



National Audit Office

2007

Independent Performance Assessment

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The NAO team undertaking this assessment comprised of Kathryn Batty, Jennifer Bayliss, Sue Heard, Stephen Kingston, Andy Roland-Price, and Tom Underwood

For further information please contact:

David Corner
Director, Room A378
National Audit Office
157-197 Buckingham Palace Road,
Victoria, London, SW1W 9SP

020 7798 7529
Email: David.Corner@nao.gsi.gov.uk

Advantage West Midlands (AWM)

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1 Preface

1.1 The National Audit Office (NAO) has undertaken this Independent Performance Assessment of Advantage West Midlands (AWM) at the request of the Department of Trade and Industry (DTI), which is the sponsor department for Regional Development Agencies (RDAs). Advantage West Midlands is one of nine RDAs 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.

1.2 The English RDAs vary significantly in size, geography, population, and economy. Each Agency operates within a unique environment reflecting the strengths, activities, infrastructure, and character of the region. RDAs face diverse challenges with different budgets, so each needs to respond appropriately to its specific circumstances.

1.3 However all RDAs face a number of common challenges, including balancing the interests of the region with national policy requirements, managing the conflicting demands of different regional stakeholders, looking outwards to promote the region while staying focused on what is happening inside, and responding to new duties imposed by central government from time to time. The Independent Performance Assessment assesses how well each RDA has responded to these common challenges.

1.4 Section 9 of this report sets out the methodology used by the NAO to collect and triangulate the evidence underlying this assessment and to ensure the scoring is consistent with the levels of performance that the RDAs agreed should be expected for each assessment band.

1.5 We are grateful to Advantage West Midlands Chair, Chief Executive, Board members and staff members for their help in the Independent Performance Assessment. We would like to thank the numerous stakeholders and partners who helped us. We are indebted to Peter Mearns, Director of Marketing and Communications at the Northwest Development Agency, who gave valuable time to serve on our team.

2 Summary

2.1 Advantage West Midlands has scored 20 points out of a possible maximum of 24. This is equivalent to performing strongly overall. Further detail on how this mark was arrived at is provided below. Section 9 describes the methodology for arriving at this assessment. Section 3 sets out the context to Advantage West Midlands activities while sections 4 to 8 provide more detail about the five themes.

Theme	Assessment	Score
Ambition	Performing strongly	4
Prioritisation	Performing strongly	4
Capacity	Performing well	3
Performance management	Performing well	3
Achievement (double weight)	Performing well	3 (6)
OVERALL	Performing strongly	20

2.2 AWM’s self-assessment identifies clearly the challenges facing the region and AWM’s approach to them. It demonstrates a good degree of self awareness and the draft Improvement Plan provides a good basis for a more developed plan.

2.3 AWM has a strong and inclusive approach in developing the new RES (2007) and there is general consensus from partners and stakeholders that the consultation approach so far has been inclusive and is much improved from previous rounds.

2.4 AWM works proactively with both the Government Office West Midlands and the West Midlands Regional Assembly. There is evidence of excellent collaborative work, especially with regard to the Regional Spatial Strategy and the Regional Economic Strategy, which are strategically aligned and jointly reflect the needs of the region.

2.5 AWM is providing strong leadership to drive change in the region, and there is a high level of partnership working at both strategic and delivery level. However, some partners feel they

are not as integrated into the process as they could be, and AWM could be more inclusive in approach.

2.6 AWM has a strong sustainable development framework which is being applied across the projects and initiatives the Agency supports. The Agency is undertaking comprehensive work on the Strategic Environmental Assessment for the preparation of the RES.

2.7 The Agency has reviewed the Business Link operation across the region and is moving to a new brokerage model from April 2007. This incorporates skills brokerage as well and is seen as a major step forward by most of the partners.

2.8 The work of the West Midlands Regional Observatory (WMRO) has been recognised as a success story in terms of the regional evidence base. It is also producing statistics on skills that are being held up as national best practice and being implemented by all Regional Skills Partnerships across the country.

2.9 There are clear priorities for action that emerge from the RES (2004). These priorities flow through the Agency’s Corporate Plan down to individual objectives and targets.

2.10 AWM has developed significant additional capacity for delivery within the region and their strategic partners, working well in partnership with organisations across a wide range of sectors. The delivery vehicles of the High Technology Corridors, the Business Clusters and the Regeneration Zones have had a mixed response from partners, with some functioning more strongly than others.

2.11 AWM has undertaken organisational restructuring programmes over the past few years and has opted for a relatively low ratio of staff to budget. This reflects the strong strategic positioning of the Agency and the aim of delivering through working with and influencing the activities of partners, although it raises some concerns about the ability of the organisation to take on more activities.

2.12 The Chair and CEO have a highly regarded profile across the region and a well established organisational development programme aims to ensure that the Agency’s capacity is able to meet its challenges.

2.13 AWM has achieved considerable success with core programmes such as The Market Towns Initiative, the Manufacturing Advisory Service –

West Midlands and the Building Essential Skills for Construction Trade.

2.14 AWM has a strong tendency to underplay its role and the extent of its achievements. This acts against, and is seen as a limiting factor, in developing their regional and national profile.

2.15 AWM has an excellent track record of financial control and a good record of achieving targets. These are well reported at a high level, but partners feel that communications could be improved, in particular around achievements and the project approval processes which are currently not well understood.

2.16 Feedback has been very positive from the Department for Transport and other Regional Development Agencies regarding AWM's lead role activities, with particular praise for the work undertaken on the Surface Infrastructure of National Economic Importance (SINEI) report.

2.17 The work undertaken to manage the collapse of the MG Rover Longbridge plant is seen as a major success for the Agency. The Agency provided excellent leadership in bringing together all the key partners from across the region and to deliver practical results.

2.18 The Agency is performing strongly on the Access to Finance agenda. Good progress has been made to establish various growth funds and an Investment Readiness Programme. AWM have been acknowledged by OECD as playing a pivotal coordinating and shaping role for Access to Finance in the West Midlands.

2.19 The Agency has performed well in terms of Inward Investment. It has focussed on strategically significant projects and has exceeded its targets for the past two years on both jobs created and safeguarded.

3 The context for Advantage West Midlands activities

3.1 The West Midlands is a diverse region with an £82bn economy and 5.3 million population. Approximately 11% of the region's total population belong to ethnic minorities, the largest grouping (8%) being of Asian descent. Birmingham is expected to be amongst the first 50/50 (white/BME) cities by 2010. The region is dominated by the city of Birmingham, but also contains numerous other major urban settlements such as Coventry, the Black Country conurbation including Wolverhampton, and Stoke-on-Trent. The region also has a large rural hinterland in Worcestershire, Warwickshire, Shropshire and parts of Staffordshire, comprising around 80% of the land area.

3.2 The West Midlands region contributes 8% of the UK's Gross Domestic Product. Despite recent improvements in the absolute position, the region is still not contributing its full potential to the UK economy. The gross value added (GVA) per head is 10% lower than the UK average, and the productivity gap between the region and the UK as a whole is widening. The overall economic activity rate is 80%.

3.3 The West Midlands has undergone significant economic changes over the last three decades with the service sector replacing manufacturing as the principal source of employment. It is still, however, the UK's main manufacturing centre and the manufacturing industry represents 30% of the region's GDP with over 21,000 sites employing more than 460,000 people, over 20% of the regional workforce. The region's manufacturers are beginning to move away from traditional markets in the automotive sector, and the region is now seeing a rise in the development and manufacture of products in other sectors such as plastics, electronics and telecommunications, food and drink, glass and leather and ICT. One third of all UK publicly quoted software & computer services companies have operations in the West Midlands. The restructuring of the sectors has inevitably had an impact on employment, and on the skills mix. Birmingham has recently been losing manufacturing jobs at a rate greater than the national average. On the other hand, it has the UK's largest business and professional services sector outside London, employing some 100,000 workers. Across the region, service industries employ over 1.7 million or 75% of the workforce. The region is now seeing the fastest growth in the

service sector in the whole of the UK including retail, hotel and catering and distribution.

3.4 In the last decade economic growth in the West Midlands has led to GDP rising by 29% with 240,000 more people in employment and a fall in unemployment rates from 12.1% to below 6%. The number of long-term unemployed people has reduced from 21,000 in 1999 to 8,000 in 2005. 52% of West Midlands companies report innovative activity, the highest figure for English regions. However, currently the West Midlands region falls well below the UK average of 2% of Gross Value Added (GVA) invested in Research and Development (R&D) at just over 1%. Despite the overall improvements, the region has a greater proportion of people with no qualifications than England as a whole, and fewer with degree level qualifications. Skill shortages are the most common cause of recruitment difficulties in the region.

3.5 The region has world class centres of teaching and research excellence in 12 Higher Education Institutions, notably at Birmingham and Warwick. There are an additional 36 further education colleges with students taking higher education courses. The higher education institutions range in size from the University of Birmingham with over 30,000 students, to Harper Adams University College with just under 1,800.

3.6 The region is served by the largest motorway network outside of London, and also faces a serious congestion problem, especially around the M5/M6 junctions and the M6/M42. The region also has a major international gateway through Birmingham International Airport, where major expansion proposals are being considered to significantly increase capacity and expand air-routes by 2012. Uniquely amongst the English regions, it has no seacoast. AWM has the national lead role for transport within the RDA network.

3.7 In 1999 AWM had a budget of circa £114m and circa 125 staff. The total budget for 2006-07 is approximately £350m (gross) and there are circa 300 staff.

3.8 Like every Regional Development Agency, AWM has to respond to a variety of challenges, including balancing the economic priorities of the region with national policy requirements, managing the conflicting demands of different regional stakeholders, looking outwards to promote the region while staying focused on what is happening inside, and responding to new duties imposed by central government from time to time. All these challenges are common to Regional Development

Agencies; the vital question is how well each responds to them.

3.9 The Agency underwent a major restructuring in 2003 and introduced geographically focused delivery teams, each working to a Director responsible for a sub-region. The Agency embarked on a realignment process in 2005, which built upon the previous restructure to take account of the priorities emerging from the RES 2004. The Agency has achieved Investors in People (IiP) status and is currently working towards Investors in Excellence.

3.10 AWM's key partners within the region are the Government Office for the West Midlands (GOWM) and the West Midlands Regional Assembly (WMRA). AWM's principle task is to promote the economic development of the region but as with other RDAs, AWM has taken on significant additional responsibilities over time. This includes; Regional Tourism, the Regional Skills Partnership, the Sustainable Farming and Food Strategy, Enterprise Grants, Business Links, and the Rural Development Programme for England.

4 Ambition

Key Sources: *Regional Economic Strategy, Regional Housing Strategy, Regional Housing Strategy, Regional Spatial Strategy and Regional Funding Allocations document*

AWM is performing strongly in terms of ambition (SCORE 4)

- Through the Regional Economic Strategy (RES), has AWM set clear and challenging ambitions for the region?
- Are ambitions based on shared understanding amongst AWM and partner organisations of regional needs and opportunities?
- Does AWM provide strategic economic leadership across the region and ensure effective partnership working?
- Does AWM with its partners have an integrated and cohesive approach to improving regional economic performance?

4.1 AWM is leading on behalf of the region the review of the West Midlands RES during 2006-07 and the document is to be launched in the autumn 2007. The document will build on the previous versions (1999, which introduced the four pillars, 2001, which introduced the delivery vehicles, and 2004, which introduced the regional voice concept) and will have clear actions to substantially increase economic growth.

4.2 AWM has shown an inclusive and consultative approach in developing the new (2007) RES. There is consensus from partners and stakeholders that the consultation process so far has been very strong and is much improved from the same process in the previous round. The AWM Annual Conference in November, which launched the "Policy Choices" stage of the consultation process, has received widespread praise and the conference was particularly well attended by key partners from across the region.

4.3 In the current RES (2004), 'Delivering Advantage', there are 4 overarching themes (or 'pillars'). These are business, skills, growth and regeneration. There is also an overarching commitment to be 'a powerful voice for the region'. The 4 overarching pillars are well understood, but whilst there is a clear framework and focus for the region to raise its profile through the "powerful voice theme", some partners are unsure of how this is actually being addressed. The RES sets an overall goal of being recognised as "a world-class region in

which to invest, work, learn, visit and live and the most successful in creating wealth to benefit all of its people". AWM has, commendably, not sought to deliver the majority of its priority actions itself. 11 key actions are delivered by AWM, while the remainder (of 45) are formally agreed for delivery by partners.

4.4 Despite a consultation process which involved over 100 meetings and feedback from circa 150 stakeholders, from the partners/stakeholders who were interviewed as part of the IPA process, some did not feel a strong sense of ownership in terms of the formulation of the 2004 RES. Although it was launched jointly with the West Midlands Regional Assembly as a regional document, it is seen by some as primarily an AWM document, (possibly because of its name "Delivering Advantage"), though there was a consensus from partners/stakeholders that the priorities were nevertheless the right ones for the region, and that they had aligned their strategies and funding with the RES. Partners also agreed that the RES 2004 was a clear improvement from the earlier 2001 version. AWM are slightly out of sequence with the other RDAs on the production of the RES, and this will be their 4th publication, compared to 3 across the other RDAs. That said, the 2004 RES is seen to be ambitious and pushing the region forward in key priority areas to address the significant productivity gap which currently exists in the region.

4.5 AWM has worked proactively with both the Government Office West Midlands and the West Midlands Regional Assembly on the preparation of the Regional Spatial Strategy and excellent working relationships have been established with these bodies. The RSS and current RES are very strongly strategically aligned, which is a tremendous achievement, and there is a clear understanding of the priorities flowing from both documents. These priorities flow visibly through into the AWM Corporate Plan (CP). The three bodies also worked well together on the production of the Regional Funding Allocations submission – which received support from central government. Overall, therefore, there is good collaboration on the high level ambitions for the region.

4.6 AWM is providing strong regional leadership to drive change in the region and there is a high level of partnership working at both strategic and delivery levels. As noted above, the Agency has effectively worked with a range of partners to align priorities at regional and sub regional level. An example of this is the Science City Agenda. AWM has worked with key partners and stakeholders to develop the agenda for the

work on Science City. A Steering Group has been formed, along with the Science City Development Group and various working groups. The emerging Science City Strategy focuses on developing the region's capability using the same technology themes selected by the Innovation and Technology council. This is a clear strategic decision to provide consistency and clear direction. Science City has also cemented relationships between the region's universities, and there are clear collaborations evident from this work. Projects are now being developed which support the strategy, and the first two received approval by the Agency in December 2006.

4.7 AWM has a strong Sustainable Development framework which is applied across the projects and initiatives the Agency supports. The Agency is undertaking comprehensive work on the sustainability assessment for the preparation of the RES. The current 2004 RES is effectively rural-proofed and this will also be a key component of the new 2007 RES.

4.8 Since taking on the work of Business Links in 2005, the Agency via the Enterprise Board has consulted and identified that the best solution for the region is to have a single supplier of Business Link at the regional level, rather than the current separate arrangements. From April 2007, services, including skills provision, will be provided by brokerage, a model which has wide support throughout the region. The intention is to provide in-depth assistance to companies across the region through a network of advisors. The prospects for successful implementation appear to be good. The vision is widely supported and shared.

4.9 In addition to key partnerships within the public sector, AWM has strong links with the private sector. AWM has helped to establish an extensive range of Investment and Venture Capital funds to provide a continuum of finance for SMEs, and also supports business through the Business Links network. The Access to Finance initiative is highly regarded and the Agency will shortly be launching an Investment Bureau (Investbx) which will be a first for the RDAs. This aid will help growing SMEs get access to capital. Improving information transparency on the risk capital market will attack the very source of the market failure. All equity investment at Investbx will be provided by private investors. Investbx is seen by the EU as a very innovative project, which may be a valuable precedent for other Member States.

4.10 AWM has shown a strong commitment to working across regions and on the European level. Collaboration is particularly close with EMDA on the automotive sectors work and on Inward Investment. West Midlands in Europe (the region's Brussels office) has provided effective leadership and partnering work by making connections with potential partners among European regions where there is strategic advantage to be gained from doing so.

4.11 The work of the West Midlands Regional Observatory (WMRO) has been recognised widely as a success story in terms of the regional evidence base. WMRO has a clear, shared understanding of the regional priorities and works to identify gaps and shortfalls in provision, providing widely shared analysis of regional challenges and opportunities. WMRO has recently updated the State of the Region report and this is seen to be a very positive step by partners. AWM deserve credit for taking early action to enable the creation of this body, and for facilitating the dissemination of relevant evidence to partners. At the same time, the Observatory operates independently, increasing the value of its information to partners.

4.12 The WMRO will shortly be undertaking a regional economic modelling exercise which will lead to a toolkit that will facilitate sophisticated economic modelling both at a regional and sub regional level, providing for the first time, a consistent approach to economic modelling for the Agency and its stakeholders and partners.

Strengths	Areas for development
<ul style="list-style-type: none"> • Inclusive and sound consultative approach in developing the new (2007) RES • Clear feed-through of RES goals into Corporate Plan and other documents • Good acceptance of and recognition for the overarching ambitions in the existing RES throughout the region • Excellent strategic alignment with other regional strategies, especially the RSS • Strong relationships with key regional partners • Excellent Access to Finance initiatives to aid enterprise • Good visible leadership, including working alongside other RDAs and European partners • AWM has improved its economic evidence base with its establishment of WMRO 	<ul style="list-style-type: none"> • The “powerful voice” theme of the RES is not as well understood as the other 4 pillars. This needs further embedding so partners can understand how it is being addressed

5 Prioritisation

Key Sources: *Regional Economic Strategy, Corporate Plan, Business & Delivery Plans, Risk Management Strategy*

AWM is performing strongly in terms of prioritisation. (SCORE 4)

- Are there clear economic priorities within the ambition for the region?
- Is there a robust corporate strategy expressed within AWM's Corporate Plan to deliver the priorities?
- Is robust action taken to deliver the RES?

5.1 The Region has clearly identified the programmes and actions that it wishes to take forward over the next 10 years. These priorities derive from the regional evidence base, and are widely supported by the regional key partners/stakeholders. They also address national policy by reference to the PSA targets. There are thirteen challenges contained in the RES, and five are given highest priority. The five top challenges are enterprise, manufacturing, skills, transport and economic inclusion. Partners have agreed that the RES 2004 is more focussed, more widely supported and spatially aware, than previous versions and has a very strong alignment to the RSS.

5.2 The 2001 RES contained an Action Plan which contained 60 priorities, of which the Agency led on 19. The 2004 RES sees a much sharper focus and a significant reduction in the number of actions from 60 to 45, of which the Agency leads on 11. AWM was the first RDA to produce an Action plan which had been signed up to by all partners. The resultant performance report was also a "first" for AWM and other RDAs have now adopted this approach. All lead organisations provide an annual report on progress against the delivery of their actions. These are then combined into the overall report covering progress against the entire RES Action plan. This report is produced for the Board and the Regional Assembly.

5.3 AWM works with 4 Independent Strategic Boards to shape and prioritise the interventions to tackle the five key challenges in the RES. Three of these were established by the Agency; the Enterprise Board, the Regional Skills Partnership and the Innovation and Technology Council. In addition, the Agency supports the work of the Assembly led Regional Transport Partnership and is working with partners to establish an Assembly led Economic Inclusion Partnership to address the 5th

RES challenge. These boards provide independent and impartial advice on priorities to both the Agency's Board and partners. These boards have made significant impacts; including the Enterprise Board carrying out the review of business support arrangements and putting forward the recommendations for the new partnership which will be operational from April 2007. The Regional Skills Partnership has established a strong business-led agenda and has helped influence the £1bn of Learning and Skills Council funding, and funding from the Higher Education Funding Council for England. The Innovation and Technology Council has produced the Regional Innovation Strategy which is being used to inform the priorities in the Science City Strategy. The Transport Partnership has influenced the seven Metropolitan councils to agree to put in over £136m from their Local Transport Plan allocation to the development of New Street Station, which will be matched by £100m from AWM.

5.4 There are clear links from the priorities in the RES to those in the Corporate Plan. These priorities are widely shared in the Agency. They are communicated effectively through the Business planning process down to team and individual objectives. A particular strength is AWM's Corporate Planning process, where the Agency's Board allocates funding to the RES themes, with a focus on the five key challenges as priorities. The Investment Decision Group considers all project applications to ensure alignment with both the RES and the Corporate Plan priorities.

5.5 AWM's delivery vehicles are relatively clear in concept, and have support from the region. The delivery vehicles business plans' clearly translate the priorities into regional delivery, and funding against these plans is agreed until 2008. The existence of long-term structures fulfils a regional need for strategic thinking, though a few partners expressed concerns that there may be too many Business Clusters to allow effective prioritisation. It was acknowledged that the decisions in respect of the clusters are partly on the basis that the clusters – although primarily economic in nature – have a significant spatial dimension, which it would be strategically difficult to lose, however, they will be reviewed as part of the RES 2007 consultation to ensure they remain the right clusters to address the priorities for the region. The Regeneration Zones (RZs) have a set of priorities which are driven by the RES through the machinery of the Zone Implementation Plans (ZIPs). The High Technology Corridors have a set of policies and priorities that flow quite well from the RES priorities, whilst also taking account of local needs in determining their spending priorities.

5.6 The West Midlands is an ethnically diverse region, and inclusion is listed as a priority. AWM are performing strongly in engaging Black and Minority Ethnic (BME) communities in a number of its initiatives and activities, including developing international trade links.

5.7 The Agency has a strong risk management framework and both the RES and the Corporate Plan have been fully assessed against this framework. Directors make monthly reports against the critical success factors (CSFs) to which the risk framework is linked, and we found good evidence that they manage their key risks effectively and discuss them robustly. The Board considers itself adequately informed on the subject. AWM shares its risk management framework with partners to encourage good practice and ensure that partners themselves have strong risk management frameworks.

5.8 The rural agenda is served by the Rural Regeneration Zone (RRZ) and the award winning Market Towns Initiative (MTI). In the past, AWM has been criticised for not giving sufficiently high priority to rural issues, though this is changing. AWM has a Rural Framework which has strong links with the Corporate Plan and RES. It targets resources at priority areas. Although there is room for further improvement, there is now greater recognition that the prosperity of the rural areas is important to the region as a whole. The opposite criticism was also voiced, that AWM are not sufficiently focussed on the central productive core of the region. This could imply that AWM may have achieved an appropriate balance overall.

5.9 AWM has demonstrated strong leadership on different areas of the enterprise agenda. One is to recognise the key role of knowledge-led enterprise and the degree to which the regional universities and colleges are able to contribute to this. There are strong links between AWM and all the West Midlands Universities and AWM have invested heavily in tying academic knowledge generation into modernising the region's manufacturing base. This represents a robust set of actions to support a critical sector of the regional economy. However, other agendas cannot always be as well served, as (in common with other RDAs) there is a wide a range of areas in which AWM have to take an interest.

5.10 The majority of the Agency's staff are involved in the preparation of both the RES and the Corporate Plan. They buy-in to the process through their normal working practices. The various sector-specific teams (e.g. Inward Investment) find that the RES gives them the overall guidance they need.

5.11 AWM has recently reviewed its communication strategy and the level and content of communications have been substantially improved. Although the Agency collects data at a sub-regional level, it needs to improve the reporting back of data at a regional level. Progress is being made on activities such as the RES update evidence base, the RES monitoring and the Skills evidence base, but this needs to be developed further to cover more areas of its activities.

5.12 There is a Regional Marketing Strategy which examines the strategic positioning of the region and sets out actions under four themes which should have the best impact. There is a need for AWM to be more pro-active in marketing and promoting the region and increasing awareness of regional strategies, which many partners felt was unduly low, though there are some fundamental limitations on how far this might be possible, given the challenges over regional branding.

5.13 Evidence was collected that demonstrated partners have taken the RES priorities seriously into consideration in developing their own spending plans. For instance, the Regional Skills Partnership has influenced the LSC to allocate significant resources (circa £1bn) in line with the RES. AWM have sought to use this kind of leverage to ensure that the most appropriate delivery partners act in the various priority areas, for instance by re-balancing their own skills work to focus on higher-level skills, in the light of emerging evidence. Other examples of partners realigning funding include; the University Quarter at Stoke on Trent, Pebble Mill Bio-Medical Technologies incubator, Birmingham International Airport/National Exhibition Centre and the Medical technologies cluster programme.

Summary:

Strengths	Areas for development
<ul style="list-style-type: none"> • Strong links from RES to Corporate Plan and then to individual objectives – a clear golden thread • Strong Corporate Planning processes which allow effective prioritisation of spend through the RES and Corporate Plan • RES is targeted on basis of clear evidence • Clear ownership and delivery of the RES priorities by the Agency and key partners • Strong evidence of strategic alignment of funding by partners to meet priorities • Wide and deep support for priorities from partners • Corporate Plan provides links with central government policy via PSA targets • Risk assessment of both RES and Corporate plan is clear and owned by the Agency • Good links between FE/HE and enterprise 	<ul style="list-style-type: none"> • Given that “voice” is a RES priority, partners did not feel that AWM had fully understood all the barriers to the effective marketing of the region

6 Capacity

Key Sources: *Corporate Plan, HR Strategy and related documents, Annual Performance Reports, Business & Delivery plans, Procurement Strategy*

AWM is performing well in terms of capacity (SCORE 3)

- Is there clear accountability and decision making to support delivery and continuous improvement?
- Is capacity used effectively and developed to deliver ambition and priorities?
- Does AWM, with its partners, have the capacity to achieve change and deliver its priorities?

6.1 The Chairman and Chief Executive have a very high profile across the Region, and show strong leadership in setting the direction of the Agency. Both are respected by partners and stakeholders, who consider them to be good communicators and focussed on the objectives of the region.

6.2 This level of support was also found for some other members of staff but the response, whilst generally good, found that despite a strengthening of the senior management level across the Agency, some partners still felt the need to drive their own personal relationships to ensure that they received the level of interaction with AWM that they felt they needed. This may result from the number of contact staff changes that some partners have experienced and the level of restructuring carried out internally leading to changes in roles and responsibilities.

6.3 The Agency has put in place sound Corporate Governance procedures which are monitored and adhered to. Generally the Board works effectively. Board members have a wide range of expertise, bringing both private and public business skills and experience to the meetings, plus significant amounts of relevant technical knowledge. Each Board member has a range of specific responsibilities that cut across the Agency's priorities. They consider themselves well informed for their role. AWM also maintains close contact with previous Board members to use their knowledge and expertise to continue to raise the profile of the Agency across the region. Uniquely, AWM's Board has given full project approval delegation (£10m) to the CEO, and they only

consider projects above this value, or those that are considered novel or contentious. This has the benefits of keeping the Board focussing on strategic issues, but it does mean they only receive headline summaries of project approvals below this level and this may have a risk of the Board not fully understanding all the projects that are being supported. However, all of the Board members interviewed felt that this process works particularly well.

6.4 There are five Corporate Directors and the two vacancies (Strategy & Communications and Economic Regeneration (temporarily filled)) that were being advertised whilst the team were on-site have now been filled on a permanent basis. The Agency has gone through a period of transition on its structure and staffing. First, there was a fundamental restructuring process the Agency undertook in 2003. The purpose of this was to increase clarity in communications, shift from a functional to geographical structure and increase resourcing for the Agency's key areas. The Agency embarked on a realignment process in 2005, which built upon the previous restructuring process, and took account of the refreshed priorities that emerged from the RES review in 2004. The 2005 realignment introduced 12 functional Director posts, ensuring that appropriately skilled Directors can attend meetings with stakeholders and partners. We found that substantial capacity has been added to AWM's core functions by these actions, which will position the Agency well for a shift towards a greater emphasis on strategic commissioning (see 6.12 below). AWM has also been able to respond to a changing Government agenda, with new responsibilities being added, without losing its own focus on the regional agenda.

6.5 An organisation development programme has been established, with a dedicated team working to the Human Resources Director, to ensure that Agency capacity becomes or remains capable of meeting its challenges. One area for further consideration is in overall staff numbers which appear rather low when compared to other RDAs with similar budgets (less than 300 with 10% vacancy rate). Although this is the result of a conscious strategic decision to keep delivery outside of the Agency, there is evidence to show that taking some functions in-house, as with the RRZ can be a positive step for effectiveness in some cases, but this cannot happen without an increase of Agency staff.

6.6 Teams generally have the range of experience and skills needed to deliver their contribution to the Agency goals. The Investment

Decision Group (IDG) process ensures that projects have strategic fit with the RES/Corporate Plan. In addition the Agency maintains a number of sub groups to consider specific issues, most significantly on investment decisions. The sub groups are smaller, and are able to effectively review and address more issues, and encourage debate. Some partners were divided over the degree to which information silos were still in place though there was agreement that the direction of travel on this issue was right.

6.7 The RES envisages three main delivery vehicles (Regeneration Zones, Business Clusters and High Technology Corridors). Partners had varying opinions concerning the delivery vehicles:

6.7.1 The Business Clusters had general support, and appear to have had very favourable impacts in constructing creative networks. The clusters tend to have some sub-regional spatial definition, which can make them a proxy for sub-regional decision making. Some clusters naturally tend to cross regional boundaries and there is a need to ensure the cross-regional working which is already happening with the automotive and aerospace sectors continues. This does not, however, imply that any kind of central coordination of delivery vehicle types is necessary or desirable.

6.7.2 The Regeneration Zones received significant criticism from some key partners. Some are seen as good while others lack the capacity they need to deliver. This issue derives largely from the original plan for the RZs. The majority of RZs were set up to work through existing partnerships, some of which took longer than others to establish effective working arrangements. However, we accept that it would not have been appropriate at the outset for AWM to be prescriptive, as the Zones are delivery vehicles for the RES, and therefore have accountability to the region as a whole, rather than being solely responsible to and controlled by AWM. The Rural Regeneration Zone (RRZ) is an important case in point – it has shown significant improvement in capacity to deliver recently, especially since the management was taken in-house. Overall, the appointment of delivery directors within AWM with specific sub-regional responsibilities has represented an improvement in capacity and accountability, and AWM is taking steps to improve staff capabilities at the RZs.

6.7.3 The three High Technology Corridors are well understood by the majority of stakeholders across the region. This appears to result from both the defined geographical boundaries and the concentration of academic, research, and business innovation to create prime locations for technology

related research, design, manufacturing and professional service businesses to support high tech, high value goods and services. Stakeholders not directly involved with the HTC's were supportive of them and found them to have benefits outside of the defined areas.

6.8 Partners believe that the work the RDA is doing on Business Links will improve regional capacity. A regional brokerage model is being adopted (see above, chapter 4) which has wide support. AWM acknowledges that work remains to be done on simplifying and streamlining the range of products on offer and this is being addressed as one of the aims of the Business Support Transformation project. AWM is also leading on business support simplification at a national level with the Department for Trade and Industry.

6.9 The Agency has undertaken a significant amount of work to improve its project processes, in part due to feedback from partners, and also to ensure that there has been effective communication with partners about project processes. Improvements have been noted by the Regional Assembly through the scrutiny process. On the other hand, some other key partners believe that there are still a number of issues to overcome (see Chapter 7).

6.10 The regional economic data on which AWM bases their priorities is largely generated through WMRO (West Midlands Regional Observatory) and the evidence base has been seen to have improved significantly over the past couple of years. An effective Service Level Agreement is in place with WMRO. However, some stakeholders said the evidence base still needs improvement because it is insufficiently disaggregated and not disseminated as effectively as it could be. Whilst this statement has some merits, we acknowledge that it takes time to provide "everything to everyone" and that overall the WMRO is providing some excellent analysis to the region.

6.11 AWM moved quickly to establish a regional Centre of Excellence for Regeneration, RegenWM, following early scoping work which identified a real need for the type of services it could provide. The body has been an effective catalyst in its field and its direct services are useful to regeneration practitioners. RegenWM has developed as an organisation, learning from the trial of services, and becoming clearer in its strategic purpose. It needs to raise its regional profile, however.

6.12 AWM, along with most of the other RDAs, has not yet given sufficient priority to the scope of commissioning. The Corporate Plan 2005-08 does not really acknowledge the potential improvements that can flow from this method of delivering economic development activity. However, AWM have now begun to adopt the model. The Routes to Opportunity (R2O) programme is shortly to be launched on this basis.

6.13 Communications are widely acknowledged to have improved considerably. The formal system for informing partners about the latest initiatives and key areas of work received praise from several quarters. However, some stakeholders and partners remain uncertain over staff responsibilities and corporate structure, with evident risks to relationships (see 6.2 above). This has been an issue within most of the RDAs assessed, and remains a constant challenge to keep partners/stakeholders informed of changes to personnel. AWM is moving forward on this agenda and has the capacity to deliver an improved regional marketing strategy, but this is not yet fully developed. The Agency website has been identified as an area needing further refining and this is being redesigned and will be launched in March 2007.

6.14 Partnership working is generally effective. For instance, the Rural Framework demonstrates an integrated strategic approach to delivery, making effective use of both Agency and partner capacity. There is good capacity-building going on among the partners. For instance, over 100 posts have been created in partner organisations such as RegenWM, WMRO and UKTI, though much of this is under the radar. However, in some areas we found significant capacity and willingness to act that was not yet being fully engaged – ie. Local Strategic Partnerships and the voluntary and community sector. There is a belief among some partners that overall capacity may not yet be sufficient to deliver on all priorities. The review of the RES will look again at overall capacity and the most effective delivery vehicles to take forward the emerging priorities.

6.15 AWM has also helped to create capacity by its innovative work on Broadband across the region. In order to tackle the *'digital divide'* between those that have access to high speed, high-value services, and those that do not, the Agency led on developing an inclusive online services network. The West Midlands Networking Company Ltd (WMNC) was established by the Agency in January 2003 to develop and operate a Broadband network (West Midlands Regional Broadband Network) for the benefit of the West

Midlands region. This is the first regional network of its kind in the UK to link together local authorities and universities, initially providing regional coverage and connectivity for 14 Local Authorities and 8 Universities throughout the West Midlands. The Regional Network also connects 44 Further Education colleges and Adult Learning Centres. Coverage has been raised from 78.5% in 2003 to 99.98% in 2006. It is intended that literally 100% of businesses and households in the region will have the opportunity to connect to affordable broadband.

6.16 AWM has sought to embed value for money into its operations. An Efficiency programme is in place which has detailed targets, is filtered down into operational work streams and is risk-assessed and managed. Significant efficiency gains have resulted, and more are anticipated.

6.17 There is a robust Human Resources strategy which is central to the ongoing development of the Agency. As part of this AWM has obtained liP status. On the whole, we found that AWM provides quality training in key skills which received high praise from staff. Training is explicitly linked to staff development in order to ensure that AWM benefits and the capacity needed to deliver on the ambitions is maintained and increased. A restructure of the organisation has helped to identify potential areas of duplication and overlap. A workforce skills audit was carried out in 2003. The Agency reorganisations have been recognised as broadly successful.

6.18 The Agency has a robust personnel appraisal system in which all members of staff participate. HR regularly reviews staffing numbers and sickness levels against its Key Performance Indicators. AWM staff are highly motivated and enthusiastic. The Agency has an excellent attitude with regard to diversity issues. The Agency has been recognised for its commitment in this area and was awarded a gold award at the British Diversity Awards 2005 for the good practice within its HR Team. The Agency was also awarded the "most improved" organisation in the region in the Race for Opportunity 2005 benchmarking exercise.

6.19 The level of delegation below Executive Team level is low compared to some other RDAs, and staff within the Agency demonstrated a clear desire to have more responsibility and financial delegation, although they do feel empowered in their day to day work. Financial delegation may improve some of the issues that relate to the project appraisal system (see chapter 7 below).

Summary:

Strengths	Areas for development
<ul style="list-style-type: none"> • The Agency exhibits strong leadership through the Chair, the Chief Executive and senior management team and this is respected across the region. • The Board works effectively. The corporate governance procedures in place are sound. • Although the Agency has gone through a difficult period of re-organisation, it was handled very professionally. Members of AWM staff are generally supportive of the changes. Recent appointments at the both Corporate /functional level are likely to improve AWM’s capacity further. • The Agency has worked hard to ensure that key partners are clear about roles and responsibilities. • Partnership working has been improved and made more effective through increased capacity at sub regional level. • The Agency has a skilled and dedicated workforce that is highly experienced, motivated and respected. A robust development framework is in place. Training contributes to a positive workplace culture. • Excellent approach to Diversity 	<ul style="list-style-type: none"> • AWM should consider revising its delegation levels to senior managers • The evidence base from the WMRO needs to continue to be developed and disaggregated at a local level to aid prioritisation of projects/initiatives

7 Performance Management

Key Sources: *Corporate Plan, Performance Management Framework, Project Appraisal system, Annual Performance Report, Risk Management Strategy, Evaluation framework, Business & Delivery Plans*

AWM is performing well in terms of performance management (SCORE 3)

- Is there a consistent, rigorous and open approach to performance management?
- Do AWM and partner organisations know how well they and each other are performing against planned/expected outcomes?
- Is knowledge about performance used to drive continuous improvement in outcomes and learning?

7.1 The Agency has a good record of financial management, as evidenced by the management letters received from the NAO financial audit team, and meets its targets for spend and annual outturn. However their success relies heavily on expenditure within the last three months of each financial year. Some of this is as a result of Single Regeneration Budget funding where a high proportion of spend always occurs in the final quarter of the year, but not all. This is not unique to AWM and they are skilled at managing the difficulties that this presents, but the very high dependency on achieving backend spend is a significant risk to the Agency achieving its targets and maintaining its excellent record. The timing of transactions becomes a critical matter and the advancement of standby projects or the completion of asset disposals requires a significant level of direct high-level management.

7.2 AWM recognises that skills are a major issue within the region and have a significant impact across many of the economic development interventions. They therefore monitor a number of individual and employer based indicators through the West Midlands Regional Observatory. They have now developed a combined set of indicators to produce an overall Skills Performance Index, a performance measurement tool which has been adopted nationally through the Department for Education and Skills and is recognised as an area of leading best practice throughout the Regional Skills Partnerships.

7.3 AWM has a robust risk assessment and monitoring process, which is being steadily embedded both throughout the Agency and the key partners. A framework for assessing both impact and likelihood has been defined to provide consistency across the wide range of Agency supported projects. These estimations are combined to provide the risk weighting and this weighting determines the corporate level at which the risk must be managed by a named responsible officer. The Audit Committee approves the corporate risk register on an annual basis and carries out a further detailed review so that it is updated on a six-monthly basis. All risks identified at this level have a relevant Corporate Director as responsible owner and each is expected to present their high level risks to the special Audit Committee review.

7.4 AWM fully recognises the role of strategic partners in delivery of RES objectives and has developed a tool for the assessment of external partners' corporate governance arrangements. This is based around a comprehensive 'internal control questionnaire' and action planning process, designed to identify areas of good practice and areas for improvement. This increases the effectiveness of organisations as delivery vehicles by enabling them to concentrate efforts on key areas of communication and engagement. It is a very well developed tool, enabling AWM to identify early on areas that should be strengthened within the partner organisation to increase the effectiveness of their own management processes and the likelihood of successful project delivery.

7.5 AWM has developed its internal systems significantly, re-issuing a full revised set of project management procedures in April 2006 to take account of user feedback. These are regularly reviewed and updated, on at least an annual basis. Formal guidance on Procurement, revised and updated in June 2006, will become subject to the same reviews, additionally the procurement strategy gives a clear allocation of responsibility and is now a sound basis for consistent decision-making. In December 2006 a Project Development Fund was launched to assist applicants during the early stages of project development. Over an 18-month period, this aims to assist applicants to produce better quality and more rigorously tested applications through the consideration of comprehensive information and use of appropriate experts at an early stage. By increasing the quality of project applications AWM aims to reduce the approval times and increase the quantity of projects that can be undertaken.

7.6 The AWM project management procedures provide comprehensive guidance for the development, approval and delivery of projects, but can be difficult to navigate and fit into an overall process, as they often reference a number of other documents and procedures and there is no summary of the end to end process. There is a strong and persistent external perception that the Agency's processes are unnecessarily complex and time consuming, and that they lack appropriate flexibility and innovation to respond to the circumstances of potentially good projects. The Agency has started to streamline its project processes and this was reported by the Regional Assembly as part of their scrutiny role. A number of partners feel that the Agency is too output driven rather than outcome focussed and may not assess the best projects for development as a result of the appraisal process. This comment has some merits, but like the other RDAs, AWM must achieve its targets set through the Tasking framework and this limits the ability to take on some projects.

7.7 Although AWM has put in place tracking measures to record key milestones for all projects, there is a lack of clarity around when projects are entering an Agency led activity and when they are being developed by the project owners. As a result it appears common for the two to be confused and the Agency to be indiscriminately blamed for long development times where this may be a joint or project proposer's area of responsibility. Further refinement and direct management and communication of the expectations and targets set by the appraisal system is required to increase applicant awareness.

7.8 AWM supports a Project Office which overviews all of the project processes and this aims to ensure best practice project and contract management. This is seen as a major strength in the organisation by the NAO financial team.

7.9 A number of grant recipients expressed dissatisfaction at the length of time taken for AWM to make positive decisions. They felt that they were given limited assistance to match their projects potential to AWM targets requirements, even after achieving an approval at the outline stage and having been allocated a project sponsor from within AWM. They expressed concern that the time taken to achieve the final approval was therefore unnecessarily extended, causing frustration and risking loss of opportunity. Others with potential projects were dissatisfied with the length of time taken for AWM to give them a negative response and felt that they had been given too much false hope of a positive response. Some felt that this had jeopardised their ability to seek the

most effective funding for their projects from other sources. AWM's processes are developed from the published Single Programme Appraisal Guidance and clearly follow the "Green Book" guidance on appraisal. Unlike other RDAs, but following the guidance, AWM has completely separate teams for project development and project appraisal. The wholesale handover of the projects at the critical moment of formal application appears to increase applicants concerns about the timing and outcome of an appraisal and by necessity increases the period of time required to complete a full appraisal. Although AWM set a target time of 20 days for appraisal this appears unrealistic for projects with even a small level of complexity or innovation and the target time is often not met, leading to delay and frustration.

7.10 Within the Agency, individual targets for performance are drawn from planning that can be traced back and directly related to the Corporate Plan and the RES. There is a strong cascade of objectives from the higher level documents through the Directorate plans to the individual work plans, job and person specifications and performance targets, all of which relate to overall objectives of the Agency. This is maintained even in work areas that are internally focused, such as HR or IT services, with an understanding of how these departments ensure that overall organisations effectiveness by understanding the real needs of other departments.

7.11 AWM has undertaken a number of benchmarking exercises across the range of its activities at both strategic and operational levels, by examining performance against other organisations or recognised standards. At an organisational level AWM has achieved Investors in People accreditation and aims to complete evaluation for Investors in Excellence before May 2008. At a strategic level AWM has examined areas such as e-business adoption, access to finance and skills development to inform and guide the development of strategies such as Digital West Midlands, opportunity networks such as Advantage Business Angels and key performance indicators such as the Skills Performance Index outlined in 7.2. AWM also engages in the European Union Regions Benchmarking Economic Strategy and Transfer (EURBEST) which aims to identify and transfer best practice in the fields of business support between regions in Europe.

7.12 The Agency has developed a good foundation of evaluation and is currently working proactively to embed this into all its processes and activities. The Agency is expanding this work to implement evaluation into a wider programme and

cross-programme level. AWM is only one of two RDAs to fully evaluate their RES prior to a RES Update. The current delivery vehicles (Clusters, High Technology Corridors and Regeneration Zones) and some other programmes have also been externally assessed and the information gained will be incorporated within the revised RES through the consultation process.

7.13 Evaluation of performance at all levels is being developed as the basis for continuous learning and improvement through structured reviews and analysis. At a project level further guidance is being developed for staff and partners to standardise evaluation information formats and assessments to provide consistent information to transfer between projects and programmes. This will enable wider comparisons to be made and greater use made of lessons learnt to inform future decisions and commitments.

7.14 There is a need for increased reporting back to partners and stakeholders of key and targeted information. At present the majority of partners are unable to assess how the Agency are performing against other similar organisations or projects and do not receive benchmarking information. There is a general lack of understanding of how project targets relate to the strategic priorities for the region and at what level a project may be contributing to these. There is a generally low level of understanding of the majority of projects that AWM supports and improved promotions would help with this and start to raise the profile of AWM within the region. There is an increasingly robust regional evidence base being supported and developed by the West Midlands Regional Observatory and this will allow an increase in reporting of change and impact of investment which should be disseminated widely.

Summary:

Strengths	Areas for Development
<ul style="list-style-type: none"> • Excellent record of financial management and control, enforced by robust internal performance management systems • Development of nationally adopted Skills Performance Indicators assessing both employer and individual indicators. • Clear corporate governance processes, with clearly defined roles and responsibilities. • High commitment to benchmarking of performance and processes against comparable organisations and standards. • Good evaluation methodology for partners levels of internal control and Corporate Governance. • Project Office provides strong governance and assurance for the appraisal process • Clear links between personal targets/objectives and Agency wide objectives 	<ul style="list-style-type: none"> • Reporting of performance at the regional level and against RES priorities should be improved to provide more relevant information for stakeholders • Need to further develop and embed evaluation at the programme and strategic levels. • The Agency would benefit from developing a Process Map of its Project Management procedures which should be shared with all partners to aid communication. • The organisation is seen as having deficiencies in its project development and appraisal processes to the detriment of working with external partners – AWM communications need to explain the rationale to address this • Need to reduce the ongoing risks of spending substantial amounts of money in final quarter of year

8 Achievement

Key sources: *Annual Report and Accounts, AWM a year in review 05/06, RES Progress Report 2005/06, Sustainable Development framework and Lead Role Reports*

AWM is performing well in terms of achievement. (SCORE 3)

- Has AWM delivered its contribution to achieving the ambitions identified in the RES as set out in the Corporate Plan for the timescales covered by the assessment?
- Has AWM made progress in achieving its ambitions in sustainable development?
- Has AWM made progress in leveraging investment into the region against the priorities set out in the RES and has it influenced the resource allocation of partner organisations?
- Has AWM made progress towards achieving its ambitions and priorities for its lead role for Department for Transport?

8.1 The regional Delivery Vehicles, Regeneration Zones, High Technology Corridors and Clusters have developed at different speeds but are now demonstrating some solid successes.

8.1.1 Understanding of the structure, purpose and opportunities created by the ten Business Clusters is now being better communicated and is growing. The Clusters successfully support and enable AWM to engage effectively with key regional industries and over 3,000 businesses. Activities across the Clusters include: Raising performance of sector supply chains, improving competitiveness and productivity, regional centres of excellence, best practice and process development, supporting and exploiting innovation and promoting collaborative alliances. The Cluster organisations have to date been performing at different levels and with different methods and structures making it difficult for some stakeholders to identify the benefits that may be offered. As they are thematically defined some organisations, and in particular the creative industries, find it difficult to identify which cluster they should work with but the majority find a natural area of interest that is well supported.

8.1.2 The three High Technology Corridors are well understood by the majority of stakeholders across the region. This appears to result from the defined geographical boundaries and the concentration of academic, research, and

businesses. This has created prime locations for technology related research, design, manufacturing and professional service businesses to support high tech, high value goods and services. Stakeholders not directly involved with the High Technology Corridors were mostly supportive of them and found them to have benefits outside of the defined areas.

8.1.3 The six Regeneration Zones identify areas of deprivation and major economic opportunity. They cover the rural west of the region and key population centres such as parts of East Birmingham, Coventry, Nuneaton, Wolverhampton, Walsall and North Staffordshire. Each Zone produces a Zone Implementation Plan and this relates their activities to those of the wider RES. The extent of the Zones appears well understood but the level of engagement with stakeholders does vary, so that some Zones are performing more effectively than others. The prioritisation of these areas is based on clear economic evidence, but the lack of full regional coverage does mean that some regional stakeholders outside the zone areas feel that they are disadvantaged in bringing forward projects and engaging with opportunities.

8.2 AWM is taking a strong and positive lead in addressing the issues surrounding sustainable development. It was the first RDA to produce a Sustainable Development Policy and Action Plan, and this is now supported by a Sustainable Development Framework and Checklist. Sustainable development is a key theme of the RES and this has been independently assessed for compliance with the 1999 UK Strategy for Sustainable Development by the Forum for the Future. The emerging RES will also be subjected to a sustainability appraisal, including climate and energy risk assessments.

8.2.1 There is widespread partner and business support for the lead that AWM has taken in regard to sustainable development and a good level of shared understanding of the challenges and opportunities. AWM has invested in a significant number of leading edge projects across this subject including sustainable building design, bio-energy generation, wind energy and photovoltaic cells, all supported by the Sustainable Technologies Network through Harper Adams University and the Environmental Technologies Cluster. A number of these projects have achieved a high level of success, for example in the National Industrial Symbiosis Programme (NISP), a regional business opportunity project identifying synergies beyond traditional company or sector boundaries and to make better use of resources such as energy,

expertise, logistics, services, training, transportation, waste and water. This is now being adopted nationally and internationally and is delivered through networks of regional programmes. The WindSupply project identifies opportunities for product development and innovation and encourages suppliers to bring these to market, ensuring UK companies become an innovative and intrinsic part of the supply chain for wind turbine components.

8.2.2 Although AWM is taking a leading stance in this area they recognise that they have further work to do in embedding the sustainable development policy fully into all of the Agency's activities and processes before continuing to develop this agenda more widely. From April 2007 all projects will be required to demonstrate their contribution to economic, social and environmental policy priorities, carbon saving, business diversification, whole-life costing and 'future proofing' during their development and application process prior to being appraised for funding support.

8.3 AWM has the national lead role responsibility for Transport, and this is widely acknowledged as a difficult and complicated role. There has been excellent feedback on the Surface Infrastructure of National Economic Importance study – used to make the case for economic consideration of key investment decisions by the Department for Transport and substantial comment on the effectiveness of their role in influencing the direction of policy as expressed in the recently published Eddington Transport Study. Most regional partners, and in particular businesses, would like to see further development of the relationship with the Department for Transport on behalf of all RDAs to increase influence on policy development and infrastructure development.

8.3.1 A number of stakeholders expressed the view that AWM's lead role on Transport needs to also be more closely integrated with the activities of the lead role for Planning and Housing, performed by One North East to ensure an integrated approach to economic development throughout these policy areas, such that each supports the others effectively. They also identified the need for rapid access to sources of specialist advice in order to enhance AWM's ability to respond quickly at a collective level, suggesting a previously identified panel of experts that could be called upon as needed.

8.3.2 There has been very positive feedback from all of the RDAs and the Department for Transport on AWM's lead role activities. AWM is

recognised as having created an effective and efficient working group, providing high quality information to other RDAs and maintaining a good base for consultation and advisory work.

8.4 AWM has performed well in terms of leveraging investment into the region and it focuses on large, strategically significant projects. It has exceeded its targets for inward (international) investment for 2005/06, safeguarding or creating 5,609 jobs in this period and assisting over 34 projects. This builds on good performance in 2004/05 where achievements against targets were almost doubled. AWM have also significantly influenced spend of partner organisations, ensuring that their expenditure is more closely aligned with the RES priorities and region-wide needs. They have played a key role in the planned redevelopment of Birmingham New Street Station raising its aims from a rail improvement scheme to the creation of a world class regional gateway project and have negotiated with the Royal Shakespeare Company to allow the inclusion of the Stratford estate in the master-planning of the World Class Stratford initiative.

8.5 Low levels of skills are a major issue identified in both the RES and the Corporate Plan. The Regional Skills Partnership has made progress on alignment with key partners including the Learning and Skills Council, and to a lesser extent Job Centre Plus, to deliver regionally identified needs, and over £1bn of LSC monies has been influenced through this process. However, many partners and stakeholders still feel that there is more work required in this key area. Whilst it is recognised by the majority of stakeholders that AWM does not have direct responsibility for delivery on many skills activities, they felt that the Agency were not sufficiently influencing the direction of other organisations in order to meet the regional needs identified for skills development at all levels, including demand-led skills needs identified directly by employers. AWM has taken the strategic decision not to support basic skills projects (apart from some residual activities through the Single Regeneration Budget Schemes), but to concentrate its efforts on the higher level skill attainments. The majority of partners/stakeholders interviewed do not understand the reasoning behind this as basic skills is a core target in the tasking framework. AWM needs to improve its communication on this issue to raise the region's understanding of this key point and its different strategic and delivery roles.

8.6 The work undertaken to manage the collapse of the MG Rover Longbridge plant is universally seen as a major success for AWM. The

support and preparatory work undertaken over a number of years with the employers, employees and supply chain following initial indications of major problems ensured that the eventual impact of the crisis was significantly lessened. The Agency is seen to have been a clear leader in the process, having acted quickly to bring together the key necessary organisations and ultimately leading the development of a holistic partnership response delivering practical results. These comments are echoed, although to a lesser degree regarding the response to the Foot and Mouth disease outbreak and serve to demonstrate that AWM is seen as an excellent leader in times of crisis. However some partners have commented that although AWM provide clear leadership around the RES, managing Business Links, partnership working, there are still areas where AWM could be taking more of a leadership role.

8.7 The working relationship between AWM and the GOWM has been strengthened in recent years, and also that with WMRA. The key regional strategies (Regional Housing Strategy, Regional Spatial Strategy, and Regional Economic Strategy) are all strongly aligned and the organisations are working in partnership for regional delivery. This level of strategic partnership is becoming widely accepted and developed with increasingly good relationships across the region. Many stakeholders are becoming more closely aligned with the RES priorities within their own aims and objectives. To further consolidate these advances there is a need for increased and better targeted communications, knowledge sharing and strategic alignment. There remains concern among some organisations that initiatives take a long time to become established, gather momentum and become effective.

8.8 Although AWM has set up an Ambassadors Programme to engage high profile and influential spokespersons to raise the profile of the region and identify opportunities for businesses and policy shaping in economic development, there is a lack of a strong Regional Image Campaign to support this and directly market the region. The RES incorporates the aim of providing a "powerful voice" for the region. This envisages a Regional Marketing Strategy that provides a compelling description of the West Midlands, in both words and images, for use by all the regional stakeholders. Although a start had been made on this campaign a couple of years ago, it has stalled, and has yet to regain full momentum. A series of other initiatives is ongoing and this is a positive step but this remains an area where more work is required.

8.9 The West Midlands region is diverse and complex. In seeking to achieve region-wide

economic development AWM has to make constant difficult decisions and it is generally accepted that this is done on the basis of the overarching aims of the RES. A number of stakeholders however felt that AWM has a far greater understanding of urban and industrial/manufacturing issues and consequently concentrated their activities disproportionately to these areas. They were often seen as being too "Birmingham centric" and unsympathetic to wider regional opportunities. These concerns are not supported by the broad regional themes in the RES and the wide range of projects and initiatives undertaken and supported by AWM, however they were expressed by a range of organisations and this may be a factor of the low profile and lack of public awareness of the work of AWM. An example of this is the Market Towns programme, which is viewed as a successful and exemplar programme. This programme has achieved recognition by two national awards, won at Pershore (2005) and Evesham (2004), but has less regional appreciation of its achievements and in particular the role of AWM.

8.10 AWM is receiving strong support for its approach to delivering Business Links services. Although the process is not due to start until April 2007, stakeholders felt they understood the new delivery platform and how and why it had been devised as well as its main aims and objectives. A great deal of confidence was expressed that AWM had planning in place to ensure difficult to reach or isolated businesses would have increased opportunities to connect with or be contacted by Business Links and this is acknowledged as a strong direction of travel.

8.11 In response to the five challenges identified in the RES 2004 that are faced by the region, AWM has a well developed portfolio of projects and initiatives which clearly demonstrate broad support and encouragement for economic growth and development, although their profile remains understated:

8.11.1 Fort Dunlop, a highly visible local landmark alongside junction 5 of the M6 motorway, was the former home of Dunlop Tyres. It had been vacant for 25 years without successful redevelopment until the partnership of AWM and Urban Splash was formed to recreate an iconic building open to a range of retailers, leisure and office tenants as well as a new 100 room hotel. The innovative design, retaining the original form in a new structure, includes the UK's largest living green roof and flexible accommodation across six floors.

8.11.2 Key investment land acquisitions are sites where AWM have taken strategic ownership in order to assemble effective development opportunities, develop key infrastructure or carry out decontamination works prior to passing the land to other organisations for development. For example, at Wobaston Road Wolverhampton, i54 is a brownfield site identified as a strategic employment area. AWM have assembled the land and carried out initial decontamination works against previous use for waste disposal purposes, before preparing a detailed site development plan to maximise job creation potential. This aims to diversify and grow the economy of the associated regeneration zone and high technology corridor within sustainability standards. AWM have also sought major infrastructure improvements through the development of proposals for additional access to the M54 motorway. The Bilston Urban Village project in Wolverhampton has been supported by AWM in its early stages by land assembly and remediation and reclamation works to stabilise shallow mining voids and to provide new roads and services for a new leisure centre. The Urban Village will be a modern and high quality scheme with climate change and adaptation planning incorporated into the development.

8.11.3 The Agency set up a Regional Finance Forum in 1999/2000 to drive forward a coherent approach to providing financial support for business. The commissioned analysis to identify gaps in provision then resulted in a number of new initiatives such as Business Angels, Early Growth Fund, Growth Fund, Creative Fund, Enterprise and Innovation Fund and Investment Readiness Programme. The Agency was also involved in an OECD study in 2004 which involved reviewing access to finance for entrepreneurship. The report cited substantial activity being undertaken by AWM to meet the needs of business and also playing a leading, co-ordinating and shaping role. The OECD report also considered there were exemplary learning models in the West Midlands that could be shared amongst other OECD countries.

8.11.4 The West Midlands Market Towns Initiative has invested over £11million from AWM, enhanced by a further £15million of land and property development and Rural Regeneration Zone activity. 20 towns were originally selected and investment ranges from £300,000 to £500,000, with an additional 14 towns identified to receive action planning funds. The initiatives have been very successful with a wide range of high quality projects and programmes undertaken. AWM projects received two national awards, won for Pershore (2005) and Evesham (2004) and benefit from the Regional Market Towns Forum which

meets quarterly to provide support and best practice to the towns in the initiative.

8.11.5 AWM has successfully established their Manufacturing Advisory Service (MAS) to provide direct assistance to manufacturing businesses seeking to improve aspects of their manufacturing processes, production or material technologies. It works across all manufacturing businesses but also has a number of sector targeted programmes, such as the 'Lift Off' programme aimed specifically at supporting the West Midlands aerospace industries. The success of the scheme has seen the initial investment double over the 3 year period, and the Manufacturing Advisory Service West Midlands has delivered more than half of the national outputs within its first 18 months of operation.

8.11.6 There are a number of University based projects, such as the Premium Automotive Research and Development (PARD) programme based at Warwick University which aim to enhance the manufacturing and design capabilities of supplier companies, creating new knowledge through research and creating an environment for transferring existing knowledge in key areas. The programme employs a wide range of industrial and academic experiences, drawing together major companies and researchers in the neutrality of a university to deliver business driven knowledge. Birmingham and Warwick Universities are collaborating on the development of the Science City concept and Birmingham University are a key partner in the development of a Bio-Medical Technologies Incubator at the Pebble Mill Science Park.

8.11.7 Sustainability projects in addition to those such as NISP and WindSupply mentioned in 8.2 are supported throughout the region through Bio-energy West Midlands which brings together bio-energy producers, processors, end users, consultants, manufacturers and local authorities across the region to integrate opportunities and enhance networks in the production of bio-energy. This supports projects in biomass (such as the Combined Heat and Power generator at Harper Adams University College, biogas (such as the South Shropshire Biowaste Digester) and biofuel projects to produce biodiesel which can be used in diesel engines with no modifications, and bioethanol and biomethanol, for use in existing petrol engines.

8.11.8 The Building Essential Skills for the Construction Trades (BEST) project aims to link local people with the opportunities created through the South Black Country and West Birmingham Regeneration Zone. It is an integrated partnership

programme to support local employers and link unemployed people with real jobs within the construction sector. It gives priority to forming links between the people of the most deprived areas and training and employment opportunities, by providing a free recruitment service to employers and free part time training for unemployed adults. It also supports initiatives to bring construction career opportunities to school pupils and disadvantaged groups.

8.11.9 The e-Innovation Centre located on the Telford Campus of the University of Wolverhampton provides 'launch pad' units offering high quality business accommodation in a modern building with hi-tech support from a team of consultants based at the Centre. Occupied by businesses less than 18 months old it provides furnished workspaces equipped with new technologies for up to 5 people. There are also shared facilities of reception, kitchen and meeting and hospitality areas that enable the business to raise its profile and on-site technical support to ensure its effectiveness. The Hothouse in Stoke-on-Trent provides business start up opportunities of premises, technology advice and training and expands this by an ethos of working together for encouragement, inspiration and celebration. The Hothouse has a high level of interest from design based companies and is able to offer the support of state-of-the art workstations. It provides the ability to 'fast-prototype' their designs, with support for business presentations and training opportunities.

Summary:

Strengths	Areas for development
<ul style="list-style-type: none"> • Consistent achievement of targets and full budget spend • Strong work on developing the Business Links offer, and linking it with skills brokerage • Excellent Market Towns Programme • Strong progress on Access to Finance • Good progress on Inward Investment • Good collaborations with the region’s universities to develop projects such as Premium Automotive Research and Development programme • Innovative approaches on bioenergy and biofuel developments • Delivering Key projects in partnership which otherwise would not have happened • Excellent progress in national lead role on transport • Excellent collaborative working with key partners on the MG Rover Taskforce • Strong evidence base – WMRO very good, seen as independent resource for the region • Good Ambassadors programme which works across the region • Innovative approach to enabling Broadband connectivity across the whole of the West Midlands • Good progress on Sustainable Development 	<ul style="list-style-type: none"> • Greater clarification with partners is still needed to differentiate between AWM’s strategic and delivery roles on the skills agenda • AWM needs to build on initial work to help the region improve its image and raise its profile by championing and marketing it • Agency needs to enhance its own profile and reputation more both within the region and nationally

9 Technical Annex

Independent Performance Assessment Methodology

Background

9.1 The National Audit Office (NAO) has undertaken this Independent Performance Assessment of Advantage West Midlands Regional Development Agency (AWM) at the request of the Department of Trade and Industry (DTI), which is the sponsor department for Regional Development Agencies. The NAO is responsible for advising Government and Parliament about financial management in public sector bodies. AWM is one of nine 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.

9.2 The NAO's Independent Performance Assessment is covering the eight Regional Development Agencies outside London by March 2007. The Audit Commission published its Initial Performance Assessment of the London Development Agency in November 2004. We are grateful to colleagues at the Audit Commission for their help in designing our Independent Performance Assessment and to colleagues in the Regional Development Agencies for their help in tailoring our approach to their activities.

Approach

9.3 The Independent Performance Assessment is structured under three headings:

- aims (covering the two themes of ambition and prioritisation);
- activities (covering the two themes of capacity and performance management);
- achievement (covering the single theme of achievement).

9.4 We have assigned a score for each theme on the basis of guidance which we prepared in agreement with the Regional Development Agencies. The range of possible scores for each theme is:

- performing inadequately (score 1);
- performing adequately (score 2);
- performing well (score 3); or

- performing strongly (score 4).

9.5 The theme scores combine to give an overall score that gives equal weight to the three headings. This is achieved by doubling the score for the single achievement theme, adding all the resultant scores together and assigning an overall score according to the table below.

Overall score	Weighted theme total
Performing inadequately	6 to 8
Performing adequately	9 to 14
Performing well	15 to 19
Performing strongly	20 to 24

Evidence

9.6 We reviewed a wide range of information sources for our assessment, including existing documents, observed routine meetings, site visits and tailored interviews and focus groups with internal and external stakeholders. We tested Advantage West Midlands awareness of its own position by referring to the self-assessment and improvement plan that the Agency prepared before we undertook our assessment. We sought views from other Regional Development Agencies and the Department for Transport on how well Advantage West Midlands has conducted its lead role and general views from central Government, coordinated by DTI as RDA sponsor department. We invited external stakeholders to respond to a survey. We consulted our colleagues who visit AWM every year to audit the accounts, developing insights over an extended period. We triangulated all these different information sources to give a rounded view of AWM and, as a further check, our assessment team included a senior director from another Regional Development Agency.

9.7 In analysing each triangulated information source, we referred to detailed questions underlying each of the five assessment themes, set out at the start of each report section. We drew observations from each source for as many of the questions as were relevant and balanced this against evidence collected from other sources. In arriving at a final score for each theme, 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.

9.8 During our assessment we:

- considered over 300 documents and reviewed over 80 of them in depth;
- consulted over 100 Advantage West Midlands staff, in 42 in-depth interviews and 3 focus groups covering
 - Senior managers and middle managers,
 - Advisers and line managers, and
 - other staff;
- consulted over 100 external stakeholders in 33 in-depth interviews and 5 focus groups covering
 - learning and skills,
 - enterprise and business support,
 - culture, major events and tourism,
 - voluntary and community sector,
 - infrastructure,
- observed the following meetings
 - Board,
 - Audit Committee,
 - Corporate Management Group,
 - Investment Decision Group,
 - Project Appraisal Working Group,
 - Regional Skills Partnership,
 - Tourism and Leisure COG Meeting,
 - ICT COG Meeting, and
 - LSP/AWM/WMRA joint working meeting
- made site visits around the sub-regions, meeting further internal and external stakeholders;
- received 39 questionnaire returns from stakeholders (out of 211 who were given the opportunity to respond);
- received comments from seven other Regional Development Agencies and Department for Transport regarding Advantage West Midlands lead role; and
- received comments from the Department of Trade and Industry on behalf of all government departments with an interest in AWM.

9.9 To ensure wide coverage of external stakeholders we:

- invited AWM to propose an initial list;
- invited the Government Office for the West Midlands to comment on the list and add to it if appropriate.

Consistency

9.10 We held a consistency panel, chaired by a member of the NAO Management Board, on 23rd January 2007. The panel comprised an independent consultant and senior National Audit Office staff who had not been involved in the assessment. The consultant examined our work in detail on behalf of the panel to ensure we had applied the Independent Performance Assessment methodology guidance appropriately, used evidence in a consistent manner and applied the same standards across assessment teams covering different Regional Development Agencies.

Actions following issue of report

9.11 Advantage West Midlands will review its improvement plan in the light of our assessment report and will publish a revision. We will provide advice in this process as requested.