Advantage West Midlands

Annual Report and Accounts

2010-11

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Chairman's Statement

As Chairman of Advantage West Midlands, I am pleased to present our Annual Report and Accounts for 2010-11. Naturally, the Government's decision to abolish all Regional Development Agencies in England means that this has been a year of unprecedented change and challenges for everyone associated with Advantage West Midlands.

The start of the year saw us quickly adjusting to a new political landscape, a changed approach to economic development and the need for the Agency to support a smooth transition to successor arrangements. This has included devising and implementing a comprehensive plan to close down the Agency and to transfer our assets and critical functions as efficiently as possible. We have also had to continue to manage effectively the delivery of our on-going contractual commitments. And throughout the year, despite the fact that we were facing certain closure, we have remained committed to ensuring the best possible outcomes for the West Midlands region.

This is important, because the recession has been unforgiving in this part of the UK. It has hit some of our businesses, people and places very hard indeed. It has underlined even more emphatically our long term structural weaknesses: the West Midlands' overreliance on mature and declining industries, low levels of business innovation and growth; lack of skills relevant to high-value added jobs; and inadequate quality and capacity of regional infrastructure, particularly transport. These long standing, systemic failings have caused the economic performance of the West Midlands to decline steadily over the past 40 years, relative to other UK regions.

Since 1999, Advantage West Midlands has been working with partners in business, academia, local authorities, other public bodies and the third sector to develop and deliver interventions that begin to address these weaknesses. We have sought to modernise and diversify our business base – providing investment to attract and nurture high value, high growth industries. We have helped to build the research capabilities provided by our universities and other knowledge institutions, while at the same time stimulating demand for innovation from our businesses. We have supported initiatives to improve the management skills of our business leaders. And we have helped to improve key elements of the region's transport infrastructure, including our investment to support the redevelopment of Birmingham New Street Station – at £100 million, the largest single investment by any RDA. We have done this by working collaboratively - strengthening relationships with, and confidence amongst, partners in all sectors to encourage their full involvement and to galvanise the critical mass of ideas, energy and resources needed to really make a difference.

Perhaps most important of all, we have used analysis and evidence to better understand the economic challenges and opportunities facing the region. With this improved understanding we have agreed with partners the strategic framework and key priorities for the region's economic development. These were set out in the West Midlands Economic Strategy (WMES), which also clearly defined the roles of our many partners in contributing to the region's economic development and regeneration.

Collectively, we had begun to deliver real beneficial change. For the Agency's part, over our lifetime we have contributed to the creation and safeguarding of 140,000 jobs. Helped 28,000 people back into work. Supported 160,000 people to get better skills. Assisted nearly 107,000 businesses to improve their performance and incentivised and made it easier for 5,000 companies to collaborate with universities and research institutions. We have also reclaimed or redeveloped 1,200 hectares of brownfield land and levered in more than £2 billion of private sector investment.

Some commentators argue that we have been unsuccessful, because we have failed to reverse the region's economic decline. However, it is very clear to me that, without the body of work completed by Advantage West Midlands and its partners, the region would today be in a far worse position.

I do agree, however, that more needs to be done.

There is now a better understanding of what works best and of how to re-prioritise our investment and efforts accordingly. For the West Midlands to prosper, successor organisations must become at least as effective as Advantage West Midlands, and the lessons learned from the past must be remembered and passed on.

In particular, the new Local Enterprise Partnerships (LEPs) have been given a huge responsibility by Government and they have high expectations to live up to within their own localities. With local, regional and national economies still only tentatively emerging from recession, I genuinely hope that LEPs can build on our work and I wish them every success for the future.

Finally, I would like to extend my gratitude to the Board for their continued support during my second year as Chairman. I would also particularly like to thank Mick Laverty, the Executive team, and all of the Agency's staff - for maintaining the highest standards under the most difficult of circumstances. I was particularly pleased to see their good work recognised when the Agency won top prize at the Midlands Excellence Awards 2010-11 - the region's premier business awards. This latest recognition is consistent with the findings of the National Audit Office – awarded us the highest possible rating for our performance in their assessments, undertaken in 2006-07 and again in 2009-10. I believe that these excellent results, all from independent assessments, are a fitting tribute to Advantage West Midlands - the most consistently high-performing English RDA.

When Advantage West Midlands is wound up in 2012, it will mark the end of a very effective organisation, and I hope that the LEPs and others involved in leading the quest for economic growth can take our work forward and help restore the West Midlands to its rightful place as a world-class centre of enterprise.

Roy McNulty

Sir Roy McNulty
Chairman

Chief Executive's Statement

The Coalition Government's announcement in June 2010 that Regional Development Agencies including Advantage West Midlands were to be abolished, combined with a request to make in-year cuts of £40 million to our budget, set the tone for an extremely challenging twelve months for the Agency.

The scale of the cuts meant that we had to undertake a comprehensive review of all our projects in the summer of 2010. Inevitably some difficult and unpopular decisions had to be made. Some legally contracted projects had to be cancelled and we also had to stop our entire forward programme of non-contracted projects. However, with the collective efforts and goodwill of our staff and our partners, the Agency delivered the cuts requested by Government.

Notwithstanding these cuts, we still had a budget of approximately £250 million to invest in 2010-11 which, in time, will generate a return of more than £2 billion in economic benefits for the West Midlands.

Despite the challenges we faced, we have exceeded all the output targets we agreed with Government. We supported almost 18,500 businesses. Helped 500 businesses collaborate with the knowledge base. Helped more than 18,000 people to improve their skills or secure employment. Prepared more than 30 hectares of brownfield land for redevelopment and levered in more than £200 million of private sector investment. Perhaps most importantly of all, despite the recession and the stubbornly slow rate of economic growth, our investment helped to create more than 3,400 new businesses and create or safeguard more than 9,400 jobs. These achievements are testament to the resolve and professionalism of Advantage West Midlands staff – coupled with the continued support and goodwill of our many partners.

In parallel to investing the £250 million in 2010-11, we have been planning the controlled closure of the Agency and have developed a comprehensive and robust Closure and Transition Plan which sets out exactly how we will achieve this. As part of that plan, the Agency changed its mission statement. Since being established in 1999, our mission as an RDA had been to transform the West Midlands through sustainable economic development. Our revised mission statement is now *"To close down Advantage West Midlands in an exemplary manner, ensuring the best possible outcome for our staff, our region and BIS, our sponsor department."*

As part of our closure activity we were asked to submit a comprehensive Asset and Liabilities Transition Plan to the Department for Business Innovation and Skills (BIS) at the end of January 2011. This submission, which represented a comprehensive review of - and plan for - the Agency's portfolio of assets and liabilities, set out to meet three key objectives: ensure that assets and liabilities will create maximum long-term value for the West Midlands economy; maximise receipts to Government; and achieve an orderly and operational and timely closure of the Agency by March 2012.

The Agency consulted throughout the preparation of the Plan - with local authorities, with local enterprise partnerships and with other local partners. Following submission of the Plan, a phased process of asset disposal was announced by BIS in April 2011.

In tandem with the Asset and Liabilities Transition Plan, we also produced a Knowledge Inventory and Knowledge Management Plan which set out the nature, type and volumes of knowledge and information held by AWM and how this will be managed and transferred as part of our overall closure activity.

All of this closure activity meant that 2010-11 was busier than ever – investing £250 million and transferring assets and functions at the same time as financial and staff resources were rapidly reducing. We ran two staff voluntary exit schemes - in October 2010 and in February 2011 - which saw a total of 87 people leave the Agency. The majority of staff remaining will leave by September 2011, with a small team staying to implement the final stages of our closure by March 2012. This will include signing off our final accounts for the 2011-12 period.

Despite these significant challenges, the Agency's commitment to excellence has continued, a validation of our status as a top performing RDA. We achieved our spend and output targets set by Government and independent evaluation showed that we achieved an £8.14 return for every £1 we invested in the region – up from £7.45. We also achieved the maximum score possible for our performance in an independent assessment carried out by the Government spending watchdog, the National Audit Office (NAO). Following their detailed assessment, the NAO rated the Agency as performing "strongly" in all areas – the second time in a row that the NAO has awarded the Agency the maximum possible performance rating, once in 2007 and again in 2010.

The business community also recognised the value and regional leadership of Advantage West Midlands when Paul Bassi, President of Birmingham Chamber of Commerce Group, presented a special President's Award at the BCCG annual awards ceremony. The award praised Advantage West Midlands' relentless focus on performance which had helped it become "the top performer in the country as measured by independent assessment."

And in February 2011, the Agency, following an independent assessment, secured the top prize in the region's premier business awards, the *Midlands Excellence Awards* 2010-11. The result was a well-deserved testament to the professionalism and commitment of the Agency's staff whose expertise and experience have supported the West Midlands and its economic development for more than ten years.

Between now and our closure, my determination to maintain excellent performance will not diminish. I will continue to ensure that Advantage West Midlands is closed down in an exemplary manner, in the best interests of our staff, our region and BIS, our sponsor department.

Michael Laverty
Chief Executive

Performance Report

2010-11

Advantage West Midlands

Delivering our Corporate Plan

Our 2009-11 Corporate Plan set out how we would deliver our part of the West Midlands Economic Strategy (WMES), pursuing maximum return for every £1 spent. Our activity was structured around thirteen major programmes, organised under the main WMES themes of Business, Place, People, and Powerful Voice. The Plan was produced prior to the Coalition Government's announcement, in 2010, that Regional Development Agencies were to be abolished. Following that announcement, activity was scaled back as we shifted our focus to closure and transition planning. Nevertheless, significant positive outcomes for the West Midlands have been achieved during 2010-11. The highlights are summarised below for each of our major programmes of activity.

Key results for Business

INTERNATIONAL TRADE AND INWARD INVESTMENT

- 25 inward investment successes, accounting for 758 new and 532 safeguarded jobs;

- 7 new companies established in the West Midlands as a result of the innovative *Bridge to Growth* programme;

- 206 businesses assisted, 58 jobs created and 169 jobs safeguarded under the UKTI Regional Trade Team supported International Trade cluster project; and

- 129 businesses assisted, 39 jobs created and 335 jobs safeguarded under the ERDF-funded West Midlands SME internationalisation project (jointly managed by UK Trade and Investment and Coventry University Enterprises Ltd).

EXPLOITING MARKET OPPORTUNITIES THROUGH CLUSTERS

- *Low carbon vehicle technology project* – This saw vehicle manufacturers, innovative smaller suppliers, engineering businesses and universities bring forward the development of next generation hybrid electric vehicles, with Europe's first purpose built intelligent transport test facility opened in Nuneaton;

- *Renewable energy and low carbon buildings technology* – The Renewable Energy Supply Chain Opportunities project (RESCO) supported 110 businesses, while the European Bio-Energy Research Institute at Aston University (EBRI) took a lead in developing new technologies;

- *Medical Technologies* – Medilink WM established four business-focussed R&D networks with demonstrator and market development activities in the areas of ageing population and infectious diseases; and

- *Digital expertise* – A partnership fund with Channel 4 stimulated the development of innovative digital content for use in TV, film, animation, games and social media, with over 2,000 companies involved.

TECHNOLOGY CAPACITY BUILDING AND BUSINESS INNOVATION

- Ongoing development of the *Manufacturing Technology Centre* as a world class facility, located at Ansty, Warwickshire, bringing together global companies such as Rolls-Royce, Aero Engine Controls and Airbus UK, their supply chains, the Welding Institute (TWI) and the Universities of Birmingham, Nottingham and Loughborough;

- *Birmingham Science City* continued to deliver business-facing research programmes, including the launch of the Health Research Bus (the UK's first mobile medical research facility) and the start of construction on the Centre for Mechanochemical Cell biology;

- The *Innovation Voucher* scheme, pioneered by Advantage West Midlands, was recognised for its significant impact through increasing business innovation and new product development, with the Government's Budget 2010 announcing a national scheme building on the West Midlands success; and

- The Agency continued to deliver one of the most significant programmes of *Knowledge Transfer Partnerships*, boosted by European Regional Development Fund (ERDF) match funding.

TOURISM AND CULTURE

- An ongoing £8.3 million investment in the redevelopment of the Edgbaston Cricket Ground, with full re-opening scheduled for summer 2011;

- A £20 million investment in the redevelopment of the Royal Shakespeare Theatre, which re-opened on time and on budget after a four year £112.8 million transformation; and

- Businesses in the West Midlands continued to win contracts to supply London 2012, with the total value of contracts rising to nearly £500 million and over 270 firms in the region benefiting as a result of Agency investment through *CompeteFor* and 2012 business support programmes.

ENTERPRISE AND BUSINESS DEVELOPMENT

During 2010-11 Business Link West Midlands (BLWM) and the Manufacturing Advisory Service (MAS):

- Engaged with 37,320 companies (35,346 for BLWM and 1,974 through MAS);

- Supported the creation of 2,724 new jobs and safeguarded 115 jobs within the region;

- Provided information or advice to 23,096 individuals enquiring about starting a business;

- Supported 317 new business starts through the JobCentre Plus self-employment programme; and

- Achieved customer satisfaction figures averaging 90%, despite the changing context.

FINANCE FOR BUSINESS

- *Risk Capital and Mezzanine Finance for SMEs* – By March 2011 the venture capital funds the Agency has sponsored or financed had invested a total of £9.9 million in 54 businesses, levering in further funding from other sources of £38.4 million;

- *Venture Capital and Loan Funds* (VCLFs) - Since 1999 the Agency has committed £41.1 million into 10 VCLFs, alongside £23.7 million of ERDF money, £8.1 million of other public sector funding and £17.4 million of private sector funding;

- *Community Development Finance Institutions (CDFIs) and similar alternative funders* – During 2010-11 CDFIs and other alternative funders backed by the Agency lent a total of £5.3 million to 509 businesses which were unable to raise sufficient finance for their needs from conventional private sector sources;

- *Grant schemes* - 75 Grants for Business Investment totalling £10.8 million were offered to businesses during 2010-11, predominantly using ERDF funding secured by the Agency, supporting investment projects totalling £80.9 million and the creation or safeguarding of 1,966 jobs; and

- *Business Angels* – Four Business Angel networks received support from the Agency during 2010-11, some directed at specific transactions and other support directed at increasing business angel investment capacity in the region - as a result the networks brokered 18 investments totalling £1.5 million.

SKILLS FOR BUSINESS

- The groundbreaking £33 million *Rugby Power Academy* was formally launched in January 2011, subsequently becoming home to one of Warwickshire College's faculties of engineering;

- Building on the success of the Agency's Graduate Placement service, Advantage West Midlands worked with the universities and employer networks to develop a "next generation" service - *Graduate Advantage* successfully accessed £1.6 million of European Structural Funds to support the new Graduate Placement Service; and

- The dedicated recruitment service *Grad Central* continued to offer free advice to help businesses increase higher level skills in their workforce - tailored to West Midlands SMEs, the project saw 100 new graduate jobs created in the region in 2010-11.

DEVELOPING THE RURAL ECONOMY

Demand for Rural Development Programme for England (RDPE) funding continued to be significant in 2010-11. We successfully invested the full £12.8 million budget allocation, supporting a broad range of community and businesses focussed projects:

- *Rural Enterprise Grant (REG)* - 21 projects were contracted resulting in £1 million of grants to farmers and rural businesses;

- *Strategic Investment Grants* (SIGs) - 10 projects were approved, equating to £3.3 million in grants to the land-based sector and rural areas; and

- *Leader Approach* - Following a competitive process, eight sub-regional rural partnerships (Local Action Groups) were selected to deliver a Leader-inspired rural development programme in the West Midlands, investing a total of £10.22 million of RDPE funding.

Key results for Place

LAND AND BUILDINGS FOR ECONOMIC GROWTH

- Birmingham, *Longbridge* – The construction of the new 250,000 sq ft Bourneville College building commenced, due for occupation in September 2011. A superstore operator was secured and a planning application submitted for the first phase of the town centre development;

- *Wolverhampton, i54* – The first two occupiers were secured for this flagship regeneration scheme: MOOG, a high tech aerospace manufacturer, will occupy an 180,000 sq ft plant and Eurofins will construct a 50,000 sq ft research facility;

- *West Bromwich Town Centre* – Work started on site in West Bromwich for one of the biggest regeneration projects in the West Midlands, and the first new office scheme in the town for over 30 years. The £75 million All Saints project in the heart of the town centre is expected to provide some 1,000 jobs;

- Coventry, *Browns Lane* – The remediation phase was completed and negotiations with a potential automotive manufacturing occupier reached an advanced stage;

- Worcestershire, *Worcester Technology Park* – Planning consent for the proposed Worcester Bosch plant and the wider Technology Park was secured, a major milestone for the project; and

- *Stoke-on-Trent, University Quarter (UQ)* – The first phase, the Sixth Form College, was completed and the facility became operational in September 2010.

INFRASTRUCTURE AND ASSET DEVELOPMENT

- *New Street Station* – In September 2010 construction work commenced on the £600 million redevelopment of New Street Station, a key gateway into the West Midlands for the millions of people who use the station each year. The project is set to deliver 10,000 jobs and generate more than £2 billion of transport and wider economic benefits. The Agency's £100 million contribution is the largest investment in a single project by an RDA, leaving a significant legacy to Birmingham and the wider region;

- *Rural Broadband* – We committed £200,000 to an innovative rural broadband project, establishing high speed services in hard to reach rural locations. The project, delivered through Airband Community Internet Ltd, will improve rural broadband for 40,000 people and more than 2,500 businesses in the rural West Midlands; and

- *National Infrastructure Lead* – In 2010 the Agency was asked to take a national lead on infrastructure on behalf of all RDAs, following the creation of Infrastructure UK (IUK). On behalf of the RDA network, the Agency worked with IUK to identify joint regional infrastructure priorities to inform the development of the National Infrastructure Strategy.

Key results for People

ACCESS TO EMPLOYMENT

- The *Economic Inclusion Panel,* established by the Agency in 2009 and funded through to March 2011, continued to thrive. The key outcome from the Panel has been the national award winning *Procurement Framework for Jobs and Skills*, which provides a guide and toolkit for effective use of public procurement to address worklessness. The Framework has been taken up by many organisations – including 8 Unitary Authorities that have secured Cabinet Office approval to embed it into their commissioning and procurement strategies;

- Working with local businesses, the *Homegrown* project - which targeted the communities of Ludlow, Tenbury and Leominster and aimed to provide opportunities for young people to gain vocational experience within the rural sector – assisted 29 businesses and 81 people into employment; and

- The Agency continued to provide funding for Social Enterprise West Midlands (SEWM) to act as the voice for social enterprise and to deliver the Social Enterprise Centre of Expertise.

SUSTAINABLE LIVING AND WORKING

- *Landfill Diversion Strategy* – In January 2011 the Agency won the national Royal Town Planning Institute (RTPI) Spatial Strategies Award 2010 for the country's first regional Landfill Diversion Strategy. The Agency developed and launched the Strategy in 2010, to stimulate and encourage investment in new waste infrastructure which would divert waste from landfill and create green jobs. The RTPI stated the *'approach taken is original and brings a clear and consistent methodology that helps to breed confidence in the planning process. The quality of the professional work has been excellent and it provides a model that could be used by regional planners elsewhere'*; and

- *Waste Infrastructure Development Programme* – In 2010 the Agency approved a £4.5 million ERDF commitment to the Waste Infrastructure Development Programme. The project provides capital grants to SMEs to develop waste infrastructure – establishing critical energy and waste infrastructure and creating green jobs. The grant funding will be delivered in conjunction with the Landfill Diversion Strategy, ensuring funds are targeted at key strategic locations.

Key results for Powerful Voice

REGIONAL LEADERSHIP

Following the announcement that RDAs were to be abolished and that activity at regional level was to be scaled back:

- The *West Midlands in Europe* Office (WMiE) was closed, meaning that the region will no longer have dedicated, bespoke representation in Brussels;

- *RegenWM* – the region's leading exponent of regeneration best practice and learning was also closed, and with it, the extensive programme of learning, knowledge exchange and network building;

- Work to market the region internationally to secure higher levels of inward investment, trade and tourism, was curtailed and the private sector-led group that had come together to shape and lead activity, the *Regional Marketing Board*, was disbanded; and

- Research and analysis to improve understanding of the factors influencing the economic performance of the West Midlands came to an end as did the work to evaluate the impact and effectiveness of the Agency's interventions.

- The West Midlands Regional Observatory was closed and its' knowledge assets were transferred to Marketing Birmingham following an open tender process.

Developing as an organisation

"PERFORMING STRONGLY" AND WINNER OF THE 2010 MIDLANDS EXCELLENCE AWARDS

In May 2010 the National Audit Office (NAO) published the results of its second round of assessments of individual RDA performance. The first round of assessments took place back in 2006-07. In both rounds the Agency achieved the maximum possible score – judged to be 'performing strongly' across all categories in the 2009-10 assessment.

In addition to assessment by the NAO, to help drive our *Aiming for Excellence* improvement programme we have regularly benchmarked ourselves against the best performing organisations from the public and private sector. Starting in 2007 we entered the *Midlands Excellence Awards* on an annual basis. This awards programme is one of the most prestigious in Europe with previous winners including E-on Power Technology, Severn Trent Water, BMW Hams Hall Plant and Ricoh UK Products. The annual *Midlands Excellence Awards* ceremony, which is held at the International Convention Centre in Birmingham, is the largest event of its type in Europe. The 2010 Awards event attracted over 1,100 guests, also making it the largest business event in the West Midlands.

The Agency achieved the *Investors in Excellence* standard at the first attempt, scoring 401 points in the 2007 Awards. We improved our score by 40 points, scoring 441 in the 2008 Awards, when we were also shortlisted as a finalist. In the 2009 Awards we made a further 50 point improvement, scoring 491. That year we were a finalist, *Highly Commended* and winner of the *Most Improved Organisation* Award. In the 2010-11 Awards we again improved our score, this time by 104 points to score 595. We were also the overall winner of the Awards and scored significantly higher than any other Awards entrant.

The Agency's 2010-11 Excellence Awards score, at 595, is high by the standards of the regional awards and well on the way towards the levels of performance required to compete at national and European levels. It also demonstrates the remarkable year on year improvements in our performance. When set alongside the positive results the Agency has achieved under the public sector-oriented performance assessments carried out by the NAO, this strong performance against the more business-oriented *Excellence Model* has served to reinforce and further enhance the Agency's reputation and legacy.

CLOSURE AND TRANSITION PROGRAMME

Following the Government's decision to abolish RDAs, we revised our mission statement to become: *"To close down Advantage West Midlands in an exemplary manner, ensuring the best possible outcome for our staff, our region and BIS, our sponsor department."* To achieve this new mission we:

- Developed and implemented a detailed Closure and Transition Plan – we reassigned staff to closure and transition activity and revised our governance arrangements to account for the requirements and risks associated with closure;

- Produced an Asset and Liabilities Transition Plan for the Department for Business Innovation and Skills (BIS) at the end of January 2011 – providing a comprehensive review of, and plan for, the Agency's portfolio of assets and liabilities;

- Produced a Knowledge Inventory and Knowledge Management Plan - setting out the nature, type and volumes of knowledge and information held by the Agency and how these would be managed and transferred as part of our overall closure activity; and

- Secured Government approval for two staff voluntary exit schemes in October 2010 and February 2011; and commenced further redundancy planning to allow the majority of remaining staff to leave the Agency by September 2011, with a small team left to implement the final stages of our closure by March 2012.

Directors' Report

The Directors present their Annual Report and Accounts for the year ended 31 March 2011.

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.

Non Executive Directors (The Board)

Sir Roy McNulty CBE	Agency Chair
Professor Madeleine Atkins	
Jas Bains MBE	
Dr David Brown	Agency Deputy Chair *Member – Audit Committee* *Chair – Human Resources and Remuneration Committee*
Brendan Connor	*Member – Audit Committee* *Member – Human Resources and Remuneration Committee*
Gerard Coyne	*Member – Audit Committee* *Member – Human Resources and Remuneration Committee*
John Crabtree OBE	*Member – Audit Committee* *Member – Human Resources and Remuneration Committee*
Angela Maxwell OBE	
Kumar Muthalagappan OBE	*Chair – Audit Committee* *Member – Human Resources and Remuneration Committee*
Roger Phillips	
Sue Prince OBE	
Diane Rayner	*Member – Human Resources and Remuneration Committee*
Kenneth Taylor OBE	*Member – Audit Committee*
Jonnie Turpie MBE	
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. Five Audit Committee meetings and four Human Resources and Remuneration Committee meetings were held during 2010-11.

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 Resources.

Executive Directors

Mick Laverty	Chief Executive
John Doherty	Corporate Director
Karen Yeomans	Corporate Director
Tim Gebbels	Corporate Director (Voluntary exit 11 March 2011)
Mark Pearce	Corporate Director
Richard Hutchins	Corporate Director (Resigned 30 September 2010)

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 total comprehensive expenditure 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.

RDA Accountability and Financial Framework

The Department for Business, Innovation and Skills issued the RDA Accountability and Financial Framework which took effect from 1 October 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 2010-11.

Principal Activities

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

The Agency became fully operational on 1 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 a review of the Agency's activities during the last year.

Principal Risks and Uncertainties

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

Pension Costs

The treatment of pensions' liabilities and the relevant pension scheme details are set out in the Remuneration Report on pages 25 to 32.

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 People 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 237 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.

In preparation for the implementation of the Equalities Act 2010 Advantage West Midlands established an Equality and Diversity Strategic Engagement Group which included representatives of all strands covered by the Equalities Act 2010 in addition to representatives from organisations such as Equality Human Rights Commission and ACAS.

The Strategic Engagement Group acted as a critical friend to the Agency in the development of its Single Equalities Scheme which can be found at the following link - http://www.advantagewm.co.uk/documents/download.aspx?id=tcm:9-33489&file=k/Images/Single%20Equality%20Scheme%20Document%20FINAL%20VERSION%20Post%20Consultation_tcm9-33489.pdf

The Single Equalities Scheme whilst evidencing how the Agency is addressing its statutory obligations contained in the Equalities Act 2010 does reflect the lifecycle of the Agency "closure".

The Agency procured an Equality Impact Assessment tool which was used by individuals throughout the Agency to ensure that the strategic function approach delivered by the Agency did not unfairly discriminate against any group of society, examples of equality impact assessments can be found at the following links –
http://www.advantagewm.co.uk/Images/WMES%20DF%20EQIA%20Report%20v7_tcm9-9621.pdf
http://www.advantagewm.co.uk/Images/Tourism%20and%20Culture%20APPROVED%20EQIA_tcm9-32800.pdf

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 2010-11 the Agency paid 73% of undisputed invoices within 10 days (2009-10 82%). 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. The Agency does not measure performance against the Government's 5 day prompt payment pledge.

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 2010-11, the Agency paid 93% of invoices within 30 days of approval (99% 2009-10).

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 home of an employee of Advantage West Midlands. The laptop was encrypted and did not have any confidential or sensitive data stored on it. There was no breach of the Agency information security policy.

Freedom of Information

The Agency received 75 formal requests for information under the Freedom of Information Act 2000. 66 requests were dealt with within 20 working days or within a deadline agreed with the applicant. 9 responses were late, of which 2 responses exceeded the response deadline by more than 3 days. In both of these cases the Agency contacted the requester within 20 working days to inform them that there would be a delay in the provision of the final response.

Green Housekeeping

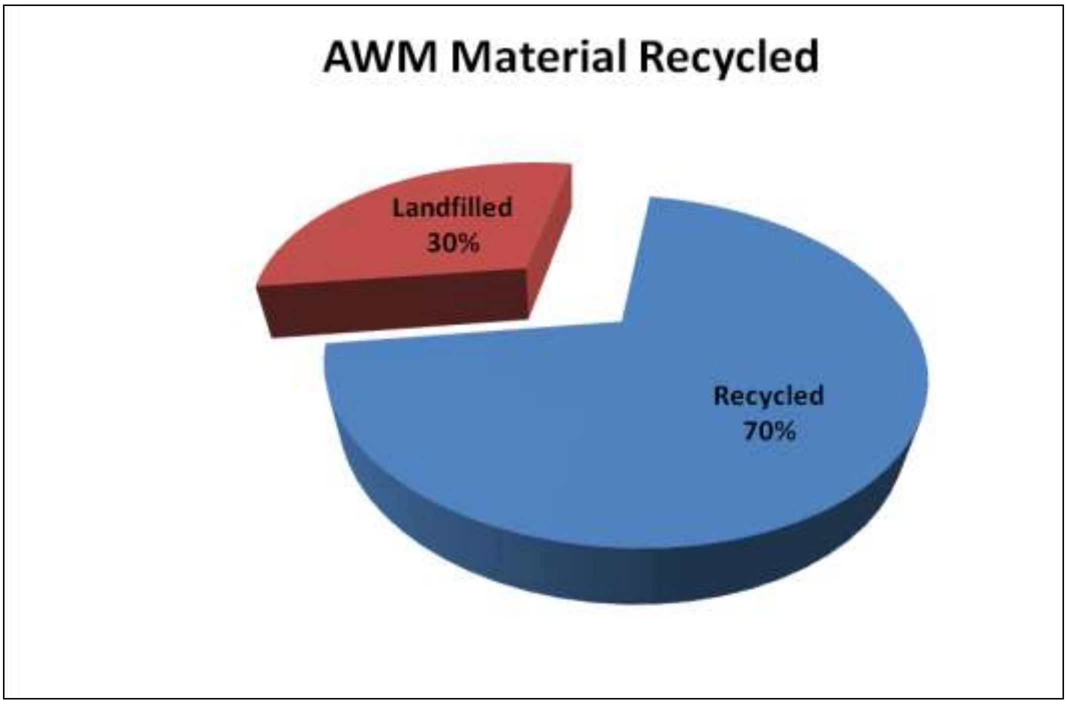
Advantage West Midlands has continued with its Green Housekeeping Policy, with increased emphasis on use of recycled materials with 99% of all paper purchased for Agency use falling into this category.

The organisation 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 also continues to recycle dry cell batteries, as well as 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 circa 180 trees.

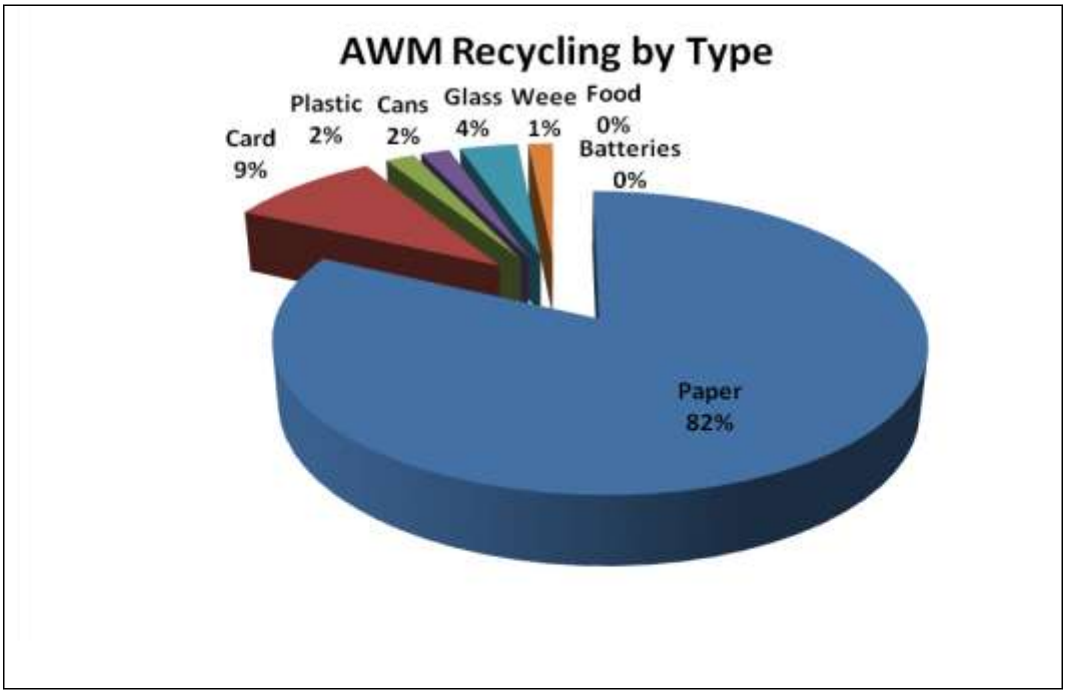
The Agency continues to promote recycling of materials with the aid of the Agency's Communications Team , and the Agency's electronic weekly newsletter.

Graph 1 identifies the Agency's achievement for the period.



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.



WEEE - The Waste Electrical and Electronic Equipment Directive (WEEE Directive) was introduced into UK law in January 2007 by the Waste Electronic and Electrical Equipment

Regulations 2006. It dictates that we have to dispose of electrical equipment in a certain way to ensure it is recycled / re-used wherever possible.

AWM has also seen an increase in volume of recycling of materials other than paper. Colleagues are continually 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.

The main HQ at 3 Priestley Wharf is of a high BREEAM rating (Building Research Establishment Environmental Assessment Method).

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.

The Agency had water management systems installed within the HQ's washroom facilities for 2010-11 which has had a positive impact on reducing our water consumption.

The Agency once again obtained a Display Energy Certificate classification D which carries a numerical band rating between 76 – 100 for it's building performance on energy.

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

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 Kumar Muthalagappan. It is wholly non-executive and during the year the other members were Gerard Coyne, John Crabtree, Ken Taylor, Brendan Connor and David Brown. The Chief Executive in his role as Accounting Officer attends each of the meetings during the year, but is not a formal member. In view of the heightened risks during closure and transition, from October 2010 the frequency of Committee meetings was increased from quarterly to bi-monthly. 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 NAO Audit Completion 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 and receives a detailed report at every meeting 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 Resources at Advantage West Midlands, 3 Priestley Wharf, Holt Street, Aston Science Park, Birmingham, B7 4BN.

Mick Laverty

Mick Laverty – Chief Executive and Accounting Officer

Remuneration Report

This report for the year ended 31 March 2011 is produced by the Board on the recommendation of the Human Resources 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, Kumar Muthalagappan and Diane Rayner. 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 Human Resources 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 in the audited part of the Remuneration Report 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.

Audited part of the Remuneration Report

The emoluments of the Board were:

Name	Date of Appointment From - To	Salary 2010-2011 £	Salary 2009-2010 £
Sir Roy McNulty CBE (Chair)	01/05/09 – 13/12/12	81,718	61,813 (FYE 81,718)
Professor Madeleine Atkins*	14/12/09 – 13/12/12	8,666	2,528 (FYE 8,666)
Jas Bains MBE	14/12/07 – 13/12/10 14/12/10 – 13/12/12	8,666	8,666
Dr David Brown (Deputy Chair from 14/12/2008)	13/02/06 – 13/12/08 14/12/08 – 13/12/11	17,332	17,332
Brendan Connor	14/12/06 – 13/12/09 14/12/09 – 12/12/12	8,666	8,666
Gerard Coyne	14/12/04 – 13/12/07 14/12/07 – 13/12/10 14/12/10 – 13/12/12	8,666	8,666
John Crabtree OBE	13/02/06 – 13/12/08 14/12/08 – 13/12/11	8,666	8,666
Angela Maxwell OBE	14/12/07 – 13/12/10 14/12/10 – 13/12/12	8,666	8,666
Kumar Muthalagappan OBE	14/12/09 – 13/12/12	8,666	2,528 (FYE 8,666)
Roger Phillips	14/12/09 – 13/12/12	8,666	2,528 (FYE 8,666)
Sue Prince OBE	14/12/04 – 13/12/07 14/12/07 – 13/12/10 14/12/10 – 13/12/12	8,666	8,666
Diane Rayner	14/12/04 – 13/12/07 14/12/07 – 13/12/10 14/12/10 – 13/12/12	8,666	8,666
Kenneth Taylor OBE	13/02/06 – 13/12/08 14/12/08 – 13/12/11	8,666	8,666
Jonnie Turpie MBE	14/12/09 – 13/12/12	8,666	2,528 (FYE 8,666)
Michael Whitby	14/12/09 – 13/12/11	8,666	8,666

* Professor Madeleine Atkins chooses to donate all of her salary to charity.

Salary

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

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

	Salary including Car Allowance £	**Performance pay £**	**Pension costs £**	**Compensation costs £**	**Total Emoluments 2010-2011 £**	**Total Emoluments 2009-2010 £**
Mick Laverty *Chief Executive*	145,772	12,669	30,035	-	188,476	196,902
John Doherty *Corporate Director*	110,121	2,443	25,787	-	138,351	69,509
Karen Yeomans *Corporate Director*	112,121	4,865	26,273	-	143,259	146,877
Tim Gebbels *Corporate Director (Voluntary exit 11/03/2011)*	106,652 (FYE 112,121)	4,865	24,992	109,512	246,021	144,756
Richard Hutchins *Corporate Director (Resigned 30/09/2010)*	59,500 (FYE 121,000)	5,175	13,973	-	78,648	155,137
Mark Pearce *Corporate Director*	112,121	4,865	26,273	-	143,259	144,044

The compensation costs are the redundancy costs for a senior officer who exited under the Voluntary Exit scheme in March 2011.

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

	Real increase in pension (£k)	Real Increase in lump sum (£k)	Pension at 31/03/11 (£k)	Lump sum at 31/03/11 (£k)	*CETV at 31/03/10 (nearest £k)	CETV at 31/03/11 (nearest £k)	Employer contribut -ions and transfers-in (£)	Real increase In CETV funded by employer (nearest £k)
Mick Laverty	0 – 2.5	N/A	40 - 45	75 - 80	516	567	4,326	3
John Doherty	0 – 2.5	N/A	0 - 5	N/A	9	30	3,714	16
Karen Yeomans	0 – 2.5	N/A	25 - 30	N/A	276	313	3,784	9
Tim Gebbels	0 – 2.5	N/A	15 - 20	N/A	157	187	3,600	12
Richard Hutchins	0 – 2.5	N/A	10 - 15	N/A	135	151	2,013	10
Mark Pearce	0 – 2.5	0 - 2.5	35 - 40	115 -120	589	643	1,622	1

The actuarial factors used to calculate CETVs were changed in 2010-11. The CETVs at 31/3/2010 and 31/3/2011 have both been calculated using the new factors, for consistency. The CETV at 31/3/2010 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

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

Employee contributions are set at 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 1 October 2002 calculated broadly as per Classic.

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

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

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

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

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, the previous Chairman, had 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 was put in place for the previous Chairman with contribution rates and pension benefits which were identical to the Principal Civil Service Pension Scheme but which was funded directly by the Agency. The By-Analogy pension scheme is now a diminishing fund because the Chairman, Nick Paul retired on 31 August 2009. The Agency is currently responsible for paying out the pension to Nick Paul, this is underwritten by BIS.

A full actuarial valuation of this By-Analogy scheme was carried out as at 31 March 2011 by a qualified independent actuary. The major assumptions of the actuary were:

Financial Assumptions	2010-2011	2009-2010
Real Yield	2.90% p.a	1.80% p.a
Inflation Assumption (RPI)	3.40% p.a	3.70% p.a
Inflation Assumption (CPI)	2.65% p.a	N/A
Rate of increase for pensions in payment	2.65% p.a	3.70% p.a
Rate of increase in salaries	N/A	N/A
Discount Rate	5.60% p.a	5.50% p.a
Mortality	PA92 yob mc	PA92 yob mc

The effect of accrual during 2010-2011	2010-2011 £'000
The current service cost (net of employee contributions)	0.0
Past service cost (due to the change from RPI to CPI pension increases)	(13.6)
Gains and losses on any settlement and curtailments	0.0
The interest cost	9.6

Actuarial gains and losses for 2010-2011	2010-2011 £'000
Experience losses (gains)	(5.9)
Effect of changes in demographic and financial assumptions	(8.0)
Total actuarial losses (gains)	(13.9)

Liability calculation for 2010-2011	2010-2011 £'000
Present value of liability at 1 April 2010	178.8
Current service costs (net of employee contributions)	0.0
Past service cost (due to change from RPI to CPI pension increases)	(13.6)
Employee contributions	0.0
Benefits paid	(8.9)
Interest cost	9.6
Actuarial losses (gains)	(13.9)
Present value of liability at 31 March 2011	152.0

The Agency does not operate a By-Analogy Scheme for the current Chairman, Sir Roy McNulty. AWM contributes directly into the Chairman's private pension scheme; for 2010-11, employers' contributions of £19,857.48 (2009-10 £15,020.45) were payable to the Chairman'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 31 March 2010. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/civil-service/pensions).

For 2010-11, employers' contributions of £2,409,832, were payable to the PCSPS (2009-10 £2,706,746) 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 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £52,170 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 £3,440, 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 31 March 2010 and more details can be found in the separate scheme statement of the Homes and Communities Agency Pension Scheme. For 2010-11, normal employer contributions of £49,401 were payable to the Scheme (2009-10 £49,401) 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 date of the Statement of Financial Position there was no balance of prepaid / outstanding contributions to the scheme.

Sir Roy McNulty - Chairman

Mick Laverty – Chief Executive and Accounting Officer

1 July 2011

Statement of Board and Accounting Officer's Responsibilities

Under the Regional Development Agencies Act 1998, the Secretary of State with the consent of HM Treasury has directed the Board 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, changes in taxpayers equity and cash flows for the financial year.

In preparing the accounts, the Board and Accounting Officer are 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 (BIS), 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;

- Prepare the accounts on a going concern basis, unless no longer appropriate to do so; and

- 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 Officer Memorandum issued by the Treasury and published in Managing Public Money.

Statement on Internal Control

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Advantage West Midlands' policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. I also share responsibility with the Board for ensuring that Advantage West Midlands continues to operate within the framework specified by the Secretary of State for 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.

The purpose of the System of Internal Control

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 a reasonable and not an 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;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and
- 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 2011 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

Capacity to Handle Risk

In the past, AWM recognised that it was in a unique position in its relationship to private enterprise and public accountability. On the one hand, AWM's purpose was to lead, innovate and provide a catalyst for the development of the region, which meant taking risks that others would not. On the other hand, AWM is a public body, accountable to Parliament and the people of the West Midlands and has had to operate in a governance framework as set and monitored by HM Treasury and our Sponsoring Department (BIS). Taking this into account, the Agency's risk management approach was 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 the Agency's objectives.

Since the Government's decision in June 2010 to abolish RDAs, the Agency's objectives have changed and we are now faced with closing down our operations by March 2012.

However, whilst our current objectives are different to those at the beginning of the financial year, our overall approach to managing risk remains the same. Setting and embedding this overall approach to risk management remains the responsibility of the Board and I, but is implemented across the Agency. The Agency continues to operate a comprehensive risk management process, which is overseen by the Agency's Audit Committee.

The membership of our Board is such that it has the collective knowledge and experience to be able to ensure 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.

The Risk and Control Framework

Our management of risk is embedded in the policy-making, planning and implementation of our Closure and Transition Plan. It is recognised that periods of change bring with them heightened risks and this has been acknowledged in the tightening of our financial systems and controls and our reduced appetite for risk. The main processes which we have in place for identifying, evaluating and managing risk are outlined below.

Risk Management Framework

The Agency has enhanced its risk management framework with the production of a Risk Register that encompasses each workstream of our Closure and Transition Plan together with more detailed and frequent reporting of risk ratings and mitigating actions to the Board and Audit Committee. Each Corporate Director, as Senior Responsible Owner for one or more workstreams of the Closure and Transition Plan, has evaluated the risks in each of their areas of responsibility and determined how each risk will be managed.

To further strengthen our approach to risk management, the Agency has appointed a Risk Champion for each workstream of the Closure and Transition Plan and each of these has produced its own discrete risk register which is summarised in the corporate risk register presented to every Board Meeting. The Agency's reduced appetite for risk which has been determined on the basis of its capacity to deal with realised risk and the importance to the achievement of the Agency's objectives, is reflected in the greater level of reporting, whereby Audit Committee meetings have been increased in frequency from every 3 months to bi-monthly and the Committee receives a full analysis of corporate risks rather than a summary, at every meeting.

In addition, our programme of Internal Audits has been reviewed and revised to ensure that those areas of the business that represent the greatest risk to the achievement of our objectives come under the most detailed and frequent independent scrutiny.

Risk Profiles

- Corporate

  The most significant risks are incorporated into an overall Corporate Risk Register which is reviewed by the Board at every monthly meeting, in full detail at each Audit Committee and also by each Closure & Transition Executive Board.

- Closure and Transition Plan

  With the change in objectives during 2010-11 towards closure of the Agency's operations, our previous Strategic Functions have been replaced by a series of workstream management boards, each one headed by a Corporate Director and overseen by the Closure & Transition Board. With the dedicated Risk Champion for each area, detailed risk registers are produced for each function, which in turn are used to inform the Corporate Risk Register.

Risk Priorities

Successful delivery of the Transition and Closure Plan is dependent on a range of outstanding decisions and processes at a national and local level. Important external dependencies include:

- confirmation of the full range of Agency functions and projects that the Government wishes to continue after March 2012, and the process and timetable for transferring these to successor bodies;
- clarification of future arrangements for economic development in England, in particular on the role of potential successor bodies and how the RDAs should transfer accumulated knowledge to these organisations;
- clarification from Government on arrangements for transfer of our European Programmes (ERDF and RDPE); and
- decisions on how the RDAs' records will be managed after March 2012, including requirements for ongoing monitoring of financially closed projects and contingent assets.

I and the Board consider the number and scope of external dependencies to present a significant risk to transition and closure programme delivery. Where possible and appropriate, the Agency will seek to make reasonable assumptions on how to proceed with transition and closure based on guidance and evidence extant at the time that decisions are required.

For this year, our risk priorities fall into the Closure and Transition 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

The Agency has implemented a number of changes to manage activities within the tighter fiscal environment in which we operate and a stringent financial review has been undertaken to take into account cuts to our future budget in 2011-12.

Financial Management

We operate in accordance with the Accountability and Financial Framework as issued by the Secretary of State for BIS, along with Managing Public Money. In response to the heightened risks associated with closure, we have tightened our financial controls in a number of areas:

- all financial delegations within the Scheme of Delegation have been withdrawn;
- all approval to commit expenditure above certain limits will only be approved by committee; and
- all approval to commit expenditure will be managed centrally through Finance.

People

In order to mitigate the risks of losing key staff and expertise during the period of Closure and Transition, the Agency has, with Cabinet Office approval, implemented a voluntary exit scheme which has included a consideration of the business-critical nature of key roles.

To manage knowledge retention and transfer, we have in place a rigorous handover process to ensure that key knowledge is not lost to the organisation and a knowledge management plan has been developed and submitted to BIS.

Facilities & Services

A review of all service contracts has been undertaken and a cost-benefit analysis undertaken with regard to their early termination. Where possible, we have begun exiting from legal agreements to ensure that no commitments remain after the Agency has closed in March 2012.

Knowledge Management, Records and Systems

We are working closely with BIS our sponsor department to agree the transfer timetable and destinations of our management records. Work has been undertaken to produce duplicate files that will facilitate the transfer of the management of our ERDF and RDPE funded activities in early 2011-12.

Programmes, Projects and Grants

The delivery of outputs and spend remains a priority for the Agency. Discrete management teams have been established to ensure that during closure and transition, appropriate levels of project monitoring are maintained, key projects requiring intensive support are managed and where possible, activity may be accelerated to achieve completion before the Agency closes.

Transfer of Assets and Liabilities

In January 2011, the Agency submitted a detailed asset and liabilities plan to BIS setting out the options and recommendations regarding the transfer and disposal of its assets and liabilities.

Information Security

During 2010-11, the Agency reviewed its Information Security policies and procedures as part of its programme of internal audits, 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. The information security risks associated with the disposal of assets has been recognised and our disposal plans set out how we will address requirements relating to matters such as data protection and destruction of records. Management of staff access to IT systems and records forms a key part of our HR plans.

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

Business Failure

In the light of the closure and transition arrangements our Business Continuity Plan (BCP) has been subject to internal audit and we have updated our plans to ensure that they still remain fit for purpose.

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 and relied upon the following processes and assurance mechanisms 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 bi-monthly, 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 Human Resources and Remuneration Committee;

- establishment of key performance milestones and indicators reported through the Closure and Transition Programme Dashboard and the Balanced Scorecard;

- the Corporate 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;

- 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 recorded as part of the dashboard and are reported regularly to the Audit Committee and Board;

- the RDA peer review conducted by BIS with representatives from the National Audit Office (NAO) and another RDA provides independent assurance on the Agency's ability to meet its closure and transition objectives. The BIS team was impressed with the management of the closure process and the PPM approach and stated that "In particular, there was evidence of tight monitoring of progress to enable and ensure that the programme remains on track and clear mechanisms for risk escalation/early warning."

- the rigorous assessment of our Midlands Excellence submission provides independent assurance on the quality of the Agency's performance and in 2010-11 resulted in Advantage West Midlands securing first prize at the region's most prestigious business awards ceremony;

- the Independent Supplementary Review carried out by the NAO resulted in the Agency achieving the maximum possible score with the NAO rating Advantage West Midlands as performing "strongly" in all areas; and

- following completion of the work for 2010-11, 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 2010-11 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".

I conclude that the key risks faced by the Agency in this very challenging year have been managed effectively and I express my gratitude to AWM's Board Members and staff.

Mick Laverty

Mick Laverty
Chief Executive and Accounting Officer
1 July 2011

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

I certify that I have audited the financial statements of Advantage West Midland for the year ended 31 March 2011 under the Regional Development Agencies Act 1998. These comprise the Group and Agency Statements of Comprehensive Net Expenditure, the Group and Agency Statements of Financial Position, the Group and Agency Statements of Cash Flows, the Group and Agency Statements 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 Board, Accounting Officer and auditor

As explained more fully in the Statement of Board and Accounting Officer's Responsibilities, the Board and Accounting Officer are 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, certify and report on the financial statements in accordance with the Regional Development Agencies Act 1998. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

In addition, I am required to obtain evidence sufficient 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 Midland's and the Group's affairs as at 31 March 2011 and of Advantage West Midland's and the Group's total comprehensive expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Regional Development Agencies Act 1998 and Secretary of State directions issued thereunder.

Emphasis of Matter - Going Concern Uncertainty

In forming my opinion, which is not qualified, I have considered the adequacy of the disclosures made in note 22 to the financial statements concerning the application of the going concern principle in light of the announcement to abolish Advantage West Midlands, which is subject to legislation. These circumstances indicate the existence of a material uncertainty which may cast significant doubt on 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 Secretary of State under the Regional Development Agencies Act 1998; and
- the information given in the Management Commentary 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 and the part of the Remuneration Report to be audited 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

14 July 2011

Financial Statements

2010-11

Advantage West Midlands

Group Statement of Comprehensive Net Expenditure
For the year ended 31 March 2011

	Notes	2010-2011 £'000	2009-2010 Restated £'000
Expenditure			
Programme expenditure	2	175,962	256,460
European funded programme expenditure	2	26,114	27,419
Staff costs	7	28,423	19,683
Depreciation / Amortisation	10/11	1,112	775
Other administration expenditure	8	5,972	4,032
Book value of inventories sold	16	2,305	3,830
Total Expenditure		**239,888**	**312,199**
Income			
European funded income	3	31,834	27,419
Other income	5	12,097	9,134
Other government grants	4	10,281	1,600
Proceeds from sale of inventories		2,172	2,982
Total Income		**56,384**	**41,135**
Net Expenditure		**183,504**	**271,064**
Interest payable	9	9	228
Interest receivable	6	(1,386)	(3,059)
Net Expenditure after interest		**182,127**	**268,233**
Taxation	20	1,807	(4,786)
Net Expenditure after taxation		**183,934**	**263,447**

Other Comprehensive Expenditure

	Notes	2010-2011 £'000	2009-2010 Restated £'000
Net (gain)/loss on revaluation of PPE	10	116	1,215
Net (gain)/loss on revaluation of Inventories	16	32,568	29,479
Net (gain)/loss on revaluation of Joint Ventures & Assoc.	12a/b	(647)	(662)
Net (gain)/loss on revaluation of Venture Capital Funds	12c	1,108	1,697
Net (gain)/loss on revaluation of Bad Debts		(48)	93
Net (gain)/loss on revaluation of Long Term Receivables	13	36	38
Total Comprehensive Expenditure for the year		**217,067**	**295,307**

Prior year comparatives are purely Agency figures as the acquisition of Business Link took place on 1 April 2010.

The notes on pages 52 to 88 form part of these accounts.

Agency Statement of Comprehensive Net Expenditure For the year ended 31 March 2011

	Notes	2010-2011 £'000	2009-2010 Restated £'000
Expenditure			
Programme expenditure	2	176,421	256,460
European funded programme expenditure	2	30,510	27,419
Staff costs	7	17,524	19,683
Depreciation / Amortisation	10/11	1,112	775
Other administration expenditure	8	2,881	4,032
Book value of inventories sold	16	2,305	3,830
Total Expenditure		**230,753**	**312,199**
Income			
European funded income	3	31,576	27,419
Other income	5	12,550	9,134
Other government grants	4	1,201	1,600
Proceeds from sale of inventories		2,172	2,982
Total Income		**47,499**	**41,135**
Net Expenditure		**183,254**	**271,064**
Interest payable	9	9	228
Interest receivable	6	(1,379)	(3,059)
Net Expenditure after interest		**181,884**	**268,233**
Taxation	20	1,807	(4,786)
Net Expenditure after taxation		**183,691**	**263,447**

Other Comprehensive Expenditure

	Notes	2010-2011 £'000	2009-2010 Restated £'000
Net (gain)/loss on revaluation of PPE	10	116	1,215
Net (gain)/loss on revaluation of Inventories	16	32,568	29,479
Net (gain)/loss on revaluation of Joint Ventures & Assoc.	12a/b	(647)	(662)
Net (gain)/loss on revaluation of Venture Capital Funds	12c	1,108	1,697
Net (gain)/loss on revaluation of Bad Debts		(48)	93
Net (gain)/loss on revaluation of Long Term Receivables	13	36	38
Total Comprehensive Expenditure for the year		**216,824**	**295,307**

As a result in change of accounting policy as reported in the 2010 - 2011 FReM, the Statement of Comprehensive Net Expenditure has been restated to remove the cost of capital charge.

The notes on pages 52 to 88 form part of these accounts.

Group Statement of Financial Position
As at 31 March 2011

	Notes	2010-2011 £'000	2009-2010 £'000
NON CURRENT ASSETS			
Property, plant and equipment	10	9,535	10,444
Intangible assets	11	0	392
Investments in Associates	12a	0	117
Investments in Joint Ventures	12b	(14,700)	(15,463)
Financial Assets - Venture Capital Funds	12c	26,930	25,773
Financial Assets - Long term receivables	13	7,235	7,235
Financial Assets - Long term loans	14	62,163	62,380
Total Non Current Assets		91,163	90,878
CURRENT ASSETS			
Inventories	16	69,088	96,552
Trade and other receivables	17	26,109	28,052
Cash and cash equivalents	18	70,977	80,732
Total Current Assets		166,174	205,336
TOTAL ASSETS		257,337	296,214
CURRENT LIABILITIES			
Trade and other payables	19	70,461	78,740
Total Current Liabilities		70,461	78,740
NON CURRENT ASSETS PLUS NET CURRENT ASSETS		186,876	217,474
NON CURRENT LIABILITIES			
Provisions	21	2,558	2,259
Total Non Current Liabilities		2,558	2,259
ASSETS LESS LIABILITIES		184,318	215,215
TAXPAYERS' EQUITY			
Grant in Aid Reserve		154,861	189,996
Revaluation Reserve		17,158	16,558
Government Grant Reserve		11,785	10,504
General Reserve		514	(1,844)
		184,318	215,214

Prior year comparatives are purely Agency figures as the acquisition of Business Link took place on 1 April 2010.

The notes on pages 52 to 88 form part of these accounts. The financial statements on pages 41 to 88 were approved by the Board on 1 July 2011 and were signed on its behalf by:

Mick Laverty
Chief Executive and Accounting Officer

Sir Roy McNulty
Chairman

Agency Statement of Financial Position
As at 31 March 2011

	Notes	2010-2011	2009-2010
		£'000	£'000
NON CURRENT ASSETS			
Property, plant and equipment	10	9,535	10,444
Intangible assets	11	0	392
Investments in Associates	12a	0	116
Investments in Joint Ventures	12b	(14,700)	(15,463)
Financial Assets - Venture Capital Funds	12c	26,930	25,773
Financial Assets - Long term receivables	13	7,235	7,235
Financial Assets - Long term loans	14	62,163	62,380
Total Non Current Assets		91,163	90,877
CURRENT ASSETS			
Inventories	16	69,088	96,552
Trade and other receivables	17	25,083	28,052
Cash and cash equivalents	18	65,721	80,732
Total Current Assets		159,892	205,336
TOTAL ASSETS		251,055	296,213
CURRENT LIABILITIES			
Trade and other payables	19	69,596	78,740
Total Current Liabilities		69,596	78,740
NON CURRENT ASSETS PLUS NET CURRENT ASSETS		181,459	217,473
NON CURRENT LIABILITIES			
Provisions	21	2,232	2,259
Total Non Current Liabilities		2,232	2,259
ASSETS LESS LIABILITIES		179,227	215,214
TAXPAYERS' EQUITY			
Grant in Aid Reserve		152,430	189,996
Revaluation Reserve		17,158	16,558
Government Grant Reserve		11,785	10,504
General Reserve		(2,146)	(1,844)
		179,227	215,214

The notes on pages 52 to 88 form part of these accounts.

The financial statements on pages 41 to 88 were approved by the Board on 1 July 2011 and were signed on its behalf by:

Mick Laverty
Chief Executive and Accounting Officer

Sir Roy McNulty
Chairman

Group Cash Flow Statement
For the year ended 31 March 2011

	Notes	2010-2011 £'000	2009-2010 Restated £'000
Net Expenditure after interest		**(182,127)**	**(268,233)**
(Increase)/Decrease in trade and other receivables	17	2,862	(1,575)
(Increase)/Decrease in Inventories	16	(6,130)	(12,284)
Increase/(Decrease) in Trade Payables	19	(17,903)	13,919
Use of provisions	21	775	(227)
Depreciation / Amortisation	10/11	1,112	775
Corporation Tax Paid		(3)	(4,956)
Net cash outflow from operating activites		**(201,414)**	**(272,581)**
Cash flows from investing activities			
Purchase of Property, Plant and Equipment	10	(15)	(163)
Purchase of Intangible Assets	11	0	(189)
Impairment of loans	15	215	2
Loans to other bodies	14	0	(1,000)
Payments to Venture Capital Funds	12c	(2,265)	(11,900)
Repayments from other bodies	14	1,505	3,304
Interest receivable		(1,379)	(3,059)
Disposal of Property, Plant and Equipment	10	0	6
Disposal of Intangible Assets	11	90	0
Inventories write up transferred to Reserves	16	513	1,097
Net cash outflow from investing activities		**(1,336)**	**(11,902)**
Cash flows from financing activities			
Grants from parent department		179,373	296,170
Grants from other departments		7	181
EU grants to fund Venture Capital Funds		1,765	5,700
Bank Interest		62	329
By-Analogy pension scheme		0	9
Late interest payment		0	219
Net financing		**181,207**	**302,608**
Net increase/(decrease) in cash and cash equivalents in the period		**(21,543)**	**18,125**
Cash and cash equivalents at the beginning of the period	18	92,520	62,607
Cash and cash equivalents at the end of the period	18	70,977	80,732

Prior year comparatives are purely Agency figures as the acquisition of Business Link took place on 1 April 2010.

As a result in change of accounting policy as reported in the 2010-11 FReM, the Cashflow Statement has been restated to remove the cost of capital charge.

Agency Cash Flow Statement
For the year ended 31 March 2011

	Notes	2010-2011 £'000	2009-2010 Restated £'000
Net Expenditure after interest		**(181,884)**	**(268,233)**
(Increase)/Decrease in trade and other receivables	17	(625)	(1,575)
(Increase)/Decrease in Inventories	16	(6,130)	(12,284)
Increase/(Decrease) in Trade Payables	19	(7,356)	13,919
Use of provisions	21	0	(227)
Depreciation / Amortisation	10/11	1,112	775
Corporation Tax Paid		0	(4,956)
Net cash outflow from operating activites		**(194,883)**	**(272,581)**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(15)	(163)
Purchase of intangible assets	11	0	(189)
Impairment of loans	15	215	2
Loans to other bodies	14	0	(1,000)
Payments to Venture Capital Funds	12c	(2,265)	(11,900)
Repayments from other bodies	14	1,505	3,304
Interest receivable		(1,379)	(3,059)
Disposal of Property, Plant and Equipment	10	0	6
Disposal of Intangible Assets	11	90	0
Inventories write up transferred to Reserves	16	513	1,097
Net cash outflow from investing activities		**(1,336)**	**(11,902)**
Cash flows from financing activities			
Grants from parent department		179,373	296,170
Grants from other departments		7	181
EU grants to fund Venture Capital Funds		1,765	5,700
Bank Interest		54	329
By Analogy pension scheme		9	9
Late Interest payment		0	219
Net financing		**181,208**	**302,608**
Net increase/(decrease) in cash and cash equivalents in the period		**(15,011)**	**18,125**
Cash and cash equivalents at the beginning of the period	18	80,732	62,607
Cash and cash equivalents at the end of the period	18	65,721	80,732

As a result in change of accounting policy as reported in the 2010-11 FReM, the Cashflow Statement has been restated to remove the cost of capital charge.

Group Statement of Changes in Taxpayers' Equity For the year ended 31 March 2011

	General Reserve £'000	Government Grant Reserve £'000	Reval Reserve £'000	Grant in Aid Reserve £'000	Total Reserves £'000
Balance at 1 April 2009	**4,823**	**0**	**24,895**	**181,267**	**210,985**
Total Comprehensive Expenditure					
Changes in Taxpayers' Equity 2009-10					
Transfers between reserves	(6,638)	6,638	(9,563)	9,563	0
Actuarial gain / (loss)	(29)	0	0	0	(29)
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
Total Comprehensive Expenditure for the year	0	0	1,226	(296,533)	(295,307)
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**
Balance at 1 April 2010	**(1,844)**	**10,504**	**16,558**	**189,996**	**215,214**
Total Comprehensive Expenditure					
Acquisition reserves	5,335	0	0	0	5,335
Changes in Taxpayers' Equity 2010-11					
Transfers between reserves	22,404	0	0	(22,404)	0
Actuarial gain / (loss)	28	0	0	0	28
ERDF receipts for VCF's	0	1,765	0	0	1,765
ERDF released for impairment of VCF's	0	(484)	0	484	0
Repayments of grant to HCA	(330)	0	0	0	(330)
Total Comprehensive Expenditure for the year	(25,079)	0	600	(192,588)	(217,067)
Total recognised income and expense for 2010-2011	**2,358**	**1,281**	**600**	**(214,508)**	**(210,269)**
Grant in aid from BIS to fund capital expenditure	0	0	0	9,689	9,689
Grant in aid from BIS to fund revenue expenditure	0	0	0	169,684	169,684
Balance at 31 March 2011	**514**	**11,785**	**17,158**	**154,861**	**184,318**

Prior year comparatives are purely Agency figures as the acquisition of Business Link took place on 1 April 2010.

Agency Statement of Changes in Taxpayers' Equity For the year ended 31 March 2011

	General Reserve £'000	Government Grant Reserve £'000	Reval Reserve £'000	Grant in Aid Reserve £'000	Total Reserves £'000
Balance at 1 April 2009	**4,823**	**0**	**24,895**	**181,267**	**210,985**
Total Comprehensive Expenditure Changes in Taxpayers' Equity 2009-10					
Transfers between reserves	(6,638)	6,638	(9,563)	9,563	0
Actuarial gain / (loss)	(29)	0	0	0	(29)
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
Total Comprehensive Expenditure for the year	0	0	1,226	(296,533)	(295,307)
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**

	General Reserve £'000	Government Grant Reserve £'000	Reval Reserve £'000	Grant in Aid Reserve £'000	Total Reserves £'000
Balance at 1 April 2010	**(1,844)**	**10,504**	**16,558**	**189,996**	**215,214**
Total Comprehensive Expenditure Changes in Taxpayers' Equity 2010-11					
Actuarial gain / (loss)	28	0	0	0	28
ERDF receipts for VCF's	0	1,765	0	0	1,765
ERDF released for impairment of VCF's	0	(484)		484	0
Repayments of grant to HCA	(330)	0	0	0	(330)
Total Comprehensive Expenditure					0
for the year	0	0	600	(217,424)	(216,824)
Total recognised income and expense for 2010-2011	**(302)**	**1,281**	**600**	**(216,940)**	**(215,361)**
Grant in aid from BIS to fund capital expenditure	0	0	0	9,689	9,689
Grant in aid from BIS to fund revenue expenditure	0	0	0	169,685	169,685
Balance at 31 March 2011	**(2,146)**	**11,785**	**17,158**	**152,430**	**179,227**

Statement of Changes in Taxpayers' Equity (cont'd)

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 unrealised gains resulting from the upward revaluation of Property, Plant and Equipment (PPE). These gains are released to the Statement of Comprehensive Net Expenditure to (1) offset any downward revaluations on the revalued assets 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 2011

1 Accounting Policies

(1) Basis of Accounting

The financial statements of Advantage West Midlands have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury and in a form directed by the Secretary of State for Business Innovation and Skills, with approval of HM Treasury, in accordance with the Regional Development Agencies Act 1998. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of 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 24 February 2011 which is effective for the 2010-11 financial year.

(1a) Changes of Accounting Standards from UK GAAP based FReM to IFReM

The Agency applies new or amended International Financial Reporting Standards (IFRS) in line with their adoption in the Financial Reporting Manual (FReM).

Impairment of financial assets – amendment to the FReM

The 2010-11 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 Statement of Comprehensive Net Expenditure. This change will be implemented by the Agency in the 2010-11 accounts. The main implication for the Agency concerns an impairment that arises on an asset previously revalued.

Cost of capital charge – amendment to the FReM

As a result in change of accounting policy as reported in the 2010-11 FReM, the cost of capital charge has been removed from the Statement of Comprehensive Net Expenditure. As such the 2010-11 accounts do not contain a cost of capital charge and a prior year restatement has been made. There is no impact to the Statement of Financial Position and therefore the IAS1 requirement to disclose two years prior figures is not applicable.

In addition the following IFRS change has been adopted early:

IFRS 8 Segmental reporting – early adoption

The 2009-10 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.

Notes to the Financial Statements for the year ended 31 March 2011

Accounting Policies (continued)

(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.

(2) Basis of Consolidation

On the 1 April 2010 Advantage West Midlands acquired control of Business Link West Midlands Limited and its subsidiaries West Midlands Brokerage Services Ltd and Gateway West Midlands Ltd. There was no consideration paid for the transaction, Advantage West Midlands became a member of the company with the effective date of 1 April 2010 and all the previous members of the company resigned under voluntary agreement.

The consolidated accounts incorporate the Agency and its subsidiary undertakings Business Link West Midlands Limited. This is the first year of consolidation and as a result there are no group comparative figures.

(3) 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.

Notes to the Financial Statements for the year ended 31 March 2011

Accounting Policies (continued)

(4) 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 31 March 2011 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 the Statement of Changes in Taxpayers' Equity. Decreases in the carrying amount that offset previous increases of the same asset are charged against the Revaluation Reserve; all other decreases are charged to the Statement of Comprehensive Net Expenditure.

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.

(5) Depreciation and Amortisation

Depreciation and amortisation is provided to write off the cost of non current assets 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 land and property assets held under Property Plant and Equipment are valued on the basis of future income streams and therefore we depreciate the land and property as a whole and not seperately.

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

Notes to the Financial Statements for the year ended 31 March 2011

Accounting Policies (continued)

The Agency has reviewed the useful lives of it's short life assets (under 10 years) in line with the policy and concluded that these assets have a life less than 12 months on the basis that the assets will be disposed of in the next 12 months prior to closure. The Agency has therefore fully depreciated these assets.

(6) Inventories

Inventories, consisting of land and buildings are held short term for disposal. Inventories are shown at fair value. Increases in the carrying amount arising on revaluation are credited to the Revaluation Reserve in the Statement of Changes in Taxpayers' Equity. Decreases in the carrying amount that offset previous increases of the same asset are charged against the Revaluation Reserve; all other decreases are charged to the Statement of Comprehensive Net Expenditure.

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 31 March 2011 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 and are recognised in the Statement of Comprehensive Net Expenditure. Acquisitions and disposals are accounted for on the date of legal completion.

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

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. Increases in the carrying amount arising on revaluation are credited to the Revaluation Reserve in the Statement of Changes in Taxpayers' Equity. Decreases in the carrying amount that offset previous increases of the same asset are charged against the Revaluation Reserve; all other decreases are charged to the Statement of Comprehensive Net Expenditure.

(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.

Notes to the Financial Statements for the year ended 31 March 2011

Accounting Policies (continued)

Under the Voluntary Exit Scheme where an employee takes early retirement before their normal pension age, the cost of this is met by the Agency up to the point of their normal pension age, after which the scheme meets the cost.

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 date of the Statement of Financial Position.

(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 Statement of Comprehensive Net Expenditure.

(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 Statement of Comprehensive Net Expenditure 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.

Notes to the Financial Statements for the year ended 31 March 2011

Accounting Policies (continued)

(12) Financial Instruments

The Agency has no borrowings and relies primarily on Grant in Aid from its sponsor Department 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 receivables 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.

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 Statement of Comprehensive Net Expenditure.

Notes to the Financial Statements for the year ended 31 March 2011

Accounting Policies (continued)

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.

Increases in the carrying amount arising on revaluation of Loan Investments are credited to the Revaluation Reserve in the Statement of Changes in Taxpayers' Equity. Decreases in the carrying amount that offset previous increases of the same asset are charged against the Revaluation Reserve; all other decreases are charged to the Statement of Comprehensive Net Expenditure.

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 Statement of Comprehensive Net Expenditure.

Determination of fair value

For 2010-11 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.

Notes to the Financial Statements for the year ended 31 March 2011

Accounting Policies (continued)

The loss is recognised in the Statement of Comprehensive Net Expenditure 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.

(13) Revenue Recognition

Operating income is recognised on a receivable basis.

(14) 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.

(15) 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.

(16) 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.

(17) 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 Statement of Comprehensive Net Expenditure.

Notes to the Financial Statements for the year ended 31 March 2011

2 Segmental Reporting of Programme Expenditure

Strategic Function	Actual Spend Group 2010-2011 £'000s	Actual Spend Agency 2010-2011 £'000s	Actual Spend Group / Agency 2009-2010 £'000s
International Business	3,248	3,248	5,174
Market Opportunities (through Clusters)	25,203	25,203	26,168
Enterprise & Business Development	31,338	36,192	51,734
Finance for Business	25,650	25,650	37,042
Technology Capacity & Business Innovation	29,958	29,958	44,127
Tourism & Culture	15,885	15,885	19,921
Skills for Business	10,282	10,282	15,332
Total Business	**141,564**	**146,418**	**199,498**
Land & Buildings for Economic Growth	11,686	11,686	60,663
Infrastructure & Asset Development	42,174	42,174	34,145
Total Place	**53,860**	**53,860**	**94,808**
Sustainable Living & Working	350	350	1,897
Access to Employment (Economic Inclusion)	2,755	2,755	4,433
Total People	**3,105**	**3,105**	**6,330**
Regional Leadership	3,809	3,809	12,586
Total Powerful Voice	**3,809**	**3,809**	**12,586**
Total	**202,338**	**207,192**	**313,222**
Less Reconciling items			
Inventories additions	7,409	7,409	15,014
Venture Capital Funds Capitalised	2,265	2,265	11,900
PXP Dowry reduction	(15,000)	(15,000)	0
Acorn Loan additions	0	0	1,000
AEIF additions (not charged to SoCNE)	4,911	4,911	1,267
Land & buildings additions	14	14	82
Venture Capital Funds Timing Difference	477	477	0
ERDF Provision	185	185	0
Repayable grant	0	0	80
Total Reconciling Items	**261**	**261**	**29,343**
Total Programme Expenditure	**202,077**	**206,931**	**283,879**
Funded by	£'000	£'000	£'000
Expenditure funded from European income	26,114	30,510	27,419
Expenditure funded from Grant in Aid and self	175,962	176,421	256,460
Funding received by	£'000	£'000	£'000
Public Sector Recipients	121,691	121,691	162,558
Private Sector Recipients	80,385	85,240	121,321
Total Programme Expenditure	**202,076**	**206,931**	**283,879**

AWM does not include assets or liabilities in the segment information as they are managed on a portfolio 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 2011

3 European Funding

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency £'000
ERDF 2000-2006 Grants Receivable	0	0	4
ERDF 2007-2013 Grants Receivable	31,834	31,576	27,415
	31,834	31,576	27,419

Funding from the European Regional Development Fund (ERDF) 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

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency £'000
UK Trade and Investment Grant	31	31	211
Nanomaterials Centre BIS Grant	0	0	737
Coal Grant	322	322	127
Other Grants	9,021	0	(18)
DFT Grant	19	19	284
MAS SIF Grant	777	777	209
School Gates Grant	59	0	50
Climate KIC European Grant	52	52	0
	10,281	1,201	1,600

5 Other Income

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency £'000
Rent	488	905	1,179
Partner Contributions	839	839	1,307
Clawback	2,931	2,931	2,187
Other Income	7,587	7,582	4,144
Secondee Income	252	293	317
	12,097	12,550	9,134

Rent is received under operating leases in respect of property rentals received from assets held in Property, Plant and Equipment.

Notes to the Financial Statements for the year ended 31 March 2011

6 Interest Receivable

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency £'000
Bank Interest	62	55	329
Interest on Property Regeneration Partnership (PXP) Loan Notes B	783	783	2,410
Unwind the discount on Loan Note A	290	290	284
Unwind the discount on long term receivables	251	251	36
	1,386	1,379	3,059

Notes to the Financial Statements for the year ended 31 March 2011

7 Salaries and Wages

(a) Board and Staff Remuneration

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency £'000
Permanent Staff			
Board Members			
Board Members' Fees	212	212	226
Social Security Costs	36	36	41
	248	248	267
By analogy pension paid to N Paul on retirement	9	9	5
Staff			
Salaries and wages inc. overtime	19,695	12,367	13,908
Pension Costs	2,601	2,310	2,680
Social Security costs	1,804	1,053	1,181
	24,100	15,730	17,769
Staff Seconded Out			
Salaries and wages inc. overtime	228	228	248
Pension Costs	44	44	47
Social Security Costs	21	21	22
	293	293	317
Other Staff			
Agency staffing costs	733	733	1,325
Redundancy costs			
Redundancy costs paid via payroll	3,040	511	0
Sub Total	28,423	17,524	19,683
Income from Staff Seconded Out	(293)	(293)	(317)
Redundancy costs charged to programme	3,288	3,288	0
Permanent Staff salaries coded to Programme Activities			
Salaries and wages inc. overtime	556	556	493
Pension Costs	101	101	92
Social Security Costs	44	44	40
	701	701	625
Total Agency Salaries and Wages	32,119	21,220	19,991

Prior year comparatives are purely Agency figures as the acquisition of Business Link took place on 1 April 2010.

Notes to the Financial Statements for the year ended 31 March 2011

(b) Staffing

The average number of FTE staff employed by the Agency during the year (including all Agency and seconded staff) was 293 (2009-10: 382).

Department	Senior Mgt	Perm Staff	Staff on inward second -ment	Temporary and Agency Staff	Total
Chief Executive and Internal Audit	1	7	0	0	8
Resources Directorate	1	112	0	0	113
Partnerships & Communications Directorate	1	50	0	0	51
Economic Regeneration Directorate	1	37	0	0	38
Economic Development Directorate	1	47	0	0	48
Strategy & Skills Directorate	1	26	0	0	27
UKTI	0	2	0	0	2
Secondment	0	6	0	0	6
Total	**6**	**287**	**0**	**0**	**293**

(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	40
University of Birmingham	1	34
Birmingham City University	1	14
University of Warwick	1	44

(d) Staff Absence

The twelve month analysis to 31 March 2011 shows we lost 2,698 days due to absence out of a possible absence of 77,847. This equates to an absence rate of 3.47%.

(e) Subsidiaries

Average number of FTE staff employed by subsidiaries during the year:

	2011
Business Link West Midlands Ltd	0
West Midlands Brokerage Services Ltd	216
Gateway West Midlands Ltd	0

Notes to the Financial Statements for the year ended 31 March 2011

(f) Reporting of Civil Service and other compensation schemes

Exit Package Cost Band (£)	Number of Compulsory Redundancies	Number of Voluntary Redundancies	Total number of Exits by Cost band
Less than 10,000	0	10	10
10,000 - 25,000	0	29	29
25,000 - 50,000	0	28	28
50,000 - 100,000	0	16	16
100,000 - 150,000	0	2	2
150,000- 200,000	0	1	1
200,000 - 250,000	0	1	1
Total number of exits by type	**0**	**87**	**87**
Total cost of exits (£'000)	**0**	**3,288**	**3,288**

Redundancy and other departure costs have been paid in accordance with the provision of the new Civil Service Compensation Scheme, a statutory scheme made under the terms of the Superannuation Act 2010. Exit costs are accounted for in full in the year of departure and a provision is made in year for any contracted exits that arise early in the following year. Where staff are entitled to take early retirement, in accordance with the provision of the new Civil Service Compensation Scheme, the costs are met by the Agency. Ill-health retirement costs are met by the pension scheme and are not included in the table above.

Notes to the Financial Statements for the year ended 31 March 2011

8 Other Administration Costs

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency £000
Office costs	2,595	888	1,126
Other staff costs	786	260	803
Professional costs	264	83	263
Lease Payments - Property	685	685	681
IT and communication	1,071	517	406
Lease Payments - Plant and Equipment	205	205	211
Travel and subsistence	151	151	195
Estate management	108	49	114
Auditors remuneration - Statutory audit services	94	66	66
Auditors remuneration - ERDF audit services	0	0	2
Auditors remuneration - IFRS audit services	22	0	7
Auditors remuneration - other	14	0	0
Independent supplementary review	0	0	77
Internal audit services	(23)	(23)	81
	5,972	2,881	4,032

The internal audit services credit balance relates to the reversal of accrued expenditure from 2009-10 that did not go ahead.

Prior year comparatives are purely Agency figures as the acquisition of Business Link took place on 1 April 2010.

9 Interest Payable

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency Restated £000
Financing costs of by analogy Pension scheme	9	9	9
Interest charge for Corporation Tax	0	0	219
	9	9	228

Notes to the Financial Statements for the year ended 31 March 2011

10 Property, plant and equipment (PPE)

Group

	Land & Buildings £'000	Information Technology £'000	Fixtures and Fittings £'000	Total £'000
Cost				
As at 1 April 2010	10,442	2,578	3,122	16,142
Additions in year	14	1	0	15
Impairment	(203)	0	0	(203)
Write up	87	0	0	87
As at 31 March 2011	10,340	2,579	3,122	16,041
Depreciation				
As at 1 April 2010	407	2,388	2,903	5,698
Depreciation in year	398	191	219	808
As at 31 March 2011	805	2,579	3,122	6,506
Net Book Value 31 March 2011	9,535	0	0	9,535
Net Book Value 31 March 2010	10,035	190	219	10,444
Asset financing:				
Owned	9,535	0	0	9,535
Finance Leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
Net Book Value 31 March 2011	9,535	0	0	9,535

	Land & Buildings £'000	Information Technology £'000	Fixtures and Fittings £'000	Total £'000
Cost				
As at 1 April 2009	11,575	1,611	1,968	15,154
Additions in year	82	1	80	163
Disposals	0	(6)	0	(6)
Impairment	(1,344)	0	0	(1,344)
Write up	129	0	0	129
As at 31 March 2010	10,442	1,606	2,048	14,096
Depreciation				
As at 1 April 2009	0	1,248	1,722	2,970
Depreciation in year	407	168	107	682
As at 31 March 2010	407	1,416	1,829	3,652
Net Book Value 31 March 2010	10,035	190	219	10,444
Net Book Value 31 March 2009	11,575	363	246	12,184

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

Notes to the Financial Statements for the year ended 31 March 2011

10 Property, plant and equipment (PPE) - continued

Agency

	Land & Buildings £'000	Information Technology £'000	Fixtures and Fittings £'000	Total £'000
Cost				
As at 1 April 2010	10,442	1,606	2,048	14,096
Additions in year	14	1	0	15
Impairment	(203)	0	0	(203)
Write up	87	0	0	87
As at 31 March 2011	10,340	1,607	2,048	13,995
Depreciation				
As at 1 April 2010	407	1,416	1,829	3,652
Depreciation in year	398	191	219	808
As at 31 March 2011	805	1,607	2,048	4,460
Net Book Value 31 March 2011	9,535	0	0	9,535
Net Book Value 31 March 2010	10,035	190	219	10,444
Asset financing:				
Owned	9,535	0	0	9,535
Finance Leased	0	0	0	0
On Balance sheet PFI contracts	0	0	0	0
Net Book Value 31 March 2011	9,535	0	0	9,535

	Land & Buildings £'000	Information Technology £'000	Fixtures and Fittings £'000	Total £'000
Cost				
As at 1 April 2009	11,575	1,611	1,968	15,154
Additions in year	82	1	80	163
Disposals	0	(6)	0	(6)
Impairment	(1,344)	0	0	(1,344)
Write up	129	0	0	129
As at 31 March 2010	10,442	1,606	2,048	14,096
Depreciation				
As at 1 April 2009	0	1,248	1,722	2,970
Depreciation in year	407	168	107	682
As at 31 March 2010	407	1,416	1,829	3,652
Net Book Value 31 March 2010	10,035	190	219	10,444
Net Book Value 31 March 2009	11,575	363	246	12,184

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

Notes to the Financial Statements for the year ended 31 March 2011

11 Intangible Assets

Software Licences	Group £'000	Agency £'000
Cost		
As at 1 April 2010	1,446	917
Additions in year	0	0
Disposals	(90)	(90)
As at 31 March 2011	1,356	827
Amortisation		
As at 1 April 2010	1,054	525
Amortisation in year	302	302
As at 31 March 2011	1,356	827
Net Book Value 31 March 2011	0	0
Net Book Value 31 March 2010	392	392

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

Notes to the Financial Statements for the year ended 31 March 2011

12 Financial Assets - Investments

(a) Investments in Associates

Name of Undertaking	Interest	Nature of Business	Net Assets £'000	Share of Net Assets £'000	Turnover £'000
West Midlands Development Agency Ltd	100%	Dormant	Nil	Nil	Nil
West Midlands Broadband Co	14%	Dissolved	Nil	Nil	Nil
Midlands Aerospace Alliance Limited	20%	Dormant	Nil	Nil	Nil
Sandwell Urban Regeneration Company Ltd	33%	Dissolved	Nil	Nil	Nil
Pride in Camp Hill Ltd	33%	Physical regeneration of the Camp Hill area within Nuneaton.	0	0	0
TOTAL 2010-11			**0**	**0**	**0**
TOTAL 2009-10			**353**	**117**	**796**

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.

West Midlands Broadband Company was dissolved on 6 November 2009.

Sandwell Urban Regeneration Company Ltd was dissolved on 5 October 2010.

Pride in Camp Hill Ltd were again unable to provide us with accounts as at 31 March 2011 and also as at 31 March 2010. AWM are therefore unable to disclose the share of net assets for Pride in Camp Hill Ltd. AWM is however satisfied that this is not a material omission

Notes to the Financial Statements for the year ended 31 March 2011

(b) Investments in Joint Ventures

Name and address of Undertaking	Interest	Nature of Business	Net Assets/ Liabilities £'000	Share of Net Assets/ Liabilities £'000	Share of Profit on Ordinary Activities £'000
The British Midlands Development Corporation Suite 9100 9th floor 20 North Waker Drive Chicago Illinois 60606	50%	Closed November 2010	Nil	Nil	Nil
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	(29,399) net liabilities	(14,700) net liabilities	864
TOTAL 2010-11			**(29,399) net liabilities**	**(14,700) net liabilities**	**864**
TOTAL 2009-10			**(30,925) net liabilities**	**(15,463) net liabilities**	**808**

Key financial results of PXP West Midlands LP

Turnover £'000	Profit after Tax £'000	Fixed Assets £'000	Current Assets £'000	Liabilities due within one year £'000	Liabilities due after one year £'000
2,489	959	41,225	6,233	11,690	34,989

Notes to the Financial Statements for the year ended 31 March 2011

(c) Financial Assets - Venture Capital Funds (VCF's)

	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 2010	3,180	16,138	2,000	8,000	3,400	32,718
Additions	0	0	500	0	1,765	2,265
Closing Balance 31 March 2011	3,180	16,138	2,500	8,000	5,165	34,983
Impairment						
Opening Balance 1 April 2010	(3,180)	(3,269)	(312)	(152)	(32)	(6,945)
Movement in provision	0	(711)	(47)	(125)	(225)	(1,108)
Closing Balance 31 March 2011	(3,180)	(3,980)	(359)	(277)	(257)	(8,053)
Net Book Value 31 March 2011	0	12,158	2,141	7,723	4,908	26,930
Net Book Value 31 March 2010	0	12,869	1,688	7,848	3,368	25,773

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 Regional Development Fund (ERDF) has provided 38% of the AEIF loan, 50% of the Early Advantage Partnership Loan and 33% of the Exceed Partnership Loan.

Notes to the Financial Statements for the year ended 31 March 2011

13 Financial Assets - Long Term Receivables

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency £'000
Long term receivables after 1 year			
Opening balance at 1 April	5,541	5,541	6,519
Fair value adjustment	(1,051)	(1,051)	(1,014)
Interest	36	36	36
Closing balance at 31 March	**4,526**	**4,526**	**5,541**
Impairment			
Opening balance at 1 April	1,694	1,694	716
Movement in provision	1,015	1,015	978
Closing balance at 31 March	2,709	2,709	1,694
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 2011

14 Financial Assets - Long Term Loans

	Loan A £'000	Loan B £'000	RDC £'000	ATBF £'000	Total £'000
Cost:					
Opening Balance at 1 April 2010	13,172	44,400	23	9,785	67,380
Additions	0	0	0	0	0
Unwinding of prior year discounting	290	0	0	215	505
Current year discounting	0	0	0	0	0
Interest	0	783	0	0	783
Repayments	0	0	(5)	(1,500)	(1,505)
Value as at 31 March 2011	13,462	45,183	18	8,500	67,163
Impairment:					
Opening Balance at 1 April 2010	0	0	0	(5,000)	(5,000)
Movement in Provision	0	0	0	0	0
Value as at 31 March 2011	0	0	0	(5,000)	(5,000)
Net Book Value at 1 April 2010	13,172	44,400	23	4,785	62,380
Net Book Value at 31 March 2011	13,462	45,183	18	3,500	62,163

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

Notes to the Financial Statements for the year ended 31 March 2011

15 Impairments

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency £'000
Impairments			
Impairment of Venture Capital Funds	1,108	1,108	1,697
Unwinding of prior year discount of ATBF loan	(215)	(215)	(213)
Discounting of ATBF loan	0	0	215
Interest of Long Term Receivables	36	36	36
Discounting of Loan Notes A	(290)	(290)	(284)
Property, Plant & Equipment Impairment	203	203	1,344
Inventories write down	33,081	33,081	30,576
Closing balance at 31 March	33,923	33,923	33,371
Charged to the Statement of Comprehensive Net Expenditure	34,428	34,428	33,868
Charged to the Grant in Aid Reserve	(505)	(505)	(497)
	33,923	33,923	33,371

16 Inventories

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency £'000
Balance as at 1st April	96,552	96,552	114,847
Additions in year	7,409	7,409	15,014
	103,961	**103,961**	**129,861**
Book value on disposal of assets	(2,305)	(2,305)	(3,830)
	101,656	**101,656**	**126,031**
Write down charged to Statement of Comprehensive Net Expenditure	(33,081)	(33,081)	(30,576)
Upward valuation transferred to Revaluation Reserve	513	513	1,097
Valuation at 31 March	**69,088**	**69,088**	**96,552**

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 2011

17 Trade and other Receivables

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency £'000
Amounts receivable within one year:			
Trade receivables	4,096	3,248	2,001
Provision for bad debts	(29)	(29)	(119)
Prepayments	357	179	868
Other receivables	334	334	2,715
Accrued ERDF 2000-06 income	0	0	4,479
Accrued ERDF 2007-13 income	19,649	19,649	13,622
Other accrued income	1,360	1,360	284
Value added tax	315	315	574
UKTI receivables	0	0	7
Corporation Tax	27	27	0
Deferred Tax	0	0	3,621
	26,109	25,083	28,052

Intra-Government Balances

	2010-2011 £'000	2010-2011 £'000	2009-2010 £'000
Amounts Receivable within one year:			
Balances with other central government bodies	21,556	21,557	22,600
Balances with local authorities	2,807	2,720	335
Balances with NHS Trusts	0	0	0
Balances with public corporations and trading fun	0	0	0
Total Public Sector	24,363	24,277	22,935
Balances with bodies external to Government	1,746	806	5,117
	26,109	25,083	28,052

Notes to the Financial Statements for the year ended 31 March 2011

18 Cash and cash equivalents

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency £'000
Balance at 1 April	80,732	80,732	62,607
Acquisition cash balance at 1 April	11,788	0	0
Net change in cash and cash equivalents	(21,543)	(15,011)	18,125
Balance at 31 March	**70,977**	**65,721**	**80,732**
The balances at 31 March were held at:			
Commercial banks and cash in hand	70,977	65,721	80,732
Short term investments	0	0	0
Balance at 31 March	**70,977**	**65,721**	**80,732**

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 2011

19 Trade and other payables

	2010-2011 Group £'000	2010-2011 Agency £000	2009-2010 Group / Agency £'000
Amounts payable within one year:			
Trade payables	28,977	30,020	40,691
Provision for bad debts	0	0	3
ERDF 2007-13 Deferred Income	28,804	28,804	25,002
Other Deferred Income	2,684	507	551
Accruals	7,415	7,916	8,481
Corporation tax	0	0	3,353
Deferred Tax	1,565	1,565	0
TPUK payable	64	64	0
Coal payable	429	226	348
Rental income billed in advance	289	258	221
Other payables	236	236	90
	70,463	69,596	78,740

Intra-Government Balances

	2010-2011 £'000	2010-2011 £000	2009-2010 £'000
Amounts Payable within one year:			
Balances with other central government bodies	3,991	1,813	29,914
Balances with local authorities	7,275	7,275	5,283
Balances with NHS Trusts	31	30	42
Balances with public corporations & trading funds	0	0	0
Total Public Sector	11,297	9,118	35,239
Balances with bodies external to Government	59,166	60,478	43,501
	70,463	69,596	78,740

Notes to the Financial Statements for the year ended 31 March 2011

20 Taxation

	2010-2011 £'000	2009-2010 £'000
Corporation Tax:		
Current year	328	200
Prior year	(3,708)	358
Total	**(3,380)**	**558**
Deferred Taxation:		
Current year	5,192	(398)
Prior year	(5)	(4,946)
Total	**5,187**	**(5,344)**
Total taxation at 31 March	**1,807**	**(4,786)**

The corporation tax for the current year is expected to be charged at the prevailing rate of tax of 28% (2009-10 28%).

	2010-2011 £'000	2009-2010 £'000
Net Expenditure on ordinary activities	(215,617)	(308,694)
Calculated deficit before taxation based on net expenditure	(60,373)	(86,434)
Effects of:		
Non-allowable deficit on non-taxable activities	60,373	86,434
Expenses not deductible for tax	247	0
Other permanent differences (primarily capital gains)	(47)	(199)
Prior year adjustments	1,607	(4,735)
Corporation tax current year charge for the period	**1,807**	**(4,934)**

Notes to the Financial Statements for the year ended 31 March 2011

21 Provisions

	2010-11 Group £'000	2010-11 Agency £'000	2009-10 Group / Agency £'000
Balance as at 1st April	2,259	2,259	7,831
Moved in year	(27)	(27)	(3,874)
Arising in year	335	9	(355)
Paid in year	(9)	(9)	0
Prior year adjustment	0	0	(4,964)
Transfer to Receivables	0	0	3,621
Balance as at 31 March	**2,558**	**2,232**	**2,259**
Analysis as at 31 March			
ERDF Provision	2,246	2,081	2,081
Other Provisions	312	151	178
Balance as at 31 March	**2,558**	**2,232**	**2,259**

The ERDF 2000-06 provision consists of amounts to cover the possible repayment of ERDF on a number of projects which may arise on completion of final closure of the programme by the European Commission.

The Agency Other Provision relates to the By-Analogy Pension Scheme and the provision represents the actuarial valuation of the scheme as at 31 March 2011.

The Group have additional provisions which relate to a grant of £160,000 for the Director Development Programme project where funds were received in advance for activity which potentially would not complete and £165,000 for a potential ERDF liability for a procurement issue.

22 Going Concern

Following the general election last year, the coalition Government outlined a series of proposed changes to how local economic development will be delivered, including its intention to abolish the Regional Development Agencies. Since Advantage West Midlands was established by statute through the Regional Development Agencies Act 1998, further legislation is required to effect its abolition. To this end, the Government published the Public Bodies Bill in Parliament on 29 October 2010. Whether Advantage West Midlands will be abolished, and any resulting timetable for abolition, is subject to the passage of this legislation and has yet to be decided.

Ministers have confirmed that there will be an orderly transition to closure and that some Regional Development Agency activities will transfer to other parts of government. These have already begun; inward investment activity transferred to UKTI on 1 April 2011; and the ERDF programme transferred to the Department for Communities and Local Government and the RDPE programme transferred to the Department for the Environment, Food and Rural Affairs both with effect from 1 July 2011. A series of further transfers to other parts of Government are planned throughout 2011-12. As abolition arrangements have yet to be confirmed there is a material uncertainty that casts significant doubt upon Advantage West Midlands ability to continue to operate in its current form and fulfil its current powers under the Regional Development Agencies Act 1998.

Notes to the Financial Statements for the year ended 31 March 2011

As part of the orderly transition to closure, Business Link activity will cease on 25 November 2011. This is delivered, under contract, by our subsidiary (Business Link West Midlands) and as a result, they will enter an orderly wind down process after this date.

Group management following consultation with its sponsor department the Department for Business Innovation and Skills, have considered the circumstances described above. Whilst there is a material uncertainty over the future of both organisations, group management have concluded that, in the absence of the passing of the legislation necessary to abolish Advantage West Midlands and as they are confident that the conditions of the contract will be fulfilled by the subsidiary, it is appropriate to continue to adopt the going concern basis in preparing the Annual Report and Accounts until such time as this legislation is passed.

23 Events after the Reporting Period

On 6 July 2011, the Government announced its intention to transfer certain development land and property assets from Regional Development Agencies to the Homes and Communities Agency (HCA) for management under a stewardship arrangement. Under this arrangement, HCA will continue to develop the related assets to deliver economic benefits, taking account of the purposes for which they were originally acquired.

The transfer is expected to take effect on 19 September 2011. The transfer order includes a number of Advantage West Midlands assets that are currently included in these accounts under the heading of Inventories – note 16. Details of the assets intended for transfer will be announced when the transfer order is agreed. The transfers will be at the current carrying value of the relevant assets and no gain or loss on transfer will arise.

The Agency has also transferred its responsibilities as managing body for the West Midlands regional ERDF programme to the Department for Communities and Local Government. This transfer completed on 30 June 2011. Had this transfer been effected in 2010, the financial impact would have resulted in a reduction in European Income of £31.5million and expenditure of £30.5million as disclosed in the statement of Comprehensive Net Expenditure.

In addition, the Agency will no longer be responsible for the management of the Rural Development Programme for England which will be handed back to the Department for Environment, Food and Rural Affairs on 30 June 2011. The Agency acted as an agent for this programme and as a result there will be no direct reduction in programme expenditure. However, had this transfer been effected in the current financial reporting period, the value of Grant in Aid credited to the Statement of Changes in Taxpayers' Equity would be reduced by £699k as this was provided by Government to cover the cost of salaries and overhead costs of this activity.

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 14 July 2011.

Notes to the Financial Statements for the year ended 31 March 2011

24 Operating Leases

As at 31 March 2011 the Agency had future commitments under operating leases as follows:

Group

	2010-2011		2009-2010	
	Buildings	Other	Buildings	Other
	£'000	£'000	£'000	£'000
Not later than 1 year	988	266	602	195
Later than 1 year and not later than 5 years	50	316	1,805	369
Later than 5 years	0	0	0	0
	1,038	582	2,407	564

Agency

	2010-2011		2009-2010	
	Buildings	Other	Buildings	Other
	£'000	£'000	£'000	£'000
Not later than 1 year	368	157	602	195
Later than 1 year and not later than 5 years	50	316	1,805	369
Later than 5 years	0	0	0	0
	418	473	2,407	564

Rental costs of operating leases are charged to the Statement of Comprehensive Net Expenditure 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

Agency

At 31st March 2011 the Agency had two contingent liabilities totalling £16,800,000. The first contingent liability of £15,000,000 (2009-10 £30,000,000) resulting from a dowry payable on demand to the Property Regeneration Partnership which was established by the Agency in 2007-08. The second contingent liability of £1,800,000 resulting from a defecit in the Home and Communities Agency Pension Fund. Our sponsor department BIS have undertaken to fund any crystallised deficit.

Business Link

Subsidiary undertaking, West Midlands Brokerage Services Limited and Advantage West Midlands have provided other entities with an indemnity that any future income claw backs will be settled out of the attributable reserves that have been transferred to West Midlands Brokerage Services Limited.

The indemnities are made up of £1,032,322 in respect of Black Country Small Business Services Limited, £1,100,000 in respect of Coventry and Warwickshire Chamber of Commerce Limited and £933,014 in respect of Staffordshire Business Support Limited.

Notes to the Financial Statements for the year ended 31 March 2011

26 Commitments

	2010-2011 Group £'000	2010-2011 Agency £'000	2009-2010 Group / Agency £'000
Capital Expenditure authorised by the Board and contracted at 31 March amounted to:	104,135	104,135	279,151

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 2011 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, Cabinet Office, Small Business Service and UK Trade & Investment.

Other Regional Development Agencies are also sponsored by BIS and so are regarded as related parties. Advantage West Midlands has had transactions with the East Midlands Regional Development Agency, North West Regional Development Agency and One North East 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 2011

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 £	Balances Outstanding at 31 March 2011 £
Mick Laverty Chief Executive	Midlands Excellence Ltd	Board Member	0	0	1,850	0
	Birmingham City Council Excellence Board	Observer	7,935	31,806,986	30,963	0
	Investbx Holdings Ltd	Observer	0	(4,268)	0	0
	Marketing Birmingham	Board Member	0	1,222,197	0	0
	Manufacturing Technology Centre (MTC)	Board Member	0	18,193,696	0	0
	Business Link West Midlands	Chairman	195,205	25,456,266	0	0
	Offpat	Chairman	0	157,435	0	0
	PXP West Midlands	Director	8,694,394	0	0	0
John Doherty Corporate Director	Business Link West Midlands	Director	195,205	25,456,266	0	0
Tim Gebbels Corporate Director	West Midlands in Europe	Member	0	415,308	(271)	0
	City Region Employment and Skills Group	Board Member	42,100	0	0	0
Richard Hutchins Corporate Director	Business Link West Midlands	Director	195,205	25,456,266	0	0

Notes to the Financial Statements for the year ended 31 March 2011

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 £	Balances Outstanding at 31 March 2011 £
Mark Pearce	Sustainability West Midlands	Board Member	24,304	155,080	0	11,779
Corporate Director	Edgar Street Grid (ESG) Hereford Ltd	Observer	0	1,094,303	0	0
Karen Yeomans	Black Country Consortium	Board Member	102	176,250	0	0
Corporate Director	CSW Partnership Ltd	Board Member	0	213,009	0	14,861
	Wolverhampton Development Company	Board Member	0	174,878	0	0
	West Midlands in Europe	Chairman	0	415,308	(271)	0
Stuart Kirkwood	PXP West Midlands	Director	8,694,394	0	0	0
Director	MADE	Non Exec.	0	212,180	0	9,462
Madeleine Atkins	Coventry University Enterprises Ltd	Director	0	2,255,355	10,462	89,316
Board Member	Birmingham, Cov. & Black Country City Region	Member	42,100	0	0	0
	National Council for Graduate Entrepreneurship	Director	0	70,000	0	0
	CSW Partnership Ltd	Board Member	0	213,009	0	14,861
David Brown	West Midlands in Europe	Chairman	0	415,308	(271)	0
Board Member	Central Technology Belt Ltd	Director	0	236,000	0	0

Notes to the Financial Statements for the year ended 31 March 2011

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 £	Balances Outstanding at 31 March 2011 £
Brendan Connor Board Member	CENEX	Chairman	0	787,400	0	70,280
John Crabtree Board Member	Birmingham Chamber of Commerce	Past President	0	304,821	10,000	38,591
	Birmingham Hippodrome Theatre Trust	Director	0	4,847	0	0
	Birmingham City University	Trustee Committee	0	369,536	13,992	81,228
	Investbx Holdings Ltd	Chairman	0	(4,268)	0	0
Angela Maxwell Board Member	Business Link West Midlands	Advisor	195,205	25,456,266	0	0
	UKTI	Advisor	(5,779)	102,550	0	0
	Birmingham University	Member	0	3,760,744	35,696	1,221,808
	University Hospital Birmingham NHS Foundation Trust	Non-Exec Director	0	32,132	0	0
Kumar Mathalagappan Board Member	University of Warwick	Council Member	833	15,417,247	63,191	3,016,107
Roger Phillips Board Member	Herefordshire Council	Leader	(35)	3,271,231	0	0
	West Midlands Leaders Board	Vice Chairman	100	716,412	10,133	4,046
	Edgar Street Grid (ESG) Hereford Ltd	Director	0	1,094,303	0	0

Notes to the Financial Statements for the year ended 31 March 2011

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	Balances Outstanding at 31 March 2011 £
Sue Prince Board Member	Staffordshire Destination Mgmt Partnership	Board Member	0	110,000	0	0
Ken Taylor Board Member	CSW Partnership Ltd	Board Member	0	213,009	0	14,861
	West Midlands Local Government Association	Member	0	70,795	0	0
Jonnie Turpie Board Member	Warwick University	Fellow	833	15,417,247	63,191	3,016,107
Mike Whitby Board Member	Birmingham City Council	Leader	7,935	31,806,986	30,963	0
	Marketing Birmingham	President	0	1,222,197	0	0
	The National Exhibition Centre	Board Member	0	6,829	0	0
	Birmingham Science Park	Chairman	0	12,570	11,023	4,051
	West Midlands Leader Board	Board Member	100	716,412	10,133	4,046
	Birmingham, Cov. & Black Country City Region	Chairman	42,100	0	0	0
	West Midlands Local Government Association	Board Member	0	70,795	0	0
	Institute of Directors	Member	0	5,000	306	0

Notes to the Financial Statements for the year ended 31 March 2011

28 Financial Instruments

As the cash requirements of the Agency are met through the Department for Business, Innovation and Skills 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 2011	Loans and receivables £'000
Trade and other receivables	31,825
Long term loans	62,163
Cash at bank and in hand	65,721
Total	159,709

Financial Liabilities as at 31 March 2011	Other Financial liabilities £'000
Trade and other payables	40,286
Total	40,286

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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