

**NATIONAL AUDIT OFFICE**

**Independent Supplementary Review**

**East of England Development Agency**

**May 2010**

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# 1. Preface

- 1.1 At the request of the Department for Business, Innovation and Skills, the National Audit Office has undertaken Independent Supplementary Reviews of each of the eight Regional Development Agencies outside London. The Regional Development Agencies were established under the Regional Development Agencies Act 1998 to further regional economic development and regeneration, promote business efficiency and competitiveness, increase employment and the skills base and contribute to regional environmental sustainability.
- 1.2 In the last two years, the Regional Development Agencies have faced a number of challenges: to deliver more efficiently in the face of reduced budgets, to demonstrate maximum value to their regions for the projects they choose to support and to demonstrate flexibility in responding appropriately to the changing requirements of their regional economies in the light of the downturn.
- 1.3 Our reviews address three specific aspects of the Agencies' performance in responding to these challenges. The reviews focus on the strength of the processes and procedures the Agency have put in place. They do not assess the overall impact or value for money of the Agencies. In particular they assess performance against three questions:
  - How effectively has the Regional Development Agency prioritised programmes and projects that offer high value added benefits for the region in the economic downturn and in preparation for the upturn?
  - How effectively is the Regional Development Agency implementing improvement plans?
  - How effectively has the Regional Development Agency implemented improvements in performance management processes and procedures to reflect the lessons of evaluation?
- 1.4 In light of our assessment report the Agency will be required to demonstrate it has plans in place to address any improvements. The National Audit Office will consider the extent to which these plans address the areas for improvement identified in the assessment report and provide the Regional Development Agency with advice.
- 1.5 We would like to thank the Chair, Board, Chief Executive, Executive Management Team and the Agency's staff for their help and assistance during this Independent Supplementary Review. We would also like to thank the numerous stakeholders and partners who have helped us.

## 2. Summary

2.1. The East of England Development Agency (the Agency) has been marked as follows under the three descriptors for this assessment:

Question	Assessment
How effectively has the RDA prioritised the development/delivery of programmes and projects that offer high value added benefits for the region in the economic downturn and in preparation for the upturn?	The East of England Development Agency has demonstrated strong performance in terms of prioritisation
How effectively is the RDA implementing improvement plans?	The East of England Development Agency is achieving good performance in terms of continuous improvement
How effectively has the RDA implemented improvements in performance management processes and procedures to reflect the lessons of evaluation?	The East of England Development Agency is performing good in terms of implementing evaluation into performance management processes

## 3. Context

- 3.1. The East of England is the second largest of the English regions covering an area of 19,120 square kilometres. It includes Kings Lynn in the north and Thurrock in the south, stretching from the coastal areas of Great Yarmouth, Lowestoft and Southend on Sea in the east to Peterborough and Stevenage in the west of the region. Unlike most other English regions, the East of England does not have any core cities which dominate where people live, where businesses locate, and how transport systems operate. It does however count Cambridge, Peterborough, Ipswich and Norwich amongst its urban areas and is also heavily influenced by its proximity to London. The East of England has a diverse urban and rural make-up with many scattered urban, town and fringe areas and a predominantly rural area in northern Norfolk. It has a total population of 5.6 million, with one of the fastest growth rates of the English regions.<sup>1</sup>
- 3.2. The East of England is an important gateway to Europe with seven major sea ports including the fifth largest port in Europe at Felixstowe, which handles around 40 per cent of the UK's container traffic. It is well served by four airports at Luton, Stansted, Southend and Norwich.
- 3.3. The regional economy contributed £120 billion to the UK economy in 2008, with Gross Value Added (GVA) per head calculated at £21,039, equivalent to the UK average. The region is one of the three top performing regions, alongside London and the South East, in generating nine per cent of the GVA for the UK<sup>2</sup>. The Index of Multiple Deprivation shows the most deprived parts of the region are found in coastal areas, in some of the region's larger urban areas which include a number of New Towns, and in some rural areas, particularly in the north and east.
- 3.4. The economy is characterised by innovative research and development activity and has one of the highest numbers of small to medium sized enterprises in the UK. It is also home to global centres of excellence in higher education including the University of Cambridge. The region has the largest life-science cluster of businesses outside the United States of America.
- 3.5. The Agency is committed to five delivery programmes: business support, economic participation, science, innovation and high-level skills, regional infrastructure and sustainable economy. These are underpinned by two foundation programmes which will help to achieve the delivery programmes: strategy and intelligence and partnerships, advocacy and communications. The Agency has, in conjunction with sub-regional partners developed Integrated Development Programmes in ten areas to aid the delivery of shared priorities.

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<sup>1</sup> Regional Profile from ONS: <http://www.statistics.gov.uk/cci/nugget.asp?id=2321>

<sup>2</sup> Regional Profile from ONS: <http://www.statistics.gov.uk/cci/nugget.asp?id=2285>

- 3.6. Unemployment data shows an increase from 5.0 per cent to 6.7 per cent between May-June 2008 and May-June 2009 (an increase of 1.7 percentage points)<sup>3</sup>. The manufacturing and construction sectors were hardest hit. Harlow, Peterborough and the Thames Gateway have experienced the largest unemployment growth, whilst Cambridge has been less affected due to its high concentration of public sector workers and students.
- 3.7. Within the East of England there are 52 local authorities, comprising six unitary councils, five County Councils and 41 District Councils. The Agency, together with the Regional Assembly, has put in place an Implementation Plan to help deliver the Regional Economic Strategy and the Regional Spatial Strategy up to 2031. The East of England Implementation Plan, alongside Integrated Development Programmes is proposed as the foundation for the creation and delivery of the Single Regional Strategy.
- 3.8. The Regional Economic Strategy, agreed in 2008, aims to make the East of England, “an ideas driven region, that is internationally competitive, harness the talent of all and is at the forefront of the low carbon economy”. It focuses on four drivers for addressing competitive advantage: an ideas economy, an adaptive economy, a specialised economy, and an open economy. To deliver its objectives the Regional Economic Strategy has identified seven Engines of Growth as priorities for investment. The Engines of Growth are located in the Thames Gateway, Greater Cambridgeshire, Greater Peterborough, Luton, London arc, Greater Norwich and the Haven Gateway.
- 3.9. The Agency received a single pot allocation of £394.4 million in for the period 2008-11. The Agency’s budget was reduced by £30.6 million due to budget reductions in 2009, resulting in a total budget of £235.4 million over two years until 2010-11<sup>4</sup>.

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<sup>3</sup> Labour Force Survey (ONS): [http://www.statistics.gov.uk/elmr/10\\_09/downloads/Table2\\_19.xls](http://www.statistics.gov.uk/elmr/10_09/downloads/Table2_19.xls)

<sup>4</sup> This paragraph will be updated in line with consistency panel discussions

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

It was too early for the NAO to assess the impact on the region of the action and initiatives put in place by the Agency. This assessment covers how effectively as at November 2009 the Agency had gone about prioritising programmes and projects that provide value added benefits for the region in the economic downturn and in preparation for the upturn.

We have assessed East of England Development Agency as having demonstrated strong performance. The key factors that lie behind this assessment are:

1. A robust approach to collecting economic intelligence within the region that had a demonstrable impact on the Agency's and its partners' approach to the downturn and implications for the future priorities of the region in the upturn
2. The Agency has developed the regions economic analysis capability, working with partners to provide relevant, accessible and innovative analysis which influences regional policy decisions.
3. Early prioritisation using robust criteria including Agency providing data on contribution to regional growth at both programme and project level with strong leadership for the region and endorsement by regional stakeholders
4. The shared understanding with partners on future priorities for the region as been developed into joint investment planning through the East of England Implementation Plan and local Integrated Development Plans

### **4.1. Economic Analysis**

- 4.1.1. In March 2009, the Agency formally launched Insight East as the most recent iteration of the Regional Observatory. Insight East consists of a team of six staff, fully funded by the Agency, who are responsible for regular and ad-hoc economic intelligence and analysis for the region. The team are co-located with the Office of National Statistics Regional Statisticians and the Agency's Strategy Team. The Strategy Team consists of four staff, who are responsible for the Regional Economic Strategy and East of England Implementation Plan. Insight East and the Strategy Team have a combined budget of £1.6 million a year which funds both staffing and the research programme. Whilst the Agency has consistently made economic intelligence and analysis

available to the region, the branding and presentation following the launch of Insight East has raised the profile of the Agency's economic capability within the region<sup>5</sup>.

4.1.2. The Agency plays a key role in gathering and disseminating economic intelligence in the region. It produces or commissions reports on a wide range of topics to inform policy decisions, for example the *Transport Economic Evidence Study* and *Innovation Insight*. The Agency has worked with partners to develop economic analysis tools that are available to the region including the East of England Forecasting Model (EEFM)<sup>6</sup> and Regional Economic Atlas<sup>7</sup>. Analysis is produced at a range of spatial levels and where appropriate contains analysis of different sectors. The Agency produces a range of regular, high quality, accessible outputs, available publicly on the Insight East website, which include:

- Monthly Economic Outlook;
- Labour Market Updates (monthly);
- Regional Intelligence Snapshot (monthly);
- Quarterly Economic Briefs; and
- Local Economic Profiles (bi-annual).

4.1.3. Intelligence from partners is incorporated into the Agency's economic analysis. Business Link submits a monthly performance report on its outputs to the Agency. From September 2008, these were made available to Insight East and have been tailored to provide additional detail during the downturn. Sub-regional partnerships submit a quarterly update to the Agency which provides qualitative information to help explain economic trends.

4.1.4. The Agency works with local authorities and other partners to build economic capacity in the region. The Labour Market & Economy Group, brings together the Agency's economists and policy officers with peers from the East of England Regional Assembly<sup>8</sup>, Government Office East, local authorities, Office of National Statistics and Learning Skills Council. The group provides a discussion forum for policy developments and emerging research, for

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<sup>5</sup> All future references to the Agency's economic analysis and outputs include those of Insight East.

<sup>6</sup> In 2007, EEDA and a number of its regional partners commissioned the development of an East of England Forecasting Model by Oxford Economics. The Model brought together a range of key variables including economic output, productivity, employment, population and housing. These variables are linked showing what impact decisions in one policy or geographical area might have on others. The model produces consistent and comparable forecasts for the UK, East of England and every local authority district and unitary in the region.

<sup>7</sup> The Regional Economic Atlas is a data visualisation tool providing instant access to over 150 economic datasets at Regional, and local authority level. Data is available to view simultaneously in map, chart and tabular formats, showing regional and local trends in economic performance. The tool also allows the monitoring of the performance of the East of England, in line with regional ambitions set out in the Regional Economic Strategy (RES).

<sup>8</sup> The East of England Regional Assembly will no longer exist from 31 March 2010. It is replaced by the East of England Local Government Association.

example on which scenarios should be run by the EEFM, as well as peer review. The Agency also has links with the regions' universities, and uses academic expertise to peer review analytical work and the EEFM, but does not have a standing academic panel to review its work. Stakeholders including the Association of Universities of the East of England, the East of England Public Health Observatory, The East of England Business Group and ONS are part of the Advisory Board of Insight East which meets quarterly to provide guidance on the overall work programme and review individual research reports. In September 2009, the Agency co-founded the East of England Local Economic Assessments Group which it chairs. This group aims to share best practice between local authorities tasked with preparing local economic assessments and is delivering a capacity development programme.

- 4.1.5. The Agency has undertaken specific economic analysis on the impact of the downturn to shape its response. In September 2009, it published the *East of England Recession Impact* report looking at the effect of the downturn on the region. Other reports have looked at the impact of the downturn on specific sectors; for example reports on the impact on the rural economy were published in April and September 2009, and *The Impact of the Recession on Health* in November 2009. Additional funds were made available for Manufacturing Advisory Service-East following Agency economic analysis which showed the impact on the manufacturing sector in the region. Additional funds were put into the Aspiring Women initiative after analysis highlighted that women were heavily represented in the sector at risk. The Agency has provided regular economic updates to the Regional Minister, the Regional Economic Forum, and the Chief Executives of the East of England strategic authorities.
- 4.1.6. The Agency uses economic analysis at all levels to inform its decision making. The Board began receiving monthly economic updates in response to the downturn from November 2008. These consisted of a ten minute verbal update at the beginning of each Board meeting. Prior to that the Board received economic analysis related to specific items but no regular updates. The Board members to whom we spoke said that the quality of the economic intelligence they receive has improved in recent years informing their decision making.
- 4.1.7. The stakeholders to whom we spoke provided positive feedback on the economic intelligence provided by the Agency since the creation of Insight East. They thought the analysis was of a high quality, relevant, timely and accessible. It was clear from stakeholders that the launch of Insight East, and the resultant branding of the Agency's economic products, has raised the profile of the work. Stakeholders to whom we spoke told us that they use the Agency's economic analysis to inform their understanding.

## **4.2 Effectiveness of reprioritisation in response to economic downturn and funding constraints**

- 4.2.1. In August 2008, the Agency jointly published *The East of England Economy: A joint response to changing economic circumstances*, with the Department

and HM Treasury. In September 2008 the Agency, along with all RDAs, became aware that its budget would be reduced. The Agency responded to both events simultaneously often using the same platform to address both (Figure 1). For the purposes of this report the response to both elements have been assessed separately.

- 4.2.2. Since 2006, the region had been developing the Regional Economic Strategy (RES) which was published in September 2008. This was accompanied by a programme of activity to develop Integrated Development Programmes (IDP) in each of the region's agreed growth areas<sup>9</sup>, and the East of England Implementation Plan (EEIP) showing how the Regional Spatial Strategy (RSS) and RES will be delivered. The ongoing dialogue between the Agency and its partners as part of this activity created the context for discussions around the Agency's budget prioritisation, and the region's response to the downturn.

**Figure 1: Timeline of Agency activity in response to downturn and budget cuts**

Sept 2007	Government Assistance to Northern Rock
Aug 2008	Publication of joint BIS/HMT/East of England response to economic downturn
Sept 2008	Lehman Brothers file for bankruptcy proceedings
Sept 2008	The Agency notifies stakeholders that its budget will be reduced
Sept 2008	Launch of Regional Economic Strategy
Sept 2008	Business Map launched
Oct 2008	Agency begins project prioritisation exercise
Nov 2008	Regional Economic Forum Established
Nov 2008	Business intermediaries event
Dec 2008	The UK economy officially enters downturn
Dec 2008	Agency started regular joint meetings with Banks and business
Dec 2008	First Integrated Development Programme launched for Haven Gateway
Jan 2009	Letter to businesses outlining support during the recession
Feb 2009	Stakeholders notified of funding decisions following budget reduction

<sup>9</sup> By December 2009 10 IDPs had been agreed in the region; Haven Gateway, Luton, Peterborough, Norwich, Cambridge, Chelmsford, Yarmouth/Lowestoft, Thames Gateway South Essex, Bedford, and Kings Lynn. In February 2010 work began on an IDP for Harlow.

March 2009	Launch of Insight East
April 2009	Real Help for Business regional event
April 2009	Sub-Regional Economic Summits
April 2009	Establishment of nine Growth Area Partnerships
June 2009	Joint Regional summit with HCA to agree Investment Priorities
June 2009	Refreshed Corporate Plan 2008-11
Nov 2009	Destination Growth Event and launch of 'Your Guide to Business Support'

Source: NAO analysis of Agency data

#### *Prioritisation following budget reductions*

4.2.3. In early September 2008, the Agency became aware that its budget would be reduced and immediately notified partners. Whilst the extent of the budget reduction was being determined the Agency began planning how it would review its activity. In November 2008, the Agency's budget was reduced by £30.6 million (£24.8 million capital and £5.8 million revenue) for 2009-11, equivalent to 12 per cent of the original Grant-in-aid budget (£260.1 million). Taking into account the budget reductions the Agency was over-programmed by £28 million for the period 2008-11<sup>10</sup>.

4.2.4. In October 2008, the Agency began to reprioritise its expenditure to account for the budget reductions, the downturn, and emerging evaluation findings. The prioritisation involved a detailed review of all capital expenditure at the project level and a review of revenue expenditure at an activity level. The Agency developed a set of criteria to guide prioritisation of expenditure. Investments were to:

- address an evidenced market failure;
- offer value for money and quantifiable, significant GVA return at or above benchmark levels;
- have clear and measurable economic outputs and outcomes;
- visibly contribute towards specific RES/ RSS/EEIP objectives;
- deliver against short and long term objectives;
- adhere to sustainability principles and be sustainable in the long run without Agency's funding;
- be aligned to and compatible with other investments in a specific geographical area;
- be able to attract significant leverage and delivered in partnership; and
- be aligned to other strategic drivers such as transport, skills and pan-regional growth agenda.

<sup>10</sup> This includes both moral and legal commitments.

- 4.2.5. In order to inform decision making for capital projects the Agency gathered intelligence on individual projects. Each project was assessed against the criteria and the results of recent evaluative work were used to assess the likely economic impact of each project.
- 4.2.6. The Agency made decisions at the appropriate level and using relevant information. The Executive Team considered the analysis of capital projects culminating at an away day on 9 December 2008. The Board held an away day on the 15 January 2009 when initial decisions were made on the level of funding that would be available at programme level. The data presented to the Board focussed on programme level expenditure and on major projects, generally greater than £3 million. The analysis at project level was available to the Board but decisions on projects worth less than £3 million were primarily taken by the Executive Team.
- 4.2.7. At the conclusion of the prioritisation exercise the Agency ensured that its forward programme was within the available budget. Budget reductions fell primarily on the Economic Participation Programme, £15 million, and the Regional Infrastructure Programme, £6.4 million. The Agency did not remove funding from any legally committed projects. It took the decision to not continue developing 41 legally uncommitted projects (a majority of which were physical regeneration projects), reducing its expenditure by £19.5 million for 2009-10.
- 4.2.8. Decisions were communicated to stakeholders promptly. Stakeholders were made aware of the budget reductions on 3 September 2008 and were kept regularly informed and where appropriate engaged in the process (see paragraph 4.3.4). The Agency sent letters to all stakeholders on the 2 February 2009 outlining the outcomes of the prioritisation exercise.
- 4.2.9. Where the Agency has reduced funding it has worked with partners to identify and access alternative forms of funding. Stakeholders we spoke to told us that the Agency always assesses applications for funding to ensure they are maximising leverage of all alternative funding. Several stakeholders told us that when the Agency announced it was reducing the funding to their project they were assisted in applying for alternative funding, particularly European funding with the recruitment of two European Funding Advisors. There were ongoing discussions with local authorities on how to reshape the Economic Participation Programme following the budget reduction.
- 4.2.10. The stakeholders we spoke to were supportive of the Agency's approach in dealing with the budget reductions. They thought that the Agency had provided leadership to the region in prioritising through the development of the EEIP and the IDPs. This work has led to a joint understanding of investment priorities for the region and provided the mechanisms for all parties to maintain an open ongoing dialogue.

### *Responding to the economic downturn*

- 4.2.11. The impact of the downturn was not fully felt in the region until the beginning of 2009. The Agency put in place a package of initiatives to counter the effects of the downturn costing £9.3 million by November 2009.
- 4.2.12. The Agency has played a key role in co-ordinating the region's response to the downturn. In December 2008, the Regional Economic Forum was established to co-ordinate the region's response. The group consisted of 21 members from the public and private sector and was co-chaired by the Regional Minister and the Agency's Chair. The Agency has provided the group with regular economic updates and reports on the support for businesses during the downturn.
- 4.2.13. The Agency managed its response to the downturn through the Chief Executive's Team. The Team co-ordinated activity within the Agency and agreed the report which went to the Regional Economic Forum.
- 4.2.14. The Agency adapted its support to business and co-ordinated support activity with other agencies. In January 2009, the Agency wrote to all businesses outlining the different support available. This was followed in February 2009, by advice and guidance leaflet jointly published with Job Centre Plus (JCP), Business Link, ACAS and Learning Skills Council (LSC), showing the support that was available to both employers and employees from each of the agencies.
- 4.2.15. The Agency changed the Business Link<sup>11</sup> contract in March 2009 to reduce the target on market penetration and increase the target on intensive support. The IDB (Intelligence, Diagnostic and Brokerage) model was also widened to enable Business Link Operatives to provide direct support to businesses. Business Link conducted 9,500 health checks between October 2008 and October 2009. The Agency has continued to develop its support for business and in November 2009 published *Your Guide to Business Support* following ongoing work with partners. The guide builds on the simplification of business support following the launch of the Business Map<sup>12</sup> in September 2008. Feedback received from representative business bodies supported the changes made to the delivery of business link in the region.
- 4.2.16. The Agency has taken action to address the problems faced by businesses accessing finance. It has made over £6 million of additional finance available to the regions businesses through a number of funding streams including the Regional Loan Fund (including a Transition Loan element) in May 2009, Proof of Concept Funding in March 2009, additional funds into Foundation East in March 2009 and the launch of an Innovation Voucher Scheme in January 2009. In 2009-10, made 16 loans worth a total of £2 million were made from the Regional Loan Fund and 43 loans worth a total of £627,000 from the Foundation East Fund. The Agency also secured £5.6 million European funding to supplement the single pot funding for the Research and

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<sup>11</sup> Since 2007, Business Link has been delivered by a single provider across the East of England and employs 215 staff.

<sup>12</sup> The Business Map plots the different support available for business on a map which enables the user to see how the different products are linked. The map is available in interactive form through the internet.

Development funding stream. To support businesses in accessing finance the Agency expanded and adapted the Understanding Finance for Business Programme.

- 4.2.17. In December 2008 the Agency started regular meetings with the Banks and business representatives to look at the issues around access to finance.
- 4.2.18. The Agency increased funding to MAS-East following economic analysis which concluded that manufacturing would be the hardest hit sector. An additional £1.3 million was made available to MAS-East using ERDF funds bringing the total funding to £4.4 million. Between November 2008 and November 2009, MAS-East conducted 387 efficiency reviews and supported 84 companies to improve their business delivering an estimated £9.4 million increase in GVA.
- 4.2.19. In October 2008, the Agency along with JCP, LSC and other partners established the Response to Redundancies group. The Agency provided analysis for this group used intelligence from Business Link, training providers, and JCP to identify businesses at risk of making redundancies and provided a co-ordinated response. This included the Agency increasing the funding of its £7.2 million Beyond 2010 skills programme by £1 million using European Social Fund funding. By November 2009 the group had provided support to 645 businesses and 5,576 individuals.
- 4.2.20. Following Government instruction, the Agency brought forward £5.7 million capital funding from 2010-11 to 2009-10. This funding has been used for key regeneration projects including the Royal Opera House Production Campus, London Road (Farringdon Phase 1) Southend, HE at Harlow/Stansted and the Thetford Enterprise Park.
- 4.2.21. Stakeholders to whom we spoke were positive about the Agency's response to the downturn. They could name a range of initiatives and groups the Agency had been involved in. The main impact that stakeholders thought the Agency had had was on working with them to develop a shared understanding of the future priorities for the region through the East of England Implementation Plan and Integrated Development Programmes. These documents set out the joint investment priorities for the region in a clear and transparent way showing where different partners are responsible for delivery and identifying funding sources.

### **4.3. Stakeholder engagement in prioritisation**

- 4.3.1. Following the IPA assessment in 2006, the Agency has worked to develop its stakeholder engagement and partnership management. In 2007, the Agency developed an engagement programme with over 250 key stakeholders, drawn from a wider contact database, which it has used to deliver faster and more consistent communications to stakeholders. and the top 40 organisations and partnerships have been engaged through one-to-one relationships developed by members of the Executive Team or Board. These relationships and the database are managed by the Relationship Management team.

- 4.3.2. In July 2009, the Agency updated its Communications Strategy to ensure alignment with the refreshed Corporate Plan (the previous Communications Strategy had been in place since January 2006). The strategy set six objectives for the Agency to achieve through improved communication. These focussed on increasing understanding of the Agency's role and prioritising investment in the region. For each objective there is a list of activity to achieve it. The strategy identifies five primary audiences for the Agency's communications; internal staff/board, business, regional and local strategic/delivery partners, local authorities, and national and regional opinion formers. The success of the strategy will be measured by improvements in stakeholder and staff surveys.
- 4.3.3. There are a number of engagement mechanisms which existed before autumn 2008 that the Agency uses to engage with stakeholders. The Agency engages regularly with the East of England Regional Assembly (EERA) through EEDA/EERA Liaison Panel, and with businesses through the East of England Business Group which is attended by business representative bodies such as CBI, Federation of Small Business, and the Institute of Directors. Throughout 2008, the Agency along with EERA and GO-East undertook a review of sub-regional partnerships in the region. This resulted in the launch of nine Growth Area Partnerships in March 2009 aligned to the spatial priorities of the RES.
- 4.3.4. The Agency had early, clear and effective communications with stakeholders in dealing with its budget reduction. The Agency made stakeholders aware that its budget was being reduced in a letter from the Chair in September 2008, this was followed by a letter from the Chief Executive in December 2008 stating the extent of the budget reductions. Individual partners whose projects might be affected were engaged through their existing one-to-one relationships during the prioritisation exercise between December 2008 and February 2009. The Chief Executive wrote to stakeholders in February 2009 to make them aware of the likely projects that would be affected and that the Agency was fully committed to March 2011. Where the Agency had to reduce funding to projects it had ongoing engagement with affected partners to try to identify alternative funding sources. The stakeholders we have spoken to were supportive of the approach taken by the Agency to prioritisation.
- 4.3.5. In response to the downturn the Agency established or participated in a number of specific groups in addition to its existing engagement mechanisms. In December 2008, the Regional Economic Forum was established (See Paragraph 4.2.12). The Agency was a member of the Response to Redundancy group along with JCP, LSC, Business Link and APAC. From December 2008, the Agency commenced regular meetings with Banks and regional business representatives to look at access to finance issues.
- 4.3.6. The Agency organised a number of events to communicate and discuss the impact of the downturn in the region. In November 2008, the Agency organised an event for business intermediaries to discuss how they would co-ordinate their services to provide support to business during the downturn. In April 2009, a Real Help for Business event was held giving an overview support available for businesses from different agencies. The Agency, in

agreement with EERA, moved the annual sub-regional accountability meetings forward to April 2009 and renamed them Economic Summits. This allowed each sub-region to hold an event which focussed on the downturn in their locality. In November 2009, the Agency hosted Destination Growth, a biennial event for over 650 businesses, focused on how to manage and grow through recession and beyond.

- 4.3.7. In response to feedback from partners, the Agency established Area Teams in October 2009. There are four teams covering the region; Cambridge and Peterborough; Essex, Southend and Thurrock; Hertfordshire, Luton, Bedford and Central Beds; and Norfolk and Suffolk. The stakeholders we spoke to were very supportive of this development and thought it was leading to improved communications.
- 4.3.8. The stakeholders to whom we spoke all stated that the Agency had improved both its mechanisms and approach to communications over recent years. Stakeholders commented that the Agency was more customer focussed in responding more promptly queries and that Agency staff took greater ownership of issues. Stakeholders raised the importance of the individual relationships they had with the Agency staff.
- 4.3.9. The Agency undertook a customer satisfaction survey of its partners and stakeholders between January and March 2009 (at the same time as the prioritisation exercise). Those partners and stakeholders who responded were more aware of the service and support available from the Agency than they had been in 2008 (an increase of 28 percentage points from 50 per cent to 78 per cent); and that overall customer satisfaction had increased from 2008 levels. Further details on the results of the customer satisfaction survey can be found in paragraph 5.3.9.

## 4.4. Corporate Planning and Delivery

- 4.4.1. As with all RDAs, the Agency was asked to review its Corporate Plan for 2009-11 in the light of the budget reductions and the economic downturn. The Department issued guidance in January 2009 and gave a timetable for approval of all Corporate Plans by the Secretary of State by July 2009.
- 4.4.2. In October 2008, the Agency initiated a project plan to refresh the Corporate Plan, and following completion of budget prioritisation the Board approved the initial draft in March 2009. The Agency, along with all RDAs, received further guidance from the Department at the end of March 2009 which required the Plan to be revised further. This was completed and submitted to the Department in June 2009 and approved in July 2009. The refreshed Corporate Plan states at the programme level where the budget reductions have been made, and the reasons behind the decisions.
- 4.4.3. A limited consultation was undertaken for the Refreshed Corporate Plan. There was no requirement for a full consultation. The Agency used existing regional partnerships such as the Strategy Committee and EEDA/EERA Liaison Panel for consultation. The Agency was undertaking ongoing consultation on regional and local priorities through the development of the East of England Implementation Plan and Integrated Development Plans. The Agency believes the consultation undertaken was appropriate and stakeholders to whom we spoke shared this view.
- 4.4.4. The refreshed Corporate Plan maintained alignment with the original Corporate Plan. The Agency wrote the refresh as a supplementary document to the original not as a replacement. The drivers behind the refresh are clearly stated as; new evaluation evidence; responding to the downturn; changing policy context (including New Industry New Jobs, and Sub-National Review); and budget reductions. The refresh retains seven of the eight original Corporate Objectives, with the objective for continuous improvement now contained in a section on organisational priorities. The seven refreshed Corporate Objectives are, to:
  - enable businesses to access valued publicly-funded business support services, to survive and grow, and to catalyse demand-led skills provision across the region;
  - build on the region's science base and increase the commercial exploitation of ideas;
  - prioritise and enable increased investment in regional infrastructure
  - improve employability and increase economic opportunities for individuals to participate in the region's economy;
  - improve the resource efficiency of businesses and individuals in the region, reducing their carbon intensity and supporting investment and growth in the sustainable energy, environmental and land-based sectors;
  - deliver high-quality evidence-based policy making, evaluation and investment planning in the East of England; and

- undertake a successful programme of partnership development and investment planning to implement the Sub-national Review, support local authority capacity building and act as effective advocates for the region and Greater South East at national and international levels.

4.4.5. Through the development of the EEIP and IDPs the Agency has worked with stakeholders to maintain a focus on long-term priorities. The EEIP and IDP identify the long-term objectives and the projects required to achieve them. To assist this process the Agency has brought specific spatial analysis through identification of strategic employment sites, and sector analysis by identifying the prominence and location of New Industry New Jobs sectors in the region. The stakeholders to whom we spoke highlighted the key role that the EEIP and IDP process has had in prioritising the activity of partners across the region.

Areas of good practice	Areas for improvement
<ul style="list-style-type: none"> <li>• Strong criteria for prioritisation exercise including use of GVA for capital projects (4.2.4).</li> <li>• The Agency has strong alignment with partners through shared region wide and local investment planning bases on a shared understanding of regional priorities (4.4.5).</li> <li>• The Agency supported partners in signposting to other funding sources where they were required to reduce or remove funding following reprioritisation (4.2.9).</li> <li>• Strong support to local authorities, to build capacity on economic analysis, helping to create a shared evidence base (4.1.4).</li> </ul>	

## 5. How effectively is the RDA implementing improvement plans?

Following the Independent Performance Assessment of the Regional Development Agencies in 2006-07, each Agency was required to develop a continuous improvement plan. In this section we assess how effectively each Agency has taken forward plans since then and implemented continuous improvement within their organisations.

We have assessed East of England as having demonstrated good performance. The key factors that lie behind this assessment are:

1. Full and active engagement of the Board in the development and monitoring of a fully costed and resourced initial improvement plan
2. The use of independent facilitation to identify areas for improvement and help develop the continuous improvement plan
3. Independent structured external monitoring of achievement against the plan on a quarterly basis by the Government Office and Regional Assembly
4. A proactive approach to gathering feedback to inform and update continuous improvement through the Achieving Excellence programme.
5. An innovative, timely and accessible scorecard to help monitor progress on improvement activities at programme, area and individual level
6. The Agency does not yet have a framework for its continuous improvement activity which allows quantification of overall improvement over time or provide for external validation

### 5.1. Robustness of IPA Action Plan

5.1.1. The Agency scored 15 out of 24 as part of the Independent Performance Assessment (IPA) in 2006. This is equivalent to performing well overall. The Board approved an Improvement Plan in July 2006 which focused on eleven areas for improvement identified in the IPA including:

- developing a Regional Economic Strategy action plan and reviewing its goals to facilitate **regional economic progress**;
- developing **capacity** within the Agency including developing people and processes;
- improving **project management** practices to improve transparency and efficiency;

- achieving more consistent, transparent and efficient **partnership management**;
- reviewing management and monitoring arrangements to enhance its **performance management** processes;
- Restructuring **Business Link** to enable improvements in its operation, efficiency, accountability and effectiveness;
- Ensuring the development and delivery of **Investing in Communities** activities;
- Improving its **ICT systems** to ensure they are reliable;
- Extending and developing **risk management** processes to ensure they link to project management processes;
- Developing **evaluation processes**; and
- Integrating **sustainability** into its activities through better appraisal and evaluation mechanisms.

5.1.2. Each area for improvement was supported by a series of actions (60 in total). The Improvement Plan covered a three year timeframe, with 50 actions prioritised for delivery in the first 12 months. The Agency categorised the areas for improvements as internal or external facing; and prioritised activities within these two groups to ensure critical improvements such as regional economic progress and evaluation processes were addressed within reasonable timescales.

5.1.3. The Board was involved fully in the initial development and monitoring of the Improvement Plan. It reviewed progress against the Improvement Plan on a monthly basis and tasked each of its three sub-committees with monitoring the areas for improvement which most closely aligned to its work<sup>13</sup>. This resulted in each sub-committee having a detailed understanding of the work and progress of at least three areas for improvement. Each sub-committee would then report to the full Board on progress. The Audit sub-committee maintained an overview of all progress against the Improvement Plan.

5.1.4. Responsibility for the implementation and delivery of the Improvement Plan was delegated to the Chief Executive's Team. This team had a clear remit, set out in the Improvement Plan, to ensure overall delivery of actions, put in place monitoring arrangements, provide direction to staff, ensure resources were available to assist delivery and maintain the integration of the Improvement Plan with the Agency's core work. The Chief Executive's Team assigned responsibility for each area for improvement to a senior member of staff to deliver. Responsibility for each action was also assigned to an appropriate individual. The Improvement Plan was also fully costed, with the agency allocating £500,000 when the plan was agreed, to ensure resources were available to support delivery.

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<sup>13</sup> The Board had three sub-committees: Audit Committee responsible for evaluation, risk management and performance management; Resources Committee responsible for ICT development, project management and capacity; and Strategy Committee responsible for regional economic progress, Investing in Communities, Business Link, sustainability, and partnership management.

- 5.1.5. Monitoring of the Improvement Plan took place on a monthly basis with each action owner completing a progress report for the overall improvement owner to review. Progress reports were then compiled by the Governance team<sup>14</sup> as part of the Performance Dashboard where performance was measured as Red, Amber or Green. The Chief Executive's Team reviewed progress on a monthly basis and took action to address milestones which had not been met before presenting the report to the Board. Staff could monitor progress against the Improvement Plan through the Performance Dashboard which was available through the intranet (EEDAnet).
- 5.1.6. The Agency involved external partners in the development and monitoring of the Improvement Plan, with the East of England Regional Assembly (EERA) and Government Office East consulted on its contents before the Improvement Plan was approved by the Board. Monitoring progress against the Improvement Plan was a standing agenda item for the EEDA/EERA Liaison Panel and for meetings with Government Office East. This allowed these partners to review the Agency's progress on a quarterly basis. The Strategy sub-committee of the Board includes external organisations which provided an additional level of challenge and monitoring of areas under the remit of this sub-committee.
- 5.1.7. The actions within the Improvement Plan were delivered through the mechanisms used to deliver the Agency's core work; for example the Regional Economic Strategy action plan was led by the Strategy team. This delivery model allowed continuous improvement to be integrated and aligned to the work the Agency was undertaking.
- 5.1.8. The Agency had succeeded in delivering 80 per cent of the three year plan by June 2008. The Agency met the majority of its milestones which were planned to be achieved within the first 24 months. The Performance Dashboard report for June 2008 shows the overall Improvement Plan was rated as Green, with seven areas for improvement rated as Green, three rated as Amber and two rated as Red. Where milestones were rated as Amber or Red, the action owner noted reasons for this in their monthly reports which included delays in recruiting staff, requirements for additional work from central government and the presentation of a report to the Board being rescheduled. The overall Green rating was appropriate given the minor nature of the slippage incurred. The Chief Executive's Team took responsibility for deciding on mitigating actions and the setting of revised milestones.
- 5.1.9. The Improvement Plan has evolved. In 2007-08 two new areas: equality and diversity, and customer care were added to the plan, it still focused on ten areas for improvement originally identified (the eleventh, work on ICT improvements<sup>15</sup> was complete). The Agency viewed the Improvement Plan as a living document and demonstrated it could respond when new areas for improvement were identified through staff and stakeholder feedback.

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<sup>14</sup> The Governance team was a central team responsible for bringing together performance management data from across the Agency into the Performance Dashboard.

<sup>15</sup> This focused on the delivery of an ICT Improvement Plan to improve the Agency's ICT infrastructure. The plan had been agreed and work on implementing it started before the IPA Improvement Plan was agreed.

5.1.10. The Agency succeeded in delivering a range of improvements through its Improvement Plan including:

- improved relationships and better communication with partners and stakeholders;
- review of the Performance Dashboard as a monitoring tool;
- introduction of new evaluation methodology;
- changes to the Business Link operating model;
- development of Regional Economic Strategy Goal action plans; and
- Increased capacity and capability in project and programme management with streamlining of processes and systems.

## 5.2. Updating Improvement plans

5.2.1. The Agency's Corporate Plan 2008-11 gives an undertaking to, "*continuously improve EEDA's capability, systems and processes to achieve greater impact, efficiency and better customer service*". The Agency reaffirmed a commitment to continuous improvement in its Refreshed Corporate Plan 2008-11, where it stated, as an Organisational Objective, its continued focus on delivering the Change programme, customer service improvements, partnership, advocacy and communications; achievement of ISO27001<sup>16</sup>; its Environmental Management System (EMAS)<sup>17</sup>; and Equality and Diversity.

5.2.2. The Agency recognised the need to refresh its approach to continuous improvement in 2008 due to a changing external context, reductions in the Agency's budget and the appointment of a new Chief Executive. The Agency commissioned external consultants to identify areas for improvement. This work drew on feedback from the stakeholder survey, views from a staff consultation and the Board. The evidence highlighted the need to develop a new programme of work to build on the achievements of the Improvement Plan and to ensure continuous improvement was fully integrated with the Agency's core work.

5.2.3. The Agency developed the Change Programme, launched in November 2008, to develop ideas around its continuous improvement priorities to 2011. The Change Programme identified seven key areas for development:

- **Programme design, policy and performance:** to create standards for programme design, and to develop a performance management system and policy framework;
- **Resources:** to review the allocation of the Agency's budget over the remainder of the Corporate Plan life-cycle;
- **Advocacy and communications:** to identify key activities around internal and external stakeholder management;
- **Customer services:** to review work undertaken previously on customer care and develop responses to new issues;

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<sup>16</sup> ISO27001 is a security management system

<sup>17</sup> EMAS will help the Agency deliver its resource efficiency targets and achieve its Carbon Neutrality Plan

- **People<sup>18</sup>**: to develop human resource policies and identify training opportunities to facilitate better staff support mechanisms.
- **Improving processes and systems**: to review all processes used by the Agency, with a specific focus on those impacting on project delivery and customer satisfaction; and
- **Sub regional programmes and area based working**: to review existing geographic delivery models and develop new approaches to optimally deliver the Agency's priorities.

5.2.4. The Change Programme built on the areas for improvement in the Improvement Plan and introduced new themes to bring about a cultural change within the organisation. Areas for improvement were expanded to focus on agency wide behavioural changes instead of focusing on individual programmes or processes, for example, partnership management would now be developed through advocacy and communications, customer services and area based working.

5.2.5. Between November and December 2008, a Task and Finish Group<sup>19</sup> was set up for each area for improvement (see paragraph 5.2.3 for areas for improvement). Individuals with necessary specific expertise or knowledge were asked to join the groups, with additional membership spaces open to all staff. Their task was to report to the Chief Executive's Team and the Board in January 2009, outlining the key issues to be addressed and ways to deliver continuous improvement. Following these initial reports further work was undertaken to develop delivery options before presentations to the Chief Executive's Team in May 2009 and the Board in June 2009. Staff were kept updated on progress through all staff meetings and the Joint Staff Council in June-July 2009.

5.2.6. The Change Programme was monitored differently to the Improvement Plan. The Chief Executive's Team received regular monthly updates during the Improvement Plan, but given the need for the Task and Finish Groups to develop recommendations, the Chief Executive's Team did not receive its first paper on progress until April 2009. The Director in charge of the Change Programme did however provide verbal updates to the team in September and October 2008 and January 2009. This level of reporting is appropriate given the work the Task and Finish Group were undertaking.

5.2.7. The Agency evolved the Change Programme into the Achieving Excellence programme in July 2009, following the completion of work on delivery options and the decision to move to an area based working structure. The purpose of the Achieving Excellence programme is to position the Agency to deliver on its current and emerging responsibilities by providing quality, efficient and effective services that have an impact; and to be able to respond effectively to any changes from central government<sup>20</sup>. To do this it took forward the recommendations made through the Change Programme.

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<sup>19</sup> Task and Finish groups are temporary groups established to look at specific issues.

<sup>20</sup> Taken from the Achieving Excellence programme brief.

- 5.2.8. The Achieving Excellence programme continues with the areas for development identified through the Change Programme such as customer service and area team working, but has expanded its remit to include new specific areas for action including managing budgets, reviewing back office functions, using strategy and intelligence to inform priorities and increasing influence at local, regional and national levels.
- 5.2.9. The Board took the decision to reduce its oversight of monthly progress in the delivery and monitoring of continuous improvement activities after the Improvement Plan. Board members have told us they drove the Improvement Plan, but felt confident the Chief Executive's Team could deliver the Change Programme and the Achieving Excellence Programme. This less intensive role for the Board has not had a negative impact on the progress achieved.
- 5.2.10. The Agency has taken a proactive approach to gathering feedback to inform and update its continuous improvement programmes and activities. The Agency ensures its areas for improvement remain relevant by undertaking annual stakeholder surveys and seeking regular feedback from the East of England Regional Assembly and Government Office East. The Agency acted on feedback from stakeholders to improve its stakeholder engagement practices, in particular creating area working arrangements to allow the Agency to be more visible in the sub-regions.
- 5.2.11. The Agency has put in place several mechanisms to gather feedback from its staff. A staff survey was introduced in 2006 and repeated in 2009; the results of the survey showed a need to improve communication channels within the Agency which the Agency addressed through its internal communications plan and the ability to access all staff meetings electronically; and the need to improve its customer service practices. The Agency has used cross-agency Delivery groups (see paragraph 5.2.3 & 5.3.2) to deliver improvements which allow staff feedback to be gathered throughout the process.

### 5.3. Delivering Improvement Plans

- 5.3.1. The Agency gathers a range of views when considering how best to deliver continuous improvement activities. It uses the Joint Staff Council as a sounding board to develop initial ideas, for example the staff survey is developed with the Joint Staff Council to ensure the questions are relevant. It gathers the views of its external partners and stakeholder on specific issues when considering changes. For example, it spoke to a range of partners in developing its area team's proposal. It also looks for best practice externally; it drew on the South West Regional Development Agency's experience of developing area teams and looked at the Home Office when revising its personal appraisal forms.
- 5.3.2. The Agency has used a range of robust techniques to deliver its improvement activities. The Agency uses Task and Finish Groups to deliver the Achieving Excellence programme. This approach was initially adopted for the Change Programme. The Agency took the decision to maintain this mechanism through the transition as it had been an effective delivery method previously.

and allowed a cross section of Agency staff to be involved in continuous improvement as membership was open to all staff. The Agency has also established Performance and Evaluation Champions to improve processes in these areas. These mechanisms have enabled the Agency to develop a bottom-up approach to continuous improvement activities.

- 5.3.3. The Agency reduced the number of Task and Finish Groups to two for the Achieving Excellence programme; the **Effective and Efficient Delivery group** took responsibility for areas for improvement relating to efficiencies, performance management and back office functions; whilst the **Fit for Delivery group** took responsibility for improvements relating to developing staff and relationships with stakeholders. Each Task and Finish is led by a member of the Chief Executive's Team. Each Task and Finish has clearly identified goals with activities to undertake to achieve these; including agreeing and implementing work action plans, reviewing completed work and gathering staff feedback.
- 5.3.4. The Chief Executive has accountability for delivering the objectives of the Achieving Excellence programme. The Chief Executive launched the programme using an all staff meeting in July 2009, outlining the aims and objectives of the programme and highlighting how staff could get involved.
- 5.3.5. The Chief Executive's Team currently acts as a central point for monitoring information and dealing with any issues that arise to ensure a coherent structure and to co-ordinate continuous improvement activities. A Director was previously appointed to take day-to-day responsibility for the delivery and monitoring of the Change and Achieving Excellence programmes, but due to structural changes this responsibility now sits with the Chief Executive.
- 5.3.6. The monitoring processes in place are robust and provide structured and timely opportunities to challenge progress being made. Performance of the Achieving Excellence programme is monitored by the Chief Executive's Team through the Corporate Scorecard (see paragraph 5.3.7). The Performance and Resources committee of the Board receives quarterly progress reports on continuous improvement activities, and the full Board monitors progress through the Corporate Scorecard.
- 5.3.7. The Corporate Scorecard is an electronic tool to assist in effectively monitoring the Agency's performance across a range of indicators including its continuous improvement activities. It was initially developed as the Performance Dashboard as part of the Improvement Plan, but evolved into the Scorecard in April 2009. The Scorecard monitors the progress of continuous improvement activities through its Learning and Improvement section which includes the areas for improvement in the Achieving Excellence programme. Progress can be reviewed at three levels: overall programme, area for improvement, and individual action level. It clearly identifies milestones and owners for all activity down to action level. The scorecard is updated daily which allows the Board and the Chief Executive's Team to review progress in a timely manner. Board Members can access the Scorecard remotely and drill down to look at performance. The Scorecard is

shared with external partners through the EEDA/EERA Liaison Panel and is also displayed in meeting rooms used by stakeholders at the Agency's offices.

5.3.8. Staff are kept up to date on progress on continuous improvement in a range of ways. The Agency developed an internal communications plan in February 2009 to ensure communications on continuous improvement would be timely and effective. The plan outlines how information will be made available to staff; activities to gather staff feedback; dates for key activities to take place and ownership of these activities. Staff have access to the Scorecard through the intranet and receive updates on progress to date and next steps at weekly all staff meetings. There is a dedicated continuous improvement page on the intranet which contains presentations from all staff meetings and a Question and Answer section to allow staff to post questions and receive a response. The communications team produces a Hot Topics email every two weeks which highlights developments within the Agency including where relevant updates on continuous improvement.

5.3.9. The Agency undertakes a customer satisfaction survey annually which asks partners and stakeholders for their views on a range of subjects including awareness of the Agency's role, experience of applying for funding, customer experience and programme delivery. The survey provides a comparison to results from previous years, with the 2009 results showing improved awareness of the support available from the Agency (up by 28 percentage points from 2008); improved working with sub-regional partners and businesses; and overall satisfaction with the service received from the Agency up by seven percentage points between 2008 and 2009. Stakeholders to whom we spoke told us they were asked to formally provide feedback on the Agency's performance; in addition they also felt they could use their existing relationships with Agency staff to provide informal feedback as required.

Areas of Good Practice	Areas for improvement
<ul style="list-style-type: none"> <li>• Independent external monitoring provided by Government Office and Regional Assembly (5.1.6).</li> <li>• Good use of Corporate Scorecard to monitor progress against continuous improvement action plan (5.3.6).</li> <li>• Independent facilitation to identify areas for improvement and to help develop the continuous improvement plan (5.2.2).</li> <li>• Systematic mechanisms for regularly gathering and responding to stakeholder and staff feedback (5.3.1).</li> </ul>	



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

In this section we examine how effectively the Agency has evaluated its work and used the lessons to improve its performance management processes, particularly its appraisal and investment decisions.

We have assessed the East of England Regional Development Agency as having demonstrated good performance. The key factors that lie behind this assessment are:

1. The Agency has developed its internal evaluation capacity including through comprehensive training, toolkits and champions but there is scope to organise and disseminate its evaluation knowledge more comprehensively to maximise impact
2. Strong and clear monitoring of outputs from existing projects against objectives and Agency and national benchmark ranges through an accessible balanced scorecard
3. Whilst the Agency has with two other agencies jointly developed a strategic investment tool, its use on a project rather than programme level was not yet embedded as at November 2009 and there was not yet a systematic and consistent process whereby evaluation experience informed the value for money appraisal of individual projects.
4. The quality and sophistication of appraisal is improving but there is scope to streamline business case and appraisal stages and strengthen the input of economic specialists' analysis and support.

### 6.1. Effective evaluation

6.1.1. In February 2006, the Government published a Regional Development Agency (RDA) Impact Evaluation Framework (IEF)<sup>21</sup>. Following publication of the IEF PricewaterhouseCooper's were appointed in December 2007 by the Department for Business, Enterprise and Regulatory Reform to provide "an independent assessment of the impact of the spending by each of the nine (RDA) and the RDA network as a whole", and to assess RDA achievements against the objectives in the RES and Corporate Plans. The Impact Report was published in March 2009<sup>22</sup>. The NAO's 2006-07 IPA identified weaknesses in the quality and robustness of evaluation across most RDAs. Improving evaluation has been a key focus for RDAs with the adoption of the IEF and the report's findings.

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<sup>21</sup> DTI Occasional paper No.2, Evaluating the Impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework, February 2006

<sup>22</sup> Department for Business, Enterprise, Regulatory Reform, Impact of RDA Spending- National Report, Vol 1, Main Report, March 2009

- 6.1.2. The Impact report assessed 23 programmes and projects covering 60 per cent (£240 million) of the Agency's programme and project spend between 2002-03 and 2006-07. It found on average £4.75 was generated for every £1.00 spent by the Agency through its programmes and projects. The highest achieved return relates to a people and skills intervention, with an achieved annual average GVA to cost return of almost £6.00. The lowest return is from a business intervention with an achieved average GVA per annum return of between £0.20 and £0.40.
- 6.1.3. Following the IPA in 2006, the Agency reviewed its processes and introduced its lifecycle approach to managing investments. All staff and Board members received two day training on this in 2007. Within its Corporate Plan, the Agency has a corporate objective (number six) to deliver high quality evidence-based policy making, evaluation and investment planning in the East of England. The Corporate Plan states the Agency will implement an improved EEDA-wide evaluation framework, develop an evaluation knowledge bank and continue to embed evaluation lessons as a key component of its decision-making processes.
- 6.1.4. Alongside the Impact Report, the Agency commissioned and published further work to understand the impact of its investments on the economy in the East of England.<sup>23</sup> This report, published at the same time as the National Report, reviewed the impact of the Agency's investments during 2002-07 on the region. It analysed these by intervention type, set in a regional context and considered Strategic Added Value. It found that between £525 million and £820 million of wealth had been created (gross value added GVA), a return on investment of £3.70 to £5.80 for every £1 invested. The report also looked at the long term potential of these investments, and estimated that the return would increase to £6.10 to £9.10. This report was supported by a technical report which identified, for a range of intervention types, the likely GVA returns. The Agency delivered presentations to all staff on the basic principles of evaluation and lessons learned from the Impact Report. It launched an external communications strategy around the publication of the Impact Report, and the PA consulting/SQW work.
- 6.1.5. From these two pieces of work the Agency produced a lessons learnt report and reviewed its evaluation practices. In particular it wanted to develop a systematic approach to evaluation; improve dissemination of evaluation findings internally and externally; use evaluation to inform decision making and systematically compare evaluation findings and use these to improve the performance framework. Accordingly a revised Evaluation Strategy was implemented in March 2009. The strategy has two key objective to ensure that:
- the Agency is impact-evaluation ready; and
  - evaluation is embedded in all strategies, programmes, structures and processes.

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<sup>23</sup> *EEDA's Contribution to the Strategic Development of the East of England* produced by AP consulting and SQW

- 6.1.6. The Board plays an active role in supporting evaluation throughout the organisation. During the Impact report work it set up the Performance and Evaluation Board Sub Group (to champion evidence based decision making at board level and oversee the PwC and PA Consulting SQW evaluation work). This has now become the Performance and Resources Committee, which receives all evaluations, is responsible for reviewing the strategy and has overseen development of the **Strategic Investment Tool**<sup>24</sup>. Board members we spoke to said they had driven the focus on evaluation and always wanted to understand the impact and return on investment of the Agency's interventions.
- 6.1.7. The Evaluation Strategy is supported by a detailed action plan to embed evaluation into the Agency's processes and systems which sets out short, medium and long-term goals. Progress against this action plan was overseen by the **Performance and Evaluation Champion's Group**<sup>25</sup>. The Agency measures progress against this plan quarterly within its Corporate Balanced Scorecard under the "embedding evaluation" goal. The Agency monitors progress against milestones, whether future milestones are on track and if the actions taken are having the desired outcomes. The Scorecard also monitors Strategic Added Value and GVA impact, and provides daily updates on investment budgets and returns. Key actions to "embed" evaluation have been the implementation of a programme of evaluation (the Agency calls this an Evaluation Schedule), by "bundles"<sup>26</sup>, the Evaluation Toolkit, Strategic Investment Tool and the evaluation intranet site. Other recent improvements include evaluation plans on all appraisals, and performance monitoring of Strategic Added Value realised. Each of these is discussed in more detail below.
- 6.1.8. The Agency has a forward programme of evaluations. Its **Evaluation Schedule**, which covers around 86 per cent of programme spend for the period up to 2008-11. It is structured around "bundles" of activity, which draw together projects of similar rationale, close spatial proximity or shared beneficiary characteristics. Projects under £1 million are generally evaluated as part of a 'bundle' of projects in order to achieve efficiencies and economies of scale in the evaluation approach. All projects over £500,000 are required to have an IEF compliant evaluation, generally as part of a 'bundle'. Smaller value projects all require an evaluation plan, and where appropriate are included in 'bundles'. Projects over £1 million and those which are viewed

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<sup>24</sup> This uses impact and evaluation cost-benefit estimates to inform management of the Agency's portfolio of investments. It compares impacts of programmes against each other and looks within programmes to assess areas of improvement to increase future programme impacts.

<sup>25</sup> Established in April 2009, The Performance and Evaluation Champion's group is a cross - directorate group comprising 12-14 members of mixed grades. It was set up primarily to implement the recommendations of the Programme & Performance Task & Finish Group with respect to performance management and evaluation, to ensure the new performance management framework was fit for purpose and as a result of the EEDA Impact Evaluation Report by SQW which suggested a forum for review and dissemination of evaluation results and learning. Initially, the Group met every four weeks.

<sup>26</sup> A "bundle" is a group of interventions that either have a similar rationale for intervention; and or similar geography in terms of impact; and or similar beneficiaries. These "bundles" can be matched to the sub-categories within the Evaluation Impact Framework.

as particularly innovative have separate IEF compliant evaluations. The Agency is conscious of proportionality in evaluation and works on evaluation costs of around 1-3 per cent of the investment.

- 6.1.9. The Evaluation team consists of two members of staff and is responsible for the development of the programme, evaluation training for staff, checking the quality of evaluations and letting contracts to consultants. The Agency uses standard evaluation tendering criteria to commission evaluations. There is guidance on commissioning work to ensure the evaluations are IEF compliant. At the time of our visit the Agency was using another RDAs evaluation panel to commission consultants, but is in the process of establishing its own Intelligence and Evaluation Panel of experts and consultants, and setting up a framework agreement for carrying out IEF compliant evaluations. The Agency has co-commissioned evaluations with its partners, such as the Arts Council.
- 6.1.10. In November 2009, the Agency introduced its **evaluation toolkit**, which provides a comprehensive overview of core principles of, and best practice within, evaluation. It states that evaluation is a core component in the project lifecycle and all interventions must have an evaluation plan before they can be approved.
- 6.1.11. We found the Agency's internal **evaluation intranet site** was user friendly and provided access to guidance, templates and evaluation reports. The Agency has an action in its evaluation action plan to develop an appraisal and evaluation database; this is not fully in place yet but the Agency has produced tables showing GVA by investment type, SAV case studies and evaluation reports, but there is scope to manage this knowledge more efficiently. The Agency has produced a standard evaluation summary template which it will use to capture and share lessons learnt and impacts, but this has not yet been fully populated for all projects. Staff also use the OffPat library to access evaluation data.
- 6.1.12. In addition to sharing lessons from evaluation on the intranet, all staff receive briefings from the Evaluation team throughout the year. Targeted training for all staff responsible for managing 'bundle' evaluations was given in 2008. Formal impact evaluation training for all staff and use of the toolkit is scheduled to commence in December 2009<sup>27</sup>. The outline of the training that we examined was well presented, made good use of graphics and gave a comprehensive overview of best practice within evaluation. It includes assessing potential Strategic Added Value (SAV) and how to apply the logic chain. In addition to its own staff and board, the Agency delivers this training to partners. Staff told us training was very good and that they also had access to coaching.
- 6.1.13. The Agency has developed a **Strategic Investment Tool**<sup>28</sup> with the London Development Agency and One North East, which can use evaluation data to

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<sup>27</sup> We have confirmation that training took place on 1, 8 and 15 December and 22 February.

<sup>28</sup> This uses impact and evaluation cost-benefit estimates to inform management of the Agency's portfolio of investments. It compares impacts of programmes against each other and looks within programmes to assess areas of improvement to increase future programme impacts.

project the potential impact of differing programme allocations. This tool was developed using the technical information from the PA consulting/SQW work and presents a visual overview and comparison of the level of return on investments at three levels (by project, activities, or programme). It can be used to consider scenarios, and developments include how to use it to manage performance of projects within a portfolio and review the impact of proposed investments within current portfolio of work to inform decision making. Board and stakeholders we spoke to were aware of the uses of this tool.

- 6.1.14. The evaluation files we reviewed had all been undertaken prior to the launch of the Evaluation Toolkit (November 2009), and the areas for improvement we found had already been identified by the Agency and are included within the toolkit. Our review of a sample of evaluations found that generally evaluations were IEF compliant, and assessed achievement of the original objectives. The evaluations identified lessons learnt and the impact either GVA or SAV of the investment. "The only exception was an interim evaluation carried out by the applicant on a £250,000 project which was a review of progress rather than an evaluation of the impact of the investment."
- 6.1.15. The Agency is committed to sharing lessons from evaluation with its partners and stakeholders. In its communications strategy it states it will produce case studies that demonstrate the Agency's impact, promote and share lessons learnt from evaluation with partners through 121s and events. The Agency shares its Evaluation Strategy and Toolkit with external stakeholders and partners. All evaluations are available on the Agency's website and through OffPat; on its website it has an impact section. The Agency disseminated the PA Consulting SQW impact evaluation report widely to key stakeholders. The majority of stakeholders we spoke to knew that the Agency secured a return of around £5 for every £1 invested. Some stakeholders, such as Business Links, who are involved in longitudinal evaluation for the Agency, are aware of how the Agency has used lessons from evaluation.

## 6.2. Effective appraisal process

- 6.2.1. Agency supported projects arise in a variety of ways. Projects, usually progressed with partners, are co-developed to meet the needs identified in the RES and Agency's Corporate Plan. The Agency uses a commissioning framework, particularly for RDPE and ESF, and has advised that around 80 per cent of investment is through commissioning.
- 6.2.2. The Agency has undertaken extensive joint investment planning. It has developed Integrated Development Programmes (IDP) with local partners. These are investment plans for the "engines of growth", which aim to ensure alignment of investments and are used to assist investment planning. Ten IDPs have been put in place.
- 6.2.3. Following IPA the Agency commissioned consultants to complete a 90 day review of its programme and project management. In autumn 2007, the

Agency implemented a revised approach to appraising potential investments, which created a new business case format. Within this it adopted the HM Treasury Five Case Model Business Case methodology<sup>29</sup>, applied the principles of “project logic-chain” and the project lifecycle concept. Everyone in the organisation received a two day training course on the new approaches. The Agency’s appraisal techniques are evolving as it continues to review its approach in response to feedback. In August 2009, it revised its forms in response to the CPRG back check feedback, to ensure that all options for delivering an output are quantified and that more detail on market failure is provided. The appraisal process follows GRADE/ Green Book guidance, and all funding undergoes this process.

- 6.2.4. The Agency has put in place a three stage project appraisal process which involves input from across the Agency, with staff from various disciplines and seniority contributing. At stage one (concept form); the Agency can examine and challenge projects at their formative stage and establish their strategic fit with its priorities. Stage two (business case) presents a detailed overview of the potential project and provides a full technical assessment. Stage three (independent appraisal) the business case is reviewed to ensure it complies with GRADE guidance and identifies proposed conditions to attach to approvals.
- 6.2.5. The Project Sponsor produces the concept form, which assesses SAV and strategic fit. This is circulated to Heads of Service for comment. Response rates vary but half of 40 concepts processed during 2009-10 received responses from six or more Heads of Services. The Project Sponsor collates the feedback before seeking Director approval to proceed. If the concept is approved the Project Sponsor works closely with the applicant to develop a full business case which builds on the concept to produce a case based on the Treasury 5 Case model, with the amount of detail dependent on the size and complexity of the project. The Appraisal and Systems Manager reviews all business cases before they are sent for formal appraisal.
- 6.2.6. At the appraisal stage, a member of the Project Appraisal Group<sup>30</sup> independent of the project will review the business case. The purpose of this review is to ensure that the business case is IEF compliant and follows best practice. In cases where the project is likely to cost over £1 million, is complex or sensitive, or if the Agency does not have sufficient resources to carry out the appraisal, a consultancy is sometimes appointed to carry out the review
- 6.2.7. The Agency uses an external panel of consultants and in 2008-09 around ten per cent of its appraisals, at an average cost of £5,400 were carried out externally. In its specification the Agency requires "*A GRADE compliant appraisal which pays particular attention to rationale and market failure, options appraisal and sensitivity analysis, which are areas highlighted for*

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<sup>29</sup> The Five Case Business model consists of Strategic, Economic, Commercial, Financial and Management cases. MSP has five steps: identifying a programme, designing a programme, delivering the capability, realising the benefits, and closing the programme

<sup>30</sup> The Appraisal Group comprises cross directorate volunteers, who have been trained to carry out review business cases and improve the standard of appraisals with in Agency, by demonstrating and promoting best practice.

*improvement in the Agency's appraisals following a recent BIS review. It is essential that NPV calculations are included in the analysis and these should be highlighted and presented as a separate table within the appraisal report."*

- 6.2.8. There are five potential stages in the process which provide an opportunity for the Agency's own economics team and general economic expertise to feed into the appraisal process: during programme planning; at each Programme Boards' review of projects; when the concept papers are circulated; at Chief Executives Team; and when the business case and appraisal are completed. There is a risk that not all smaller projects receive sufficient economic review with reliance on the economic expertise of Agency staff trained in appraisal, rather than the specific expertise of the Agency's economic specialists.
- 6.2.9. Within the project lifecycle flow chart the Agency has a range of targets in place to measure how long it takes for projects to move from concept stage to investment decision. Performance against these targets is tracked and monitored, though not separately reported on. The Agency currently has a target of completing its concept stage within 17 working days, and has achieved a 72 per cent success rate against this.
- 6.2.10. Following the completion of the business case and its appraisal, a project is considered by an investment group. Delegation levels have been set across the Agency: projects under £100,000 can be approved by the budget holder; over £100,000 and up to £1 million can be approved by Executive Directors; projects with investment over £1 million and up to £3 million can be approved by the Chief Executive's Team; and those valued above £3 million, or potentially contentious, are reviewed and approved by the Board.
- 6.2.11. The appraisal form (revised November 2009) incorporates benchmark evidence for assessing value for money and impacts. Staff are expected to use the OffPat library to compare outcomes and impacts from different types of interventions. Previous evaluation reports and a summary table of the impacts from the national evaluation exercise is within the balanced scorecard site. Some staff told us they had compiled their own evidence bases for the intervention types they dealt with and we thought there was scope for the Agency to adopt this approach more widely and enhance how it manages its evaluation knowledge. The Agency has work underway to use the Strategic Investment Model (which uses GVA from the Impact report and further evaluation work) to inform future investment decisions, but at the time of our visit it had been used at programme level but was still in development at project level.
- 6.2.12. Staff told us they used the lessons learnt from evaluation to inform new projects, and that the circulation of the concept form to the Heads of Service was a good way to capture this. Investors in Communities and Business Link are examples that demonstrate the Agency has used lessons learnt from evaluation to inform and revise projects.

- 6.2.13. The Board are keen to ensure that investments contribute to the Agency's objectives, and had previously expressed concerns<sup>31</sup> that it was difficult to compare one investment to another without standard measures of the impacts of investments. The Agency responded by using the balance scorecard to report progress in terms of impacts and achievement of corporate objectives, and benchmark performance against the Agency's and a national benchmark range, as part of the assessment of value for money.
- 6.2.14. The Agency has a quality assurance process in place to check compliance and quality of submissions within the appraisal process. In addition to the independent appraisal of the business case, the Appraisal and Systems Manager reviews all internal and external appraisals.
- 6.2.15. The Agency's Project Appraisal home page, called the **Project Sponsors' support site**, is comprehensive. It is easy to navigate, covers six stages of the project lifecycle<sup>32</sup> with explanations and a range of links to detailed internal guidance, training courses and wider national guidance and best practice. It includes all templates and prompts for how to complete these. Previous project assessments and evaluation are contained in specific electronic files which staff can access. Staff we spoke to said it was helpful and that they used it.
- 6.2.16. The guidance the Agency provides is GRADE compliant and an introductory training course is run by the Appraisal and Systems Manager. Continuous Professional Development is provided to members of the Agency's Project Appraisal Group. We reviewed a range of training such as the application of project logic chains, which provides useful checklists, and introduction to Additionality for Outputs.
- 6.2.17. The Agency recognises that partners may find applying for funding complex, in response it has produced and delivered appraisal training to partners. We reviewed the training course presented in October 2009 and found it comprehensive. The Agency has also created two posts specifically to advise, support and increase partner applications for ERDF funding. These posts were established in September 2009, and are co-funded with Improvement East (the regional efficiency and improvement partnership).
- 6.2.18. The Department for Business, Enterprise and Regulatory Reform visited the Agency in 2009 to review a sample of appraisals completed in 2008 as part of the 2009 Central Projects Review Group appraisal back check exercise. The review found:
- an improved quality between the former and the new appraisal forms;
  - that the Agency had revised the appraisal form in accordance with the GRADE guidelines;
  - the rationale for government intervention is generally discussed, but more reference to market failure or equity arguments for intervention was expected;

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<sup>31</sup> Board paper 15 January 2009

<sup>32</sup> Concept, development, appraise, approval, contract, delivery and monitoring, evaluation.

- appraisals consider at least three options, often only the preferred option is quantified;
- further analysis of alternative options in order to make clearer value for money assessments is required;
- projects' delivery arrangements are well described; and
- projects generally have good monitoring and evaluation plans.

6.2.19. Our review of a sample of appraisals found that there was some repetition between the three stages and that in particular the appraisal was used to provide a lot of information that we would have expected to be in the business case and that there was opportunity for the Agency to streamline its processes.. Overall the process is evolving and improving and we could see that later assessments were becoming more sophisticated.

6.2.20. Strategic Added Value (SAV) is included in the concept form from September 2009, and prompts consideration of leadership and catalyst, influence and leverage, and synergy and engagement. The files reviewed varied on how well this was considered, but we could see how the later assessments were improving.

6.2.21. We looked at the Agency's training material for assessing market failure which provided overall guidance on what market failure is and presented guidance from HMT and OffPat. The Appraisal form (version 2 revised November 2009) requires consideration of Market failure on grounds of barriers to entry, public goods, lack of information and equity. Overall this was considered on the files we reviewed.

6.2.22. Value for money is considered within the business case and further detail provided during the appraisal of the business case. This includes use of benchmarking costs and outputs against other similar projects and what additional income the investment can leverage.

6.2.23. The business case requires details of evaluation plans, and those files we reviewed generally described what would be evaluated, how and the timescales, but level of content varied from very detailed to general overview.

6.2.24. In the appraisals we reviewed we found options were consistently presented with 'do nothing', 'do minimum' 'preferred option' and a 'viable alternative' considered. The options were well developed and costed. For each there was an argument as to why the option should be pursued or rejected.

### **6.3. Benchmarking and sharing best practice**

6.3.1 The Agency uses benchmarking as a tool to assess and improve its performance and develop new projects and programmes. Its Performance Management Framework provides guidance on how the Agency should apply benchmarking: outlining a ten step process for planning when to use benchmarking and how to implement benchmarking exercise. This approach

allows the Agency to apply a robust and consistent approach to its benchmarking activities.

- 6.3.2 The Agency has worked with other RDAs to identify areas where it can learn from the experiences of others. As part of its review of the Business Link contracts, it visited other regions and drew on performance data produced by the Department and South East of England Development Agency. The Agency completed a Strategic Investment Plan which involved working with partners to identify Business Link's current service, any gaps and what success will look like in the future. The new Business Link contract has achieved a five per cent efficiency saving in its back office function.
- 6.3.3. It applies benchmarking techniques to learn from the experiences of other public and private sector organisations. The Agency needed to improve its management information tool as part of the Improvement Plan. To do this the Agency reviewed the work of other RDAs, the Environment Agency and Cranfield University in this area. The result has been the Corporate Scorecard, which the Agency has been asked to share as best practice with some NHS Trusts. The Agency also looked at the approach taken by the Home Office when developing its staff appraisal system.
- 6.3.4 It has worked with ONE North East and the London Development Agency to develop a Strategic Investment Tool (see paragraph 6.1.6) to improve the evidence available and the processes used in making investment decisions.
- 6.3.5 Working with the North West Development Agency and the East Midlands Development Agency has developed a newsletter on sustainable development issues which highlights best practice and lessons learnt in this area. It has also developed a toolkit to help other areas create their own Integrated Development Programmes.
- 6.3.6 The Agency has set up mechanisms to encourage its partners and stakeholders to improve its practices and processes. Inspire East, a regional centre of excellence for sustainable development, set up by the Agency is an example of this. Inspire East has developed an Excellence Framework to promote best practice in the delivery of physical and community development. The Agency requires all funding applications in this area to comply with this Framework.
- 6.3.7 Like many other RDAs the Agency has undertaken a range of external assessments to benchmark its performance and processes in key areas against recognised standards. Like most RDAs the Agency has achieved Investors in People status. It has also been accredited with ISO27001 and ISO14001 and Workwise.
- 6.3.8 The Agency is a member of OffPAT and makes all its evaluation work available through the OffPAT library.

#### **6.4. Efficiency and effectiveness in administration and programmes**

- 6.4.1. The Agency's Corporate Plan 2008-11, has an objective to "continuously improve EEDA's capability, systems and processes to achieve greater impact, efficiency and better customer service". The Agency's Corporate Plan 2008-11 (refresh) makes it clear that the Agency is committed to increasing its own efficiency and helping business to operate more efficiently. The Board's code of practice requires members to "maximise value for money through ensuring that services are delivered in the most efficient, effective and economical way, within available resources, and with independent validation of performance achieved wherever practicable."
- 6.4.2. The Comprehensive Spending Review 2007 (CSR07) required value for money savings of at least five per cent per annum, equivalent to £39 million over the three years to 2010-11. There are two elements to the value for money savings: cash releasing and performance improvement savings. Cash releasing savings (Grant in Aid reductions) are forecast at £19 million, whilst performance improvement savings (recyclable savings), were originally forecast to be £20 million.

Figure Four: CSR07 Value for Money savings

£'000	07-08	08-09	09-10	10-11	Three Years
CSR07 baseline	135,002				
a) Grant in Aid reduction		3,182	6,302	9,346	18,830
(b) Recyclable savings		3,361	6,846	10,270	20,477
Savings required each year from 07-08 Baseline		6,543	13,148	19,616	39,307

Source: NAO Analysis of Agency Documents

- 6.4.3. The Agency managed its Grant in Aid reductions through its existing budget processes and has reflected the reductions in the refreshed Corporate Plan presented to the Department.
- 6.4.4. In addition to the CSR Value for money savings, policy from HM Treasury requires all RDAs to ensure that by 2010 no more than ten per cent of their budget is spent on administration functions. In the Agency's case this required reductions of £0.1m (2008-09), £0.2m (2009-10) and £0.6m (2010-11).
- 6.4.5. In September 2008, the Resources committee approved the Agency's three year Value for Money Plan to deliver the savings. The target it was aiming for was a £25 million saving over the three year, to allow some headroom in case of slippage. There are two elements to the value for money savings: cash releasing and performance improvement savings. Cash releasing savings

are forecast at £12 million, whilst performance improvement savings, are forecast to be £13 million (see Figure Six).

Figure Six: Value for Money CSR delivery plan

Value for Money CSR delivery plan	2008-09 Planned £000's	2008-09 Actual £000's	2009-10 Planned £000's	2010-11 planned £000's	Total £000's
Cash releasing	2,314	2,155	4,385	4,935	11,775
Performance improvement	2,090	3,707	4,399	6,936	13,425
<b>Total</b>	<b>4,404</b>	<b>5,862</b>	<b>8,784</b>	<b>11,871</b>	<b>25,074</b>

Source: The Agency

- 6.4.6. The Agency's VFM plan considered a range of ways to deliver savings, these included staff reductions and review of processes to achieve more efficient working practices.
- 6.4.7. The Agency's structure was reviewed in the first year of the corporate plan. Establishment numbers were reduced from 252.7 in March 2008 to 246.9 March 2009. The amendments to the establishment have come from the work to date on the Organisational Change programme and from small-scale adjustments within individual teams, approved by the Resources Committee. Further reductions in head-count<sup>33</sup> are expected over the following 24 month period as a result of decisions on administration budget reductions and subsequent changes arising from the implementation of the new business model.
- 6.4.8. To support the Board and CET drive to ensure efficiency the Agency's has set up a "efficient and effective" task and finish group which, as part of the Achieving Excellence programme, drives the efficiency agenda to ensure that opportunities for efficiency are continually explored.
- 6.4.9. The Agency continues to explore opportunities for shared services with local partners and other RDAs. It is in discussions with Cambridge County council regarding HR services, and EMDA and SEEDA<sup>34</sup> re internal audit.
- 6.4.10. The Agency's budget for the CSR 07 period to deliver the value for money plan was constructed using a zero-based approach. The Agency exceeded its value for money saving target of £4.4 million for 2008-09 and achieved savings of £5.9 million, and in quarter 2 (September) 2009-10 had delivered £3.6 million savings against profile of £3.5. It expects to achieve savings of £29 million over the CSR period.

<sup>33</sup> Around 24.5 FTE over next 24 months

<sup>34</sup> Need to corroborate this.

- 6.4.11. The balanced scorecard has profiles of savings and performance for all savings targets, such as reducing business mileage and energy consumption. This is available live on the Agency's intranet and is reported quarterly to the performance and Resources committee (and to the Board). Progress is also reported to the Department on a quarterly basis. The methodology for monitoring and reporting efficiency savings was agreed in advance with the Department.
- 6.4.12. The Agency succeeded in paying 95 per cent of its invoices within the ten day target set by the Government as at October 2009.
- 6.4.13. The Agency is aware further savings may be required in the future and in June 2009 produced a range of scenarios (six in total) examining impacts of budgets reduction ranging from 10 to 30 per cent. It will be presenting more updated scenarios to the Board in December 2009, which consider cuts of 10,30 and 50 per cent and shows the impact across all investment types.

Areas of Good Practice	Areas for improvement
<ul style="list-style-type: none"> <li>• The Agency has a strategic approach to investment. It has developed a strategic investment tool and uses evaluation and other feedback to inform investment decisions (6.2.11).</li> <li>• The Agency works with partners to develop projects and provides training to enable partners to approach development of businesses cases more competently (6.2.17).</li> <li>• There is strong visible monitoring of outputs from projects through balanced scorecard (6.1.7).</li> </ul>	<ul style="list-style-type: none"> <li>• There is scope to organise knowledge on evaluation more comprehensively (6.2.11).</li> <li>• The Agency has scope to streamline business case and appraisal processes (6.2.19).</li> <li>• The Agency could ensure processes for economic input to appraisals are more robust (6.2.8).</li> </ul>

## 7. *Technical Annex*

### 7.1. Independent Supplementary Review Methodology

#### Background

The National Audit Office has undertaken this Independent Supplementary Review at the request of the Department for Business, Innovation and Skills, which is the sponsor department of the Regional Development Agencies.

The Regional Development Agencies established under the Regional Development Agencies Act 1998 to further regional economic development, promote business efficiency and competitiveness, increase employment and the skills base, and contribute to regional environmental sustainability.

The National Audit Office's Independent Supplementary Reviews cover the eight Regional Development Agencies outside London by April 2010. Different accountability arrangements apply to the London Development Agency

#### Approach

During 2006-07 the National Audit Office conducted Independent Performance Assessments of each of the Regional Development Agencies.

Unlike those assessments, the Independent Supplementary Reviews focus on the robustness of the processes and procedures the Agencies have put in place to respond to particular current challenges. They do not assess the overall impact or value for money of the Agencies. In particular they assess performance against three questions:

- How effectively has the RDA prioritised programmes or projects that offer high added value benefits to the region in the economic downturn and in preparation for the upturn?
- How effectively is the RDA implementing improvement plans?
- How effectively has the RDA implemented improvements in performance management processes and procedures to reflect the lessons of evaluation?

We have made a judgement on each question on the basis of the guidance which we prepared in agreement with the Regional Development Agencies.

The range of assessment scores against each question is:

- Inadequate Performance
- Adequate Performance
- Good Performance
- Strong Performance

## **Evidence**

We reviewed and triangulated a wide range of information using a range of methods to complete our assessment. This included a review of documents, observation of routine meetings, site visits and tailored interviews and focus groups with internal and external stakeholders.

The key documents reviewed include; Corporate Plan 2008/11 and Revised Corporate Plan 2009/11, Regional Economic Strategy Delivery Plan, Annual Report and Accounts 2008/09, State of the Region Report, Appraisal Guidance, Evaluation Guidance, Independent Performance Assessment Improvement Plan, and various Board papers and minutes.

We also examined six project files in detail to look at aspects of appraisal. We also examined a further six projects to review evaluation processes.

We obtained information from the Department for Business, Innovation and Skills giving a collective view from a range of central government organisations.

In arriving at a final assessment score for each question, we compared the weight of evidence collected against illustrative examples of different performance levels for each question, agreed in advance with the Regional Development Agencies.

## **Consistency**

To ensure consistency in evidence collection, analysis and the overall assessments reached:

- The assessments are of performance as at 23<sup>rd</sup> November 2009
- The same period for document review and site visit at each Agency
- A single team of NAO staff were used to undertake all the assessments
- An independent consultant was appointed to undertake consistency checks of the underlying evidence and the reports and to provide advice to consistency and moderation panels
- Internal consistency panels considered the evidence, reports and grades
- All Agencies were provided with opportunities to provide additional evidence on draft reports
- An independent consistency panel chaired by an Assistant Auditor General met twice to consider 4 RDA reports and grades
- A final moderation panel considered all the reports against each other and agreed the final assessment grade.