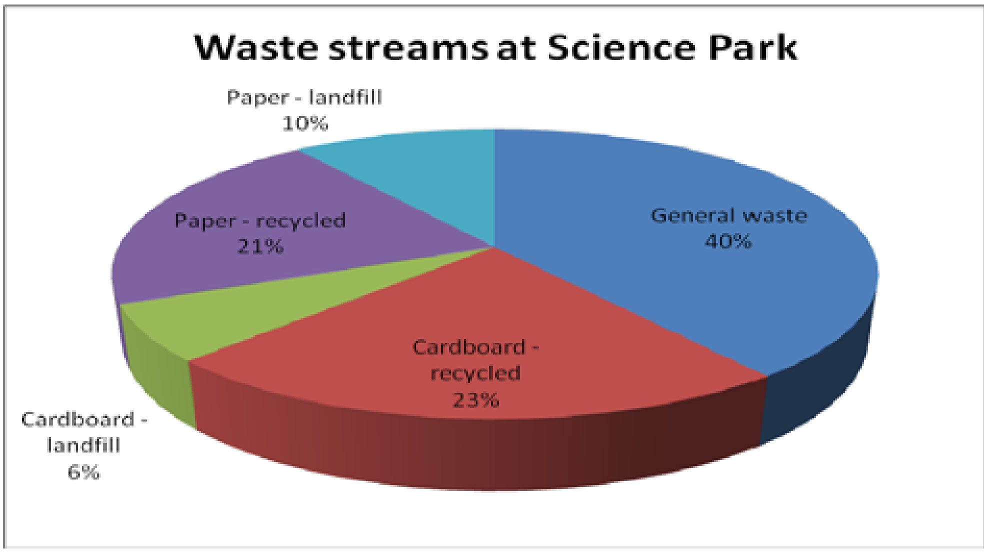
The Agency received 78 formal requests for information under the Freedom of Information Act 2000. Of these requests, one is still on hold pending clarification, four were subsequently withdrawn or transferred, or closed after being placed on hold waiting for clarification. 97.6% of requests were dealt with within the required timeframe or by arrangement with the applicant and three exceeded the time threshold by 1- 3 days.

Green Housekeeping.

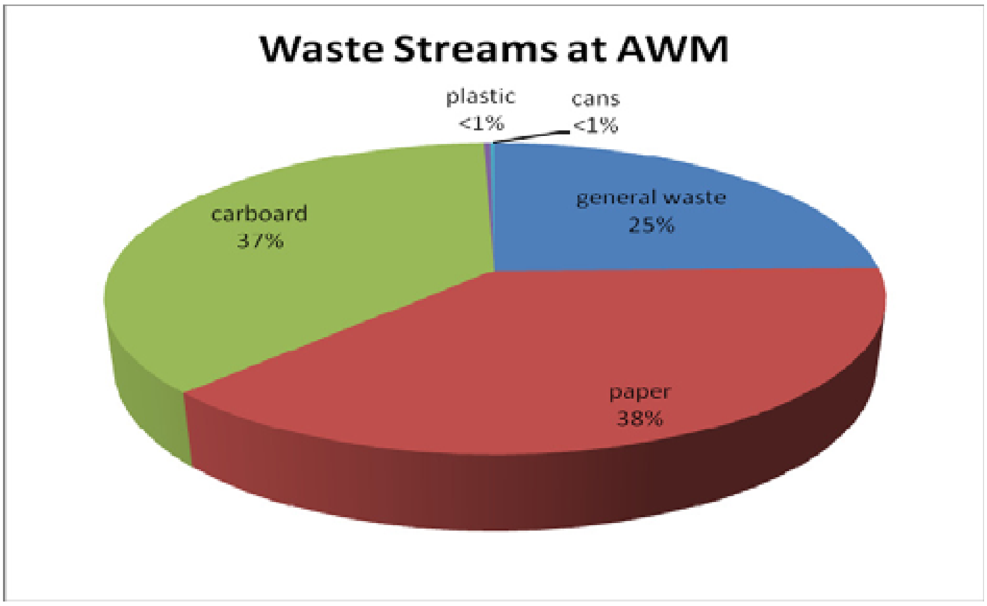
The Agency has continued with its Green Housekeeping Policy, with increased emphasis on use of recycled materials with 99% of all paper purchased for Agency use falling into this category.

The organisation also continues the practice of waste management and recycles a variety of used office products with specific emphasis on printer cartridges and waste paper. For the period, the organisation share of wood saved through the application of the recycling programme amounts to the equivalent of 77 trees.There has been a dramatic decrease in the number of trees which can be attributed to the new recycling prgramme that reduced the number of confidential waste consoles, to non-confidential waste paper recycling bins. A new recycling programe was implemented on the 1st June 2008 for agency staff focusing on the segregation of waste internally within the office. This included plastics, paper, cardboard & cans. Advantage West Midlands participated in a survey which was open to the Aston Science Park on waste streams. The survey was carried out over a 6 months period and the following was achieved.

Graph 1: Waste streams at the Science Park



Graph 2 Waste streams at AWM



From the graphs above it can be seen how effectively Advantage West Midlands is segregating their waste with, general waste accounting for just 25% compared to 40% for the Science Park overall.

An earlier review of the AWM Lease Car Policy also identified an opportunity to reduce CO2 exhaust emissions in line with Government guidelines. Consequently, the policy now allows for the purchase of Agency lease cars with a maximum emission of 150 g/km as per DTI sustainable government procurement publication October 2003.

The Agency has again reviewed its accommodation requirements for the forthcoming period (2009-10) and acknowledged its increasing workload will impact on additional staffing and the need to accommodate them. There has been a further review of accommodation requirements and it is proposed that the agency increases the numbers in it’s hot desking/remote working in order to condense all AWM staff and partner organisations from Nos 2 and 3 Priestley Wharf into No 3 Priestley Wharf. This will impact on energy conservation as both buildings reflect the high BREEAMS rating (Building Research Establishment Environmental Assessment Method).

An anticipated benefit of operational staff working away from the main HQ building in central Birmingham, is the reduced travel to and from the various regional sites, thereby reducing vehicle movements and a corresponding reduction in vehicle energy/fuel consumption. This aspect has (to date) no measure or targets for 2009-10

The main HQ buildings use Green Electricity on the premises and continue to operate an "energy management system" (TREND) to ensure adequate heating and cooling levels for staff and visitors within buildings by pre-determined temperature management. Programmed system shutdowns are applied out of hours and during local and bank holidays to ensure economic use of energy.

The Agency gained a Display Energy Cerificate classification D for it's building performance on energy, which is what would be expected for a building of it's size and age.The aim is to try to improve on it's performance in 2009-10.

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 annual 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	£ 62,500
ERDF Audit Services	£ 55,000
IFRS Audit Services	£ 5,250

Other assurance services relate to the certification of AWM memorandum accounts and statements of European grant expenditure. The National Audit Office does not undertake any non-assurance work on behalf of the Agency.

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

Report of the Audit Committee

The Audit Committee is chaired by David Smith. It is wholly non-executive and during the year the other members were Richard Hyde (term ended 12th December 2008), Gerard Coyne, John Crabtree, Ken Taylor, Roger Lawrence, Brendan Connor and David Brown (from January 2009). The Chief Executive in his role as Accounting Officer attends each of the five meetings a year, but is not a formal member. The purpose is to ensure that good financial practice is 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 on Internal Control.

The Committee approves the Strategic and Annual Plans of the Agency's Internal Audit service and considers all of its reports. It also monitors performance against these plans, which were completed in full. Implementation of recommendations is monitored. Certain reports are forwarded to the Board where the Committee considers this appropriate.

The Committee considers the draft NAO Management Report before the Annual Accounts are laid before Parliament and discusses any issues in the Report with representatives from the

National Audit Office, the Agency's external auditors, who attend all meetings. It also meets in private session without any members of the executive present.

The Committee considers the Corporate Risk Register when it is updated each year and receives a report every six months that sets out progress made on the management of the significant risks identified.

Although there is no requirement to comply, the Audit Committee wishes to follow best practice identified in the revised Combined Code of Corporate Governance for Listed Companies and recent guidance from HM Treasury concerning Audit Committees in the public sector. It therefore regularly reviews its operations and makes 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 have registered any declarations of interest or material benefits they may receive, or any other links, which may affect the execution of their duties on the Board or as a paid employee.

The Register of Interests is open to inspection by the public on request. Also copies of the information contained within the register can be supplied. Anyone wishing to inspect the register or wanting copies of the information contained within it should contact the Agency's Corporate Director of Strategy and Communications at Advantage West Midlands, 3 Priestley Wharf, Holt Street, Aston Science Park, Birmingham, B7 4BN.

Remuneration Report

This report for the year ended 31st March 2009 is produced by the Board on the recommendation of the HR and Remuneration Committee and deals with the remuneration of the Chair, Chief Executive, Board members and Executive Directors who have influence over the decisions of the Agency as a whole.

Report of the Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee was chaired by Richard Hyde upto 13th December 2008 and David Brown took over position of chair from 14th December 2008. The membership of the committee is Brendan Connor, Gerard Coyne, John Crabtree, Roger Lawrence, Diane Rayner and David Smith. The Chief Executive Mick Laverty attends each of the quarterly meetings but is not a full member of the committee.

Human Resources and Remuneration Committee

The Agency has established a Human Resources and Remuneration Committee as a Sub Committee of the Board. The membership of the Committee consists of Board members and meetings are chaired by a member of the Board, other than the Chairman. The HR and Remuneration Committee is the means by which the Board ensures that adequate arrangements are in place to deal with the performance and remuneration of the Chief Executive and Corporate Directors. It also ensures that the Agency operates satisfactory Human Resources policies and regularly reviews these. The Accounting Officer (Chief Executive) will attend all meetings of the Human Resources and Remuneration Committee unless, exceptionally, his performance is being discussed. The Human Resources and Remuneration Committee operates under formal terms of reference.

Remuneration of Board Members

All Board members have been appointed on fixed term contracts by the Department for Business, Enterprise and Regulatory Reform as detailed above and are 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 Senior Managers

The Agency uses a Performance Management & Review system which enables line managers and individuals to jointly agree objectives at the start of each reporting year. These are regularly reviewed, with a final review in April. This, along with up-to-date and regularly reviewed job descriptions, allows the Agency to ensure that individuals' performance can be monitored.

The Agency generally offers permanent contracts following a rigorous recruitment process. Senior members of staff have notice periods of three months, while all others have a 1 month notice period. The Agency operates a six month initial probationary period at the start of employment for all members of staff, regardless of level. Performance is constantly managed during the probationary period and should an individual not pass this probationary period the Agency can give the individual one week's notice, or an extension to the probationary period as appropriate. Fixed-term contracts may be offered, again subject to rigorous recruitment processes, to cover such eventualities as maternity leave and known long-term sickness. As a fixed term contract comes to an end, the Agency will use its best endeavours to ensure that these staff are not treated any less favourably than their colleagues with permanent contracts and will try to identify any other suitable vacancies in the Agency. The Agency has never included any guaranteed termination payments in an employment contract.

There are no differences in senior managers' contracts to others in the Agency.

Salary

"Salary" includes gross salary and car allowance where applicable. Performance pay is identified separately.

Audited part of the Remuneration Report

The emoluments of the Board were:

Name	Date of Appointment From - To	Salary 2008-2009 £	Salary 2007-2008 £
Nick Paul CBE (Chair)	14/12/02 – 13/12/05 14/12/05 – 13/12/08 14/12/08 – 31/08/09	80,510	78,931
Jas Bains	14/12/07 – 13/12/10	8,538	2,442
Dr David Brown (Deputy Chair from 14/12/2008)	13/02/06 – 13/12/08 14/12/08 – 13/12/11	12,807	8,371
Brendan Connor	14/12/06 – 13/12/09	8,538	8,371
Gerard Coyne	14/12/04 – 13/12/07 14/12/07 – 13/12/10	8,538	8,371
John Crabtree OBE	13/02/06 – 13/12/08 14/12/08 – 13/12/11	8,538	8,371
Richard Hyde (Deputy Chair until 13/12/2008))	14/12/02 – 13/12/05 14/12/05 – 13/12/08	12,095 (FYE 16,742)	16,742
Roger Lawrence	14/12/03 – 13/12/06 14/12/06 – 13/12/09	8,538	8,371
Angela Maxwell	14/12/07 – 13/12/10	8,538	2,442
Michael Oakes	14/12/03 – 13/12/06 14/12/06 – 13/12/09	8,538	8,371
Sue Prince OBE	14/12/04 – 13/12/07 14/12/07 – 13/12/10	8,538	8,371
Diane Rayner	14/12/04 – 13/12/07 14/12/07 – 13/12/10	8,538	8,371
David Smith	14/12/03 – 13/12/06 14/12/06 – 13/12/09	8,538	8,371
Prof Michael Sterling	26/05/03 – 13/12/06 14/12/06 – 13/12/09	8,538	8,371
Kenneth Taylor	13/02/06 – 13/12/08 14/12/08 – 13/12/11	8,538	8,371
Michael Whitby	14/12/08 – 13/12/11	2,726 (FYE 8,538)	0

Nick Paul's term of appointment was extended until 31st August 2009 when Sir Roy McNulty joins the Agency as Chairman.

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

	Salary including Car Allowance	**Performance pay**	**Pension costs**	**Total Emoluments 2008-2009**	**Total Emoluments 2007-2008**
	£	**£**	**£**	**£**	**£**
John Edwards *Chief Executive* *(left 30/04/08)*	14,154 (FYE 130,144)	26,332	2,815	43,301	199,127
Mick Laverty *Chief Executive from 01/03/08*	137,381	11,689	29,988	179,058	155,344
Michael Crich *Corporate Director of Resources* *(appointed 01/08/08)*	71,333	-	549	71,882	0
Karen Yeomans *Corporate Director of Operations*	110,040	7,038	26,939	144,017	147,755
Tim Gebbels *Corporate Director of Strategy and Communications*	110,040	4,717	26,795	141,552	125,976
Richard Hutchins *Corporate Director of Economic Development*	110,707	7,140	27,109	144,956	119,640
Mark Pearce *Corporate Director of Economic Regeneration*	110,040	4,675	26,795	141,510	120,460

The pension entitlements of the most senior members were as follows:

	Real increase in pension (£k)	**Real Increase in lump sum (£k)**	**Pension at 31/03/09 (£k)**	**Lump sum at 31/03/09 (£k)**	***CETV at 31/03/08 (nearest £k)**	**CETV at 31/03/09 (nearest £k)**	**Employer contribut -ions and transfers-in (£)**	**Real increase In CETV funded by employer (nearest £k)**
John Edwards	0 – 2.5	2.5 – 5	50 - 55	110 - 115	943	988	343	43
Mick Laverty	2.5 – 5	5 – 7.5	35 - 40	70 - 75	432	512	4,116	45
Richard Hutchins	0 – 2.5	N/A	5 - 10	N/A	91	117	3,721	16
Karen Yeomans	0 – 2.5	N/A	20 - 25	N/A	237	269	3,697	11
Mark Pearce	2.5 – 5	7.5 -10	35 - 40	105 -110	500	590	1,576	52
Tim Gebbels	0 – 2.5	N/A	10 - 15	N/A	108	144	3,678	24

Due to certain factors for CETV's being changed during the year there may be a slight difference between the closing balance CETV for 2007-08 and the opening balance CETV for 2008-09.

Michael Crich is not included in this table because his only pension is a stakeholder pension.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised 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 CS 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 30th 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 Retail Prices Index. New entrants from 1st 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 the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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 1st 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 (31st 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 RPI. 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

No Board Members are 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 Chairman, Nick Paul who has a by-analogy pension aligned to the Principal Civil Service Pension Scheme (PCSPS). With the approval of BERR, a pension and death in service benefit scheme has been put in place for the Chairman with contribution rates and pension benefits which are identical to the Principal Civil Service Pension Scheme but which is funded directly by the Agency. On his retirement, payment of the Chair's pension will be the responsibility of the Agency, underwritten by BERR.

The Agency is not permitted to invest its contributions of £23,348 (2007-08 £20,127) and those deducted from Nick Paul's salary of £2,818 (2007-08 £2,763) in the Civil Service Pension Scheme.

	Real increase in pension (£k)	**Real increase in lump sum (£k)**	**Pension at 31/03/2009 (£k)**	**Lump sum at 31/03/2009 (£k)**	***CETV at 31/03/2008 (nearest £k)**	***CETV at 31/03/2009 (nearest £k)**	**Real increase in CETV funded by employer (nearest £k)**
Nick Paul Chairman	0 – 2.5	0 – 2.5	5 – 10	5 – 2.5	100	125	18

A full actuarial valuation of this by-analogy scheme was carried out as at 31st March 2009 by a qualified independent actuary. The major assumptions of the actuary were:

Financial Assumptions	**2008-2009**	**2007-2008**
Inflation Assumption	2.90%	3.40%
Rate of increase for pensions in payment and deferred pensions	2.90%	3.40%
Rate of increase in salaries	4.40%	4.90%
Discount Rate	6.50%	6.40%

The effect of accrual during 2008-2009	**2008-2009 £'000**
The current service cost (net of employee contributions)	21.0
Past service costs	0.0
Gains and losses on any settlement and curtailments	0.0
The interest cost	8.1

Actuarial gains and losses for 2008-2009	**2008-2009 £'000**
Experience losses (gains)	1.1
Effect of changes in demographic and financial assumptions	(9.9)
Total actuarial losses (gains)	(8.8)

Liability calculation for 2008-2009	**2008-2009 £'000**
Present value of liability at 1 April	113.2
Current service costs (net of employee contributions)	21.0
Employee contributions	2.8
Interest cost	8.1
Actuarial losses (gains)	(8.8)
Present value of liability at 31 March	**136.3**

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 31st March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008-09, employers' contributions of £2,766,892, were payable to the PCSPS (2007-08 £2,440,228) at one of four rates in the range 17.1 to 25.5 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 1st October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £52,051 were 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. In addition, employer contributions of £3,923, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Homes and Communities Agency Scheme (formerly the English Partnerships Scheme)

Some former employees of English Partnerships participate in the Homes and Communities Agency Pension Scheme. The scheme is a multi-employer defined benefit scheme but Advantage West Midlands is unable to identify its share of underlying assets and liabilities. A full actuarial valuation was carried out at 31st March 2007 and more details can be found in the separate scheme statement of the Homes and Communities Agency Pension Scheme. For 2008-09, normal employer contributions of £40,703 were payable to the Scheme (2007-08 £43,172) at the rate of 23.8% of pensionable pay. It has been agreed that contributions will be reviewed on an annual basis although the Actuary conducts a full revaluation of the fund every three years.

The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme. At the balance sheet date there was no balance of prepaid / outstanding contributions to the scheme.

Nick Paul - Chairman **Mick Laverty – Chief Executive**

Statement on Internal Control

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Advantage West Midlands' policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. I am also responsible for ensuring that the Agency is administered prudently and economically and that its resources are applied efficiently and effectively.

Purpose of the Internal Control System

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Advantage West Midlands for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to Handle Risk

The Agency operates a comprehensive risk management process, which is overseen by the Board's Audit Committee. The process accords with Treasury guidance and is applied consistently across the Agency. Appropriate written guidance has been produced and disseminated internally to support it. Individual members of staff have been actively involved in identifying risks applicable to their areas of responsibility and then in addressing their management. In both the approach to managing risk and in seeking to maximise the completeness of the Agency's Risk Register, good practice guidance and shared experience have been drawn on.

As part of the Agency's Performance Management and Review system, each Corporate Director has an objective relating specifically to the management of risk in their area of responsibility. Performance against this objective is reviewed quarterly thus embedding continuous improvement into the risk management process.

The Risk and Control Framework

The Agency has compiled a Risk Register, which covers the material Policy, Operational, Reputational, Financial, Corporate and Project Delivery risks. Each Corporate Director has evaluated the risks in their area of responsibility to determine potential likelihood and impact. They have then determined how each risk will be managed. This also incorporates the role of other organisations where they are involved in delivery of the Agency's objectives. The Agency's risk appetite has been determined on the basis of capacity to deal with realised risk and the importance to the achievement of the Agency's objectives. Ownership of each risk has been assigned to appropriate individuals, who regularly report to the Audit Committee on their management of them.

Risk management is embedded in the Agency's processes. The Risk Register is derived from the Agency's Corporate Plan and is updated and revised annually, including the actions to be taken to manage each risk. The revised Risk Register was considered by the Audit Committee in a specially convened meeting and approved on behalf of the Board.

Management actions are monitored by way of a report to the Audit Committee and Accounting Officer every six months. This report includes the planned management actions, progress against action planned, progress since the last report, sufficiency of actions and future actions. An explanation of any actions delayed, the reason why and action to get back on track is also provided. Relevant Internal Audit reports are also cross-referenced to each risk area to provide an independent assessment.

Information risk is managed by an Information Security Board and is subject to review through a specific information risk operational risk register. Throughout the year ended 31 March 2009 appropriate actions have been implemented to manage information security risks that are appropriate to the type and volume of data held by the Agency.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The Agency has established the following processes to maintain and review the effectiveness of the internal control system:

- The Agency's non-executive Board which meets monthly to consider plans, strategic direction and Internal Audit reports referred to it by the Audit Committee;

- The work of the non-executive Audit Committee which meets every quarter;

- The Audit Committee Chair's Annual Report to the Agency's Board;

- Regular reports by Internal Audit together with recommendations for addressing any control weaknesses found;

- Reports to each meeting of the Audit Committee on the implementation of recommendations for addressing control weaknesses found by Internal Audit;

- The Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Agency's systems of internal control;

- The work of the Agency's Project Office Team, including monitoring reports of individual projects, the Quality Management System and updates to it and regular summary reports of activities made to the Audit Committee;

- Attendance at each Audit Committee meeting by the National Audit Office, including discussions with the Committee from which the Agency's executives are excluded;

- Establishment of key performance milestones and indicators;

- Implementation of the Agency's Aiming For Excellence improvement plan arising from the original areas for improvement identified in the Independent Performance Assessment undertaken by the National Audit Office during 2006-07 and subsequently updated to incorporate feedback from annual Investors in Excellence reviews in 2007 and 2008;

- The Investors in Excellence assessment undertaken during the year;

- The Risk Register, together with evaluation and management of the risks identified. This is supported by regular reports from managers on the steps they are taking to manage risks in their areas of responsibility;

- Annual meeting of the Audit Committee to specifically review the Corporate Risk Register.

- The Governance Questionnaire, Assessment and Action Plans completed by the Agency's major external engagements, and

- The executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework.

Mick Laverty
Chief Executive/Accounting Officer

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND ADVANTAGE WEST MIDLANDS

I certify that I have audited the financial statements of Advantage West Midlands Regional Development Agency for the year ended 31st March 2009 under the Regional Development Agencies Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Recognised Gains and Losses 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 Agency, Chief Executive/Accounting Officer and Auditor

The Agency and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Regional Development Agencies Act 1998 and directions made thereunder by the Secretary of State and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statements of Directors and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Regional Development Agencies Act 1998 and directions made thereunder by the Secretary of State. I report to you whether, in my opinion, the information, which comprises the Directors Report, included in the Annual Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Agency has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Agency's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Advantage West Midland's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, the Chief Executive's Statement, the Performance Report and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Agency and

Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Regional Development Agencies Act 1998 and directions made thereunder by the Secretary of State, of the state of Advantage West Midland's affairs as at 31st March 2009 and of its net expenditure for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Regional Development Agencies Act 1998 and directions made thereunder by the Secretary of State; and

- information given within the Annual Report, which comprises the Directors Report, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

July 2009

Financial Statements

2008-2009

Advantage West Midlands

Income and Expenditure Account for the Year To 31 March 2009

	Notes	2008-2009 £'000	2007-2008 £'000
Income			
Other Government Grants	4	2,743	2,422
Other Income	5	6,337	7,323
European Funding - Agency	3	19,961	3,593
Proceeds from disposal of development stocks		3,864	15,010
Proceeds from disposal of loan notes		3,000	0
TOTAL INCOME		**35,905**	**28,348**
Expenditure			
Book value of development stocks sold	14	3,583	13,726
Book value of loan notes sold	13	3,000	0
Investment Asset write off	12	2,344	293
Development Asset write off	14	34,965	4,526
Loan Note B write off	13	1,825	0
Bad debt expense		(15)	14
Impairment of Investments	9	2,162	1,068
Salaries and wages	7	19,646	15,696
Other administrative costs	8	5,184	5,296
Programme expenditure	2	245,889	229,540
UKTI programme expenditure		1,007	135
TOTAL EXPENDITURE		**319,590**	**270,294**
Net Expenditure on Continuing Operations		**(283,685)**	**(241,946)**
Interest	6	4,103	3,506
Financing costs of by-analogy Pension scheme		(8)	(5)
Notional cost of capital		(6,750)	(5,526)
Loss on issue of subsidised loans		(213)	0
Impairment of long term debtors		(262)	0
Net Expenditure on Ordinary Activities		**(286,815)**	**(243,971)**
Taxation	18	238	(3,285)
Net Expenditure after Taxation		**(286,577)**	**(247,256)**
Reversal of notional cost of capital		6,750	5,526
Net Expenditure taken to Reserves	21	**(279,827)**	**(241,730)**

Net expenditure is financed by Grant in Aid as explained in accounting policies note 2 on page 65. All activities are from continuing operations. The notes on pages 65 to 93 form part of these accounts.

Statement of Recognised Gains and Losses
For the Year Ended 31 March 2009

	Note	2008-2009 £'000	2007-2008 £'000
Revaluation not released to Income and Expenditure Account	14	(4,106)	1,104
Temporary diminution of PXP		16,206	0
Actuarial (Losses)/Gains on by-analogy pension scheme		9	7
Total gains and losses recognised since last annual report		**12,109**	**1,111**

Balance Sheet as at 31 March 2009

	Notes	2008-2009 £'000	2007-2008 £'000
FIXED ASSETS			
Intangible operating assets	10	296	296
Tangible operating assets	11	609	600
Investment properties	12	11,575	3,895
Financial Assets	9	(438)	14,812
		12,042	**19,603**
LONG TERM DEBTORS			
Debtor repayable after more than one year	15	7,235	7,235
Long term loans	13	64,590	65,296
Deferred tax		18	0
		71,843	**72,531**
CURRENT ASSETS			
Stock of development assets	14	114,847	127,960
Debtors within 1 year	16	26,477	15,415
Cash at bank and in hand	26	62,607	18,802
		203,931	**162,177**
CREDITORS			
Amounts falling due within one year	17	69,000	68,901
NET CURRENT ASSETS		**134,931**	**93,276**
PROVISIONS FOR LIABILITIES AND CHARGES			
Provisions	19	6,091	12,429
		6,091	12,429
TOTAL ASSETS LESS CURRENT LIABILITIES		**212,725**	**172,981**
RESERVES			
Grant in Aid Reserve	21	197,439	140,602
Revaluation Reserve	21	26,669	30,577
General Reserves	21	(11,383)	1,802
		212,725	**172,981**

Approved on behalf of the Board on 10 July 2009

Chief Executive/ Accounting Officer

Chairman

All activities are from continuing operations. The notes on pages 65 to 93 form part of these accounts.

Cashflow Statement
For the Year Ended 31 March 2009

	Notes	2008-2009 £'000	2007-2008 £'000
Net Cash (Outflow) From Operating Activities	27	**(254,001)**	**(251,091)**
Taxation			
UK Corporation tax received/(paid)		0	277
		0	**277**
Capital Expenditure & Financial Investment			
Purchase of tangible fixed operating assets		(283)	(127)
Purchase of intangible fixed operating assets		(91)	(164)
Purchase of investment assets		(79)	(13)
Additions to stock of development assets		(39,487)	(32,486)
Proceeds on disposal of development stocks		3,864	15,010
Issue of Loans		(7,300)	0
Repayment of loans		3,512	2,641
Payments to Venture Capital Funds		(2,528)	(1,403)
		(42,392)	**(16,542)**
Returns on Investments			
Interest Received		751	0
Financing			
Grant-in-aid received		339,323	253,139
Grant to purchase Coal Assets		124	39
		339,447	**253,178**
(Decrease)/Increase in cash in the year	26	**43,805**	**(14,178)**

Notes to the Financial Statements for the Year Ended 31 March 2009

1 Accounting Policies

(1) Basis of Accounting

The financial statements of Advantage West Midlands have been prepared in a form directed by the Secretary of State for Business, Enterprise and Regulatory Reform, with the approval of HM Treasury, in accordance with the Regional Development Agencies Act 1998. The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. Compliance with SSAP 19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in note 1(2) below.

The financial statements are prepared on a historical cost basis, as modified by the valuation of investment and development assets, as set out in HM Treasury guidance – the Financial Reporting Manual (FReM).

(1b) Department for Business, Innovation and Skills

On the 8th June 2009 the Government created a new Department for Business, Innovation and Skills (BIS) whose key role will be to build Britain’s capabilities to compete in the global economy. BIS has been created by merging BERR and the Department for Innovation, Universities and Skills (DIUS).

(2) Government Grants

Grant-in-Aid received to finance activities and expenditure which support the statutory and other objectives of the entity are treated as financing, and credited to the Grant in Aid Reserve, because they are regarded as contributions from a controlling party.

Other grants in respect of capital expenditure are credited to the General Reserve. Other grants in respect of operational expenditure are treated as income.

(3a) Property Assets – Development

Development assets, consisting of land and buildings, are valued in accordance with the Companies Act 1985 – Alternative Accounting Rules, and are shown at the lower of current replacement cost or net realisable value. Valuations are carried out in accordance with best practice as contained in the Statement of Asset Valuation Practice and Guidance Notes (3rd Edition) published by the Royal Institution of Chartered Surveyors.

A valuation of the whole portfolio was carried out as at 31st March 2009 by King Sturge & Co., an external firm of Chartered Surveyors.

Acquisitions and disposals are accounted for on the date of legal completion although additions are not revalued in the year of acquisition.

Notes to the Financial Statements for the Year Ended 31 March 2009

Accounting Policies (continued)

(3b) Property Assets – Investment

Investment Assets comprise industrial and commercial investment properties and undeveloped land. Undeveloped land and completed projects are valued annually at open market value.

Industrial and commercial investment properties are treated on a portfolio basis in such a way that surpluses and deficits on revaluation are netted off. Any overall write-down of these properties to open market value, and subsequent adjustments thereto, are charged to the income and expenditure account. Any overall surplus on revaluation of these properties to open market value, and subsequent adjustments thereto, are credited to the Revaluation Reserve after eliminating the overall accumulated unrealised deficit, as originally charged, by revaluation adjustment, to the Income and Expenditure Account.

In accordance with SSAP 19, no depreciation is provided in respect of investment properties. This departure from the requirement of the Companies Act 1985 for all properties to be depreciated is, in the opinion of the Board, necessary for the financial statements to give a true and fair view in accordance with applicable accounting standards as properties are included in the financial statements at their open market value. Depreciation is only one of the many factors reflected in the annual valuation of the properties and the amount attributed to this factor by the valuers cannot reasonably be separately quantified.

(4) Financial Assets – Interests in Associates and Joint Ventures

AWM does not produce consolidated accounts as it does not have a material subsidiary.

Interests in associates and joint ventures are held on the Balance Sheet at their fair value, being the Agency's share of the net assets or net liabilities of the entity at the Balance Sheet date. Movements arising from the adjustment to fair value are taken revaluation reserve in the first instance. Downward revaluation charges in excess of existing credits in the revaluation reserve are charged to the Income and Expenditure account unless it can be demonstrated that the recoverable amount is greater than the revalued amount in which case the excess downward revaluation charge is be taken to the statement of recognised gains and losses.

(5) Loans

Loan investments are shown at cost and net of provision for amounts considered doubtful and of write-offs for amounts considered irrecoverable. Provision has been made for all loans where recovery appears doubtful. No loan is written off until the impossibility of recovery is beyond doubt. Approval from BERR is obtained for any write-off in excess of £250,000.

Notes to the Financial Statements for the Year Ended 31 March 2009

Accounting Policies (continued)

(6) Fixed Assets – Tangible Assets

Tangible Operating Assets are valued at depreciated historic cost, which is not materially different from depreciated replacement cost. The Agency capitalises all items of expenditure above £100 which have a useful life beyond one year.

(7) Intangible Assets

Intangible Operating Assets consisting of software licences are valued at amortised historic cost, which is not materially different from amortised replacement cost.

(8) Depreciation and Amortisation

Depreciation and Amortisation is provided to write off the cost of intangible and tangible fixed assets over their anticipated useful lives on a straight line basis at the following annual rates:

Leasehold buildings with less than 25 years to run	Period of Lease
Office furniture, fittings and equipment	Between 4 and 10 Years
Information Technology	3 Years
Software and Licences	5 Years

(9) Development Assets

Development assets are valued individually as are any profits and losses on revaluation. Any profit materialising from the revaluation of a development asset is taken to the Revaluation Reserve in the balance sheet. Losses are written off against the reserve up to the value of any credit balance in the reserve relating to development assets and to the Income and Expenditure Account thereafter.

(10) Pension Costs

The Agency's employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is a non-contributory defined benefit scheme and is unfunded, or by the provisions of the Homes and Communities Agency Scheme (previously the English Partnerships Pension Scheme) which is also a defined benefit scheme and individual defined contribution pension plans. Advantage West Midlands recognises 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. More details of the Agency's pension schemes are provided within the Remuneration Report at pages 45- 52.

(11) Deferred Taxation

FRS19 "Deferred Tax" has been adopted in preparing these accounts. Subject to specific exceptions (see below), this standard requires deferred tax to be recognised on all timing differences, where the periods over which gains and losses are recognised in the accounts differ from those in which they are recognised in the tax assessments.

Notes to the Financial Statements for the Year Ended 31 March 2009

Accounting Policies (continued)

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets.

Provision is made for gains which have been rolled over into replacement assets only to the extent that, at the balance sheet date, there is a commitment to dispose of the replacement assets.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

No deferred tax has been recognised in respect of tax on gains arising from the revaluation of fixed assets, as the Agency is not committed to dispose of these assets at the balance sheet date.

(12) Foreign Currency Transactions

Transactions in foreign currency are recorded in sterling at the rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currency are translated into sterling at the rates prevailing at the Balance Sheet date. Resulting exchange gains and losses are taken to the Income and Expenditure Account.

(13) Leases

Operating lease rentals are charged to the Income and Expenditure Account over the period of the lease. There are no finance leases.

(14) Financial Instruments

Recognition

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

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

Notes to the Financial Statements for the Year Ended 31 March 2009

Accounting Policies (continued)

De-recognition

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

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and Measurement

The entity has assessed its assets and liabilities in accordance with FRS26, where all its financial assets are categorised as loans and receivables. Financial liabilities are classified as 'Other Financial liabilities'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Agency's loans and receivables comprise: cash at bank and in hand, receivables, and accrued income.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly 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.

Interest on loans and receivables is calculated using the effective interest method and credited to the income and expenditure account.

Financial liabilities

Financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the balance sheet date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to the income and expenditure account.

Determination of fair value

For 2008-09 the Agency has not subsequently measured any financial assets or financial liabilities carried at fair value.

Notes to the Financial Statements for the Year Ended 31 March 2009

Accounting Policies (continued)

Impairment of financial assets

At the balance sheet date, the entity assesses whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cashflows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the income and expenditure account and the carrying amount of the asset is reduced through the use of an allowance account/bad debt provision.

Bad debts are written off at a point where all possible recovery action has failed.

(15) Cost of Capital charges

When calculating net expenditure for the year, the Agency is required to include as expenditure, a notional cost of capital, to the extent that there is no real charge for this. This has been calculated as 3.5% of the average of total assets less liabilities. After the net expenditure for the year is established there is an entry reversing this amount.

(16) Classification of Expenditure.

The Agency incurs expenditure which it classifies as either administration expenditure or programme expenditure. Administration expenditure relates to costs incurred in the delivery of its objectives and these are salaries and overhead costs. Programme expenditure relates to expenditure directly incurred in the management of project activities.

(17) Provisions and Contingent Liabilities

The agency recognises the need to provide for liabilities and charges in accordance with FRS12 where, at the balance sheet date, a legal or constructive liability (i.e. A present obligation from a past event) exists, the transfer of economic benefits is probable and a reasonable estimate of the obligation can be made.

(19) VAT

The Agency is registered for VAT and operates within a Non Business Apportionment methodology agreed with HM Revenue and Customs. Any irrecoverable VAT resulting directly or indirectly from this methodology is written off to the income and expenditure account.

Notes to the Financial Statements for the Year Ended 31 March 2009

2 Analysis of Programme Expenditure by themes

Themes Corporate Plan		£'000
Business	A1 - Seizing market Opportunities	34,022
	A2 - Improving Competitiveness	41,555
	A3 - Harnessing Knowledge	30,206
	Business Total	**105,783**
Place	B1 - Birmingham Competing as a Global City	14,310
	B2 - Improving Infrastructure	26,210
	B3 - Sustainable Communities	80,995
	Place Total	**121,515**
People	C1 - Sustainable Living	0
	C2 - Raising Ambitions and Aspirations	1,605
	C3 - Achieving Full Potential and Opport'y for all	2,616
	People Total	**4,221**
Other	D1 - Powerful Voice	8,530
	Corporate Expenditure	5,840
	Other Total	**14,370**
	Total Expenditure	**245,889**

Funded by	£'000
Expenditure funded from European income	19,961
Expenditure funded from Grant in Aid and self generated receipts	225,928
Total Expenditure	**245,889**

Notes to the Financial Statements for the Year Ended 31 March 2009

3 European Funding

	2008-2009 £'000	2007-2008 £'000
ERDF 2000-2006 Grants Receivable	20,214	339
ERDF 2000-2006 Grants Repayable	(6,946)	3,254
ERDF 2007-2013 Grants Receivable	6,693	0
	19,961	**3,593**

Funding from the European Regional Development Fund is claimed against defrayed expenditure. The funding is conditional on eligible expenditure within objective 2 areas, mandatory regulations are laid down by the European Commission and if not followed correctly can be subject to clawback.

4 Other Government Grants

	2008-2009 £'000	2007-2008 £'000
UK Trade and Investment Grant	24	132
Nanomaterials Centre BERR Grant	1,518	57
Coal Grant	51	2,233
Phoenix fund	1,150	0
	2,743	**2,422**

5 Other Income

	2008-2009 £'000	2007-2008 £'000
Rent	687	556
Partner Contributions	2,066	2,286
Clawback	1,358	1,790
Other Income	1,688	1,777
Secondee Income	538	914
	6,337	**7,323**

Rent is received under operating leases in respect of property rentals received from investment assets.

Notes to the Financial Statements for the Year Ended 31 March 2009

6 Interest

	2008-2009 £'000	2007-2008 £'000
Bank Interest	751	817
Interest on Property Regeneration Partnership (PXP) Loan Notes B	2,812	2,689
Unwind the discount on Loan Note B	277	0
Unwind the discount on long term debtors	263	0
	4,103	**3,506**

7 Salaries and Wages

(a) Board and Staff Remuneration

	2008-2009 £'000	2007-2008 £'000
Board Members		
Board Members' Fees	210	205
Social Security Costs	36	35
	246	**240**
Staff		
Salaries and wages including overtime	13,887	10,916
Pension Costs	2,738	2,078
Social Security costs	1,085	873
	17,710	**13,867**
Staff Seconded Out		
Salaries and wages including overtime	413	700
Pension Costs	93	149
Social Security Costs	32	65
	538	**914**
Agency staffing costs	**1,152**	**675**
Sub Total	**19,646**	**15,696**
Income from Staff Seconded Out	**(538)**	**(914)**
Staff salaries coded to Programme Activities		
Salaries and wages including overtime	224	1,795
Pension Costs	48	248
Social Security Costs	19	116
	291	**2,159**
Total	**19,399**	**16,941**

Notes to the Financial Statements for the Year Ended 31 March 2009

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 31st March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2008-09, employers' contributions of £2,766,892, were payable to the PCSPS (2007-08 £2,440,228) at one of four rates in the range 17.1 to 25.5 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 Government 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 1st October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £52,051 were 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. In addition, employer contributions of £3,923, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Homes and Communities Agency Scheme (formerly English Partnerships Scheme)

Some former employees of English Partnerships participate in the Homes and Communities Agency Scheme. The scheme is a multi-employer defined benefit scheme but Advantage West Midlands is unable to identify its share of underlying assets and liabilities. A full actuarial valuation was carried out at 31st March 2007 and more details can be found in the separate scheme statement of the Home and Communities Agency Pension Scheme. For 2008-09, normal employer contributions of £40,703 were payable to the Scheme (2007-08 £43,172) at the rate of 23.8% of pensionable pay. It has been agreed that contributions will be reviewed on an annual basis although the Actuary conducts a full revaluation of the fund every three years.

The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme. At the balance sheet date there was no balance of prepaid / outstanding contributions to the scheme.

Notes to the Financial Statements for the Year Ended 31 March 2009

(b) Staffing

The average number of FTE staff employed by the Agency during the year (including all Agency and seconded staff) was 390 (2007-08: 341).

Department	Senior Mgt	Perm Staff	Staff on inward second -ment	Temporary and Agency Staff	Total
Chief Executive and Development Team	1	29	0	0	30
Resources Directorate	1	74	0	14	89
Operations Directorate	1	77	0	2	80
Economic Regeneration Directorate	1	35	2	2	40
Economic Development Directorate	1	60	2	9	72
Strategy & Communications Directorate	1	33	0	7	41
UKTI	0	2	0	1	3
Technical Assistance GOWM	0	2	0	0	2
West Midlands Regional Observatory	0	22	0	0	22
Regen WM	0	11	0	0	11
Total	**6**	**345**	**4**	**35**	**390**

(c) Seconded Staff

Staff seconded from the following organisations during the accounting period.

Name of organisation	No of Staff	Cost £'000
Brunel University	1	12
Natural England	1	9
West Midlands in Europe	1	1
West Midlands Local Government Association	1	111

(d) Staff Absence

The twelve month analysis to 31st March 2009 shows we lost 2,540 days due to absence out of a possible absence of 90,555. This equates to an absence rate of 2.80%.

Notes to the Financial Statements for the Year Ended 31 March 2009

8 Other Administration Costs

	2008-2009 £'000	2007-2008 £'000
Travel and subsistence	207	231
Other staff costs	1,005	1,277
Office costs	1,284	1,042
Estate management	77	101
Professional costs	698	648
IT and communication	465	462
Depreciation and Amortisation	365	419
Auditors remuneration - Statutory audit services	63	61
Auditors remuneration - ERDF audit services	55	0
Auditors remuneration - IFRS audit services	5	0
Other audit services	41	45
Lease Payments - Plant and Equipment	259	241
Lease Payments - Property	660	769
	5,184	**5,296**

Notes to the Financial Statements for the Year Ended 31 March 2009

9 Financial Assets

(a) Investments in Associates

Name of Undertaking	Interest	Nature of Business	Net Assets £	Share of Net Assets £	Turnover £
West Midlands Development Agency Ltd	100%	Dormant	Nil	Nil	Nil
West Midlands Broadband Company	14%	The West Midlands Broadband Company is in Liquidation.	Nil	Nil	Nil
Midlands Aerospace Alliance Limited	20%	A venture with the East Midlands Development Agency and three private companies to transform the Midlands Aerospace industry and to prepare it for success in the global market. Currently dormant.	Nil	Nil	Nil
Walsall Urban Regeneration Company Ltd	33%	Regenerating the built environment within the Walsall area.	£197,957	£65,326	£927,131 (grant funding)
Sandwell Urban Regeneration Company Ltd	33%	Regenerating the built environment within the Sandwell area.	£9,315	£3,074	£1,148,058 (grant funding)
Pride in Camp Hill Ltd	33%	Physical regeneration of the Camp Hill area within Nuneaton.	£58,593	£19,336	£16,457
TOTAL			**£265,865**	**£87,736**	**£2,091,646**

In each of the above associates, the Memorandum of Association provides that the income and assets of the company shall not be available for distribution by way of dividend or in any other way that amounts to a distribution or surplus. If the company is wound up or dissolved any remaining assets, after all debts and liabilities have been satisfied, will be transferred to a company or institution having similar objectives to the members.

Notes to the Financial Statements for the Year Ended 31 March 2009

(b) Investments in Joint Ventures

Name of Undertaking	Interest	Nature of Business	Net Assets/ Liabilities £	Share of Net Assets/ Liabilities £	Turnover £
The British Midlands Development Corporation	50%	A joint venture with East Midlands Development Agency incorporated in the USA to promote investment in and trade within the British Midlands.	£219,612	£109,806	£1,028,595
PXP West Midlands LP	50%	A limited partnership joint venture vehicle to deliver the regeneration of investment and development properties within the West Midlands	£32,411,232 net liabilities	£16,205,616 net liabilities	£2,524,798
West Midlands Regional Aggregation Body LLP	50%	Aggregation of Public Sector demand for Broadband to procure services to meet this demand.	Nil	Nil	Nil
TOTAL			**£32,191,620 net liabilities**	**£16,095,810 net liabilities**	**£3,553,393**

Key financial results of PXP West Midlands LP

Turnover £	Profit after Tax £	Fixed Assets £	Current Assets £	Liabilities due within one year £	Liabilities due after on year £
2,524,798	(353,383)	31,085,949	12,222,710	10,552,419	34,988,996

Notes to the Financial Statements for the Year Ended 31 March 2009

(c) Investments in Venture Capital Funds

	Share of ATF £'000	**Share of AEIF** £'000	**Share of Mercia Seed Fund 2** £'000	**Total Share of Funds** £'000
Opening Balance 1 April	3,180	14,110	1,000	18,290
Additions	0	2,028	500	2,528
Disposals	0	0	0	0
Closing Balance 31 March	3,180	16,138	1,500	20,818
Impairment				
Opening Balance 1 April	(2,482)	(539)	(65)	(3,086)
Movement in provision	(209)	(1,917)	(36)	(2,162)
Closing Balance 31 March	(2,691)	(2,456)	(101)	(5,248)
Net Book Value 31 March 2009	489	13,682	1,399	15,570
Net Book Value 31 March 2008	698	13,571	935	15,204
Agency Interest	24%	100%	50%	

The Agency has loan investments in the Advantage Technology Fund (ATF), the Advantage Enterprise and Innovation Fund (AEIF) and the Mercia Seed Fund 2. These limited liability partnerships provide funding, in the form of loans and equity, to small businesses in the West Midlands Region. After recovery of the loan investment, AWM is entitled to a return on investments equivalent to its interest in the fund as shown above. The AEIF is 50% funded by the European Union.

(d) Total Financial Assets

	Total Net Assets/ Liabilities attributable to the Agency £'000
Investments in Associates	88
Investments in Joint Ventures	(16,096)
Investments in Venture Capital Funds	15,570
Net Book Value 31 March 2009	(438)

Notes to the Financial Statements for the Year Ended 31 March 2009

10 Intangible Operating Assets

	Software Licences £'000
Cost	
As at 1 April	637
Additions in year	91
Disposals	0
As at 31 March	**728**
Amortisation	
As at 1 April	341
Amortisation in year	91
Disposals	0
As at 31 March	**432**
Net Book Value 31 March 2009	**296**
Net Book Value 31 March 2008	**296**

11 Tangible Operating Assets

	Software £'000	**Information Technology £'000**	**Fixtures and Fittings £'000**	**Total £'000**
Cost				
As at 1 April	200	1,346	1,950	3,496
Additions in year	0	265	18	283
Disposals	0	0	0	0
As at 31 March	**200**	**1,611**	**1,968**	**3,779**
Depreciation				
As at 1 April	200	1,113	1,583	2,896
Depreciation in year	0	135	139	274
Disposals	0	0	0	0
As at 31 March	**200**	**1,248**	**1,722**	**3,170**
Net Book Value 31 March 2009	**0**	**363**	**246**	**609**
Net Book Value 31 March 2008	**0**	**233**	**367**	**600**

Notes to the Financial Statements for the Year Ended 31 March 2009

12 Investment Properties

	2008-2009 £'000	2007-2008 £'000
As at 1 April	3,895	26,769
Additions in year	79	13
	3,974	**26,782**
Transfers to Property Regeneration Partnership (PxP)	0	(22,594)
Transfers in from Stock of Development Assets	9,945	0
Write up transferred to reserves	0	0
Write off charged to I&E	(2,344)	(293)
	7,601	**(22,887)**
Valuation as at 31 March	**11,575**	**3,895**

13 Long Term Loans

	Loan A £'000	Loan B £'000	RDC £'000	Acorn £'000	ATBF £'000	Broadband £'000	Total £'000
Cost:							
Opening Balance at 1 April	**15,088**	**46,814**	**31**	**0**	**2,363**	**1,000**	**65,296**
Additions	0	0	0	2,300	7,637	0	**9,937**
Fair Value Adjustment	(2,477)	0	0	0	(426)	0	**(2,903)**
Interest	277	2,812	0	0	0	0	**3,089**
Repayments	0	(3,000)	(4)	0	0	(508)	**(3,512)**
Write Offs	0	(1,825)	0	0	0	(492)	**(2,317)**
Value as at 31 March	**12,888**	**44,801**	**27**	**2,300**	**9,574**	**0**	**69,590**
Impairment:							
Opening Balance at 1 April	**0**	**0**	**0**	**0**	**(5,000)**	**(1,000)**	**(6,000)**
Movement in Provision	0	0	0	0	0	1,000	**1,000**
Value as at 31 March	**0**	**0**	**0**	**0**	**(5,000)**	**0**	**(5,000)**
Net Book Value at 1 April 2008	15,088	46,814	31	0	(2,637)	0	59,296
Net Book Value at 31 March 2009	**12,888**	**44,801**	**27**	**2,300**	**4,574**	**0**	**64,590**

Loan Notes B are guaranteed by a charge on property held by the PXP loan note structure and AWM will be entitled to a 50% share of any subsequent development profits. Any additional profits beyond the value to extinguish Loan Note B will be allocated against Loan Note A, which is unsecured. Loan Note A has not been impaired due to the nature of a temporary diminuation in the net asset value of the PXP.

Notes to the Financial Statements for the Year Ended 31 March 2009

13 Long Term Loans (contd)

Loan Notes B were initially recorded at a value of £46.8 million. A recent review has idenitified that the contractual value is actually £45 million which has resulted in a current year write off of £1.8 million. Some £1.2 million of this difference will be covered by the issue of future loan notes to the PXP.

The RDC loan consists of one remaining loan which was inherited from Rural Development Commission on the formation of Advantage West Midlands in 2001. We hold a legal charge and a deed of priorities against this loan.

The Advantage Transition Bridge Fund (ATBF) is unsecured. The negative closing balance on the ATBF in 2007-08 results from the incorrect apportionment of a repayment to the fund which had previously been taken to the Income and Expenditure Account. In 2008-09 the fund has been restated and has also increased by a further investment of £5 million. The opening impairment balance of £5 million has been transfered from Provisions (note 19).

The Acorn Loan is secured by a charge against assets of the recipient, a charge against assets of the immediate [parent comapany and a charge against shares in the ultimate parent company.

14 Stock of Development Assets

	2008-2009 £'000	2007-2008 £'000
Balance as at 1st April	127,960	136,843
Additions in year	39,486	32,486
	167,446	**169,329**
Book value on disposal of assets	(3,583)	(13,726)
	163,863	**155,603**
Transfer to Property Regeneration Partnership (PxP)	0	(24,221)
Transfer to Investment Properties	(9,945)	0
Write down charged to I&E	(34,965)	(4,526)
Write back charged to Revaluation Reserve	(4,855)	(590)
Write up transferred to Revaluation Reserve	749	1,694
Valuation at 31 March	**114,847**	**127,960**

The Agency is not entitled to retain proceeds resulting from the disposal of Coal Assets which are part of the stock of Development Assets. Proceeds from the disposal of these assets are therefore net of any repayments to English Partnerships.

Notes to the Financial Statements for the Year Ended 31 March 2009

15 Long Term Debtors

	2008-2009 £'000	2007-2008 £'000
Trade debtors receivable after 1 year		
Opening balance at 1 April	7,235	7,235
Fair value adjustment	(978)	0
Interest	262	0
Closing balance at 31 March	6,519	7,235
Impairment		
Opening balance at 1 April	0	0
Movement in provision	716	0
Closing balance at 31 March	716	0
Net book value at 31 March	**7,235**	**7,235**

16 Debtors: Amounts receivable within one year

	2008-2009 £'000	2007-2008 £'000
Amounts receivable within one year:		
Trade debtors	8,561	4,639
Provision for bad debts	(597)	0
Prepayments	3,030	2,534
Other debtors	2,656	4,739
Accrued ERDF 2000-06 income	5,847	0
Accrued ERDF 2007-13 income	6,694	0
Value added tax	0	2,239
UKTI debtor	0	8
Coalfields Programme debtor	286	1,256
	26,477	**15,415**

Intra-Government Balances

	2008-2009 £'000	2007-2008 £'000
Amounts Receivable within one year:		
Balances with other central government bodies	926	6,280
Balances with local authorities	5,114	1,150
Balances with NHS Trusts	0	0
Balances with public corporations and trading funds	0	0
Total Public Sector	**6,040**	**7,430**
Balances with bodies external to Government	20,437	7,985
	26,477	**15,415**

Other debtors include £2,630,000 of cash held by third parties on the Agency's behalf.

Notes to the Financial Statements for the Year Ended 31 March 2009

17 Creditors: Amounts falling due within one year

	2008-2009 £'000	2007-2008 £'000
Amounts payable within one year:		
Trade creditors	36,795	31,184
ERDF 2000-06 Deferred Income	4,935	14,339
ERDF 2007-13 Deferred Income	15,611	0
Deferred Income	14	0
Accruals	3,324	14,934
Corporation tax	7,532	6,836
VAT creditor	147	0
TPUK creditor	91	0
Rental income billed in advance	208	97
Other creditors	343	1,511
	69,000	**68,901**

Intra-Government Balances

	2008-2009 £'000	2007-2008 £'000
Amounts Payable within one year:		
Balances with other central government bodies	28,566	26,819
Balances with local authorities	6,319	7,917
Balances with NHS Trusts	0	0
Balances with public corporations and trading funds	239	271
Total Public Sector	35,124	35,007
Balances with bodies external to Government	33,876	33,894
	69,000	**68,901**

Notes to the Financial Statements for the Year Ended 31 March 2009

18 Taxation

	2008-2009 £'000	2007-2008 £'000
Corporation Tax:		
Current year	696	3,149
Prior year		0
Total	**696**	**3,149**
Deferred Taxation:		
Current year	2	136
Prior year	(936)	0
Total	**(934)**	**136**
Total taxation at 31 March	**(238)**	**3,285**

The corporation tax for the current year is expected to be charged at the prevailing rate of tax

	2008-2009 £'000	2007-2008 £'000
Net Expenditure on ordinary activities	(284,940)	(243,971)
Calculated deficit before taxation based on net expenditure	(79,783)	(79,203)
Effects of:		
Non-allowable deficit on non-taxable activities	80,481	79,674
Other permanent differences (primarily capital gains)	0	2,814
Capital allowances in excess of depreciation	(2)	(136)
Corporation tax current year charge for the period	**696**	**3,149**

Notes to the Financial Statements for the Year Ended 31 March 2009

19 Provisions

	Broadband Loan £'000	ATBF £'000	Deferred Tax £'000	ERDF £'000	By Analogy Pension £'000	Total £'000
Balance as at 1st April	1,000	5,000	917	5,399	113	12,429
Transfer to Note 13	(1,000)	(5,000)	0	0	0	(6,000)
Arising in year	0	0	2	556	22	580
Prior year adjustment	0	0	(936)	0	0	(936)
Transfer to Long Term Debtors	0	0	18	0	0	18
Value as at 31 March	**0**	**0**	**1**	**5,955**	**135**	**6,091**

The Broadband Loan and ATBF provisions have been moved to Note 13.

The provision for deferred tax has become a deferred tax asset and has been moved to Long Term Debtors. The tax asset arises as a consequence of fixed assets being depreciated in the accounts at a faster rate than capital allowances have been claimed on these assets.

The ERDF provision consists of amounts to cover the possible repayment of ERDF on a number of projects which may arise on completion of final audits.

The By Analogy Pension Scheme provision represents the actuarial valuation of the scheme as at 31st March 2009.

20 Post Balance Sheet Events

Authorisation of Financial Statements for Issue

The Accounts were authorised for issue (defined as the date of the certification of the Comptroller and Auditor General) on _____ July 2009

Notes to the Financial Statements for the Year Ended 31 March 2009

21 Reserves

	2008-2009 £'000	2007-2008 £'000
General Reserves		
European Funding		
Balance 1 April	4,109	1,639
Additions to Reserves in period	2,527	2,470
Balance 31 March	**6,636**	**4,109**
Balance in Associated undertakings and Joint ventures	0	(392)
Temporary Diminution in value of PXP	(16,206)	0
Pensions Reserve		
Balance 1 April	(113)	(90)
Actuarial gains /(Losses)	9	7
Transfer to Grant in Aid Reserve for pension costs	(31)	(30)
Balance 31 March	**(135)**	**(113)**
Coal Grant Reserve		
Balance 1 April	(1,802)	353
Coal Grant received for additions	124	39
Transfer to Grant in Aid Reserve for book value of diposals and write offs	0	(2,194)
Balance 31 March	(1,678)	(1,802)
Total General Reserves	**(11,383)**	**1,802**
Revaluation Reserve		
Balance 1 April	30,577	29,473
Balance 1 April transferred from General Reserves	(392)	0
Additions to Reserve in period - Coal Assets	59	246
Additions to Reserve in period - Development Assets	690	1,448
Additions to Reserve in period - Joint ventures and Associates	590	0
Write back to Revaluation Reserve	(4,855)	(590)
Balance 31 March	**26,669**	**30,577**
Grant in Aid Reserve		
Balance 1 April	140,602	111,881
Grant in Aid Received in period - Revenue	339,323	217,878
Grant in Aid Received in period - Capital		35,261
Additions Loan Note A	0	15,088
Discounting of Loan Notes A	(2,477)	0
NPV ATBF	(213)	0
Net Expenditure from Income and Expenditure Account	(279,827)	(241,730)
Transfer from General Reserve	31	2,224
Balance 31 March	**197,439**	**140,602**
TOTAL RESERVES	**212,725**	**172,981**

Notes to the Financial Statements for the Year Ended 31 March 2009

22 Operating Leases

As at 31 March 2008 the Agency had annual commitments under operating leases as follows:

	2008-2009		2007-2008	
	Buildings £'000	**Other £'000**	**Buildings £'000**	**Other £'000**
Leases Expiring:				
within one year	45	168	0	95
between one and five years	0	103	44	200
in over 5 years	602	1	602	1
	647	**272**	**646**	**296**

Rental costs of operating leases are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

23 Contingent Liabilities

At 31st March 2009 the Agency had contingent liabilities of £30,000,000 (2007-08 £30,000,000) resulting from a dowry payable on demand to the Property Regeneration Partnership which was established by the Agency in 2007-08.

24 Commitments

	2008-2009 £'000	**2007-2008 £'000**
Capital Expenditure authorised by the Board and contracted at 31 March 2009 amounted to:	**291,221**	**654,471**

25 Related Party Transactions

Advantage West Midlands is an Executive Non-Departmental Public Body (NDPB) whose sponsor is the Department for Business, Enterprise and Regulatory Reform (BERR). During the period ended 31 March 2009 the Agency received Grant-in-Aid funding through BERR and ERDF through the Department for Communities and Local Government. BERR is therefore regarded as a related party. No other significant transactions have taken place with this body.

In addition, Advantage West Midlands has had various material transactions with other Government Departments and other central bodies. Most of these transactions have been with English Partnerships (EP), Small Business Service (SBS) and UK Trade & Investment (UKTI).

Other Regional Development Agencies are also sponsored by BERR and so are regarded as related parties. Advantage West Midlands has had transactions with all the other Regional Development Agencies in the year.

The PXP is a Limited Liability Partnership between Advantage West Midlands and Langtree Midwest Ltd and as such any transactions during the year are considered to be related party transactions.

Notes to the Financial Statements for the Year Ended 31 March 2009

25 Related Party Transactions (continued)

The Agency was involved in the following related party transactions during the period which are considered to be material. Transactions between Advantage West Midlands and organisations in which Board Members and Senior Officers have an interest are shown below.

Name		Connected Party	Position	Value of Transaction Claims	Value of Transaction Services Provided	Total Value Of Transactions
Mick Laverty	Chief Executive	Invest BX Ltd	Board Observer	£1,250,000	£0	£1,250,000
		Midlands Excellence Ltd	Board Member	£27,001	£194,583	£221,584
		Marketing Birmingham	Board Member	£2,131,550	£0	£2,131,550
Nick Paul	Chairman	SVR Holdings plc	Non Exec. Director	£150,000	£0	£150,000
Tim Gebbels	Director	West Midlands in Europe	Chairman	£0	£7,751	£7,751
Richard Hutchins	Director	Gateway West Midlands	Board Observer	£450,902	£0	£450,902
		West Midlands Brokerage Service	Board Observer	£34,188,856	£0	£34,188,856
Karen Yeomans	Director	Black Country Consortium	Board Member	£1,469,084	£1,425,831	£2,894,915
		CSW Partnership Ltd	Board Member	£349,756	£0	£349,756
David Brown	Board Member	Central Technology Belt	Director	£198,000	£17,000	£215,000
		West Midlands in Europe	Chairman	£4,254	£0	£4,254

Notes to the Financial Statements for the Year Ended 31 March 2009

25 Related Party Transactions (Continued)

Name		Connected Party	Position	Value of Transaction Claims	Value of Transaction Services Provided	Total Value Of Transactions
Brendan Connor	Board Member	CENEX	Chairman	£267,469	£10,649	£278,118
Gerard Coyne	Board Member	East Birmingham & North Solihull Regeneration Zone	Board Member	£600,811	£0	£600,811
		The Labour Party	Member	£0	£704	£704
		Regional Learning and Skills Council	Board Member	£59,693	£3,000	£62,693
John Crabtree	Board Member	Birmingham Chamber of Commerce	Director	£115,694	£18,053	£133,747
		Birmingham Hippodrome Ltd	Director	£0	£212,692	£212,692
		Investbx Ltd	Director	£1,250,000	£0	£1,250,000
		Opus Restaurant	Director	£0	£1,675	£1,675
Richard Hyde	Board Member	CBI West Midlands	Council Member	£0	£38,015	£38,015
		Conservative Party	Councillor	£0	£1,410	£1,410
		Shakespeare Birthplace Trust	Deputy Chairman	£325,339	£100,000	£425,339
		Warwickshire County Council	Member	£357,760	£1,323,797	£1,681,557
		WMLGA	Executive Member	£0	£629,287	£629,287
Roger Lawrence	Board Member	Wolverhampton Borough Council	Shadow Leader	£429,985	£50,000	£479,985
		All Saints Action Network Ltd	Member	£799	£0	£799

Notes to the Financial Statements for the Year Ended 31 March 2009

25 Related Party Transactions (Continued)

Name		Connected Party	Position	Value of Transactions Claims	Value of Transaction Services Provided	Total Value Of Transactions
Michael Oakes	Board Member	National Farmers Union	Council Member	£0	£43,613	£43,613
Sue Prince	Board Member	National Farmers Union	Member	£0	£43,613	£43,613
Diane Rayner	Board Member	Liberal Democrats	Councillor	£0	£538	£538
		Worcestershire County Council	Member	£545,319	£15,000	£560,319
David Smith	Board Member	CBI West Midlands	Member	£0	£38,015	£38,015
		CIMA	Member	£0	£538	£538
Michael Sterling	Board Member	University of Birmingham	Vice Chancellor	£4,486,383	£33,032	£4,519,415
Ken Taylor	Board Member	Coventry City Council	Leader	£0	£46,186	£46,186
		WMLGA	Chair	£0	£629,287	£629,287
Mike Whitby	Board Member	Birmingham City Council	Leader	£9,307,424	£4,804,413	£14,111,837
		Conservative Party	Member	£0	£1,410	£1,410
		The National Exhibition Centre	Member	£750,000	£59,664	£809,664
		Marketing Birmingham	Member	£2,131,550	£0	£2,131,550

Notes to the Financial Statements for the Year Ended 31 March 2009

26 Reconciliation of Net Cash Flow to Movement in Net Funds

	2008-2009 £'000	2007-2008 £'000
Increase / (decrease) in cash for the period	43,805	(14,178)
Change in net funds	43,805	(14,178)
Net funds at 1 April	**18,802**	**32,980**
Net funds at 31 March	**62,607**	**18,802**

Funds held in current accounts	49,444	12,424
Funds held on behalf of third parties	4,243	6,374
Funds held in cash	3	4
Funds held as advance ERDF	8,917	0
Net funds at 31 March	**62,607**	**18,802**

27 Reconciliation of Operating Surplus/ (Deficit) to Net Cash (Outflow) from Operating Activities

	2008-2009 £'000	2007-2008 £'000
Net Expenditure before tax per Income and Expenditure Account	(286,815)	(243,971)
Non cash Items:		
Depreciation and Amortisation charges	365	419
Bad debt expense	(15)	0
Cost of Capital charge	6,750	5,526
Movements in Working Capital:		
(Increase)/Decrease in debtors	(11,062)	1,224
Increase/(Decrease in creditors	(597)	(20,300)
Increase/(Decrease in provisions	(23)	(744)
Add back Expenditure from Investment Activities		
Loss on issue of Subsidised Loans	213	0
Impairment of Long Term debt	263	0
Impairment of Investments	2,162	0
Interest	(4,103)	3,506
Add back Capital Expenditure & Financing		
Proceeds from Disposals	(6,864)	(15,010)
Book Value of Assets sold	6,584	13,726
Write Offs	39,133	4,526
Financing Costs	8	7
Net Cash (Outflow) From Operating Activities	**(254,001)**	**(251,091)**

Notes to the Financial Statements for the Year Ended 31 March 2009

28 Financial Instruments

As the cash requirements of the Agency are met through the Department of Business, Enterprise and Regulatory Reform and the supply estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk.

Categories of Financial Instruments

Financial Assets as at 31 March 2009	Loans and receivables £'000
Trade and other debtors	30,681
Long term loans	64,590
Cash at bank and in hand	62,607
Total	**157,878**

Financial Liabilities as at 31 March 2009	Other Financial liabilities £'000
Trade and other creditors	40,761
Total	**40,761**

Embedded Derivatives

In accordance with FRS26, '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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