Advantage West Midlands

annual report and accounts
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Advantage West Midlands

Annual Report and Accounts 2009-2010

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Chairman's Statement

I am pleased to present my first Annual Report and Accounts in my role as Chairman of Advantage West Midlands. Having taken up the role in September 2009 I spent the initial period talking to people across the region and assessing the current economic state of the West Midlands.

I was impressed with the people I met and the things that I saw in terms of the assets that the West Midlands has at its disposal. However, as I learned more, it became increasingly evident that, despite the many positive attributes and some of the excellent work that is being delivered, the region isn't achieving its full potential. Evidence of this are the facts that regional GDP per head first fell below the UK average in the mid 1970s, and has continued to drop steadily since and private sector employment in the West Midlands has declined, even during a period of economic growth.

These facts are compounded by the effects of the UK's longest recession on record. The West Midlands has been the worst affected of all the UK regions due, in part, to the area's longstanding reliance on manufacturing and the effect of several declining industries.

We have plenty of good analysis to help understand the scale of the challenge facing the region. However, a lot of work remains to be done if we are to create the right conditions to support growth and halt the relative economic decline. The West Midlands needs to pursue a single, strong economic agenda which makes the most of its considerable assets. Strong leadership is essential and the Joint Strategy & Investment Board (JS&IB) has been created to provide the strategic leadership to guide the West Midlands response to the very significant economic, social and environmental challenges it faces. Unique to the West Midlands, the JS&IB is a regional partnership with representatives from the West Midlands Leaders Board, Advantage West Midlands and Business Voice West Midlands.

The JS&IB has worked through the challenges facing the region and in March of this year the JS&IB '*Statement of Intent*' outlined how the region could work together to move the West Midlands forward. The statement declared '*...the intent is to lead the region through an economic growth agenda with an unequivocal commitment to create a more prosperous West Midlands with Birmingham at its heart.'* It also called for stronger collaboration in putting the region's economy on track and envisages the creation of a 'powerful guiding coalition' that would draw in the support of all organisations committed to enhancing the region's prosperity.

From my dealings with the JS&IB and other regional partners, I believe that there is a willingness to embrace new ways of thinking and to rise to the challenges facing the West Midlands regional economy. Whilst we are clearly in a time of considerable change, it remains important that the region continues to focus on our response to the economic challenges facing the West Midlands, and for regional organisations to continue to play their important role in delivering projects and programmes that make a difference and return maximum impact for the economy.

The time of change to which I have just referred also poses significant challenges for Advantage West Midlands. Given the primary objective of reversing the trend of economic decline to the West Midlands economy, it is important in any review of the structures for progressing economic development that regional views are taken into account, particularly those of the business sector. And if it is concluded that a new structure for economic development is required to help meet the economic challenges faced, it is absolutely essential that any new structure is at least effective for business and economic development as the structures that they are replacing.

Finally, I would like to extend my gratitude to the Board of Advantage West Midlands in the support they have provided during my first year as Chairman, and to thank the staff of Advantage West Midlands for their continued hard work and dedication during challenging times. I was particularly pleased to see the good work of our Board and staff recognised in the recent performance review of England's RDAs by the National Audit Office. That review awarded Advantage West Midlands the maximum possible score and categorised the organisation as "performing strongly" – a standard reached by only one other RDA, and fitting recognition of our people's efforts.

Sir Roy McNulty

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Chief Executive's Statement

The past twelve months have been some of the most challenging and demanding faced by the region and by Advantage West Midlands. The recession and associated deterioration in public finances has required all public sector agencies, including Advantage West Midlands to re-prioritise investment in order to ensure the maximum support for businesses, people and places in the West Midlands.

That's why, at the beginning of the year we reviewed our Corporate Plan to ensure it remained appropriate and affordable in the context of a major recession and cuts to our budget. We also wanted to ensure that we invested in the projects that would lay the foundations for recovery when economic conditions started to improve. Working closely with our partners we undertook a detailed assessment of our entire project and investment portfolio.

We had to make some really tough choices. And working together, to clearly defined and well understood criteria, we made those choices. We targeted a greater proportion of our investment into measures that would help businesses ride out the recession while maintaining our focus on the green and high growth industries that could power this region out of recession and into economic recovery.

We also prioritised our investment in the region's 20 Impact Investment Locations, in initiatives that remained deliverable despite difficult market conditions and in projects that clearly demonstrated their potential to deliver high levels of return on investment.

By working closely with our partners and employing our wealth of specialist expertise in economic development we committed to developing and delivering more impactful projects for the West Midlands. Projects like the Manufacturing Technology Centre, Climate KIC, the Low Carbon Vehicles Technology Project and the Rugby Power Academy. And it is projects like these that will make a real difference to the West Midlands' economy. They are helping to create and grow businesses that create higher value, better-paid jobs which will help to sustain a more diverse and prosperous economy.

And, we know we are making a difference. Previous independent evaluation has shown that Advantage West Midlands has delivered £7.45 for every £1 invested. This tremendous achievement is testament to the quality of projects delivered and our role in forging productive partnerships to drive projects forward.

I am, therefore, delighted to be able to report that, following further evaluation of more recent project and programme activities, we have succeeded in bettering this return on investment. We now have independent evaluations that show that we have increased our return on investment achieving £8.14 for every £1 invested – an increase of nine per cent.

Advantage West Midlands is committed to running a lean, efficient organisation that seeks to continually improve. This commitment to continuous improvement is illustrated through our double award success as part of the Midlands Excellence Awards; an awards process which uses the European Foundation for Quality Management (EFQM) assessment methodology to assess organisational performance. We were thrilled to be awarded the 'highly commended' status and to be recognised as the 'most improved organisation' at the 2009 awards.

Finally, I am delighted to be able to say that following their recent performance review of England's RDAs the National Audit Office (NAO) has categorised Advantage West Midlands as 'performing strongly', the maximum possible score. This is confirmation that, through our strong record of partnership working, we have responded well to the fallout from the recession and we are continuing to make a difference to the economic performance of the region.

Undoubtedly, another difficult year lies ahead for us but I am confident in the role we will continue to play in the future prosperity of the West Midlands region. We will continue to deliver and with the help of our partners I am confident we will continue to make every penny of our investment count.

Mick Laverty

Performance Report

2009-2010

Advantage West Midlands

Delivering the Corporate Plan

In 2009 we updated our Corporate Plan, re-prioritising activity to take account of the impact of the recession and a reduction in the Agency's budget, while building on the lessons learned from our previous evaluation studies. We also took the opportunity to introduce our new Investment and Performance Framework, sharpening our focus on delivering economic benefit for the region, in preparation for the recovery. The updated Corporate Plan was approved by government in August 2009.

The Corporate Plan 2009-11 outlines how we will deliver our share of the West Midlands Economic Strategy (WMES), seeking to deliver maximum impact for the money we spend.

Our Corporate Plan is built on 13 Strategic Functions linked to our WMES priorities of Business, Place, People, and Powerful Voice (see table 1 below).

This report contains the key deliverables of the 13 Strategic Functions (SF), our contribution to the delivery of the underlying principles, and our organisational improvement.

Table 1: The 13 Strategic Functions

Theme	Strategic Function
Business	– International Business – Market Opportunities (through Clusters) – Tourism & Culture – Enterprise & Business Development – Finance for Business – Technology Capacity & Business Innovation – Skills for Business – Developing the Rural Economy
Place	– Land & Buildings for Economic Growth – Infrastructure & Asset Development
People	– Sustainable Living & Working – Access to Employment (Economic Inclusion)
Powerful Voice	– Regional Leadership

KEY RESULTS FOR BUSINESS

INTERNATIONAL TRADE AND INWARD INVESTMENT

Key achievements for trade and inward investment are as follows:

- The International Business Action Plan (IBAP) is the regional framework for international joint working between the Agency, the UK Trade and Industry (UKTI) regional trade team and other key partners across the region. The IBAP is being implemented under the auspices of the International Business Board, providing leadership and coordination for international activities. A recent successful joint inward investment and trade mission to Auto Expo India 2010 illustrates the collaborative working between the Agency, UKTI, universities, chambers of commerce and the private sector.

- In 2009-10 the Agency's inward investment team assisted 40 foreign based companies to locate in or expand their current operations in the region creating 961 jobs and safeguarding another 389. The major success of the year was our successful regional bid to attract Microsoft subsidiary 'Rare Games' new cutting edge Games Design Studio to Digbeth, Birmingham against very strong competition from other regions across the UK. This success is great news, not only in terms of the 90 high value jobs which will be created, but also in terms of significantly raising the region's international profile in the digital media industry.

- The UKTI Regional Trade Team supported the international trade cluster project to provide assistance to companies in all key regional clusters. All outputs were exceeded in 2009-10 including 411 businesses assisted, creating and safeguarding 274 jobs. In addition, the Regional Task Force provided UKTI regionally with £0.5 million to enhance its service to support companies during the downturn. Support was provided to both individual companies and group overseas visits. One to one business meetings at Technology World resulted in £10 million of new business being confirmed for UK firms. The overall result of the Task Force international trade programme has been assessed; 243 businesses have benefited from the programme, and 31 jobs have been either created or safeguarded.

- This year we undertook an in-depth independent evaluation of our inward investment activity from 2004-09. The evaluation demonstrated our inward investment activity has made an important contribution to the regional economy. It shows that inward investment projects created £216 million of Gross Value Added (GVA) to the economy and created and safeguarded 2,072 net jobs to date. This gives a very high return for the Agency, estimated to be £22 for every £1 invested based on outcomes to date.

EXPLOITING MARKET OPPORTUNITIES THROUGH CLUSTERS

The Market Opportunities programme aims to maximise the region's share of attractive long term markets where the region has strengths. It does this by helping to build a critical mass of businesses with the necessary competences. During the last year several major cluster projects have been launched.

Three major **low carbon vehicle** projects of national significance have been launched, and the region (with the East Midlands) has been recognised as the UK's Low Carbon Area for Advanced Automotive Engineering. We are investing £30 million over the three years in alignment with the national *Low Carbon Vehicles Technology (LCV) strategy,* of which a significant part is being co-invested with the Technology Strategy Board (TSB). The new projects are:

- A £19 million project developing LCV technologies to accelerate the introduction of the next generation of ultra low carbon vehicles, and to stimulate the growth of a low carbon vehicle supply chain in the Midlands and the UK.

- The Coventry and Birmingham Low Emissions Demonstrator (CABLED), a co-investment with the Technology Strategy Board is now in operation and will demonstrate the running of 110 Low Emissions Vehicles from 6 manufacturers.

- Europe's first bespoke intelligent transportation systems test facility - the £6.2 million innovITS ADVANCE at Nuneaton - with key partners MIRA and TRL, which supports the national Intelligent Transport Systems Innovation Platform.

- The Niche Vehicle R&D Project, which has attracted high levels of participation from the region's concentration of smaller manufacturers.

For **renewable energy and low carbon buildings** we have this year supported:

- The launch of the Renewable Energy Supply Chain Opportunities project (RESCO). It will support 140 businesses entering the renewable energy market. Two current focuses are the Crown Estates Round 3 Offshore Wind Bid and building a wind power supply chain for major suppliers.

- The development of Rugby Power Academy, an advanced training centre to develop the necessary skills in combined heat and power, photo voltaic, wind/water turbine, control systems, and energy conversion systems, at domestic installation level through to commercial large scale systems. It will assist more than 500 people. The Academy is located close to the energy industry concentration in East Warwickshire and South Staffordshire.

- The hosting of the national Energy Technology Institute in the Midlands. This has assisted the Midlands Energy Consortium in establishing a Doctoral Training Centre providing postgraduate training for 200 skilled energy professionals.

The **I-Health and Assistive Living** sector is another key sector for the region. We have supported:

- The launch through Medilink West Midlands of four R&D networks around assistive living, i-health, human engineering and infection control, to provide industry with access to these target markets. A procurement portal was established in collaboration with the Healthcare Purchasing Consortium. It has led to a significant increase in SMEs being invited to tender for NHS contracts. We have supported the Strategic Health Authority in the development of an Assisted Living toolkit, allowing healthcare professionals to access new technologies, providing SMEs with new market opportunities.

- Support has also been given for the Health Technologies Design Institute linking over 100 companies with Coventry University and other knowledge institutions.

To develop and promote **digital expertise** in the region we have undertaken the following:

- Promotion of the Serious Games Institute at Coventry University, reflecting the region's strengths in computer games.

- Delivery of the 4iP fund, in partnership with Channel 4 to help generate innovative digital media content. This has resulted in investment in a number of high-profile projects. This year three headline projects have been commissioned:

- ‘Talk about Local’ hyper local news provision;
- ‘Such Tweet Sorrow’ high profile partnership with Royal Shakespeare Company, producing Romeo Juliet via Twitter to world wide acclaim; and
- ‘All Teams: Scores’ Project working with Sport England leading up to 2012 Olympics.

In **other target markets** we have:

- Spun out the Midlands Aerospace Alliance as an independent company and run by an aero industry board. The cluster’s Supply Chain 21 and Technology Exploitation programmes have seen strong take-up.

- Extended the West Midlands Centre for Constructing Excellence, which runs best practice clubs for some 800 construction businesses. It has been instrumental in launching a programme supports construction businesses in the areas of procurement, innovation and skills.

- Launched a Market Development Hub with the Business & Professional Services cluster, initially focussing on business services for Low Carbon, Islamic Finance and Ageing Population.

- Grown the new Rail Business Alliance, which has established a paying membership of 140 companies. It has run a heavily oversubscribed rail supply chain programme.

- Launched a Regional Food Academy at Harper Adams University which is now meeting the science and food technology skills shortages of this important regional industry.

- Established a market development programme with the Interiors & Lifestyle cluster. It is currently bringing businesses together to attack: hotel & restaurant contract markets, contract interiors for commercial buildings, assisted living, and selected export markets.

TECHNOLOGY CAPACITY & BUSINESS INNOVATION

Key achievements this year include:

- Knowledge exchange between Universities and Business. The Agency INDEX voucher project (a mechanism to improve business access to sources of knowledge) has made available 600 vouchers to companies, with ongoing relationships developed between universities and business. The scheme has been adopted nationally in the Solutions for Business portfolio.

- The region is seen as leader in the area of Knowledge Transfer Partnerships (KTPs) with a well regarded HEI partnership. A programme to achieve 210 KTPs by 2012 was contracted with the University of Wolverhampton this year.

- Progress on Birmingham Science City is being made on several fronts including development of demonstrators around public procurement as a driver for innovation (particularly low carbon projects); demonstrators linked to major public investments e.g. the New Birmingham Library and collaboration with the Clusters around demonstrators.

A number of significant achievements have been made in terms of business innovation:

- Advanced Materials – The Manufacturing Technology Centre (MTC) - represents one of the largest public sector investments in manufacturing, with a combined £40 million investment by Advantage West Midlands and the East Midlands Development Agency.

- MTC will be a “world class” facility located at Ansty, Warwickshire, bringing together global manufacturing companies such as Rolls-Royce, Aero Engine Controls and Airbus UK, and their supply chains, with Universities (Birmingham, Nottingham and Loughborough), and The Welding Institute. It aims to attain a step change in the competitiveness of UK manufacturing performance. It will employ 150 people in high value manufacturing R&D. Contract negotiations concluded in March 2010 and construction commenced on the 12,000 sq m facility in April 2010.

- The Innovation Networks Scheme continues to be successful. This year the Concept of Innovation Escalator was introduced to build on innovation vouchers. Over 120 innovation diagnostics have been requested by SMEs, and 100 completed by March 2010.

- Developing the Innovation Technology Council priority themes has remained central to the innovation strategy – focused on projects in transport, medical, energy and Digital Media (detailed in the previous section “Exploiting Market Opportunities in Clusters”).

- We aligned £157 million of funding with the priorities of the Technology Strategy Board (TSB) - the highest level of commitment to TSB priorities of all RDAs.

TOURISM & CULTURE

To maximise the economic potential of regional events this year, the Agency has supported:

- The delivery of a successful International Rotary Convention - showcasing Birmingham and the region to an international audience. The event attracted 20,000 visitors and generated approximately £23 million in expenditure;

- Refurbishment of the LG Arena, delivered to budget and schedule. The Arena reopened in 2009, providing a high quality addition to the region’s key event venues;

- Delivery of a cultural investment programme, including the ‘celebrations of imagination’ regional marketing campaign, and support for the Cultural Olympiad programme;

- Birmingham’s UK capital of culture bid, and the successful campaign to bring the Staffordshire Hoard to the region;

- Redevelopment of the Royal Shakespeare Theatre - reopening in 2011; and

- A programme of other events including the International Dance Festival Birmingham, Taste of Birmingham, Style in Birmingham, and the Shakespeare Birthday celebrations.

The Agency has taken responsibility for co-ordinating the Region’s Olympics work, supporting the West Midlands Olympics Leadership Group. Key achievements include preparing and launching a new Regional Olympics plan, providing a strategic framework for partners. We have also supported regional businesses to win 74 tenders (via the *Competefor* business portal) with a minimum value of £14 million. An additional £80 million of 2012 related contracts have also been won by the region’s businesses and 25 businesses have been assisted to be ‘tender ready’ for Olympics contracts, via a business engagement programme.

A comprehensive regional marketing programme has included:

- Development and delivery of a spring domestic marketing campaign, incorporating targeted television advertising – generating an estimated regional return of £14 million visitor expenditure;

- Continued support for Marketing Birmingham's 'visit' campaign, targeting leisure visitors;
- Support for sub-regional Destination Management Partnership-led programmes of tourism marketing and product development;
- Development of a gateway marketing programme at Birmingham International Airport and the NEC including new visitor information point, and
- Launch of the 'Minutes Away' campaign, supporting the Region's visitor attractions.

Our marketing investment has been complemented by capital investment in key assets including the completion of Blists Hill, a Victorian village at Ironbridge. The £12 million development at Blists Hill has seen the creation of a landmark Visitor Centre and World Heritage Site exhibition, a new street of shops, a clay-mining experience, a narrow gauge railway and an incline lift. In 2010 Blists Hill was shortlisted for a national Art Fund prize.

ENTERPRISE & BUSINESS DEVELOPMENT

Key results in this area include:

Over the last 12 months Business Link West Midlands (BLWM) and Manufacturing Advisory Service (MAS) have achieved the following key targets:

- Engaged with 76,461 companies (74,547 for BLWM and 1,914 MAS) through market penetration activities, exceeding the annual target of 70,000 companies;
- Provided intensive assistance to 14,522 companies (13,712 BLWM and 810 MAS) against an annual target of 12,300 companies;
- Delivered 1,102 (978 BLWM and 124 MAS) "business assists" by means of further support, advice and guidance, against an annual target of 660 assists;
- Created 3,450 businesses against an original annual target of 4,000. This target was revised during the year to 3,400 to take account of the prevailing economic conditions;
- Recorded 3,581 new jobs within the region against an annual target of 3,400;
- Safeguarded 2,389 jobs exceeding the annual target of 750 jobs;
- Provided individual businesses with 4,290 skills intensive assists (resulting in an action plan addressing skills issues) against an annual target of 3,685;
- Made contact with 32,026 individuals enquiring about starting a business through pre-start market penetration activities, exceeding the annual target of 19,500. Over 14,143 individuals, (against a target of 9,000) were provided with pre-start support for training and assistance on running a business with 3,462 actually going on to start a business;
- Delivered 119 new business starts through the JobCentre Plus self employment programme. This is the highest number nationally and has contributed 28% of the 384 total businesses delivered through this initiative; and

- Improved customer satisfaction for BLWM from 78% at the beginning of the year to 93% at the final quarter - the joint second highest customer satisfaction rating in England. MAS also recorded a customer satisfaction figure of 92% by the end of the year, reflecting their continued status among manufacturing businesses in the West Midlands.

BLWM is also delivering the Environmental Advisory Service, a project aimed at assisting companies to make efficiency savings. Through a Low Carbon initiative, MAS is helping companies to tap into carbon free products i.e. making components for nuclear industry.

An independent evaluation[1] of the work of the West Midlands Task Force was carried and it shows the Taskforce has made a significant impact in mitigating the impact of the recession on the region. In particular, the Taskforce was commended for gathering robust intelligence to help partners develop a consensus on the need to focus resources and inform key interventions. *"A lasting legacy of the WMTF should be the quality of data and intelligence gathering developed and the strategic use of this"*. It was also recognised as:

- Devising a strategy that brought together a range of local authorities, regional agencies and business representatives to co-ordinate and align the response;
- Enabling regional stakeholders to quickly identify and respond to strategic challenges;
- Being the first region to improve access to finance for businesses by reopening the £11 million Advantage Transition Bridge Fund to safeguarded 2,500 jobs; and
- Making the best use of limited resources. For instance, the £4.5 million Automotive Response Programme (ARP) has safeguarded 2,930 jobs and was praised for offering a "rapid and cost effective intervention which prevented a further hollowing out of jobs and capacity in the automotive sector." Similarly, the Graduate Internship programme had created 521 internships to keep graduates in the region.

Action plans have been agreed to support the Automotive, Construction and Professional and Business Services sectors. Within the Automotive Action Plan, the Accelerate project was extended to 31 March 2010 to highlight support available and encourage networking in the sector. The Automotive Response Programme (ARP) was delivered through MAS to support automotive businesses through a capability review, and provide consultancy funding to address priority business issues, including diversification, restructuring and supply chain development. The ARP has delivered £4.7 million of support to 201 companies.

Achievements of the four key regional Enterprise Centres of Expertise are described in the section on underlying principles (see pages 26 - 27).

PROVIDING FINANCE FOR BUSINESS

The key achievements of our finance sources are as follows:

Risk Capital and Mezzanine Finance to SMEs **-** Our regionally based and managed venture capital funds made 54 investments, totalling £5.1 million. This levered in £17.4 million of private funds. We have also successfully implemented new funds to ensure a continuing source of risk capital. Agreements were signed with Midven Ltd, the Fund Manager for two new venture capital funds:

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[1] Coventry Business School, Evaluation of the West Midlands Task Force, April 2010.

- The £8 million 'Early Advantage LP Fund' aimed at businesses with strong growth prospects where an initial Fund investment of between £25,000 to £125,000 is required, matched by equivalent private sector investment.

- The £18.4 million Growth Equity Fund has secured a loan commitment of £9.2 million from Lloyds Development Capital and the other £9.2 million loan commitment is to be funded by the Agency and ERDF. It can invest up to £750,000 (exceptionally more) and does not require co-investment.

A preferred fund manager for our regional mezzanine fund was identified in December 2009, with implementation in 2010.

Community Development Finance Institutions (CDFIs) **-** Agency backed funders (members of the Fair Finance Consortium) have lent over £4.8 million to 256 businesses. New funding to support CDFIs was approved and contracted by November 2009.

Grants for Business Investment - 76 Grants for Business Investment totalling over £10.8 million were offered to businesses. In addition, 22 Grants for Research and Development were offered totalling over £1.5 million. The Advantage Proof of Concept grant scheme made 240 grant offers totalling £6.3 million.

We evaluated the 2002-09 Selective Finance for Investment programme in the West Midlands (predecessor of Grant for Business Investment). It indicated that overall, net GVA (to date and forecast) is £678.6 million and measured against the £54 million invested in grant support, produces a high return on investment (£12.50 for every £1 invested).

*Advantage Transition Bridge Fund (*ATBF) - Additional funding was provided to enable the ATBF to continue lending to 30 November 2009, the date which Government decreed that Transition Loans Funds should cease lending. By that date it made offers of loans totalling over £11 million to 66 businesses with 3,894 employees. The rapid implementation of the Transition Fund in November 2008 and its subsequent effectiveness was praised in the West Midlands Task Force evaluation. The Fund also received positive comment by British Chambers of Commerce in a recent report which stated *"None of the businesses had any suggestions as to how practical delivery of the Fund could be improved, reflecting the good service they received from the fund managers used"*.

Business Angels – this year support was provided to 4 Business Angel Networks which are active in the region. This helped them to broker 23 investments totalling £2.1 million.

SKILLS FOR BUSINESS

Graduates - The Agency has a portfolio of services to encourage business to realise the benefits of employing people with graduate levels skills. Key achievements include:

- 'Grad Central' a dedicated graduate recruitment service, offers a fee-free service to help businesses build and up-skill their existing workforces. The service is specifically tailored towards West Midlands SMEs. In its first year this project has created 131 new graduate level jobs in the region;

- 'Graduate Works', a graduate development and acceleration programme for SMEs with high growth potential was piloted in the Black Country & North Staffordshire. This resulted in 53 businesses receiving capacity and productivity building business support through the harnessing and optimisation of graduate talent;

- Graduate Advantage, has built on the infrastructure funded by the Agency since 2002 to increase its capacity to bid for further funding and deliver additional placement opportunities in the region. In the last year, additional funding, in excess of £1.5million, (from HEFCE/ and Birmingham City Council's Working Neighbourhoods Fund and the Lifelong Learning Network) has been secured to extend placement activity for graduates. As a result 388 paid placements have been offered since April 2009; and

- The 'West Midlands Graduate Internship' service is unique to the West Midlands and has been achieved as a result of close consultation and partnership working. The service was developed by the Agency in response to the recession and was agreed with close consultation with employers, the Institute of Directors, universities and Jobcentre Plus. Over the last 6 months it has succeeded in encouraging businesses in the region to offer 521 new graduate placements in the region.

We have supported a number of linked activities that focus on support for employers:

- 'West Midlands Business Operations' is our flagship business leadership project, launched in March 2010. The project focuses on improving business performance by developing the capacities and qualifications of the existing workforce. The project will assist over 5,000 individuals, training them to graduate-level;

- University Centre, Burton College received £2.5 million from the Agency and hosts the Advanced Manufacturing Centre, to deliver high level training, and a training hub for local companies. It has been operational for two years, and is used by the JCB and Toyota workforce. In 2009-10 it assisted 528 individuals to up-skill to level 4 qualifications and developed management skills for the workforce of 57 businesses;

- The Leadership & Management project has continued to support aspirational SMEs to improve business performance through developing their leadership and management skills. The programme by provides a mixture of intensive mentoring support with an advisor, followed by specialised training. A total of 45 businesses were assisted, with 507 individuals trained to improve their leadership and management;

- The 'Work Based Learning Centres' project has been fully operational during 2009-10 and worked with 22 employers to create on site learning centres, enabling over 1000 individuals to access support to develop work related skills; and

- Through both direct investment and its strategic support of the Regional Skills Partnership there has been continued and increased investment in 'Train to Gain', work-based training and work experience, including placements and apprenticeships.

Support for data, research and policy development remains key to our work on skills. Through the Regional Observatory we publish an annual skills assessment – the latest report was published in February 2010. This information will help to inform investment priorities for employers, individual learners and key funding agencies including the Skills Funding Agency and HEFCE.

The Agency has recently been given additional skills responsibilities from the government, including responsibility developing a skills strategy as an integral part of the Single Regional Strategy and an annual statement of skills investment priorities. Partners have established 4 task/finish groups to produce an initial statement of strategic and investment priorities by July 2010. They also plan to provide advice on more effective measures of success and proposals for improved partnership working on skills, education and employment issues.

DEVELOPING THE RURAL ECONOMY

Rural Development Programme for England (RDPE) is deployed through this Strategic Function. The demand for funding in 2009-2010 has been significant, and highlights include:

Rural Enterprise Grant (REG) - established in response to a demand from farmers and rural businesses for a simplified and easily accessible grant programme. 54 projects were contracted this year which has resulted in £1.6 million of grants to farmers and rural businesses. The Aston Marina, located on the Trent Mersey Canal, is one example of a business securing a REG support for new catering facilities and a farm shop. The business has already taken on 27 new employees and expects to create a further 10 jobs in 2010;

Strategic Investment Grants (SIGs) are capital grants for specific activities. This year 19 projects were approved which equates to £4.9 million in grants to the land based sector to support activities around fruit and vegetable packing/processing, grain storage, supply chain facilities in the livestock sector, and farm diversification. One example is *'STC Packers'* in Staffordshire, who received a grant of £1.3 million. STC needed funding for the installation of high capacity egg grading and packaging line, to meet the market demand for additional packaging facilities for free range eggs. The grant will ensure that 63 jobs are secured; and

Enabling projects - This year £11.2 million was awarded in grant support to projects which will underpin the RDPE grants programme and allow for collaboration and facilitate knowledge transfer. An example of this is *Lantra (Land Skills West Midlands).* This project proposes to raise the overall level of skills in the farming, food and forestry sectors. Provision will include 10,000 participants engaged in training, knowledge transfer events, support for employer groups, the potential for study trips abroad, 500 farm health plans and nutrient management.

KEY RESULTS FOR PLACE

LAND & BUILDINGS FOR ECONOMIC GROWTH

Our emphasis throughout 2009-10 was to continue to support and invest in key Regional Impact Investment Location (IILs) defined in our Regional Funding Advice to Government. The focus for the IILs is deliverability and the Agency has driven forward the delivery of the key physical, infrastructure and transport projects in each IIL.

This year the Agency has instigated and co-ordinated the monitoring framework for the IILs to test their implementation. Through quarterly monitoring and 'Star Chamber' reviews, each IIL has been examined to ensure that delivery is subject to robust project management and to assess co-ordination of public sector spend. Overall significant progress is being made in respect of the IILs. The Agency has made progress on the following key land and building developments this year each:

Birmingham

Longbridge - The 140 hectare site of the former MG Rover car plant in Longbridge is one of the biggest and most ambitious redevelopment projects in the West Midlands region. The project will lead to the creation of 10,000 new jobs and at least 1,450 homes over 15 years. A major achievement this year is the commencement of the £60 million Bournville College in October 2009 to deliver a new 250,000 sq ft college campus for South Birmingham. The college will have capacity for 15,000 students and will open in 2011;

Eastside – The £6 billion Eastside development is expected to create up to 5,000 jobs over the next decade. The Agency's overall commitment is £38 million. During the last year the Agency has progressed Eastside Locks, a commercial and residential mixed use scheme with our partners Goodman. Also in the last year, construction began on Ormston Academy, a specialist performing arts school in the Learning and Leisure Quarter; and

Icknield Port Loop – The signature of the joint venture agreement between Birmingham City Council, British Waterways and the Agency in March 2010, commits the partners to work together to identify a feasible scheme for the 32 hectare site.

The Black Country

i54 Wolverhampton - In March 2010 the Agency secured planning permission to enlarge the Phase 1 development off Wobaston Road from 150,000 sq ft to 500,000 sq ft. As a result of the increased development capacity, the Agency has now entered into detailed negotiations with two prospective occupiers for the site, to ensure the vision for i54 of a high-technology, high-value manufacturing site, securing 6,000 jobs, is achieved. Approximately £5 million has been secured from the Department for Transport for improvements to Wobaston Road and the Highway's Agency has recently started works to signalise junction 2 of the M54;

Walsall Waterfront – The £64 million phase 1 project is being delivered by Urban Splash and following a variation to the development agreement, a contract has been signed with Whitbread to construct a Premier Inn hotel. A funding application has been submitted by Walsall Housing for grant support into their new Head Quarters;

Wolverhampton Town Centre - The Interchange project will redevelop a key area of underused land centred around and including the City's railway and bus stations to act as a catalyst for the further regeneration of the city centre and Black Country. Phase 1 is the redevelopment of the bus station which received a Regional Infrastructure Funding (RIF) approval from the Agency in November 2009. Phase 2 will encompass the railway station and surrounding area and will improve pedestrian access across the Ring Road; and

West Bromwich Town Centre - Following the LSC spending review, Sandwell College was one of two successful projects in the region, and in November 2009 the Agency funding agreement was completed and construction commenced. Contracts between the Agency, BT, Sandwell Metropolitan Borough Council and Stoford (SDL) to acquire the All Saints BT Liberata Phase 1 site were signed this year. This will enable the All Saints scheme to proceed. The Agency has funded the site assembly, demolition, clearance, and archaeological investigation.

Coventry, Solihull and Warwickshire

Ansty Park, Warwickshire is a priority investment. Ansty is developing into new regional hub for science, technology and innovation, and will provide 1.5 million sq ft of space dedicated to research and development set in 100 acres of landscaped parkland. Over the next 5 years this will lead to creating and safeguarding 6,000 jobs. Key milestones include:

- Phase 1 on site infrastructure has been completed. The Phase 2 infrastructure for £6 million improvement works to junction 2, jointly funded by the Agency and Highways Agency, are scheduled to be completed in May 2010. The remaining off site works contract will commence in May 2010 to provide a dual carriageway entrance to the site;

- The Agency has continued discussions with TATA and it is hoped that works will start on site later this year on the TATA Motors European Technical Centre;

- The 'Manufacturing Technology Centre' is scheduled to start on site in April 2010. See commentary under Technology Capacity & Business Innovation (pages 10-11); and

- Practical completion of the 130,000 sq ft Ericsson Campus was achieved in May 2009 and it was fully occupied by August 2009.

North Solihull - This is a £1.8 billion project, over a 15 year period, to work with the local community and improve the lives of over 40,000 people. Work commenced on the first of 5 local centres (North Arran Way) with £1.4 million of Agency funding whilst the Chelmsley Wood Town Centre retail scheme was completed which received £6 million of Agency funding.

Browns Lane, Coventry (Non-IIL) – Through the acquisition of 9.2 hectares of land at the former Jaguar manufacturing plant at Browns Lane, Coventry the Agency will assist in bringing forward c.24 hectares of fully serviced employment land to deliver c.96,000 sqm of floorspace and c.2,500 new jobs. Working with its joint venture partner Goodmans, the Agency has secured detailed planning consent for remediation of the site and completion of infrastructure. A £5 million remediation and infrastructure contract has been let and works will complete in 2010. The Agency is already in detailed negotiations with a number of occupiers.

Swanswell, Coventry - This is a 10 year, £600 million initiative to regenerate 64 hectares in the city centre. The aim is to provide 2000 new homes, a new heath facility, learning quarter, office space, and improve the environment and links to the city. Following the completion of the £60 million City College (on Agency funded land) and a £1.5 million grant, further developments on the rest of the Agency funded land are onsite. This includes the £26 million Stringers Academy and the £1.3 million Extended Learning Centre. This has acted as a catalyst to a new £20 million Health Centre in the area and £9 million Salvation Army Hostel.

Stoneleigh Park, Warwickshire (Non-IIL) – The vision for the agricultural showground is to become the Home of Rural Excellence, which will look to incorporate a range of rural focused developments over the next 10 years including an Innovation Park, Countryside Visitor and Equine development and conference/hotels. This year the funding was approved and an agreement was completed with the Agricultural and Horticultural Development Board to construct a HQ building to BREEAM Excellent on the site to kick-start the Innovation Park.

Worcestershire

Worcester Technology Park - this project is to provide development of up to 67ha of land north east of the city to provide employment land to support the future growth of the city. Phase 1 is earmarked for the development of a new manufacturing, distribution and research and development facility for Worcester Bosch on 30ha of land. Initial development could be operational by end 2015, and substantially complete by 2019. A joint planning application by the Agency and the Bosch group has been submitted to CPRG with decision due by autumn.

Hereford, Shropshire and Telford

Edgar Street Grid, Hereford – this year an agreement was signed between Herefordshire Council and the developer Stanhope, to deliver phase one of the retail quarter (200,000 sq ft). Negotiations with anchor tenants are progressing well. Sanctuary Housing were provisionally appointed as developer for residential elements of the project. Agency investment has been redirected into 3 projects to provide delivery of infrastructure, namely a flood alleviation scheme, phase 1 of relief road and Three Elms development.

Staffordshire and Stoke-on-Trent

The University Quarter (UQ) - The first phase of the UQ (the sixth Form) was 'topped out' in October 2009 and is on target to open to students at the start of the next academic year. Site assembly for the Science Centre was completed and the site cleared in 2010. Funding applications for both the Science Centre and Media Centre are in appraisal with the Agency.

The Central Business District – together with the UQ, a new public transport interchange and a new shopping precinct, the Business District will bring a critical mass of new business into the city. This year 'GenR8 Developments' were selected as preferred developer for the Business District and are formulating delivery proposals.

INFRASTRUCTURE & ASSET DEVELOPMENT

Transport

New Street Station - the £600 million project is set to deliver 10,000 jobs and generate more than £2 billion pounds of transport and wider economic benefits. The Agency's £100 million contribution is the largest investment in a single project of a RDA. Good progress has been made this year on the redevelopment, highlights include:

- The Project's detailed design, construction timelines and milestones are now in place. The first tranche of contractors have been procured, and following a period of enabling works carried out on site, which started in September 2009; full construction works to Phase 1 started on site in April 2010; and

- Phase 1 is programmed to be complete in July 2012. Phase 2 works will then start with a target of overall project completion early in 2015. Arrangements are in place to ensure both the station and shopping centre remain operational throughout the works.

Regional Transport Priorities Action Plan - a key strategic achievement this year has been the publication of the 'Regional Transport Priorities Action Plan Progress Report' in March 2010. This was developed following regional partner contribution during autumn 2009.

High Speed Rail - working closely with HS2 Ltd, Birmingham City Council and Centro, the Agency has secured a greater understanding of the economic impacts and implications of a High Speed Rail Link from London to Birmingham and onwards to northern cities and

Scotland. A structure for ensuring effective information sharing, and collaborative evidence building and promotion, has been set up under the Agency's leadership. A programme of work is being taken forward through a High Speed Rail Action Plan.

The Agency, Local Authorities, and partners have worked together to implement the Regional Funding Advice (RFA) transport programme by; establishing the Transport Executive Group in 2009 to steer the programme's delivery, and supporting working groups which draw in expertise of a number of agencies, operators, and local authorities including the Agency. A number of schemes and projects have been approved by the Department for Transport, including Birmingham Gateway, the A461/A4123 Burnt Tree island scheme, the A41/A4031 Expressway Scheme in West Bromwich, and the extension of the existing Midland Metro line to New Street. Funding has also been identified to support the development of the Connecting Coventry scheme. In expenditure terms the region is likely to have invested £120 million in 2009-10 compared with £45 million in the previous year.

The Regional Infrastructure Programme (RIF) provides critical energy and transport infrastructure to enable key developments to be brought forward. The Agency secured additional of DfT fund in September 2009 (£28 million) to deliver an enhanced RIF programme. This funding is being targeted at the 20 Impact Investment Locations, and is aiming to accelerate activity in these locations by helping to address transport barriers to delivery. The Wolverhampton Bus Interchange project was the first project to secure DfT RIF funds (£9.8 million) in November 2009.

A RIF Investment Panel was established in February 2010 to help prioritise projects for the remaining DfT RIF funds. The panel is comprised of representatives from the Agency, Highways Agency, Centro, GO-WM, HCA, Business and Local Government. The Panel has endorsed Longbridge A38 road improvements (£12 million) and Craig Croft road improvements (£1.6 million) to come forward for detailed AWM application appraisal.

We have the transport lead role on behalf of all the RDAs. In the last year key achievements include working closely with DfT to:

- Produce and coordinate joint national input the High Speed Rail debate through meetings and correspondence with HS2 Ltd, Lord Adonis, Teresa Villiers and coordinate cross RDA funding for the GG21 research;

- Deliver a programme of meetings with Ministers, Shadow Ministers, Senior Civil Servants and DfT modal team officers including; Lord Andrew Adonis, Paul Clark, Teresa Villiers, Bronwyn Hill;

- Produce and coordinate a joint national responses to wide range of DfT and EU consultations including: National Policy Statement for Ports, Economic Regulation of Airports, Sustainable Future of Transport; and

- Produce joint national submissions to the Transport Select Committee including providing written and oral evidence to the inquires on: Aviation, Priorities for the Railways, Major Road Network and Ports National Policy Statement.

Low Carbon Infrastructure

The Agency developed and refined a corporate Energy Intervention Framework in between June & August 2009, which set out the range of our investment into low carbon energy projects and programmes. The Framework details the breadth of intervention and investment that the Agency provides across the low carbon agenda and incorporates energy and waste infrastructure development, innovation and R&D, development of new market opportunities and business support provision.

The Agency developed a corporate Energy Intervention Framework in June 2009, which set out the range of our investment into low carbon energy projects and programmes. Following the publication of the UK Low Carbon Transition Plan and Low Carbon Industrial Strategy by Government in July 2009, the Agency chose to revise the Energy Intervention Framework in light of the new policy emphasis. The subsequent Low Carbon Transition Framework was developed in August 2009 and details the breadth of intervention and investment that the Agency provides across the low carbon agenda. As such, the Framework also incorporates energy and waste infrastructure development, innovation and R&D, development of new market opportunities and business support provision.

We have developed a Decentralised Energy Programme during 2009-10 that will support large scale heat networks and decentralised infrastructure at seven priority Impact Investment Locations (IILs). The programme is nearing finalisation for implementation from June 2010 and will initially focus on Birmingham, Coventry and Hereford IILs.

Waste Infrastructure

Through the Waste Infrastructure Development Programme we launched the UK's first Regional Landfill Diversion Strategy at a Cross-Party event at the Houses of Parliament in March 2010 (following a regional launch in October 2009). The Strategy provides a clear, publicly-accessible and consistent methodology to help stakeholders across the entire planning process to ensure the waste infrastructure is located in the most appropriate places and supports the region's low carbon ambitions by encouraging business growth and creating new green jobs.

The Waste Infrastructure Development Programme has also delivered the WRAP/AWM Capital Grants project, which has provided a series of small scale grants in 2009-10 worth more than £1.5 million and is working with more than 40 different businesses to provide them with support that ranges from technical advice to the development of strategic marketing plans.

KEY RESULTS FOR PEOPLE

ACCESS TO EMPLOYMENT - ECONOMIC INCLUSION

Helping Those Furthest From the Labour Market into Employment

The Connections to Opportunities Programme was launched in February 2009. The 14 upper tier Local Strategic Partnerships were invited to submit bids for funding evidencing how they would involve the third sector to support those furthest away from the labour market towards employment. 2009 was the year of development and saw 11 bids approved. The collective bids are set to support over 5,000 people furthest from the market place back towards employment by the time the programme concludes in 2013. In excess of 80 community organisations have been involved in the development of the Connections to Opportunities programme in partnership with Local Strategic Partnerships.

Pilot programmes for Connections to Opportunities were run in East Birmingham North Solihull, the Black Country and North Staffordshire. Through the three pilots it was demonstrated that there is a need for tailored and intensive support to assist 'hard to reach' workless people. The pilots helped shape the development of the main 'Connections' programme and lessons learnt are being fed directly into the 'Connections Learning Network'.

Economic Inclusion Panel and Procurement Framework for Jobs and Skills

The Economic Inclusion Panel is funded by Advantage West Midlands and consists of 22 senior regional partners who have an involvement in addressing worklessness. The Panel's objective is to address the 20% of the output gap attributed to economic exclusion by working more effectively and efficiently together in order to identify innovative approaches to addressing worklessness and maximising joint impact.

The Panel developed an evidence base in order to identify specific areas of need, and as a consequence developed a clear work programme for 2009. The priority for the panel this year was the development, adoption and launch of the procurement framework for jobs and skills.

All 22 members of the Economic Inclusion Panel adopted the Framework in November 2009 and it was launched by the then Regional Minister in March 2010.

The West Midlands is the first region to have this collective public sector approach to a procurement framework and it has been used by DWP as good practice and is currently being considered in other regions through various routes. The launch event witnessed Network Rail and Birmingham City Council as key partners in the New Street Station development signing a charter to ensure job opportunities from the development are provided for workless people.

A joint action plan has been developed indicating how EIP Partners will implement the framework in 2010-11. In our case, Advantage West Midlands is leading the work to apply it to key projects in the Impact Investment Locations.

Social Enterprise

The Agency has continued to provide core funding for Social Enterprise West Midlands - the regional body responsible for championing the sector which currently has over 400 members.

Since creation in 2007 Social Enterprise West Midlands have helped to give Social Enterprise a voice, and have provided evidence of the economic benefits to the region. Specific achievements include:

- The first Social Enterprise Trade Fair (50 stalls and 1,400 visitors) alongside the annual national social enterprise event 'Voice 09';

- The identification and announcement of West Midland Flagship Social Enterprises;
- Securing Capacity Builders funding to further support their work in the sector; and
- Launch of the vision for social enterprises in the West Midlands "The time is NOW".

The Social Enterprise Centre of Expertise (SECOE) was also launched in May 2009 and will over its two year life improve access to appropriate and high quality business support for Social Enterprises. SECOE also acts as a critical friend to Business Link West Midlands in order to help to shape mainstream services so that they are appropriate for Social Enterprises through all stages of their business development.

SUSTAINABLE LIVING & WORKING

Smarter Working West Midlands

This project is about making businesses in the West Midlands aware of smarter working options, associated technologies and the financial and environmental benefits that can be achieved. 'Smarter Working West Midlands' was formally launched in October 2009 and has assisted 22 businesses so far. A 'Smarter Working' brand has been established to coordinate activity across the region including hosting workshops and creating a dedicated website set up to sign- post and raise awareness of the support the programme provides.

Business Futures is a regional pilot project – commissioned to identify the value of providing bespoke business support for large companies on two issues (i) the sustainable development agenda and (ii) to facilitate partnership working between businesses and business support providers. The project is being delivered by Sustainability West Midlands and draws upon the support of regional partners including Business in the Community, the May Day Network, Envirowise, National Industrial Symbiosis Programme (NISP), Business Link, Waste Resource Action Programme (WRAP), Midlands Environmental Business Company (MEBC) and the Chambers of Commerce.

The Agency has provided funding for a specialist procurement post to encourage and assist local authorities to adopt more sustainable procurement practices. The specialist sustainable procurement post is based at Birmingham Environmental Partnership. The post has helped Birmingham City Council review its procurement policies in line with the Government's 'Flexible Framework' for sustainable procurement and has worked with Sandwell Metropolitan Borough Council and organisations working with local authorities in Staffordshire to establish local procurement networks.

West Midlands Regional Food Academy

The Agency provided funding of over £3 million for Harper Adams University College, Shropshire, to develop and operate the West Midlands Regional Food Academy, to provide a variety of services and activities in support of the food industry in the West Midlands, particularly for small and medium sized enterprises. The project which comprised the sensitive redevelopment of former farm buildings into the high-tech academy has won Project of the Year at the Royal Institution of Chartered Surveyors' West Midlands Awards 2010. The project also secured the Regeneration title at the West Midlands Awards, and will now go forward to the national awards ceremony.

KEY RESULTS FOR POWERFUL VOICE

REGIONAL LEADERSHIP

Regional Marketing

The Regional Marketing Strategic Framework was published in March 2009 and disseminated across the region at a series of engagement events involving representatives from the public and private sectors. The Framework was positively received. Feedback and stakeholder research indicated support for utilising the Heart of England as a regional descriptor and there was clear agreement that improving regional perceptions is a long term task requiring commitment to a collaborative and sustained approach.

A range of marketing campaigns, targeted at key priority audiences, were developed and delivered as part of a supporting action plan. A programme of activity designed to build critical mass and secure buy-in to the regional descriptor and a more collaborative approach was implemented across existing regional business. A perceptions improving campaign, targeted at potential international investors across automotive, ICT/digital and building technology sectors was delivered, directed through the bespoke Heart of England website.

An annual strategy was implemented, designed to maximise engagement with the national media. A quarterly themed programme focused on promoting priority regional strengths was complemented by a high profile national media supplements programme.

The Regional Observatory

The Agency has continued to provide core funding to the West Midlands Regional Observatory (WMRO) to develop the regional evidence base. In 2009-10 this resulted in:

- Publication of the 'State of the Region Annual Synthesis Report' & six thematic reports;
- The publication of the book "West Midlands: Fit for the Future?" in July 2009;
- A redesigned 'Regional Skills Assessment' published in January 2010, including separate sector/cluster and sub-regional reports for the first time;
- The first full regional perceptions indicator survey has been undertaken and published;
- The completion of the WMES monitoring indicators draft update (January 2010);
- Contribution to the RSS Annual Monitoring Report, published in February 2010; and
- As part of wider recession monitoring activity, WMRO published a series of quarterly monitoring reports, plus interactive map of monthly labour market data (recognised by the Guardian as one of top 10 visual applications using government data).

This year WMRO achieved the Investors in Excellence standard in their first assessment, and handled around 350 public enquiries with very high levels of satisfaction recorded.

The ongoing 'Scale of the Challenge' programme, carried out by WMRO and commissioned by the Agency continues to be a key element of data and intelligence gathering. Major outputs during the year include:

- A report on benchmarking start-up businesses, enterprise and innovation dashboards;
- A report on first steps in measuring regional innovation;

- A report on growth into a low-carbon economy; and
- A series of four economic inclusion spotlight reports and report on dynamics of worklessness.

Strategy for the West Midlands

Effective governance arrangements have been put in place through the creation of the West Midlands Joint Strategy and Investment Board (JS&IB). The JS&IB, operating in shadow form before 1st April 2010, agreed the region's Regional Funding Advice (RFA) to Government and has since been overseeing delivery at the 20 Impact Investment Locations.

The JS&IB has also been an effective mechanism for progressing the region's case on HS2 and in identifying a series of 'quick', 'big' and 'investment' wins to meet the challenges and seize the opportunities that the region faces and begin to build capacity, confidence and credibility. Through the JSI&B we are building a powerful guiding coalition to draw in the support of all organisations committed to enhancing the region's prosperity. Our joint intent is set out in our 'Statement' in March 2010.

Progress on the development of the new Strategy for the West Midlands has been slower than originally envisaged, largely due to slower progress within government in developing the necessary guidance and enabling legislation.

Analysis of the functioning economic geographies within the region was undertaken during 2009 and early 2010. This research is being used to inform Local Authority work on the preparation of Local Economic Assessments.

European Collaboration

In December 2009 the region was successful in winning one of the European Institute of Innovation (EIT) and Technology's *"Knowledge Innovation Community"* (KIC) bids. The EIT aims to deliver world-leading innovation through collaboration between all the actors in the "innovation chain" – industry, higher education, research and technology institutes, entrepreneurs and public agencies – and the creation of KICs.

The Agency led the region's input to the Climate KIC bid. We are a corporate partner in a consortium of six major European regions working with five of Europe's top universities including Imperial College and ETH Zurich and ten major companies including CISCO, Shell, Thales and Bayer in a ground-breaking initiative on climate change called Climate KIC. Over the past year, we have created this regional consortium with Hessen, Emilia Romagna, Central Hungary, Valencia and Lower Silesia - called the Regional Innovation Implementation Community (RIC).

The resulting programme will run for a minimum of 7 years. For the West Midlands it will show how a region can follow a comprehensive approach to implement the Government's Low Carbon Transition Plan. It will offer advanced training capacity and new skills; spawn new businesses and spin-outs; help develop markets for existing low carbon companies; and make us a key player in leading-edge innovation. It will give us the kite-mark that will help other funding applications and make us a magnet for new talent.

Centres of Excellence

RegenWM exists to promote and develop regeneration excellence in the West Midlands. The Agency has continued to provide funding for RegenWM and in 2009-10 they have continued to deliver a wide programme of learning opportunities across the region; 1800 delegates attended seminars, site visits, leadership events and conferences. Amongst other successes, another 99 graduates have found work with RegenWM's Regeneration Placement Service whilst 90 projects were entered for the annual regeneration awards, culminating with seven winners being announced at the November 2009 awards ceremony.

Sustainability West Midlands (SWM) is the sustainability advisor for the leaders of the West Midlands - a not-for-profit company that works with its members who are leading individuals and organisations in the business, public, and voluntary sectors. SWM has worked this year to help local authority and business understand and realise the opportunities of the low carbon economy. This has included sustainability reviews of the regional investment locations, helping large businesses share green innovation and resource efficiency practice with their peers and supply chains, convening a 'green new deal' summit leading to a range of retrofit housing pilot seeking to tackle worklessness, and a local authority leaders summit with Jonathon Porritt agreeing a workplan for carbon savings and green jobs.

MADE is one of two Architecture Built Environment Centres in the West Midlands. It operates with an independent Board delivering built environment projects for a range of partners. During 2008-10 *MADE* delivered 28 Design Review Panels covering 82 projects for Advantage West Midlands, helping to ensure an improvement in the region on built environment standards. The Panels bring together a range of built environment professionals to review specific projects and master plans. In addition MADE has delivered over 74 days of built environment enabling support across the region spanning some 17 projects in order to build the capacity to develop good quality projects.

UNDERLYING PRINCIPLES

Delivery of the Strategic Functions is underpinned by the underlying principles of sustainability, rural and urban renaissance, and equality and diversity, which have been embedded across the Corporate Plan. Key achievements during the year include:

Key achievements during the year for sustainable development include:

- The 'Low Carbon Transition Framework' was developed in 2009. This details the breadth of intervention and investment the Agency provides across the low carbon agenda. Examples within the Agency include; the targeting of low carbon vehicles and low energy infrastructure as part of our innovation and clusters investment and funding towards Sustainability West Midlands (SWM) the sustainability advisor for the leaders of the West Midlands;

- The continued roll out of the Agency's sustainability framework requires building delivered to a BREEAM Excellent Rating for new build. All built development the Agency funds must therefore comply with the sustainability framework which requires building delivered to a BREEAM Excellent Rating for new build. At Chatterley Valley in North Staffordshire, we have been working with development partners to achieve the first carbon positive building in the region with Blue Planet, a 385,000 sq ft distribution building, which won the BREEAM Outstanding Award for 2009 and delivered a 32,000 sq ft enterprise centre to BREEAM Excellent on the same site. A number of other buildings are currently onsite to meet the sustainability requirement, including the 170,000 sq ft Severn Trent building in Coventry;

- As reflected in the Regional Leadership function (see page) – The Climate KIC is a major new initiative designed to help the EU to mitigate and adapt to climate change. As a core partner, the region will have additional opportunities to influence EU policy and funding in this area. Another element of regional leadership relevant to sustainable development is the research undertaken by the West Midlands Regional Observatory. This has helped to inform understanding of the importance, and factors affecting the quality, of the natural environment. This was covered, for example, in the 'Fit for the Future' publication; and

- As part of the Sustainable Living & Working function, we have developed the 'Smarter Working West Midlands programme' works with businesses and public sector organisations, to develop new ways of working that reduce dependencies on car travel to urban centres (see page 23).

Key achievements during the year for rural and urban renaissance include:

- We have continued to invest in our rural areas, cities and towns to create attractive spaces and vibrant centres for business and people. In terms of land and buildings for economic growth key achievements during the year include:

  - The Food Enterprise Centre opened in Shrewsbury in May 2009, to meet the needs of start up businesses and to provide purpose built food grade units;
  - In Bridgnorth, Shropshire, a 12 acre employment site to meet the needs of indigenous companies is ready for occupiers;
  - Across the rural area the Redundant Building Grant (RBG) scheme has delivered 20 projects for economic activity;
  - In Wem, Shropshire, new housing units are being built, which will see 40 units all owned by the Housing Association, to deliver on the affordable housing agenda;
  - In Eastside, Birmingham – progress at Eastside Locks, a commercial and residential mixed use scheme with our partners, Goodman. Also in the last year, construction began on Ormston Academy, in the Learning and Leisure Quarter;
  - New Street Station, Birmingham - Good progress has been made this year, including the detailed design, construction timelines and milestones are in place. The first tranche of contractors have also been procured and, following a period of enabling works carried out on site, full construction works to Phase 1 started in April 2010;
  - Wolverhampton City Centre - The Interchange project will redevelop a key area of underused land centred around and including the City's railway and bus stations to act as a catalyst for the further regeneration of the city centre and Black Country;
  - Swanswell, Coventry - This is a 10 year, initiative to regenerate 64 hectares in the city centre. The aim is to provide 2000 new homes, a new health facility, learning quarter, office space, and improve the environment and links to the city;
  - Edgar Street Grid, Hereford - In November 2009 a joint venture agreement was signed between Herefordshire Council and the developer Stanhope, to deliver the first phase of the retail quarter (200,000 sq ft) and
  - Stoke-on-Trent City Centre – Two projects contributing to urban renaissance in Stoke City Centre are The University Quarter (UQ) and The Central Business District (CBD).

- The Tourism function recognises that rural destinations and attractions form a key element of the region's tourism appeal. There is significant tourism investment via the RDPE programme, in the function 'Developing the Rural Economy'. This year we have showcased distinctive and high quality regional food and drink produce, via support for high profile food and drink events which showcase local produce and businesses, including the Ludlow food festival, Taste of Herefordshire and Taste of Birmingham.

As part of our overall market town recovery programme we have funded substantial marketing support for market town events;

- The Rural Skills Assessment for 2008 drew out the potential skills issues and difference in rural areas compared to the regional performance. Discussed by the West Midlands Business Council Rural Policy Group (sub group of WM Rural Affairs Forum), it provided a sound basis for rural partners to understand skills issues, and test whether mainstream delivery reached these groups; and

- The RE:think Energy programme and further development of RE:think Energy 2 project has enabled rural businesses to diversify into new markets and reduce energy costs by investing on renewable and low carbon energy.

Equality and Diversity

Key achievements in delivering Equality and Diversity include:

The Agency's function 'Access to Employment' is a key area in terms of supporting equality and diversity (see pages 22-23). The Economic Inclusion Panel work programme looks at initiatives that cover all of those furthest removed from the labour market - key activity this year includes the procurement framework for jobs and skills and the 'Connections to Opportunities' programme.

Equality and diversity is also a top priority in our 'Enterprise & Business Development' function, where there are 4 key regional Enterprise Centres of Expertise:

- Young Persons Centre of Expertise (YPCOE);
- Minority Ethnic Enterprise Centre of Expertise (MEECOE);
- The Social Enterprise Centre of Expertise (SECOE); and
- The Women's Enterprise Centre of Expertise (WECOE).

- YPCOE has established a Young Persons Enterprise Partnership (YPEP) to ensure that young entrepreneurs develop the capacity to take part in future policy making. This Partnership will also be instrumental in helping the Agency and Business Link develop material to ensure younger entrepreneurs are fully engaged in business and enterprise activity. YPCOE has also developed a region-wide web platform to provide enterprise information, guidance and coaching to young people interested in starting a business;

- MEECOE has established a Legacy Group, which includes high ranking national figures from the private and public sectors that are committed to supporting the mainstreaming of business support. Each Legacy Group member has agreed to work in collaboration with MEECOE to deliver a programme of activities to support ethnic minority firms in the region. This partnership is recognised nationally as a mechanism for embedding diversity;

- SECOE carried out a report which maps the level of specialist social enterprise business support organisations and numbers of Social Enterprise SFEDI accredited individuals. In order to address the gaps SECOE has set up a capacity building programme applying resources to improve training and increase levels of accreditation;

- WECOE is now complete. In December 2009 WECOE held their dissemination to launch its research and policy recommendations, these are now in the process of being implemented by the agency and other key stakeholders at regional and national level. The key message from all the research was that through targeting 'existing female owned businesses' known as the 'missing middle' the region could generate an additional £2.5 billion in GVA over the next 5 years;

The Agency has also overseen the establishment of the Premier League Enterprise Academies. Since its launch with *'pump-prime'* funding from the Enterprise Board the Aston Villa Enterprise Academy has supported over 100 young people in enterprise education. Due to the success of the programme the club has agreed to fund the Academy for 3 further years. Birmingham City football club has also established an Enterprise Academy drawing down £150,000 from the Premier League.

Our 'Skills for Business' function is supporting Equality and Diversity through 'Graduate Advantage'. This project has sub contracted with Remploy - aimed at specifically getting disabled graduates into work placements and also has a high proportion of people from ethnic backgrounds on placement. The placement service is aimed at encouraging more small businesses to realise the benefits of employing a diverse range of people with graduate level skills. Initial evidence suggests a significant number of graduates from different ethnic backgrounds have been placed in a variety of different businesses.

ANNEX - Performance Report – Summary

Headings	Business	Place	People	Powerful Voice
Headline Milestones Achieved in 2009 -10	To support business we have: Won designation as the UK's *Low Carbon Area for Advanced Automotive Engineering*. This also marked the launch of the *low Carbon Vehicle Technology Project*, a £19 million project developing technologies to accelerate the introduction of the next generation of ultra low carbon vehicles, and to stimulate the growth of a low carbon vehicle supply chain in the Midlands and the UK. Started construction on site for the *Manufacturing Technology Centre (MTC)* - one of the largest public sector investments in manufacturing. With a combined £40 million investment by AWM and EMDA, the MTC will be "world class" Manufacturing Research and Pre-Production Technology Centre, located at Ansty Park, Warwickshire, bringing together large global manufacturing companies such as Rolls-Royce, Aero Engine Controls and Airbus UK, and their supply chains, with key Midlands Universities with an aim of attaining a step change in the competitiveness of UK manufacturing performance. Delivered a successful *International Rotary Convention* - showcasing Birmingham and the Region to an international audience. The event attracted 20,000 visitors and generated approximately £23million in expenditure. Funded the refurbishment of the *LG Arena*, delivered to budget and on schedule. The Arena reopened in October 2009, providing a high quality addition to the region's key event venues.	The highlights in terms of place include: At *Longbridge, Birmingham* commenced the £60 million Bournville College which will deliver a new 250,000 sq ft college campus for South Birmingham. At *i54 Wolverhampton* – increased the size of development for Phase 1 off Wobaston Road from 150,000 sq.ft. to 500,000 sq ft. Secured £5 million from the Department for Transport for improvements works to Wobaston Road. As a result of the increased development capacity in phase 1, the Agency has now entered into detailed negotiations with two prospective occupiers for the site. *Worcester Technology Park* – The Agency and Worcester Bosch Group has submitted a project to CPRG to provide phased development of up to 67ha of land north east of Worcester City to provide employment land supply, to support the future growth of the City. Potentially phase one will see the development of a new manufacturing, distribution and research and development facility for Worcester Bosch of up to 1,400 sqm on 30ha. Initial development could be operational by end 2015, and substantially complete by 2019. *New Street Station* - The £600 million project is set to deliver 10,000 jobs and generate more than £2 billion pounds of transport and wider economic benefits. The Agency's £100 million contribution is the largest investment in a single project of a Regional Development Agency. Good progress	Under this theme we have: Set up the Connections to Opportunities Programme to support over 5,000 people furthest from the market place back towards employment by 2013. Over 80 community organisations have been involved in the development of the Connections to Opportunities programme. Continued to support the Economic Inclusion Pane, which led the development of the Procurement Framework for Jobs and Skills. All 22 members of the Economic Inclusion Panel adopted the framework in November 2009 and it was launched by the Minister in March 2010. The West	Our key activity: The Agency led the region's input to the successful Climate KIC bid. Effective governance arrangements have been put in place through the creation of the West Midlands Joint Strategy and Investment Board (JS&IB). Following submission the region's Regional Funding Advice (RFA) to Government the Agency has enabled the JSI&B to oversee delivery at the 20 Impact Investment Locations on an ongoing basis. The Agency has continued to provide core funding to the West Midlands Regional

	Took formal responsibility for co-ordinating the Region's Olympics work, including the Olympic Support Programme which this year has enabled West Midlands businesses to win 74 tenders (via the Competefor business portal) with a minimum value £14 million. An additional £80 million of 2012 related contracts have also been won by the Region's businesses. Through Business Link and MAS we have: engaged with 76,461 companies through market penetration activities exceeding the annual target of 70,000; Provided intensive assistance to 14,522 companies against an annual target of 12,300; Delivered 1,102 "Business Assists" by means of further support, advice and guidance against an annual target of 660;Created 3,450 businesses against an original annual target of 3,400 and recorded 3,581 new jobs within the West Midlands region against an annual target of 3,400. Offered 76 Grants for Business Investment totalling over £10.8 million to businesses. Provided additional funding to enable the Advantage Transition Bridge Fund (ATBF) to continue lending to 30 November 2009. It has made offers of loans totalling over £11 million to 66 businesses with 3,894 employees. Funded 600 INDEX vouchers to improve business access to sources of knowledge and expertise, with ongoing relationships developed between Universities and business. The scheme has been adopted nationally as a pilot of Innovation Vouchers within the Solutions for Business portfolio. Supported several graduate initiatives including the '*West Midlands Graduate Internship'* service,	has been made this year on the redevelopment of the Station, highlights include: the Project's detailed design, construction timelines and milestones are now in place. The first tranche of contractors have also been procured, and following a period of enabling works carried out on site, which started in September 2009; full construction works to Phase 1 started on site in April 2010. *West Bromwich Town Centre – good progress has been made at* Sandwell College – following the LSC spending review, this was one of the successful projects. In November 2009 the Agency funding agreement was completed and construction commenced. The Agency secured £28 million of additional of DfT fund this year on behalf of the region, to deliver an enhanced *Regional Infrastructure Fund (RIF).* This funding is being targeted at the 20 Impact Investment Locations, and is aiming to accelerate activity in these locations by helping to address transport specific barriers to delivery. Through the *Waste Infrastructure Development Programme* we have launched the UK's first Regional Landfill Diversion Strategy at the Houses of Parliament in March 2010 At *Ansty Park, Warwickshire* the Agency achieved practical completion of the 130,000 sq ft Ericsson Campus in May 2009. We have also carried out improvement works to junction 2 – The £6m which is scheduled to be complete in May 2010. Phase 1 infrastructure - has been completed and phase 2 infrastructure will be designed and constructed once future occupier requirements are known. The Agency continues	Midlands is the first region to have this collective public sector approach to a procurement framework and it has been used by DWP as good practice. Launched the Social Enterprise Centre of Expertise (SECOE) 2009 to improve access to appropriate and high quality business support for Social Enterprises. Launched 'Smarter Working West Midlands' to make businesses in the West Midlands aware of smarter working options, associated technologies and the financial and environmental benefits. Set up Business Futures - a regional pilot project to identify the value of providing bespoke business support for large companies on two issues (i) the sustainable	Observatory which has resulted in'State of the Region Annual Synthesis Report' and the ongoing 'Scale of the Challenge' programme. The 'One Region One Voice' regional advocacy campaign was developed and launched. 384 business influencers have signed up to the campaign to date. The 'Heart of England' signature well established and accepted in the region's tourism industry. RegenWM have continued to deliver a wide programme of learning opportunities across the region; 1,800 delegates attended regeneration seminars during 2009-10. In addition, 99

	developed by the Agency in response to the recession and was agreed with close consultation with employers. Over the last 6 months it has succeeded in encouraging businesses in the region to offer 521 new graduate placements in the region.	with discussions with TATA and it is hoped that works will start on site later this year on the TATA Motors European technical Centre.	development agenda and (ii) to facilitate partnership working between businesses and business support providers.	graduates have found work with RegenWM's Regeneration Placement Service.
Headings	**Business**	**Place**	**People**	**Powerful Voice**
Total Investment 2009-10	199.5m	94.8m	6.3m	12.6m
(1) Future GVA impact (total achieved & future potential)	£3.12bn			
(2) Outputs generated in 2009-10				

Outputs	Target	Actual	% Achieved
Jobs Created or Safeguarded (BIS growth output)	17,000	17,073	100%
Business Created and Survived at 12 months (BIS growth output)	1,600	1,924	118%
Business Supports (BIS growth output)	28,000	28,800	101%
Business Support – Collaboration with the UK knowledge base (BIS growth output)	1,100	1,067	97%
Skills – people assisted in skills development (BIS growth output)	17,000	17,077	100%
Employment support	7,500	8,099	108%
Public/Private Sector leverage (£m's)	450	811	180%
Brownfield Land Remediated (hectares)	101	101	100%
Cross-regional collaboration (BIS growth output)	53	53	100%
Carbon reduction (BIS growth output)	175000	208170	119%

Cross-RDA Collaborations Advantage West Midlands has engaged in 53 cross-regional collaboration initiatives, leading on 17. The collaborations are various; ranging from joint research, sharing of information, product development, marketing and lobbying. Collaborative partners may be other RDAs, other public sector organisations, businesses, other private sector organisations or Local Authorities.

ORGANISATIONAL DEVELOPMENT

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 2009 the Agency was shortlisted as a finalist for the second year running. The Agency was very pleased to win two awards, for 'Most Improved Organisation' and also 'Highly Commended' for its performance. The Agency's score against the EFQM Excellence Model has increased by 10% per year, achieving 401 points in 2007, 441 points in 2008, and 491 points in 2009, which demonstrates that the Agency is making measurable improvements in its performance. As part of its Aiming for Excellence activity the Agency carried out its fourth annual survey during 2009 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 its Aiming for Excellence continuous improvement work the Agency has an Improvement Plan. This was originally developed following the Independent Performance Assessment carried out by the National Audit Office (NAO) 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' performance, feedback from the stakeholder and partner and staff surveys, and the lessons learned through the Agency's impact evaluation studies. Progress against the Improvement Plan is reported to the Agency's Audit Committee every quarter.

Independent Supplementary Review

Following the Independent Performance Assessment carried out by the NAO in 2006-07, a further review of RDA performance, known as the Independent Supplementary Review (ISR) was carried out by the NAO in 2009-10. The NAO assessed RDA performance in three question areas as follows:

- How effectively has the RDA prioritised programmes and projects that offer high value added benefits for the region in the economic downturn and in preparation for the upturn?

- How effectively is the RDA implementing improvement plans?

- How effectively has the RDA implemented improvements in performance management processes and procedures to reflect the lessons of evaluation?

Unlike IPA, there was no overall score for ISR. Instead the NAO reached a judgement on RDA performance for each of the three ISR questions based on four levels of performance: Inadequate; Adequate; Good; and Strong.

The Agency was very pleased to be informed shortly after the year that the NAO had assessed its performance for all three questions as 'strong', the highest rating possible and was one of only two RDAs to achieve this maximum score.

Evaluation and Learning

During 2009-10 we continued our ambitious programme of impact evaluation studies which complements the Agency's work on continuous improvement. Aimed at improving the Agency's performance through learning lessons from previous activities as well as evaluating the economic impact of our activities and our contribution to the objectives set out in the West Midlands Economic Strategy, this latest evaluation programme has looked back over the period 2002-09 and has increased our previous impact evaluation coverage of £990 million to £1,333 million. This gives us an even more robust evidence base from which to draw conclusions and implement future improvement actions.

The findings of the eight independent evaluation studies conducted during 2009-10 covering our skills, business support and physical infrastructure projects have been drawn together and suggest that the Agency's investment of £1,333 million will generate benefits to the region amounting to £10,844 million (GVA). In terms of value for money, it is extremely pleasing to report that this suggests that our return on investment has increased from the 2008-09 figure of £7.45 by 9% to £8.14 (GVA) for every £1 invested. Most importantly, this figure exceeds the target of £8 for every £1 invested which was based on our previous evaluation findings and established at the beginning of 2009-10.

In addition to improving the targetry framework, during 2009-10 we also completed a comprehensive development programme aimed at improving our project development capacity. Looking to the future, during 2010-11 we will be updating our performance benchmarks based on our 2009-10 findings and increasing our attention of delivering further improvements in our return on investment for the region.

Directors' Report

The Directors present their Annual Report and Accounts for the year ended 31 March 2010.

The Board members are appointed by the Secretary of State for the Department for Business, Innovation and Skills (BIS) 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)

Sir Roy McNulty	Agency Chair (Appointed 1st May 2009 – Chair Designate until 1st September 2009)
Nick Paul CBE	Agency Chair (Resigned 31st August 2009)
Professor Madeleine Atkins	Appointed 14th December 2009
Jas Bains	
Dr David Brown	Agency Deputy Chair *Member – Audit Committee* *Chair – Human Resources and Remuneration Committee*
Brendan Connor	*Member – Audit Committee* *Member – Human Resources and Remuneration Committee*
Gerard Coyne	*Member – Audit Committee* *Member – Human Resources and Remuneration Committee*
John Crabtree OBE	*Member – Audit Committee* *Member – Human Resources and Remuneration Committee*
Roger Lawrence	Term ended 13th December 2009 *Member – Audit Committee* *Member – Human Resources and Remuneration Committee*
Angela Maxwell	
Kumar Muthalagappan OBE	Appointed 14th December 2009 *Chair – Audit Committee* *Member – Human Resources and Remuneration Committee*
Michael Oakes	Term ended 13th December 2009
Roger Phillips	Appointed 14th December 2009
Sue Prince OBE	
Diane Rayner	*Member – Human Resources and Remuneration Committee*
David Smith	Term ended 13th December 2009 *Chair – Audit Committee* *Member – Human Resources and Remuneration Committee*
Prof Michael Sterling	Term ended 13th December 2009
Kenneth Taylor	*Member – Audit Committee*
Jonnie Turpie	Appointed 14th December 2009
Michael Whitby	

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

Eleven 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 2009-10.

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

Mick Laverty	Chief Executive
Michael Crich	Corporate Director Resources (left 27th April 2009)
John Doherty	Corporate Director Resources (appointed 28th September 2009)
Karen Yeomans	Corporate Director Partnerships and Communications
Tim Gebbels	Corporate Director Strategy and Skills
Richard Hutchins	Deputy Chief Executive
Mark Pearce	Corporate Director 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, Innovation and Skills, 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 BIS 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, Innovation and Skills 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 2009-10.

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, Innovation and Skills.

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 Strategy and Communications.

Pension Costs

The treatment of pension's liabilities and the relevant pension scheme details are set out in the Remuneration Report on pages 46 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 which was last updated in January 2010. In 2009 the Agency worked in partnership with the Council for Disabled to conduct involvement workshops with disabled people and organisations and this activity is to repeated again in 2010 focusing primarlity on rural areas in the region.

In addition to legal compliance the Agency also applies good business practice e.g. an Access Audit of the premises 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. The Agency's Performance Management and Review System also features section 6, 'Review of Circumstances' to capture any personal changes which could for example capture an acquired disability or impairment since the last annual review.

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 March 2010; 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 349 staff has declared a disability or impairment. The Agency will take every reasonable step to make the necessary adjustments regarding the recruitment, retention and development of disabled people. 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.

Prompt Payment Policy

In November 2008 the Agency adopted Government's prompt payment pledge where it seeks to pay all invoices to SME's within 10 working days. In 2009-10 the Agency paid 82% of undisputed invoices within 10 days. Although grants are excluded from the prompt payment initiative, Advantage West Midlands have ensured that all their payment processes, including those for grants, are as efficient as possible.

Advantage West Midlands continues to be committed to the "Better Payments Practice Code" and aims to pay 95% of undisputed invoices within 30 days of approval. In 2009-10, the Agency met this target, paying 99% of invoices within 30 days of approval (99% 2008-09). 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.

Personal Data Related Incidents

There has been one personal data related incident during the financial year. An Agency laptop was stolen from the private garage at the home of an employee of Advantage West Midlands. The laptop was encrypted and did not have any confidential or sensitive stored on it. There was no breach of the Agency information security policy.

Improving Performance

During 2009-10 the Agency continued with its programme of impact evaluation studies in order to learn lessons from activities that we have funded over previous years and to evaluate the economic impact of our interventions and the contribution that these are making to delivering the objectives set out in the Regional Economic Strategy. The studies which were conducted by independent consultants covered our skills, business support and physical infrastructure projects over the period 2002-09 and increased our evaluation coverage from £990m (the figure at the end of 2008-09) to £1,333m, thereby giving us an even more robust basis for our conclusions and future improvement actions.

The findings of this analysis suggest that our investment of £1,333m will generate benefits to the region amounting to £10,844m (GVA) giving a return on investment of £8.14 for every £1 invested. This figure represents a 9% improvement on the return on investment reported at the end of 2008-09 (£7.45) and exceeds the target of £8 established at the beginning of 2009-10 which was based on benchmarks from previous regional evaluation studies across the RDA network.

During 2009-10 the National Audit Office, as part of its Independent Supplementary Review (ISR) of RDAs noted that we were the only RDA to adopt such an approach to performance benchmarking and highlighted it as good practice. In addition to the benchmarking work, we completed our skills and capacity building programme based on lessons learned from previous evaluation studies which included workshops for almost 100 staff from external stakeholders. Also, during project appraisal, we increased our focus on regional benefits rather than simply considering unit costs – an approach which contributed to the National Audit Office's 'strong performance' assessment of Advantage West Midlands in its ISR report.

Freedom of Information

The Agency received 119 formal requests for information under the Freedom of Information Act 2000. Of these requests, one is still on hold pending clarification, ten were subsequently withdrawn or transferred, or closed after being placed on hold waiting for clarification. 86% 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

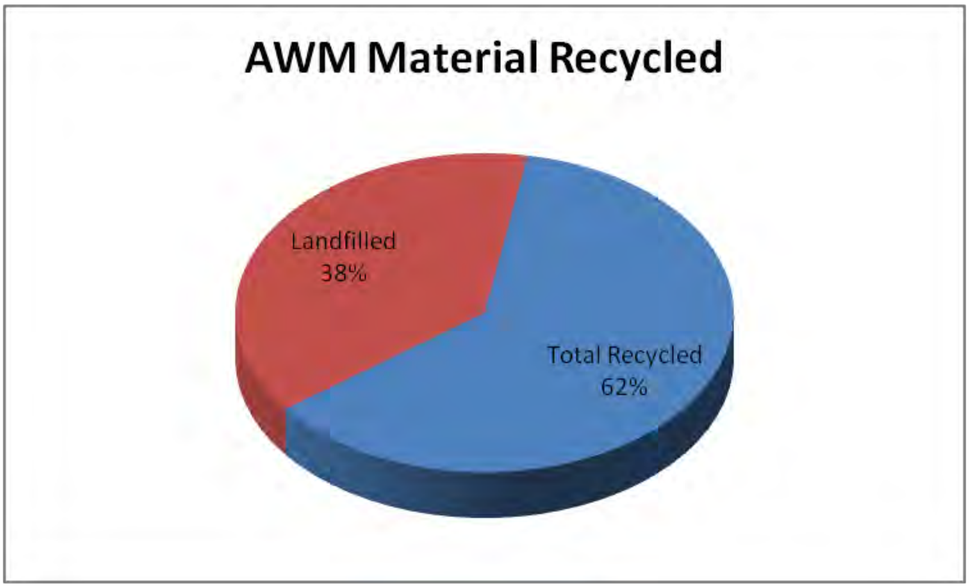
Advantage West Midlands has continued with its Green Housekeeping Policy, with increased emphasis on use of recycled materials with 99% of all paper purchased for Agency use falling into this category.

The organisation also continues the practice of waste management and recycles a variety of used office products with specific emphasis on printer cartridges (1/4 of tonne recycled) and waste paper. The Agency has also introduced for 2009/10 the facility to recycle dry cell batteries, which is additional to its paper, cardboard, plastics, glass and metal recycling.

In respect of the organisation's contribution to decreasing the amount of wood (trees) used as a result of the use of paper, via the Agency's confidential waste re-cycling programme, for the period equates to that of 149 trees.

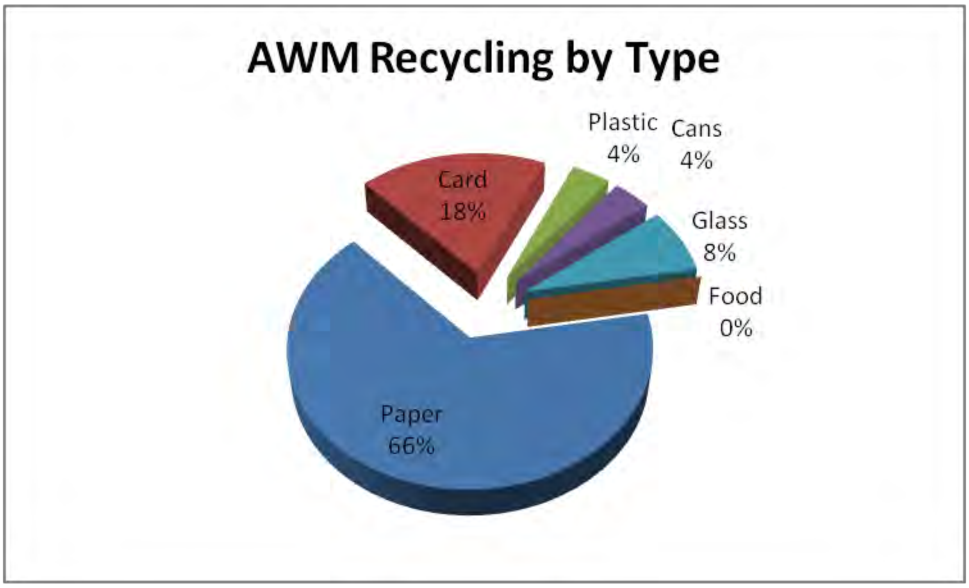
When compared to the last period there has been an increase in the of equivalent number of trees used to manufacture paper. This increase is as a result of additional amounts of confidential waste following an office compression exercise that was successfully undertaken in December 2009. The Agency continues to promote recycling of materials with the aid of the Agency's Communications Team , and the Agency's electronic weekly newsletter.

Graph 1 identifies the Agency's achievement for the period 2009/10.



From the report above it can be seen how effectively Advantage West Midlands is segregating their waste and reducing their waste sent to landfill. AWM has worked hard on getting colleagues to recycle stationary within AWM to ensure that items such as folders and internal envelopes are reused without being discarded. AWM's multi functional printers have been set to carry out duplex copying and has also been asking colleagues to print only when absolutely necessary and printing only in colour by exception, reducing the volume printed.

Graph 2 identifies the agencies breakdown of waste recycled by type for 2009/2010.



AWM has also seen an increase in volume of recycling of materials other than paper. Colleagues have been made aware of the need to separate waste to ensure the majority can be recycled for other uses.

While the majority of our recycled waste still revolves around paper, increased availability of waste recycling bins and making colleagues aware of the need to recycle has resulted in greater quantities being recycled.

AWM has increased its procuring to ensuring that we are undertaking purchasing with green products. The paper used is 100% recycled and stationary is now centrally purchased and distributed ensuring that the agency is only buying what products it needs. AWM where possible is sourcing recycled products for envelopes and other paper based products. This in itself is resulting in less wastage and using sustainable strategies.

AWM's Lease Car Policy also maintains to reduce CO2 exhaust emissions in line with Government guidelines. Consequently, the policy allows for the purchase of Agency lease cars with a maximum emission of 150 g/km as per BIS sustainable government procurement publication October 2003. AWM are actively trying to reduce CO2 emmissions by asking colleagues to car share where possible and asking where possible to avoid unnecessary journeys.

Following on from the Agency's review of accommodation in 2008/09 the Agency acknowledged its increasing workload will impact on additional staffing and the need to accommodate them. The Agency increased the numbers in it's hot desking/remote working in order to condense all AWM staff and partner organisations from No's 2 and 3 Priestley Wharf into the main office at No 3 Priestley Wharf.. This will have an impact on energy conservation as only the main building will be utilised, reducing energy The main HQ at 3 Priestley Wharf is of a 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, which also included the introduction of a Summer / Winter hold off set point. . Programmed system shutdowns are applied out of hours and during local and bank holidays to ensure economic use of energy.

It is the Agency's aim to install water management systems within the HQ's washroom facilities for 2010/11 which is anticipated to have a positive impact on reducing our water consumption.

The Agency once again obtained gained a Display Energy Certificate classification D which carries a numerical band rating between 76 – 100 for it's building performance on energy. Although the Alpha classification remained in 2009-10 the numerical value decreased to 80 as opposed to the previous 96 for 2008-09The Agency's aim to reduce it's energy consumption for 2009-10 was met, and aims to try and improve on it's performance again for 2010-11.

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	£ 65,750
ERDF Audit Services	£ 1,500
IFRS Audit Services	£ 6,500
Independent Supplementary Review	£ 77,000

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.

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

Report of the Audit Committee

The Audit Committee is chaired by David Smith (until December 2009) and Kumar Muthalagappan (from January 2010). It is wholly non-executive and during the year the other members were Gerard Coyne, John Crabtree, Ken Taylor, Roger Lawrence (until December 2009), Brendan Connor and David Brown. The Chief Executive in his role as Accounting Officer attends each of the four 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 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 2010 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 David Brown. The membership of the committee is Brendan Connor, Gerard Coyne, John Crabtree, Roger Lawrence, Kumar Muthalagappan, 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, Innovation and Skills 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.

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 2009-2010 £	Salary 2008-2009 £
Sir Roy McNulty (Chair) (Chair designate)	01/09/09 – 13/12/12 01/05/09 – 31/08/09	61,813 (FYE 81,718)	0
Nick Paul CBE* (Chair)	14/12/02 – 13/12/05 14/12/05 – 13/12/08 14/12/08 – 31/08/09	34,049 (FYE 81,718)	80,510
Professor Madeleine Atkins**	14/12/09 – 13/12/12	2,528 (FYE 8,666)	0
Jas Bains	14/12/07 – 13/12/10	8,666	8,538
Dr David Brown (Deputy Chair from 14/12/2008)	13/02/06 – 13/12/08 14/12/08 – 13/12/11	17,332	12,807
Brendan Connor	14/12/06 – 13/12/09 14/12/09 – 12/12/12	8,666	8,538
Gerard Coyne	14/12/04 – 13/12/07 14/12/07 – 13/12/10	8,666	8,538
John Crabtree OBE	13/02/06 – 13/12/08 14/12/08 – 13/12/11	8,666	8,538
Roger Lawrence	14/12/03 – 13/12/06 14/12/06 – 13/12/09	6,138	8,538
Angela Maxwell	14/12/07 – 13/12/10	8,666	8,538
Kumar Muthalagappan	14/12/09 – 13/12/12	2,528 (FYE 8,666)	0
Michael Oakes	14/12/03 – 13/12/06 14/12/06 – 13/12/09	6,138	8,538
Roger Phillips	14/12/09 – 13/12/12	2,528 (FYE 8,666)	0
Sue Prince OBE	14/12/04 – 13/12/07 14/12/07 – 13/12/10	8,666	8,538
Diane Rayner	14/12/04 – 13/12/07 14/12/07 – 13/12/10	8,666	8,538
David Smith	14/12/03 – 13/12/06 14/12/06 – 13/12/09	6,138	8,538
Prof Michael Sterling	26/05/03 – 13/12/06 14/12/06 – 13/12/09	6,138	8,538
Kenneth Taylor	13/02/06 – 13/12/08 14/12/08 – 13/12/11	8,666	8,538
Jonnie Turpie	14/12/09 – 13/12/12	2,528 (FYE 8,666)	0
Michael Whitby	14/12/08 – 13/12/11	8,666	2,726 (FYE 8,538)

* Nick Paul also received £5,210 in pension for the period 1st Sept 2009 to 31st March 2010.
** Professor Madeleine Atkins chooses to donate all of her salary to charity.

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 2009-2010** £	**Total Emoluments 2008-2009** £
Mick Laverty *Chief Executive*	145,706	21,161	30,035	196,902	179,058
Michael Crich *Corporate Director Resources (leaver 27/04/09)*	35,020 (FYE 107,000)	- -	144	35,164	71,882
John Doherty *Corporate Director Resources (appointed 28/09/09)*	56,318 (FYE 110,121)	-	13,191	69,509	-
Karen Yeomans *Corporate Director Partnerships & Communications*	112,121	8,483	26,273	146,877	144,017
Tim Gebbels *Corporate Director Strategy and Skills*	112,121	6,362	26,273	144,756	141,552
Richard Hutchins *Deputy Chief Executive*	117,280	10,330	27,527	155,137	144,956
Mark Pearce *Corporate Director Economic Regeneration*	110,592	7,179	26,273	144,044	141,510

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 31/03/09 (nearest £k)	CETV at 31/03/10 (nearest £k)	Employer contribut -ions and transfers-in (£)	Real increase In CETV funded by employer (nearest £k)
Mick Laverty	2.5 – 5	0 – 2.5	40 - 45	70 - 75	512	647	4,326	42
Richard Hutchins	2.5 – 5	N/A	10 - 15	N/A	116	158	3,964	31
Karen Yeomans	0 – 2.5	N/A	20 - 25	N/A	269	303	3,784	14
Mark Pearce	0 – 2.5	5 – 7.5	35 - 40	110 -115	590	664	1,622	34
John Doherty	0 – 2.5	N/A	0 - 5	N/A	0	12	1,900	10
Tim Gebbels	0 – 2.5	N/A	10 - 15	N/A	144	180	3,784	23

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 BIS, 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. The by-analogy pension scheme is now a diminishing fund because the Chairman, Nick Paul retired on 31st August 2009. The Agency is currently responsible for paying out the pension to Nick Paul, this is underwritten by BIS.

The Agency is not permitted to invest its contributions of £8,683 (2008-09 £23,348) and those deducted from Nick Paul's salary of £1,192 (2008-09 £2,818) in the Civil Service Pension Scheme.

	Real increase in pension (£k)	Real Increase in lump sum (£k)	Pension at 31/08/2009 (£k)	Lump sum at 31/08/2009 (£k)	*CETV at 31/03/2009 (nearest £k)	CETV at 31/08/2009 (nearest £k)	Real increase In CETV funded by employer (nearest £k)
Nick Paul Chairman	0 – 2.5	0 – 2.5	5 – 10	0 – 2.5	141	154	9.4

A full actuarial valuation of this by-analogy scheme was carried out as at 31st March 2010 by a qualified independent actuary. The major assumptions of the actuary were:

Financial Assumptions	2009-2010	2008-2009
Inflation Assumption	N/A	2.90%
Rate of increase for pensions in payment and deferred pensions	N/A	2.90%
Rate of increase in salaries	N/A	4.40%
Discount Rate	N/A	6.50%

The effect of accrual during 2009-2010	2009-2010 £'000
The current service cost (net of employee contributions)	8.2
Past service costs	0.0
Gains and losses on any settlement and curtailments	0.0
The interest cost	9.2

Actuarial gains and losses for 2009-2010	2009-2010 £'000
Experience losses (gains)	(4.2)
Effect of changes in demographic and financial assumptions	33.3
Total actuarial losses (gains)	29.1

Liability calculation for 2009-2010	2009-2010 £'000
Present value of liability at 1 April	136.3
Current service costs (net of employee ontributions)	8.2
Employee contributions	1.2
Benefits paid	(5.2)
Interest cost	9.2
Actuarial losses (gains)	29.1
Present value of liability at 31 March	**178.8**

Chairman's Private Pension Scheme

The Agency does not operate a By Analogy Scheme for the new Chair, Sir Roy McNulty. AWM contribute directly into the Chair's private pension scheme; for 2009-10, employers' contributions of £15,020.45 were payable to the Chair's Scottish Life Pension.

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 2010. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, employers' contributions of £2,706,746, were payable to the PCSPS (2008-09 £2,766,892) at one of four rates in the range 16.7 to 25.8 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 £53,803 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 £3,673, 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 2010 and more details can be found in the separate scheme statement of the Homes and Communities Agency Pension Scheme. For 2009-10, normal employer contributions of £49,401 were payable to the Scheme (2008-09 £40,703) 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.

Roy McNulty Mick Laverty

Sir Roy McNulty - 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, the Government's Financial Reporting Manual and Government Accounting. I also share responsibility with the Board for ensuring that Advantage West Midlands continues to operate within the framework specified by the Secretary of State and the Department for Business, Innovation and Skills (BIS) in Advantage West Midlands' Accountability and Financial Framework. The Board and I use a common mechanism for obtaining assurance on the adequacy, effectiveness and efficiency of Advantage West Midlands' risk management, control and governance process. I am therefore making this statement on the effectiveness of internal control.

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 Agency 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 at Advantage West Midlands (AWM) for the year ended 31 March 2010 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

Capacity to Handle Risk

AWM recognises that it is in a unique position in its relationship to private enterprise and public accountability. On the one hand, AWM's purpose is to lead, innovate and provide a catalyst for the development of the region, which means taking risks that others will not. The Agency therefore has to engage within an environment of calculated risk taking to ensure investment performance is enhanced and desired outcomes are achieved in a commercial manner. On the other hand, AWM is a public body, accountable to Parliament and the people of the West Midlands and has to operate in a governance framework as set and monitored by HM Treasury and the Sponsoring Department (BIS). Taking this into account, the Agency's risk management approach is to achieve the balance between the need for a robust internal control environment and governance framework and the need to support the Agency's culture, people and partners in achieving AWM's objectives. The membership of our Board is such that it has the collective knowledge and experience to be able to balance these sometimes conflicting requirements ensuring that the Agency remains compliant with the highest standards on legal and financial matters, and at the same time ensuring that the Agency is able to account for its decisions and actions.

Setting and embedding this overall approach to risk management is the responsibility of the Board, but must be implemented across the Agency. The Agency operates a comprehensive risk management process, which is overseen by the Agency's Audit Committee. The process accords with HM 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

Our management of risk is embedded in policy-making, planning and delivery by consideration of risk by the Leadership Team in establishing strategy and in managing operational activities. The main processes which we have in place for identifying, evaluating and managing risk are outlined below.

Risk Management 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 also determined how each risk will be managed, including incorporating 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, with regular reporting to the Audit Committee on how they are managed.

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.

Risk Profiles

- Corporate
  The most significant risks are incorporated into an overall Corporate Risk Register which is reviewed by the Board, Audit Committee and Senior Management.

- Directorate/Strategic Function
  During 2009-10 the Agency has implemented a framework of Strategic Functions (SF) to manage its key activities. Each SF is headed by a senior manager with relevant experience and overseen by an SF Board. Detailed risk registers are produced for

each SF, including project risks, which in turn are used to inform the Corporate Risk Register.

- Information Security
  In the main the Agency holds data on businesses in the West Midlands region, with a much lesser amount of sensitive personal data. However, the Agency's responsibility to keep data secure is seen as a key risk. This was highlighted by the loss of data at a subsidiary of AWM which led to an investigation and changes in procedures.

Risk Priorities

For this year, our risk priorities fall into the areas listed below. In each area, we have developed and continue to review and improve risk management processes to help us manage our risks.

Financial Management

The risks that the Agency faces in relation to the ability to plan and spend the funds allocated to it are appropriately managed through a number of mechanisms – financial planning, financial management, project appraisal and project monitoring.

- **Financial Planning**
  The Agency has implemented a Corporate Business Plan and individual Directorate Business Plans to prioritise activity within a tighter fiscal environment. The Corporate Business Plan for 2010-11 required considerable revision to take into account actual and potential funding cuts. Part of this process involved a stringent review of all of our projects, resulting in a number of difficult and potentially unwelcome decisions on removing or reducing future funding. We believe that this process was handled both sensibly and sensitively. Financial Planning beyond April 2011 has been considered at a strategic level by the Leadership Team and the Board and various scenarios are being considered to manage both our contractural liabilities and further budget cuts beyond this date.

- **Financial Management**
  We operate in accordance with the Accountability and Financial Framework as issued by HM Treasury, along with the Government's Financial Reporting Manual.

- **Project Appraisal and Monitoring**
  The Agency manages project risk by adopting the guidance offered by BIS under the Single Programme. As part of project appraisal, an assessment of potential challenges and risks is undertaken and alternative options for delivery are considered. Our Project Office has a programme of reviews to ensure that projects, throughout their lifecycle, meet the standards set within our Quality Management System. We have introduced a team to provide evaluation and appraisal of projects independent from day to day delivery.

- **Programme Management**
  Outputs and spend are measured against budget on a regular basis and performance is managed through weekly performance reporting and monthly Board reporting. In addition, activities under each Strategic Function are managed by a Corporate Director, the SF Lead and the SF Board.

Information Security

During 2009-10, the Agency reviewed existing Information Security policies and procedures in line with guidance issued by the Cabinet Office. The Corporate Director of Resources is the Senior Information Risk Officer (SIRO) with a remit to oversee all Information Security. During 2009-10, all Agency staff have been informed about their role in managing information security and a revised 'Acceptable Use' Policy has been introduced that places a duty of care on all staff to protect data and information.

We have identified Information Asset owners (IAOs) during 2009-10 and they have confirmed that a review of all information within their areas is subject to appropriate controls to minimise the risk of disclosure.

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

Business Failure

The Agency has a Business Continuity Plan (BCP) incorporating all areas of the business and has undertaken a number of Business Continuity exercises during the year. We have also engaged Consultants to confirm that the BCP remains robust and fit for purpose.

North Staffordshire Regeneration Partnership (NSRP)

Failures around procurement processes were identified at NSRP and the Agency encouraged them to be transparent with their procurement information making it clear that, without the required procurement documents, projects could not be funded and therefore potentially fail.

NSRP activity funded by AWM was reviewed by the Agency's audit team. This was followed by an independent review completed by external Consultants. An improvement action plan was subsequently agreed and implemented, and continues to be monitored.

Risk of failure to achieve the ERDF Spend by December 2009

The approval for the new ERDF programme was formally received by the Agency on 17 December 2007. The December 2009 target was the first programme delivery target AWM was required to achieve. Many of the delays whereby the achievement date could be missed were beyond the control of the Agency but the risk remained a real one for the Agency. In order to minimise the risk of failure, management and resources were reviewed and amended throughout the year. Having successfully delivered the year one target, the risk has reduced but will remain throughout the life of the Programme. The delivery risks are managed through AWM's governance framework.

The above controls are supplemented by the Agency's Balanced Scorecard which covers a wide range of the Agency's functions. The Balanced Scorecard is reviewed at every Board meeting.

Political Environment

In the period between the end of the 2009-10 year and the approval of the Annual Report and Accounts the main risk to the Agency remains the continuing uncertainties following the result of the General Election. These uncertainties can and may have a significant impact on our plans as Government policy relating to regional economic development changes.

Significant Internal Control Problems

During late summer of 2009 the Agency became aware of Business Link West Midlands (BLWM) encountering a number of significant control problems, including both financial shortfalls and deteriorating performance. Following the resignation of the then CEO, the Agency provided intensive support to the organisation, to ensure that BLWM continued to provide services to business in a period of recession. As part of this 'step-in' process the Agency appointed a CEO and agreed to extend the contracts with BLWM until 31 March 2012.

The Agency's Board considered a number of options for the continuance of BLWM and agreed that the Agency should proceed with the acquisition of BLWM as a Special Purpose Vehicle, wholly owned by the Agency. The Agency engaged Solicitors to provide support with the acquisition, including carrying out a due diligence review in conjunction with the Agency's Internal Audit Team. BLWM is now a wholly owned subsidiary of AWM and the control issues have been addressed.

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, the Audit Committee's Annual Report to the Board, 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 and 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 has corporate responsibility for ensuring that aims and objectives, as set by the Secretary of State, are fulfilled and for promoting the efficient and effective use of staff and other resources. To this end, the Board plays a major role in the risk management and internal control processes and meets monthly to consider plans, strategic direction and Internal Audit reports referred to it by the Audit Committee;

- The non-executive Audit Committee which meets every quarter, receives assurance on the Agency's systems of risk management, corporate governance, and internal control and independently advises the Board;

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

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

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

- The Audit Committee's role to specifically review the Corporate Risk Register;

- Reports to each meeting of the Agency's HR and Remuneration Committee;

- 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;

- Establishment of key performance milestones and indicators reported through the Balanced Scorecard;
- 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, 2008 and 2009;
- 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;
- Completion by the Agency's major external engagements of a Governance Questionnaire, Assessment and Action Plans;
- The executive managers within the Agency who have responsibility for the development and maintenance of the internal control framework;
- Monthly management accounts and quarterly forecasts;
- Individual approval of capital expenditure projects;
- Internal Audit submits regular reports to the Audit Committee on the adequacy and effectiveness of the Agency's systems of internal control and the management of key business risks together with recommendations for improvement. Recommendations have been accepted by management and have been implemented or progressed in accordance with agreed timetables. The status of Internal Audit recommendations and the collection of evidence to verify their implementation are reported regularly to the Audit Committee.
- Following completion of the work for 2009-10, the Head of Internal Audit issued an independent and objective Statement of Assurance on the adequacy and effectiveness of the Agency's system of internal control, which stated that:

> *"Based on the work carried out during 2009-10 it is reasonable to conclude that arrangements for control and governance within the Agency as a whole are adequate. Recommendations to improve systems and processes have been made as part of Internal Audit reviews where applicable".*

Mick Laverty

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 for the year ended 31 March 2010 under the Regional Development Agencies Act 1998. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Agency, Chief Executive/Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive/Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Advantage West Midlands' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Advantage West Midlands; and the overall presentation of the financial statements.

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

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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Advantage West Midlands' affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with the Regional Development Agencies Act 1998 and directions issued thereunder by the Secretary of State.

Emphasis of Matter - Going Concern

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in note 23 to the financial statements concerning the application of the going concern principle. This is in light of the Government's announcement in the June 2010 budget that it intends to abolish the Regional Development Agencies through the Public Bodies Bill, and that it will issue a White Paper in summer 2010 setting out details of these proposals. These circumstances indicate the existence of a material uncertainty which may cast doubt upon the ability of Advantage West Midlands to continue as a going concern. The financial statements do not include the adjustments that would result if Advantage West Midlands was unable to continue as a going concern.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with directions issued by the Secretary of State under the Regional Development Agencies Act 1998; and
- the information given in the Chairman's Statement, Chief Executive's Statement, Performance Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157 - 197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date

July 2010

Financial Statements

2009-2010

Advantage West Midlands

Net Expenditure Account for the Year to 31 March 2010

	Notes	2009-2010 £'000	2008-2009 £'000
Expenditure			
Programme expenditure	2	256,460	226,935
European funded programme expenditure	2	27,419	19,961
Staff costs	7	19,683	19,646
Depreciation / Amortisation	9	775	365
Other administration expenditure	8	4,032	4,819
Book value of inventories sold	16	3,830	3,583
Book value of loan notes sold	14	0	3,000
Other write downs	20	33,048	57,487
Total Expenditure		**345,247**	**335,796**
Income			
European funded income	3	27,419	19,961
Other income	5	9,134	6,337
Other government grants	4	1,600	2,743
Proceeds from sale of inventories		2,982	3,864
Proceeds from sale of loan notes		0	3,000
Total Income		**41,135**	**35,905**
Net Expenditure		**304,112**	**299,891**
Notional cost of capital	9	7,458	6,750
Interest payable	9	228	8
Interest receivable	6	(3,059)	(4,103)
Other surplus / losses	15	38	475
Net Expenditure after cost of capital and interest		**308,777**	**303,021**
Taxation	21	(4,786)	(306)
Net Expenditure after Taxation		**303,991**	**302,715**
Reversal of notional cost of capital		(7,458)	(6,750)
Net Expenditure taken to Reserves		**296,533**	**295,965**

Net expenditure is financed by Grant in Aid as explained in accounting policies note 2 on page 70. All activities are from continuing operations. The notes on pages 68 to 99 form part of these accounts
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Statement of Financial Position as at 31 March 2010

	Notes	2009-2010 £'000	2008-2009 £'000	2007-2008 £'000
NON CURRENT ASSETS				
Property, plant and equipment	10	10,444	12,184	4,495
Intangible assets	11	392	296	296
Investments in Associates	12a	116	88	263
Investments in Joint Ventures	12b	(15,463)	(16,096)	(655)
Financial Assets - Venture Capital Funds	12c	25,773	15,570	15,204
Financial Assets - Long term receivables	13	7,235	7,235	7,235
Financial Assets - Long term loans	14	62,380	64,590	65,296
Financial Assets - Deferred tax		0	18	0
Total Non Current Assets		**90,877**	**83,885**	**92,134**
CURRENT ASSETS				
Inventories	16	96,552	114,847	127,960
Trade and other receivables	17	28,052	26,477	15,415
Cash and cash equivalents	18	80,732	62,607	18,802
Total Current Assets		**205,336**	**203,931**	**162,177**
TOTAL ASSETS		**296,213**	**287,816**	**254,311**
CURRENT LIABILITIES				
Trade and other payables	19	78,740	69,000	69,021
Total Current Liabilities		**78,740**	**69,000**	**69,021**
NON CURRENT ASSETS PLUS NET CURRENT ASSETS		**217,473**	**218,816**	**185,290**
NON CURRENT LIABILITIES				
Provisions	22	2,259	7,831	14,025
Total Non Current Liabilities		2,259	7,831	14,025
ASSETS LESS LIABILITIES		**215,214**	**210,985**	**171,265**
TAXPAYERS' EQUITY				
Grant in Aid Reserve		189,996	181,267	140,568
Revaluation Reserve		16,558	24,895	29,015
Government Grant Reserve		10,504	0	0
General Reserve		(1,844)	4,823	1,682
		215,214	**210,985**	**171,265**

All activities are from continuing operations. The notes on pages 68 to 99 form part of these accounts.

Approved on behalf of the Board on 2 July 2010

Mick Laverty
Chief Executive / Accounting Officer

Sir Roy McNulty
Chairman

Statement of Cashflows
For the Year Ended 31 March 2010

	Notes	2009-2010 £'000	2008-2009 £'000
Net Expenditure after cost of capital and interest		**(308,777)**	**(303,021)**
Adjustments for cost of capital charge	9	7,458	6,750
(Increase)/Decrease in trade and other receivables	17	(1,575)	(11,062)
(Increase)/Decrease in Inventories	16	18,295	13,113
Increase/(Decrease) in Trade Payables	19	13,919	(597)
Use of provisions	22	(227)	(23)
Depreciation / Amortisation	9	775	365
Bad Debt	9	92	(15)
Corporation Tax Paid		(4,956)	0
Net cash outflow from operating activites		**(274,996)**	**(294,490)**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(163)	(362)
Purchase of intangible assets	11	(189)	(91)
Transfer to property, plant and equipment		0	(9,945)
Impairment of loans	15	2	213
Impairment of long term receivables	15	36	263
Impairment / Surplus of Venture Capital Funds	15	1,697	2,162
Impairment / Surplus of Joint Ventures and Associates	12 a/b	(662)	16,206
Loans to other bodies	14	(1,000)	(7,300)
Payments to Venture Capital Funds	12c	(11,900)	(2,528)
Repayments from other bodies	14	3,304	3,512
Interest	6	(3,059)	(4,103)
Impairment of Property, Plant and Equipment	10	1,344	2,344
Disposal of Property, Plant and Equipment	10	6	0
Loan Note B Write off		0	1,825
Inventories write back charged to Reserves		0	(4,855)
Inventories write up transferred to Reserves	16	1,097	748
Net cash outflow from investing activities		**(9,487)**	**(1,911)**
Cash flows from financing activities			
Grants from parent department		296,170	339,323
Grants from other departments		181	124
EU grants to fund Venture Capital Funds		5,700	0
Bank Interest		329	751
By analogy pension scheme		9	8
Late Interest payment		219	
Net financing		**302,608**	**340,206**
Net increase/(decrease) in cash and cash equivalents in the period		**18,125**	**43,805**
Cash and cash equivalents at the beginning of the period	18	62,607	18,802
Cash and cash equivalents at the end of the period	18	80,732	62,607

Statement of Changes in Taxpayers' Equity
For the Year Ended 31 March 2010

	General Reserve £'000	Government Grant Reserve £'000	Reval Reserve £'000	Grant in Aid Reserve £'000	Total Reserves £'000
Balance at 1 April 2008	**1,682**	**0**	**29,015**	**140,568**	**171,265**
Changes in taxpayers' equity 2008-2009					
Additions	2,651	0	1,339	0	3,990
Transfers between reserves	361	0	(392)	31	0
IFRS Holiday pay accrual	120	0	0	0	120
IFRS Deferred tax liability	0	0	(212)	0	(212)
Actuarial gain	9	0	0	0	9
Net (loss) on revaluation of inventories	0	0	(4,855)	0	(4,855)
Discounting of Loan Note A	0	0	0	(2,477)	(2,477)
NPV ATBF	0	0	0	(213)	(213)
Retained defecit from Net Expenditure Account	0	0	0	(295,965)	(295,965)
Total recognised income and expense for 2008-2009	**3,141**	**0**	**(4,120)**	**(298,624)**	**(299,603)**
Grant in aid from BIS	0	0	0	339,323	339,323
Balance at 31 March 2009	**4,823**	**0**	**24,895**	**181,267**	**210,985**

Balance at 1 April 2009	**4,823**	**0**	**24,895**	**181,267**	**210,985**
Changes in taxpayers' equity 2009-2010					
Transfers between reserves	(6,638)	6,638	(9,563)	9,563	0
Actuarial gain / (loss)	(29)	0	0	0	(29)
Net gain on revaluation of inventories	0	0	1,097	0	1,097
Net gain on revaluation of PPE	0	0	129	0	129
ERDF receipts for VCF's	0	5,700	0	0	5,700
ERDF released for prior year adj.	0	(500)	0	500	0
ERDF released for impairment of VCF's	0	(1,334)	0	1,334	0
Repayments of grant to HCA	0	0	0	(2,518)	(2,518)
NPV ATBF	0	0	0	213	213
Retained defecit from Net Expenditure Account	0	0	0	(296,533)	(296,533)
Total recognised income and expense for 2009-2010	**(6,667)**	**10,504**	**(8,337)**	**(287,441)**	**(291,941)**
Grant in aid from BIS to fund capital expenditure	0	0	0	28,267	28,267
Grant in aid from BIS to fund revenue expenditure	0	0	0	267,903	267,903
Balance at 31 March 2010	**(1,844)**	**10,504**	**16,558**	**189,996**	**215,214**

Statement of Changes in Taxpayers’ Equity (continued)

The Grant in Aid Reserve represents grant received from BIS which is retained to match capitalised expenditure, cash and cash equivalents.

The Revaluation Reserve represents any profits resulting from the upward revaluation of Property, Plant and Equipment. These profits are released to the net expenditure statement to (1) mitigate losses that may arise in future years as a result of revaluation and (2) when these assets are sold.

The Government Grant Reserve represents European grant received which has been retained to match capitalised expenditure.

The General Reserve represents other grant received which has been retained to match capitalised expenditure, cash and cash equivalents that are not funded from Grant in Aid.

Notes to the Financial Statements for the Year Ended 31 March 2010

1 Accounting Policies

(1) Basis of Accounting

The financial statements of Advantage West Midlands have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FREM) issued by H M Treasury and in a form directed by the Secretary of State for Business Innovation and Skills, with approval of H M Treasury, in accordance with the Regional Development Agencies Act 1998. The accounting policies contained in the FREM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FREM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of Advantage West Midlands for the purpose of giving a true and fair view has been selected. The particular policies adopted by Advantage West Midlands are described below. They have been applied consistently in dealing with items that are considered material to the accounts. The Agency was issued with a new Accounts Direction on 17 March 2010 which is effective for the 2009-2010 financial year.

(1a) First Time Adoption of IFRS

Change of Accounting Standards from UK GAAP based FREM to IFREM

With effect from the reporting period 2009 – 2010 HM Treasury requires Non Departmental Public Bodies to account under International Financial Reporting Standards (IFRS) conventions. The effect of this change on the certified March 2009 Balance Sheet is shown below.

	Grant in Aid Reserve £'000	**Revaluation Reserve £'000**	**General Reserve £'000**
Taxpayers equity at 31st March 2009 under UK GAAP	197,439	26,669	(11,383)
Adjustments for:			
Deferred tax liability 07/08 (IAS12)	(34)	(1,562)	0
Deferred tax liability 08/09 (IAS12)	68	(212)	0
Impairment of Joint Ventures*	(16,206)	0	16,206
Taxpayers equity at 31st March 2009 under IFRS	181,267	24,895	4,823

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

Accounting Policies (continued)

(1a) First Time Adoption of IFRS (continued)

	£'000
Net Expenditure for 2008-2009 under UKGAAP	279,827
Adjustments for:	
Impairment of Joint Venture released from Reserves*	16,206
Increase in Taxation	(68)
Net Expenditure for 2008-2009 under IFRS	295,965

* Under UKGAAP the Agency is permitted to charge a temporary diminution of its joint ventures to the statement of recognised gains and losses. This is no longer permitted under International Financial Reporting Standards and has now been charged directly to the Net Expenditure Statement, resulting in a first time adoption movement between General Reserves and Grant in Aid Reserves.

The Agency applies new or amended International Financial Reporting Standard's (IFRSs) in line with their adoption to the FReM. As at 31 March 2010 the following IFRSs or future amendments to the FReM, identified as having an impact on the Agency, had been issued but were not yet effective:

Impairment of assets – amendment to the FReM

The 2010/2011 FReM, effective for accounting periods beginning after 1 April 2010, has been amended. This now requires all impairments, caused by a clear consumption of economic benefit, to be charged to the net expenditure account. This change will be implemented by the Agency in the 2010/2011accounts. The main implication for the Agency concerns an impairment that arises on an asset previously revalued.

On impairment the balance on the revaluation reserve, up to the level of impairment, should now be transferred to the government grant reserve. Under the existing version of the FReM the release from the revaluation reserve would have been charged to the net expenditure account.

Cost of capital charge – amendment to the FReM

The 2010/2011 FReM also removes the requirement to charge a cost of capital amount to the net expenditure account. As such the 2010-11 accounts will not contain a cost of capital charge.

In addition the following IFRS changes have been adopted early:

IFRS 8 Segmental reporting – early adoption

The 2009/2010 FReM has been amended to implement changes to IFRS 8. The effective date of adoption of the IFRS is the 1 January 2010 and this therefore constitutes early adoption. The main change to the standard is that segmental information for total assets is only required if such amounts are regularly reported to the operating decision maker.

(1b) Accounting Convention

The financial statements are prepared under the historical cost convention modified to account for the revalution of property, plant and equipment, intangible assets and inventories. The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

(1c) 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.

ERDF grants in respect of capital expenditure are credited to the Government Grant Reserve and ERDF grants in respect of operational expenditure are treated as income.

(3) Property, Plant and Equipment

Land and buildings held within Non Current Assets are shown in the Statement of Financial Position at market value which includes depreciation that has been applied over their useful economic life .

All other property, plant and equipment is stated at historical cost less depreciation as current cost adjustments are not material. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 2010 by King Sturge & Co., an external firm of Chartered Surveyors.

Increases in the carrying amount arising on revaluation of land and buildings are credited to the revaluation reserve in taxpayers' equity. Decreases that offset previous increases of the same asset are charged against revaluation reserve directly in equity; all other decreases are charged to the Net Expenditure Account.

Acquisitions and disposals of land and buildings are accounted for on the date of legal completion.

The Agency capitalises all items of expenditure above £100 which have a useful life beyond one year.

Notes to the Financial Statements for the Year Ended 31 March 2010

Accounting Policies (continued)

(4) 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:

Property, Plant and Equipment:

Land and Property	Between 20 & 50 years
Leasehold buildings with less than 25 years to run	Period of Lease
Office furniture, fittings and equipment	Between 4 & 10 Years
Information Technology	3 Years

Intangible Assets

Software and Licences	5 Years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each financial year.

(5) Intangible Assets

Intangible Assets consisting of software licences are valued at amortised historic cost as current cost adjustments are not material.

(6) Inventories

Inventories, consisting of land and buildings are held short term for disposal. They are shown at fair value, any reductions in carrying value are written off against the reserve up to the value of any credit balance in the reserve and to the Net Expenditure Account thereafter. Movements arising on the revaluation of development assets in excess of historical cost are reflected in the Revaluation Reserve, after eliminating the overall accumulated unrealised deficit, as originally charged to the Net Expenditure Account.

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 2010 by King Sturge & Co., an external firm of Chartered Surveyors.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount are recognised in the Net Expenditure Account.

Acquisitions and disposals are accounted for on the date of legal completion.

Notes to the Financial Statements for the Year Ended 31 March 2010

Accounting Policies (continued)

(7) 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 Statement of Financial Position and are valued using the equity method, being the Agency's share of the net assets or net liabilities of the entity at the Statement of Financial Position date. Movements arising from the adjustment to fair value are taken to the revaluation reserve in the first instance. Downward revaluation charges in excess of existing credits in the revaluation reserve are charged to the Net Expenditure account.

(8) Pension Costs

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

The 'by analogy' scheme is for past Chairs with rules equivalent to those of the PCSPS. The arrangement is a UK based benefit promise made by the employer, providing benefits at retirement and on death-in-service. The arrangement is unfunded and the employer pays benefits as and when they arise.

The scheme is subject to regular valuations by independent, professionally qualified actuaries. These determine the level of contributions required to fund future benefits.
Differences between actual and expected returns on assets during the year are recognised in the Statement of Changes in Taxpayers' Equity, together with differences arising from changes in actuarial assumptions.

More details of the Agency's pension schemes are provided within the Remuneration Report.

(9) Deferred Taxation

Full provision has been made for deferred tax liabilities arising from timing differences between the recognition of gains and losses in the Financial Statements and their recognition in the tax computation. In accordance with IAS12 a deferred tax asset is only recognised if there is sufficient evidence that is likely to be recoverable at the balance sheet date.

Notes to the Financial Statements for the Year Ended 31 March 2010

Accounting Policies (continued)

(10) 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 end of the year. Resulting exchange gains and losses are taken to the Net Expenditure Account.

(11) Leases

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

Payments made under operating lease are charged to the Net Expenditure Account on a straight line basis over the period of the lease.

Land and buildings leases have been reviewed to consider separation to determine the appropriate lease classification. None were material enough to require separation.

There are no finance leases.

(12) Financial Instruments

The Agency has no borrowings and relies primarily on departmental grant in aid for its cash requirements and is therefore not exposed to liquidity risks. It has no material deposits and all material assets and liabilities are denominated in sterling, so there is no exposure to interest rate risk or currency risk. Transactions entered into which result in debtors due after more than one year have a low credit risk.

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.

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.

Notes to the Financial Statements for the Year Ended 31 March 2010

Accounting Policies (continued)

Classification and Measurement

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

All its financial assets are classified as ‘loans and receivables’ and all financial liabilities 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. 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 Net Expenditure Account.

Long Term 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 the Department for Business, Innovation and Skills (BIS) is obtained for any write-off in excess of £250,000.

Movements arising on the revaluation of investments are reflected in the revaluation reserve, except for impairments and reductions in value below historical cost, which are reported in the Net 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 year end 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 Net Expenditure Account.

Notes to the Financial Statements for the Year Ended 31 March 2010

Accounting Policies (continued)

Determination of fair value

For 2009-10 the Agency has not subsequently measured any financial assets or financial liabilities carried at fair value.

Impairment of financial assets

At the Statement of Financial Position 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 Net 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.

(14) 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.

(15) Revenue Recognition

Operating income is recognised on a receivable basis

(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 makes provision for liabilities and charges in accordance with IAS37 where, at the end of the financial year, a legal or constructive liability (i.e. a present obligation from past events) exists, the transfer of economic benefits is probable and a reasonable estimate of the obligation can be made.

Notes to the Financial Statements for the Year Ended 31 March 2010

Accounting Policies (continued)

(18) Cash and Cash Equivalents

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

(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 Net Expenditure Account.

Notes to the Financial Statements for the Year Ended 31 March 2010

2 Segmental Reporting of Programme Expenditure

Strategic Function		Actual Spend 2009-2010 £'000s	Actual Spend 2008-2009 £'000s
International Business		5,174	3,888
Market Opportunities (through Clusters)		26,168	18,194
Enterprise & Business Development		51,734	46,095
Finance for Business		37,042	28,431
Technology Capacity & Business Innovation		44,127	41,720
Tourism & Culture		19,921	21,909
Skills for Business		15,332	20,280
Total Business		**199,498**	**180,517**
Land & Buildings for Economic Growth		60,663	80,490
Infrastructure & Asset Development		34,145	23,757
Total Place		**94,808**	**104,247**
Sustainable Living & Working		1,897	1,099
Access to Employment (Economic Inclusion)		4,433	3,957
Total People		**6,330**	**5,056**
Regional Leadership		12,586	9,375
Total Powerful Voice		**12,586**	**9,375**
Total		**313,222**	**299,195**
Reconciling items	**Notes**		
Inventories additions	16	15,014	39,486
Venture Capital Funds Capitalised	12c	11,900	2,527
ATBF Investment additions		0	6,900
Acorn Loan additions	14	1,000	2,300
AEIF additions (not charged to Net Expenditure Account)		1,267	1,007
Land & buildings additions	10	82	79
Repayable grant		80	
Total Reconciling Items		**29,343**	**52,299**
Total Programme Expenditure		**283,879**	**246,896**

Funded by	£'000	£'000
Expenditure funded from European income	27,419	19,961
Expenditure funded from Grant in Aid and self	256,460	226,935
Total Programme Expenditure	**283,879**	**246,896**

Funding received by	£'000	£'000
Public Sector Recipients	162,558	118,638
Private Sector Recipients	121,321	128,258
Total Programme Expenditure	**283,879**	**246,896**

AWM does not include assets or liabilities in the segment information as they are managed on a group basis and are not allocated to operating segments. The reconciling items represent programme expenditure that is reported by segment during the year and is then capitalised at the year end and moved to the Statement of Financial Position.

Notes to the Financial Statements for the Year Ended 31 March 2010

3 European Funding

	2009-2010 £'000	2008-2009 £'000
ERDF 2000-2006 Grants Receivable	4	20,214
ERDF 2000-2006 Grants Repayable	0	(6,946)
ERDF 2007-2013 Grants Receivable	27,415	6,693
	27,419	**19,961**

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

	2009-2010 £'000	2008-2009 £'000
UK Trade and Investment Grant	211	24
Nanomaterials Centre BIS Grant	737	1,518
Coal Grant	127	51
Other Grants	(18)	0
DFT Grant	284	0
MAS SIF Grant	209	0
School Gates Grant	50	0
Phoenix fund	0	1,150
	1,600	**2,743**

5 Other Income

	2009-2010 £'000	2008-2009 £'000
Rent	1,179	687
Partner Contributions	1,307	2,066
Clawback	2,187	1,358
Other Income	4,144	1,688
Secondee Income	317	538
	9,134	**6,337**

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 2010

6 Interest

	2009-2010 £'000	2008-2009 £'000
Bank Interest	329	751
Interest on Property Regeneration Partnership (PXP) Loan Notes B	2,410	2,812
Unwind the discount on Loan Note A	284	277
Unwind the discount on long term receivables	36	263
	3,059	**4,103**

7 Salaries and Wages

(a) Board and Staff Remuneration

	2009-2010 £'000	2008-2009 £'000
Permanent Staff		
Board Members		
Board Members' Fees	226	210
Social Security Costs	41	36
	267	**246**
By analogy pension paid to N Paul on retirement	**5**	**0**
Staff		
Salaries and wages including overtime	13,908	13,887
Pension Costs	2,680	2,738
Social Security costs	1,181	1,085
	17,769	**17,710**
Staff Seconded Out		
Salaries and wages including overtime	248	413
Pension Costs	47	93
Social Security Costs	22	32
	317	**538**
Other Staff		
Agency staffing costs	**1,325**	**1,152**
Sub Total	**19,683**	**19,646**
Income from Staff Seconded Out	**(317)**	**(538)**
Permanent Staff salaries coded to Programme Activities		
Salaries and wages including overtime	493	224
Pension Costs	92	48
Social Security Costs	40	19
	625	**291**
Total	**19,991**	**19,399**

Notes to the Financial Statements for the Year Ended 31 March 2010

(b) Staffing

The average number of FTE staff employed by the Agency during the year (including all Agency and seconded staff) was 382 (2008-09: 390).

Department	Senior Mgt	Perm Staff	Staff on inward second -ment	Temporary and Agency Staff	Total
Chief Executive and Internal Audit	1	11	0	1	13
Resources Directorate	1	104	0	18	123
Partnerships & Communications Directorate	1	57	1	9	68
Economic Regeneration Directorate	1	41	1	2	45
Economic Development Directorate	1	52	2	4	59
Strategy & Skills Directorate	1	29	4	4	38
UKTI	0	2	0	1	3
West Midlands Regional Observatory	0	19	0	3	22
Regen WM	0	10	0	1	11
Total	**6**	**325**	**8**	**43**	**382**

(c) Seconded Staff

Staff seconded from the following organisations during the accounting period.

Name of organisation	No of Staff	Cost £'000
Coventry And Warwickshire Chamber of Commerce	1	21
West Midlands Leaders Board	2	54
University of Birmingham	1	43
Birmingham City University	1	13
University of Warwick	1	188
West Midlands Local Government Association	2	56

(d) Staff Absence

The twelve month analysis to 31st March 2010 shows we lost 3,197 days due to absence out of a possible absence of 87,226. This equates to an absence rate of 3.67%.

Notes to the Financial Statements for the Year Ended 31 March 2010

8 Other Administration Costs

	2009-2010 £'000	2008-2009 £'000
Office costs	1,126	1,284
Other staff costs	803	1,005
Professional costs	263	698
Lease Payments - Property	681	660
IT and communication	406	465
Lease Payments - Plant and Equipment	211	259
Travel and subsistence	195	207
Estate management	114	77
Auditors remuneration - Statutory audit services	66	63
Auditors remuneration - ERDF audit services	2	55
Auditors remuneration - IFRS audit services	7	5
Auditors remuneration - Independent supplementary review	77	0
Internal audit services	81	41
	4,032	**4,819**

9 Other Expenditure

	2009-2010 £'000	2008-2009 £'000
Depreciation and Amortisation	775	365
Cost of capital charges	7,458	6,750
Financing costs of by analogy Pension scheme	9	8
Interest charge for Corporation Tax	219	0
Bad debt expense	92	(15)
	8,553	**7,108**

Notes to the Financial Statements for the Year Ended 31 March 2010

10 Property, plant and equipment

	Land & Buildings £'000	Software £'000	Information Technology £'000	Fixtures and Fittings £'000	Total £'000
Cost					
As at 1 April 2009	11,575	200	1,611	1,968	15,354
Additions in year	82	0	1	80	163
Disposals	0	0	(6)	0	(6)
Impairment	(1,344)	0	0	0	(1,344)
Write up	129	0	0	0	129
As at 31 March 2010	**10,442**	**200**	**1,606**	**2,048**	**14,296**
Depreciation					
As at 1 April 2009	0	200	1,248	1,722	3,170
Depreciation in year	407	0	168	107	682
As at 31 March 2010	**407**	**200**	**1,416**	**1,829**	**3,852**
Net Book Value 31 March 2010	**10,035**	**0**	**190**	**219**	**10,444**
Net Book Value 31 March 2009	**11,575**	**0**	**363**	**246**	**12,184**

Asset financing:					
Owned	10,035	0	190	219	10,444
Finance Leased	0	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0	0
Net Book Value 31 March 2010	**10,035**	**0**	**190**	**219**	**10,444**

	Land & Buildings £'000	Software £'000	Information Technology £'000	Fixtures and Fittings £'000	Total £'000
Cost					
As at 1 April 2008	3,895	200	1,346	1,950	7,391
Additions in year	79	0	265	18	362
Transfers in	9,945				9,945
Impairment	(2,344)				(2,344)
Disposals	0	0	0	0	0
As at 31 March 2009	**11,575**	**200**	**1,611**	**1,968**	**15,354**
Depreciation					
As at 1 April 2008	0	200	1,113	1,583	2,896
Depreciation in year	0	0	135	139	274
As at 31 March 2009	**0**	**200**	**1,248**	**1,722**	**3,170**
Net Book Value 31 March 2009	**11,575**	**0**	**363**	**246**	**12,184**
Net Book Value 31 March 2008	**3,895**	**0**	**233**	**367**	**4,495**

Asset financing:					
Owned	11,575	0	363	246	12,184
Finance Leased	0	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0	0
Net Book Value 31 March 2009	**11,575**	**0**	**363**	**246**	**12,184**

Notes to the Financial Statements for the Year Ended 31 March 2010

11 Intangible Assets

	Software Licences £'000
Cost	
As at 1 April 2009	728
Additions in year	189
As at 31 March 2010	**917**
Amortisation	
As at 1 April 2009	432
Amortisation in year	93
As at 31 March 2010	**525**
Net Book Value 31 March 2010	**392**
Net Book Value 31 March 2009	**296**

Cost	
As at 1 April 2008	637
Additions in year	91
As at 31 March 2009	**728**
Amortisation	
As at 1 April 2008	341
Amortisation in year	91
As at 31 March 2009	**432**
Net Book Value 31 March 2009	**296**
Net Book Value 31 March 2008	**296**

Notes to the Financial Statements for the Year Ended 31 March 2010

12 Financial Assets - Investments

(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 Co	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.	£353,068	£116,512	£796,122 (grant funding)
Sandwell Urban Regeneration Company Ltd	33%	Regenerating the built environment within the Sandwell area.	£0	£0	£0
Pride in Camp Hill Ltd	33%	Physical regeneration of the Camp Hill area within Nuneaton.	£0	£0	£0
TOTAL 2009-10			**£353,068**	**£116,512**	**£796,122**
TOTAL 2008-09			**£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.

Sandwell Urban Regeneration Company Ltd is in the process of being dissolved and all assets have transferred to a successor body.

Pride in Camp Hill Ltd were unable to provide us with accounts as at 31st March 2010 and as a result AWM has written off its share of the entity's net assets based on the most recent valuation (£19,336 2008-09).

Notes to the Financial Statements for the Year Ended 31 March 2010

(b) Investments in Joint Ventures

Name and address of Undertaking	Interest	Nature of Business	Net Assets/ Liabilities £	Share of Net Assets/ Liabilities £	Turnover £
The British Midlands Development Corporation Suite 9100 9th floor 20 North Waker Drive Chicago Illinois 60606	50%	A joint venture with East Midlands Development Agency incorporated in the USA to promote investment investment in and trade within the British Midlands.	£110,879	£55,440	£183,485
PXP West Midlands LP centrix@keys Keys Business Village Keys Park Road Hednesford WS12 2HA	50%	A limited partnership joint venture vehicle to deliver the regeneration of investment and development properties within the West Midlands	£31,036,808 net liabilities	£15,518,404 net liabilities	£2,226,769
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 2009-10			**£30,925,929 net liabilities**	**£15,462,964 net liabilities**	**£2,410,254**
TOTAL 2008-09			**£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 one year £
2,226,769	(978,668)	39,096,623	5,495,551	10,461,508	34,988,996

Notes to the Financial Statements for the Year Ended 31 March 2010

(c) Financial Assets - Venture Capital Funds

	Share of ATF £'000	Share of AEIF £'000	Share of Mercia Seed Fund 2 £'000	Share of Early Advantage Fund £'000	Share of Exceed Partnership Fund £'000	Total Share of funds £'000
Opening Balance 1 April 2009	3,180	16,138	1,500	0	0	20,818
Additions	0	0	500	8,000	3,400	11,900
Closing Balance 31 March 2010	3,180	16,138	2,000	8,000	3,400	32,718
Impairment						
Opening Balance 1 April 2009	(2,691)	(2,456)	(101)	0	0	(5,248)
Movement in provision	(489)	(813)	(211)	(152)	(32)	(1,697)
Closing Balance 31 March 2010	(3,180)	(3,269)	(312)	(152)	(32)	(6,945)
Net Book Value 31 March 2010	0	12,869	1,688	7,848	3,368	25,773
Net Book Value 31 March 2009	489	13,682	1,399	0	0	15,570

The Agency has loan investments in the Advantage Technology Fund (ATF), the Advantage Enterprise and Innovation Fund (AEIF), the Mercia Seed Fund 2, the Early Advantage Fund (EALP) and the Exceed Partnership Fund (EPLP). These limited partnerships provide funding, in the form of loans and equity, to small and medium sized 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 European Development Fund has provided 38% of the AEIF loan (50% in 2008-09), 50% of the EALP loan and 50% of the EPLP loan.

13 Financial Assets - Long Term Receivables

	2009-2010 £'000	2008-2009 £'000	2007-2008 £'000
Trade debtors recievable after 1 year			
Opening balance at 1 April	6,519	7,235	7,235
Fair value adjustment	(1,014)	(978)	0
Interest	36	262	0
Closing balance at 31 March	5,541	6,519	7,235
Impairment			
Opening balance at 1 April	716	0	0
Movement in provision	978	716	0
Closing balance at 31 March	1,694	716	0
Net book value at 31 March	**7,235**	**7,235**	**7,235**

The closing balance of £7,235,000 relates to a defered debt for property sold to Birmingham City Council which will be repaid from capital receipts generated at the Eastside development.

Notes to the Financial Statements for the Year Ended 31 March 2010

14 Financial Assets - Long Term Loans

	Loan A £'000	Loan B £'000	RDC £'000	Acorn £'000	ATBF £'000	Total £'000
Cost:						
Opening Balance at 1 April 2009	**12,888**	**44,801**	**27**	**2,300**	**9,574**	**69,590**
Additions	0	0	0	1,000	0	**1,000**
Unwinding of prior year discounting	0	0	0	0	426	**426**
Current year discounting	284	0	0	0	(215)	**69**
Interest	0	2,410	0	0	0	**2,410**
Repayments	0	(2,811)	(4)	(3,300)	0	**(6,115)**
Value as at 31 March 2010	**13,172**	**44,400**	**23**	**0**	**9,785**	**67,380**
Impairment:						
Opening Balance at 1 April 2009	**0**	**0**	**0**	**0**	**(5,000)**	**(5,000)**
Movement in Provision	0	0	0	0	0	**0**
Value as at 31 March 2010	**0**	**0**	**0**	**0**	**(5,000)**	**(5,000)**
Net Book Value at 1 April 2009	12,888	44,801	27	2,300	4,574	64,590
Net Book Value at 31 March 2010	**13,172**	**44,400**	**23**	**0**	**4,785**	**62,380**

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.

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

The Advantage Transition Bridge Fund (ATBF) is an unsecured loan.

Notes to the Financial Statements for the Year Ended 31 March 2010

15 Impairments

	2009-2010 £'000	2008-2009 £'000
Impairments		
Impairment of Venture Capital Funds	1,697	2,162
Unwinding of prior year discount of ATBF loan	(213)	0
Discounting of ATBF loan	215	213
Interest of Long Term Receivables	36	262
Discounting of Loan Notes A	(284)	2,477
Interest charged on Loan Note A	0	(277)
Property, Plant & Equipment Impairment	1,344	2,344
Inventories write down	30,576	34,965
Closing balance at 31 March	33,371	42,146
Charged to the Net Expenditure Account	33,868	39,669
Charged to the Grant in Aid Reserve	(497)	2,477
	33,371	42,146

16 Inventories

	2009-2010 £'000	2008-2009 £'000	2007-2008 £'000
Balance as at 1st April	114,847	127,960	136,843
Additions in year	15,014	39,486	32,486
	129,861	**167,446**	**169,329**
Book value on disposal of assets	(3,830)	(3,583)	(13,726)
	126,031	**163,863**	**155,603**
Transfer to Property Regeneration Partnership	0	0	(24,221)
Transfer to Property, Plant and Equipment	0	(9,945)	0
Write down charged to I&E	(30,576)	(34,965)	(4,526)
Write back charged to Revaluation Reserve	0	(4,855)	(590)
Write up transferred to Revaluation Reserve	1,097	749	1,694
Valuation at 31 March	**96,552**	**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 the Home and Communities Agency.

Notes to the Financial Statements for the Year Ended 31 March 2010

17 Trade and other Receivables

	2009-2010 £'000	2008-2009 £'000	2007-2008 £'000
Amounts receivable within one year:			
Trade receivables	2,001	8,561	4,639
Provision for bad debts	(119)	(597)	0
Prepayments	868	3,030	2,534
Other receivables	2,715	2,656	4,739
Accrued ERDF 2000-06 income	4,479	5,847	0
Accrued ERDF 2007-13 income	13,622	6,694	0
Other accrued income	284	0	0
Value added tax	574	0	2,239
UKTI receivables	7	0	8
Coalfields Programme receivables	0	286	1,256
Deferred Tax	3,621	0	0
	28,052	**26,477**	**15,415**

Intra-Government Balances

	2009-2010 £'000	2008-2009 £'000	2007-2008 £'000
Amounts Receivable within one year:			
Balances with other central government bodies	22,600	926	6,280
Balances with local authorities	335	5,114	1,150
Balances with NHS Trusts	0	0	0
Balances with public corporations and trading funds	0	0	0
Total Public Sector	**22,935**	**6,040**	**7,430**
Balances with bodies external to Government	5,117	20,437	7,985
	28,052	**26,477**	**15,415**

18 Cash and cash equivalents

	2009-2010 £'000	2008-2009 £'000	2007-2008 £'000
Increase / (decrease) in cash for the period	18,125	43,805	(14,178)
Change in net funds	18,125	43,805	(14,178)
Net funds at 1 April	**62,607**	**18,802**	**32,980**
Net funds at 31 March	**80,732**	**62,607**	**18,802**
Funds held in current accounts	58,056	49,444	12,424
Funds held on behalf of third parties	11	4,243	6,374
Funds held in cash	4	3	4
Funds held as advance ERDF	22,661	8,917	0
Net funds at 31 March	**80,732**	**62,607**	**18,802**

The funds held on behalf of third parties is the interest earned on the Advantage Enterprise Innovation Fund advance. The fund has now been repaid.

Notes to the Financial Statements for the Year Ended 31 March 2010

19 Trade and other payables

	2009-2010 £'000	2008-2009 £'000	2007-2008 £'000
Amounts payable within one year:			
Trade payables	40,691	36,795	31,184
Provision for bad debts	3	0	0
ERDF 2000-06 Deferred Income	0	4,935	14,339
ERDF 2007-13 Deferred Income	25,002	15,611	0
Other Deferred Income	551	14	0
Accruals	8,481	3,324	15,054
Corporation tax	3,353	7,532	6,836
VAT payable	0	147	0
TPUK payable	0	91	0
Coal payable	348	0	0
Rental income billed in advance	221	208	97
Other payables	90	343	1,511
	78,740	**69,000**	**69,021**

Intra-Government Balances

	2009-2010 £'000	2008-2009 £'000	2007-2008 £'000
Amounts Payable within one year:			
Balances with other central government bodies	29,914	28,566	26,939
Balances with local authorities	5,283	6,319	7,917
Balances with NHS Trusts	42	0	0
Balances with public corporations & trading funds	0	239	271
Total Public Sector	35,239	35,124	35,127
Balances with bodies external to Government	43,501	33,876	33,894
	78,740	**69,000**	**69,021**

20 Other write downs

	Notes	2009-2010 £'000	2008-2009 £'000
Property, plant & equipment impairment	10	1,344	2,344
Inventories write down	16	30,576	34,965
Loan Note B write off	14	0	1,825
Bad debt expense	9	93	(15)
Impairment / surplus of joint ventures and associates	12a & b	(662)	16,206
Impairment of investments in venture capital funds	12c	1,697	2,162
Total other losses		**33,048**	**57,487**

Notes to the Financial Statements for the Year Ended 31 March 2010

21 Taxation

	2009-2010 £'000	2008-2009 £'000
Corporation Tax:		
Current year	200	696
Prior year	358	
Total	**558**	**696**
Deferred Taxation:		
Current year	(398)	2
Prior year	(4,946)	(1,004)
Total	**(5,344)**	**(1,002)**
Total taxation at 31 March	**(4,786)**	**(306)**

The corporation tax for the current year is expected to be charged at the prevailing rate of tax of 28% (2008-09 28%).

	2009-2010 £'000	2008-2009 £'000
Net Expenditure on ordinary activities	(308,694)	(303,021)
Calculated deficit before taxation based on net expenditure	(86,434)	(84,846)
Effects of:		
Non-allowable deficit on non-taxable activities	86,434	85,544
Other permanent differences (primarily capital gains)	(199)	0
Prior year adjustments	(4,735)	(1,004)
Corporation tax current year charge for the period	**(4,934)**	**(306)**

Notes to the Financial Statements for the Year Ended 31 March 2010

22 Provisions

	Deferred Tax £'000	ERDF £'000	By Analogy Pension £'000	Total £'000
Balance as at 1st April	1,741	5,955	135	7,831
Moved in year	0	(3,874)	0	(3,874)
Arising in year	(398)		43	(355)
Prior year adjustment	(4,964)	0	0	(4,964)
Transfer to Receivables	3,621			3,621
Value as at 31 March	**0**	**2,081**	**178**	**2,259**

The ERDF 2000-2006 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 2010.

23 Events after the Reporting Period

Going Concern

Following the general election on 6 May 2010, the new coalition Government outlined a series of proposed changes to how local economic development will be delivered, including the creation of Local Enterprise Partnerships to replace Regional Development Agencies. The June 2010 budget confirmed that the Government intends to abolish Regional Development Agencies through the Public Bodies Bill, and that it will issue a White Paper in summer 2010, which will set out details of these proposals. In light of this event management have reviewed the appropriateness of the preparation of the financial statements on a 'going concern' basis.

The Agency notes that Parliament will need to enact the legislation necessary to abolish Regional Development Agencies, and that the timing and eventual decision of Parliament on this matter is currently uncertain. Consequently, management have concluded that there exists a material uncertainty that casts doubt upon the Agency's ability to continue as a going concern.

Nevertheless, after making enquiries and discussing the situation with the Department, management are satisfied that sufficient funding is in place to enable the Agency to continue in operation and meet its obligations as they fall due. Ministers have confirmed that there will be an orderly transition to any new arrangements, and there is no reason to believe that funding will not be forthcoming to meet the Agency's obligations as they fall due. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Notes to the Financial Statements for the Year Ended 31 March 2010

Business Link Acquisition

On 1 April 2010 Advantage West Midlands took over full control of Business Link West Midlands Limited (company no 06456441). This transaction was at Nil cost to Advantage West Midlands. Business Link West Midlands will continue to receive revenue funding from the Agency to enable it to deliver Business Link services to West Midlands businesses in line with normal Agency funding criteria.

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 2010.

24 Operating Leases

As at 31 March 2010 the Agency had future commitments under operating leases as follows:

	2009-2010		2008-2009	
	Buildings £'000	**Other £'000**	**Buildings £'000**	**Other £'000**
Not later than one year	602	195	602	187
Later than one year and not later than five years	1,805	369	2,407	490
Later than 5 years	0	0	0	79
	2,407	**564**	**3,009**	**756**

Rental costs of operating leases are charged to the Net Expenditure Account on a straight-line basis over the term of the lease. The comparative figures have been re-presented to comply with the disclosure requirements of IAS 17.

25 Contingent Liabilities

At 31st March 2010 the Agency had contingent liabilities of £30,000,000 (2008-09 £30,000,000) resulting from a dowry payable on demand to the Property Regeneration Partnership which was established by the Agency in 2007-08.

26 Commitments

	2009-2010 £'000	**2008-2009 £'000**
Capital Expenditure authorised by the Board and contracted at 31 March 2010 amounted to:	**279,151**	**291,221**

Notes to the Financial Statements for the Year Ended 31 March 2010

27 Related Party Transactions

Advantage West Midlands is an Executive Non-Departmental Public Body (NDPB) whose sponsor is the Department for Business, Innovation and Skills (BIS). During the period ended 31 March 2010 the Agency received Grant-in-Aid funding through BIS and ERDF through the Department for Communities and Local Government. BIS 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 Homes and Communities Agency (HCA), Small Business Service (SBS) and UK Trade & Investment (UKTI).

Other Regional Development Agencies are also sponsored by BIS 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 2010

27 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 and Position at Advantage West Midlands	Related Party	Position	Income to the Agency from Related Party £	Payments made to Related Party for Grant Claims £	Payments made to Related Party for Services Provided £
Mick Laverty	Midlands Excellence Ltd	Board Member	£0.00	£0.00	£1,897.50
Chief Executive	Birmingham City Council's Excellence Board	Board Observer	£0.00	£29,962,583.30	£505,583.29
	Invest BX Ltd	Board Observer	£0.00	£700,000.00	£0.00
	Marketing Birmingham	Board Member	£0.00	£2,137,743.03	£76,900.44
	Offpat	Chairman	£81,937.60	£3,028,448.23	£0.00
	PXP west Midlands LLP	Director	£0.00	£0.00	£16,747.17
Tim Gebbels Corporate Director	West Midlands in Europe	Member	£0.00	£342,750.00	£219.87
Richard Hutchins Corporate Director	Business Link West Midlands	Director	£0.00	£20,043,251.00	£0.00
Mark Pearce Corporate Director	Sustainability West Midlands	Board Member	£37,231.07	£121,554.31	£52,986.50

Notes to the Financial Statements for the Year Ended 31 March 2010

27 Related Party Transactions (Continued)

Name and Position at Advantage West Midlands	Related Party	Position	Income to the Agency from Related Party £	Payments made to Related Party for Grant Claims	Payments made to Related Party for Services Provided
Karen Yeomans	Black Country Consortium	Board Member	£0.00	£744,999.97	£0.00
Corporate Director	CSW Partnership Ltd	Board Member	£34.78	£345,343.36	£4,025.00
	North Staffordshire Regeneration Partnership	Board Member	£42,553.20	£0.00	£0.00
Stuart Kirkwood	PXP West Midlands	Director	£0.00	£0.00	£16,747.17
Director	MADE	Non Exec.	£0.00	£203,837.00	£8,737.50
Madeleine Atkins	Coventry University	Vice Chancellor	£0.00	£6,524.67	£1,800.00
Board Member	Coventry University Enterprises Ltd	Director	£55,321.97	£3,382,831.77	£854,654.02
	National Council for Graduate Entrepreneurship	Director	£0.00	£70,000.00	£0.00
	CSWP Limited	Board Member	£34.78	£345,343.36	£24,025.00
David Brown Board Member	West Midlands in Europe	Chairman	£0.00	£342,750.00	£219.87
Brendan Connor Board Member	CENEX	Chairman	£0.00	£829,799.81	£8,366.16

Notes to the Financial Statements for the Year Ended 31 March 2010

27 Related Party Transactions (Continued)

Name and Position at Advantage West Midlands	Related Party	Position	Income to the Agency from Related Party £	Payments made to Related Party for Grant Claims	Payments made to Related Party for Services Provided
Brendan Connor Board Member	CENEX	Chairman	£0.00	£829,799.81	£8,366.16
Gerard Coyne	East Birmingham & North Solihull RZ	Board Member	£425.00	£591,925.97	£0.00
Board Member	Learning and Skills Regional Council	Board Member	£186,777.30	£0.00	£0.00
John Crabtree	Birmingham Chamber of Commerce	Past President	£0.00	£0.00	£86,903.06
Board Member	Birmingham Hippodrome Theatre Trust	Director	£0.00	£40,250.00	£0.00
	Investbx Holdings Ltd	Chairman	£0.00	£700,000.00	£0.00
	Opus Restaurant Ltd	Director	£0.00	£0.00	£2,429.33
Kumar Mathalagappan	City of Birmingham Symphony Orchestra	Deputy Chairman	£0.00	£0.00	£13,800.00
Board Member	University of Warwick	Council Member	£0.00	£21,477,249.14	£58,214.43
	Visit Britain	Board Member	£0.00	£0.00	£61,422.65
Roger Phillips	Herefordshire Council	Leader	£537.29	£184,955.95	£28,363.14
Board Member	West Midlands Regional Assembly	Director	£12,404.34	£403,163.70	£15,008.54

Notes to the Financial Statements for the Year Ended 31 March 2010

27 Related Party Transactions (Continued)

Name and Position at Advantage West Midlands	Related Party	Position	Income to the Agency from Related Party £	Payments made to Related Party for Grant Claims	Payments made to Related Party for Services Provided
Sue Prince	Country Land & Business Association	Member	£0.00	£11,626.83	£0.00
Board Member	Keele University	Member	£0.00	£9,999.95	£496.65
	Commission for Rural Communities	Commissioner	£6,962.85	£0.00	£0.00
Ken Taylor	CSWP Ltd	Board Member	£34.78	£345,343.36	£24,025.00
Board Member	West Midlands Local Government Association	Chair	£0.00	£232,953.00	£52,965.12
	West Midlands Leader Board	Board Member	£20,052.17	£0.00	£99,090.91
	Local Government Association	Member	£0.00	£0.00	£816.50
Jonnie Turpie Board Member	Warwick University	Fellow	£0.00	£21,477,249.14	£58,214.43
Mike Whitby	Birmingham City Council	Leader	£0.00	£29,962,583.30	£505,583.29
Board Member	Marketing Birmingham	President	£0.00	£2,137,743.03	£76,900.44
	The National Exhibition Centre	Member	£0.00	£2,140,000.00	£107,124.40
	Birmingham Science Park	Chairman	£2,200.00	£115,347.35	£18,210.97
	West Midlands Leader Board	Board Member	£20,052.17	£0.00	£99,090.91
	West Midlands Local Government Association	Member	£0.00	£232,953.00	£52,965.12

Notes to the Financial Statements for the Year Ended 31 March 2010

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 2010	Loans and receivables £'000
Trade and other receivables	33,845
Long term loans	62,379
Cash at bank and in hand	80,733
Total	**176,957**

Financial Liabilities as at 31 March 2010	Other Financial liabilities £'000
Trade and other payables	49,834
Total	**49,834**

Embedded Derivatives

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

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