



National Audit Office

Independent Performance Assessment

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East of England Development Agency

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1 Preface

1.1. The National Audit Office (NAO) has undertaken this Independent Performance Assessment of the East of England Development Agency (EEDA) at the request of the Department of Trade and Industry (DTI), which is the sponsor department for Regional Development Agencies. EEDA 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.

1.2. The English Regional Development Agencies 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. Regional Development Agencies face diverse challenges with different budgets, so each needs to respond appropriately to its specific circumstances.

1.3. However all Regional Development Agencies 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 the organisational performance of each Regional Development Agency as a strategic driver of its region's economic development and in its lead role with central government departments on behalf of all Regional Development Agencies.

1.4. EEDA will review its improvement plan in the light of our assessment report. The revised plan should be forwarded to the NAO within one month of publication of the assessment. The NAO will then consider the extent to which the plan addresses the areas for improvement identified in the assessment report and provide the RDA with advice. EEDA will then formally adopt the plan.

1.5. As part of the IPA process, each RDA will include its progress in implementing the improvement plan in the regular performance reports that it puts to its Board, which are shared with Government and are placed in the public domain every six months. Government Offices, as the Government's representatives in the regions,

will support the RDA in their region in its continuous improvement and will alert departments and Ministers to any issues of concern that may arise.

1.6. We are grateful to EEDA's 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 Suzanne Bond, Executive Director at the South West of England Regional Development Agency, who gave valuable time and expertise to serve on our team.

2 Summary

2.1. The East of England Development Agency (EEDA) has scored 15 points out a possible maximum of 24. This is equivalent to performing well overall as set out in the table below. The technical annex describes the methodology for arriving at this assessment. Section 3 sets out the context for EEDA’s activities while sections 4 to 8 provide more detail about the five themes.

Theme	Assessment	Score
Ambition	Performing well	3
Prioritisation	Performing adequately	2
Capacity	Performing adequately	2
Performance management	Performing adequately	2
Achievement (double weight)	Performing well	3 (6)
OVERALL	Performing well	15

2.2. EEDA benefits from a strong leadership provided by the Chair and Chief Executive who work well together as an effective team. They have raised EEDA’s profile, focused EEDA’s activities on four core products, increased staffing capacity, started to improve information available to manage performance and successfully developed and implemented innovative ideas such as Regional Cities East.

2.3. The East of England is a relatively new administrative region, so EEDA has faced particular challenges in helping to forge a regional identity. It is classified among the three better performing English regions but it is similar to regions elsewhere if the impact of commuting to work is excluded. EEDA has the smallest Regional Development Agency budget, presenting challenges in prioritising activities.

2.4. EEDA has made great improvements in defining ambition after a difficult period when the

East of England Regional Assembly rejected the second Regional Economic Strategy. The third strategy commands widespread support and its eight goals are seen by stakeholders and partners as broadly right for the region. The consultation process for developing the strategy and novel ways employed to communicate it are particular strengths. The strategy’s goals lack specific measurable time-related targets. Many stakeholders find difficulty in seeing the links between the eight goals and EEDA’s four main products. EEDA needs to improve its communication with regional partners and stakeholders about what it is doing.

2.5. EEDA’s Corporate Plan divides expenditure among the Regional Economic Strategy goals and explains seven different ways EEDA will operate. It does not explain which organisations take lead responsibility for the different goals. The Corporate Plan and Business Plan do not make explicit the relative priorities of EEDA’s activities although the core products provide a focus for activities in practice. There are explicit links between EEDA’s activities and national targets. Although EEDA recognises it needs to do fewer things better, and there is evidence to show that this is happening, some stakeholders believe it should go much further in this direction. EEDA has made progress in developing its evidence base.

2.6. EEDA has taken action over the last two years to improve its capacity in terms of staffing levels and internal processes. The Chair and Chief Executive provide strong leadership. The Chief Executive’s Group needs to develop its capacity. There are sound HR and procurement polices and an improved project management system. Transitional problems associated with staff change have caused difficulties for stakeholders. There can be long delays in approving some activities and monitoring is not always adequate. ICT is seen as problematic although a recovery programme is now well under way.

2.7. EEDA has implemented a Leadership and Organisational Development programme for its employees, including a personal development programme. EEDA has been able to identify successful completed projects, responding to calls to re-run them. EEDA has made good progress in developing a highly visual dashboard to capture and communicate performance. The performance dashboard would benefit from more stretching targets and being better aligned with the business plan to provide a greater spur for action. There should be more exchange of performance information between EEDA and its partners and more ongoing monitoring of funded projects.

2.8. EEDA has achieved some significant success with its core products, in particular some Enterprise Hubs and regeneration activities. Improvements have been achieved in Business Support, with East of England International establishing a track record of success in attracting inward investments. EEDA is to be commended for tackling the transformation of the Business Link operation although some stakeholders have expressed reservations over the consultation process. Investing in Communities has achieved some success with many of the building blocks in place and delivery of £40M of Single Regeneration Budget projects, but disappointment has been expressed over the delay in its delivery. There is broad approval for EEDA's lead role work. Information on outcomes linked to Regional Economic Strategy goals could be improved. EEDA has responded well to economic shocks. Although it could integrate sustainability more into its own activities, EEDA has achieved significant developments in this area.

3 The context for EEDA's activities

3.1. The East of England is a relatively new administrative region, formed by merging what was previously designated East Anglia with parts of what used to be included within South East England. Difficulties in establishing an identity for the new region characterised EEDA's early years.

3.2. The government classifies the East of England among the English regions with better economic performance, along with London and South East England, on the basis of its relatively high gross value added per head. Wealth in the East of England is more dependent than in any other region on people commuting out of the region to work, predominantly to London. The region's gross value added per head when measured on a workplace basis, reflecting more closely the underlying regional economy, is £2,000 lower than when measured on a residence basis. On the latter measure, the East of England has roughly the same level of economic performance as some regions classified among the poorer performing English regions.

3.3. The region has a reputation for strengths in research, innovation and high technology. Cambridge is the most obvious source of these strengths but by no means the sole focus for them. Nevertheless, the region includes areas with the lowest skills levels in England and pockets of intense deprivation. Some of these problems are exacerbated by variable transport links, which are very good in some areas (for example the East Coast mainline) but poor elsewhere (especially when travelling across the region rather than on routes into and out of London).

3.4. EEDA has the smallest budget of any Regional Development Agency. This provides EEDA with particular challenges in prioritising its activities. It also provides challenges in relation to the organisational tasks that any Regional Development Agency must undertake regardless of its budget. EEDA has seen its budget increase more rapidly than the overall budget for Regional Development Agencies. Partly as a consequence, it has seen a substantial increase in staff numbers, which the Chief Executive now regards as broadly at the right level.

4 Ambition

Key sources: *Regional Economic Strategy and related regional strategies, Public Service Agreement framework, external stakeholders*

EEDA has made great improvements from a difficult period in which the East of England Regional Assembly rejected the second Regional Economic Strategy. The third strategy commands widespread support. EEDA has now reached a position where it is performing well in terms of ambition.

(SCORE 3)

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

4.1. The Chair and Chief Executive provide strong leadership and external visibility across the region. They have been instrumental in bringing focus to EEDA's work, particularly through the four core products, and have turned EEDA around from the problems of the past. They have provided strategic focus for the region through innovative ideas such as Regional Cities East.

4.2. The current Regional Economic Strategy "A shared vision: the regional economic strategy for the East of England", published in November 2004, is widely regarded as a step-change improvement on its two predecessors. It is built on four underlying principles and has eight goals for the region. The strategy contains some analysis of how the eight goals need to be interpreted differentially across separate sub-regions. It includes a vision statement that provides an overarching logic embracing most of the eight goals. There is a widespread perception across the region that, in qualitative terms, the goals are broadly right and promote the well-being of the region.

4.3. The Regional Economic Strategy consultation process has received near unanimous praise from stakeholders and generated strong regional buy-in to the strategy. This has been

attributed to EEDA's wide and inclusive consultation, with its innovative use of scenario planning, and sub-regional analysis. Partners' support for the regional ambitions has contributed to the development of regional identity. The Regional Assembly supports the Regional Economic Strategy despite differences of opinion on specific issues. The DTI commended the consultation approach to other regions as a model framework for strategy reviews.

4.4. EEDA's senior staff and board members have sought to communicate the Regional Economic Strategy clearly to stakeholders, supplemented by a range of supporting documents for different audiences. The Chair and Chief Executive have been particularly active in taking the message around the region. However, many stakeholders, including members of staff, still find difficulty in seeing the links between the eight goals, EEDA's four main products (also discussed in the next section) and the four key changes set out in the strategy to underpin the vision. Progress has been made since the inception of the four core products but understanding at partner level is not yet fully embedded and some further work remains to be done by EEDA to ensure that partners are clear about their respective roles and feel included in delivering the region's overall ambitions.

4.5. EEDA explains its own approach in its self-assessment in terms of three operating styles, adopted according to specific requirements. This is helpful in clarifying where EEDA sees its role as providing strategic leadership and advice. However, some stakeholders do not identify with these different styles, finding them difficult to understand. The introduction of product groups is starting to improve partner understanding. Development of this approach should help to consolidate this further.

4.6. A lack of clarity about some activities inhibits EEDA's strategic leadership role. Enterprise Hubs, forming one of EEDA's four products, provide a particular example. There are differences of opinion within the region about how many hubs should be developed, and a need for greater clarity from EEDA about how to decide if a technology cluster warrants a hub, whether each cluster should have just one hub or many in different places, where business incubators lie in relation to the definition and how to understand the difference between a physical hub and a virtual hub. Stakeholders and partners would welcome a firmer lead from EEDA on these issues. Another example is the difficulty in reaching agreement with partners over Investing in Communities submissions and the timing difficulties experienced, with partners who

were ready early experiencing very long delays waiting for others. EEDA needs to communicate its purposes more clearly to partners.

4.7. EEDA has worked hard to develop and embed an identity for a region formed from geographical areas that had previously had separate identities. A sign of success in providing strategic leadership is the agreement of six cities from distant parts of the region to join the Regional Cities East project, which EEDA devised and leads. This has enabled the region to participate in a national agenda in a way that might otherwise have been impossible. There are also examples of where EEDA has formed highly effective working partnerships with some organisations. For example, Arts Council East developed a joint strategy with EEDA that aligns itself with the eight goals of the Regional Economic Strategy.

4.8. EEDA continues to consult stakeholders in various ways, including through questionnaires and local events. Examples of good consultation are the Social Enterprise Strategy and the Luton Growth City Strategy. However, some stakeholders told us that the positive aspects of this consultation process need to be embedded more uniformly and that EEDA needs to develop a stronger listening culture. For example, some stakeholders told us that EEDA could have done more to engage them in decision making on Business Links. Since EEDA's restructuring, evidence from numerous stakeholders indicates that this is starting to improve.

4.9. Members of staff at EEDA are committed to working with key partners to deliver the Regional Economic Strategy through open and sustained dialogue. There is, however, a perception amongst stakeholders that senior staff members within EEDA place more emphasis on communicating with central government and national stakeholders than with regional stakeholders. We found an improved and more constructive relationship with the Regional Assembly and Government Office over the last two years, but the expressed need is for more routine information for partners, as distinct from publicity material. EEDA has stressed to us that it has to focus its communication activities so some stakeholders will inevitably receive more attention than others.

4.10. EEDA has been instrumental in forming a relationship with its neighbouring Regional Development Agencies in the Greater South East and in developing a concordat to underpin joint activities. Other Regional Development Agencies more widely have also acknowledged the opportunity EEDA has provided for them to contribute to its lead role activity.

4.11. EEDA delegates much of its delivery to partners. Some told us they would like greater clarity from EEDA about their role in delivering the Regional Economic Strategy goals. This is partly a consequence of insufficient engagement. For example, there was a lack of initial engagement on Local Area Agreements, while the East of England Skills and Competitiveness Partnership is not yet materially affecting the priorities and actions of individual partners. A small number of sectors told us there was scope for EEDA to represent their interests more fully.

4.12. EEDA receives recognition within the region for supporting a number of large-scale projects including specific airport and port expansions. These projects have significant economic potential. However, they also have implications for the environment, transport and other aspects of the regional economy. EEDA told us it had taken careful account of these points but some stakeholders believe that EEDA has not articulated its thinking on these matters sufficiently clearly.

4.13. The Regional Economic Strategy does not include specific measurable targets and supporting metrics or a timetable for achieving them. This makes it more difficult for EEDA to demonstrate the degree of challenge presented within the Regional Economic Strategy. The absence of such targets has limited EEDA's ability to translate qualitative goals into realistic and achievable milestones for itself and its partners.

4.14. A relatively small number of comments, from external and internal sources, highlighted frustration at recommendations being overturned at a more senior level within EEDA without robust feedback being provided. This again demonstrates the need to ensure that appropriate feedback is received by stakeholders at all levels, to enhance learning opportunities and consolidate the priorities of the organisation.

4.15. EEDA applied a sustainability development framework to the Regional Economic Strategy. It has developed a sustainability toolkit to assess its activities and it is involved in the Sustainable Development Round Table with other regional stakeholders. These have been generally acknowledged as successes, although an independent review noted that the sustainability development framework was not fully up to date with current practice when applied to the Regional Economic Strategy. A small number of stakeholder groups expressed doubt over how widely sustainability appraisals are applied to EEDA

sponsored projects, to decision making and to EEDA's own internal processes.

Summary:

Strengths	Areas for development
<ul style="list-style-type: none"> • Positive outward looking leadership that has engaged effectively with many stakeholders • Much improved Regional Economic Strategy with goals that are broadly right for the region • Wide and inclusive consultation and scenario planning for the Regional Economic Strategy • Strong buy-in to the goals of the Regional Economic Strategy by stakeholders • Supplements to explain the Regional Economic Strategy • Significant progress made in building a regional identity 	<ul style="list-style-type: none"> • Specific quantified targets with defined delivery timetables and responsibilities • Greater emphasis on the linkages between the eight goals and four products to ensure greater understanding by partners • Clearer communication with staff and partners about their role in delivery • Development of consistently open consultation and a positive listening culture

5 Prioritisation

Key sources: *Regional Economic Strategy, Corporate Plan, business plans, annual report and accounts, risk management strategy, internal and external stakeholders*

EEDA has made progress in developing an evidence base for setting priorities and has focused its activities on four core products which have become in practice the priorities for its work. The current Chair and Chief Executive can take credit for driving forward the definition of these core products. EEDA needs to be more explicit about how its own activities relate to the Regional Economic Strategy goals and the reasons for different approaches in different circumstances, as well as how it tends to focus on its priorities, and to communicate its decisions better to staff and stakeholders. EEDA is performing adequately in terms of prioritisation. (SCORE 2)

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

5.1. The Regional Economic Strategy sets out eight goals, each having between four and six priorities with associated actions. EEDA's extensive consultation and scenario planning work to form an evidence base for the latest Regional Economic Strategy is widely acknowledged and has formed the basis for its priorities. The Regional Economic Strategy includes some discussion of how the goals apply in different sub-regions. Linkage between national and regional policy frameworks is apparent, with the Regional Economic Strategy and the Corporate Plan linking goals directly to national Public Service Agreement targets.

5.2. The Corporate Plan aims to link EEDA's activities to regional goals and EEDA's own priorities. It includes three year expenditure information from which it can be deduced that 86 per cent of expenditure on all goals supports goals two to five, with most of the remainder going to goal one. The Corporate Plan lists seven different ways of working that EEDA will adopt in pursuing the goals, subsequently grouped into three operating styles in the self-assessment.

5.3. The four core products represent a streamlining from 40 previous separate action areas, illustrating how EEDA has deliberately started to adopt an approach of "doing fewer things better" in order to prioritise its activities. In addition, EEDA has reduced the number of projects managed from 212 to 190 in the space of two years despite a 65 percent increase in budget over the same period. Stakeholders and partners strongly endorse this approach but many consider that EEDA has not gone far enough. They consider the move to four core products helps in focusing activity and believe that EEDA should prioritise work further around programmes rather than projects.

5.4. The Corporate Plan and Business Plan do not discuss the relative importance of the different goals and priorities to EEDA. EEDA has developed four core products to deliver its contribution to the regional goals. Although not explicit within the Corporate Plan, these four core products represent EEDA's priorities. Senior management are able to explain the link from the goals to each of EEDA's four core products. However, this connection is yet to be fully understood by stakeholders.

5.5. The Business Plan sets out a high-level project delivery plan for 2005-06 that assigns responsibility to staff members for product groups and other programmes. EEDA is responsible for approving the Business Plans developed by sub-regional partnerships. EEDA agreed a framework for partner arrangements in January 2006.

5.6. EEDA has developed a performance dashboard to give a highly visual representation of priorities and progress in relation to them. The dashboard is displayed widely across the organisation. It has a central role in the minds of staff members to the extent that, when asked how they know whether EEDA is achieving its priorities, they universally refer to the performance dashboard rather than to regional goals.

5.7. The dashboard concentrates on the four core products and intermediate outputs rather than on broader Regional Economic Strategy goals and wider strategic outcomes. Its emphasis on the four core products rather than eight goals could render almost invisible those goals not covered by core products. The majority of product group actions from the Business Plan are not reflected in the dashboard. Many staff members are vague about the dashboard's contents and purpose, raising questions about whether the dashboard is appropriately focused.

5.8. The utility of the dashboard could be extended further by covering more aspects of the Business Plan and Regional Economic Strategy goals.

5.9 There is no explanation about what arrangements EEDA, or any of its partners, have in place to push and monitor progress on goals that are not funded by EEDA or closely linked to its products. EEDA’s risk management process focuses predominantly on its own activities rather than on Regional Economic Strategy goals. As a result, there is no formal framework for identifying which goals are most at risk.

5.10 Many stakeholders and partners believe that EEDA “needs to say no more often” and at an earlier stage, and they say they would prefer to have proposals rejected at an early stage with clear explanations so that they do not waste time and resources waiting for EEDA to reach its decision. EEDA should give clearer explanations of what it requires from projects, to improve bids for EEDA funding. Many stakeholders approved of EEDA focusing on growth areas and wanted to see them doing this more.

Summary:

Strengths	Areas for development
<ul style="list-style-type: none"> • Focus provided by core products • Focus provided by performance dashboard • Clear links between regional activities and national targets • Improved evidence base showing opportunities and challenges 	<ul style="list-style-type: none"> • Better explanation of how EEDA pursues the Regional Economic Strategy goals • Explanation of how all goals are progressed and who is responsible for them • Extension of the risk management process to provide a more explicit link to goals • Clearer explanations about reasons for decisions and improved dissemination to stakeholders

6 Capacity

Key sources: *Corporate Plan, Human Resources Strategy, Government Office performance report, business plans, internal and external stakeholders*

EEDA has taken action over the last two years to improve its capacity in terms of staffing, skill levels and internal processes. Transitional problems associated with change remain but EEDA shows a good awareness of issues that still need to be addressed. The enthusiasm of EEDA's staff members is particularly noteworthy. EEDA is now performing adequately in terms of capacity. (SCORE 2)

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

6.1. Staff numbers have increased substantially over the last two years from a level that was generally perceived as too low. The Chief Executive considers the current level is now about right but there is concern among stakeholders, staff and board members that staff members are stretched and work long hours. An increase in the proportion of staff members who are on permanent contracts has enabled EEDA to reduce its reliance on agency staff and fixed term contracts. Staff members are enthusiastic and motivated in their work. There is a strong sense of belief in what EEDA is trying to do and a desire for success. Low levels of sickness absence confirm the generally high morale.

6.2. EEDA's self-assessment shows an awareness of issues that it still needs to address. Evidence from staff and external partners indicates that cross-team working and communication has been poor in the past. EEDA has put in place new structures that it believes will address these problems and should tackle confusion among some members of staff about the division of responsibilities among directorates.

6.3. Expansion and reorganisation have caused transitional problems for external stakeholders. Vacancies at middle and lower levels caused by internal promotions and a perceived lack of forward planning for extended absences have

resulted in uncertainty among stakeholders about whom they should contact. Unfilled posts within the organisation have put extra pressure on staff as well as, in some cases, contributing to a detrimental effect on the work of external partners, who suggested that EEDA does not yet have the full set of people and skills it needs to deliver its priorities. Steep learning curves faced by new staff have led to some comments on inconsistency in decision making within EEDA and variation in the level of engagement with specific sectors, although there is recognition that staff members have learned much in a short time. Some stakeholders expressed concern that staff members are not sufficiently empowered and have to refer upwards too often.

6.4. EEDA has developed a relatively strong approach to human resources, diversity issues and employment practices, including creating an equality and diversity champion role on the board. Staff members appreciate initiatives such as childcare vouchers and home working. A code of conduct establishes a set of core values for ethical behaviours of all employees. EEDA has made progress in defining core competencies for its staff, although the board has commented that these could be better aligned with EEDA's objectives. Following a skills audit, a learning and development programme has been put in place. Personal objectives are now linked to organisational objectives.

6.5. Appropriate management structures and processes are well established within EEDA, including the board's audit committee, resources committee and strategy committee, supported by various executive groups. Senior managers operate within this clearly delegated arrangement. The four product groups provide the link between the deliverables and the executive chain. This concept of bringing together a range of skills from across the organisation into product groups provides the opportunity to improve internal understanding, communications and consistency in EEDA's work and decision making, although the processes have yet to fully mature. Staff members expressed a need to further embed cross-team communications to enable more consistent decision making and knowledge sharing.

6.6. EEDA's efficiency plan provides a framework for delivering centrally mandated savings. It assumes annual savings of 2.5% from partners over the next three years, although it does not indicate how this is to be monitored. Progress against the plan is reported to the board and Government Office quarterly and to the DTI every six months.

6.7. Stakeholders appreciate the strong external leadership and visibility provided by the Chair and Chief Executive. There are concerns about whether capacity is adequate at the Chief Executive Group. Further development of the small and relatively recently established senior management team would provide more support for the Chief Executive. In our observations of both the Board and Audit Committee, there were instances where we felt members could have taken a more challenging approach.

6.8. EEDA has developed its Project Management System over the last two years, taking a major step forward from the six monthly reporting that was in place previously. In order to improve its project management processes, including a lack of understanding among relevant staff members of how to use the Project Management System, EEDA commissioned an external review and is acting on its recommendations. EEDA sets financial allocations through its business planning process and has an established mechanism for controlling and monitoring expenditure. It is recognised that the spend profiles of all Regional Development Agencies are loaded towards the end of the financial year, however EEDA's profile is well above the average. Such loading carries the risk that spending decisions near the year-end may not receive the level of attention they need. EEDA is addressing this problem by "over programming" its expenditure plans at the start of the year to counter the effect of programme slippage during the year.

6.9. EEDA's Business Plan sets out responsibilities of senior staff in relation to the balanced scorecard and the delivery plan. In addition, a nominated lead officer is responsible for the delivery of each goal contained in the EEDA Regional Economic Strategy. This information is signposted within the strategy-supporting document "What the regional economic strategy, means to national policy makers". Some partners and stakeholders were unaware of this information and commented that they would like clearer signposting as to who they should contact particularly where an issue or activity did not align with the framework provided by the four core products.

6.10. EEDA uses joint working with other Regional Development Agencies to punch above its weight and maximise impact. The Greater South East initiative with the London Development Agency and South East of England Development Agency is a good example, recognising that the strength of the East of England lies in part in its proximity to London. The Oxford Cambridge arc provides another example, along with EEDA's work in growth areas that span regional boundaries.

6.11. There are examples of joint working and action planning with partners such as Arts Council East, East of England International and Regional Cities East. A number of stakeholders expressed a keen interest in EEDA developing similar close working arrangements with a wider range of partners.

6.12. EEDA has established relationships with a range of members of the voluntary and community sector within the region, and has produced a supplement to the Regional Economic Strategy specifically for the sector. EEDA has taken a number of steps to strengthen relationships with this sector within the region but some members of the sector told us there was still some way to go to mainstream the sector's interests. This view is shared by some in the environment, regeneration and transport sectors who believe their capacity to contribute to EEDA's aims are not being exploited. It was commented that EEDA could build and sustain more capacity by working more cooperatively with partners. This supports an opinion expressed by a range of stakeholders that EEDA is relatively strong at defining a vision of what it wants to do, but weaker at following it through to delivery. There was disappointment from a range of sectors at the short term nature of many EEDA contracts.

6.13. The view of many partners is that EEDA can often take too long to reach decisions on individual projects and there could be more communication throughout the process. One example of this is in comments received about the implementation of Investing in Communities. The reasons for the approach finally adopted by EEDA were accepted, but many in the regions considered there was a need for EEDA to communicate better to avoid misunderstanding and minimise frustration amongst those partners whose plans were more advanced than others.

6.14. EEDA evaluates all projects six months after completion. Of the cases submitted for review, most lack detail of overall impacts against the Regional Economic Strategy goals and it is not clear how they support learning opportunities for future investment. EEDA receives some highly detailed in-house evaluations by the sponsored projects themselves but there is very little evidence to show how these are used in EEDA's own monitoring processes or how they capture lessons learned and disseminate good practice.

6.15. Although all EEDA projects receive quarterly monitoring reports from delivery agents, our financial audit work on EEDA's accounts, which includes a sample of projects, has revealed

that a large proportion of projects have not received site visits from EEDA staff.

6.16. Partners told us they would like to see EEDA staff more often. EEDA told us that project managers and three relationship managers gather performance information on each partner, while the programme management and monitoring team also visits partners. These issues are linked to the perception that EEDA is still spread too thinly, covering too many small initiatives although the overall average value of projects has increased over the last two years and the number has decreased.

6.17. EEDA has a strong procurement policy in place, in line with national and EU legislation, which aims to promote good practice and ensure contracts are placed mainly on the basis of competitive tender. Procurement practice is well

monitored and reported. Staff members are beginning to adjust to new tighter procurement arrangements. The board treats procurement reports very seriously, as we observed.

6.18. EEDA’s self-assessment recognises the need to introduce significant improvements in its ICT infrastructure and to address a severe lack of technical support. Staff members see ICT problems as serious and major contributory factors to the long hours that many say they work. Ownership of ICT provision is at the operational level and there are no procedures in place to report developments routinely to senior management. EEDA has carried out an external appraisal of the ICT operation, designed an improvement plan, introduced an external partner to manage the transition and made additional resources available in 2005-6 and 2006-07 to improve ICT.

Summary:

Strengths	Areas for development
<ul style="list-style-type: none"> • Strong leadership from Chair and Chief Executive • Staff enthusiasm and commitment • Improvements in project management systems • Strong HR and procurement policies 	<ul style="list-style-type: none"> • Stakeholder understanding of the revised organisation within EEDA and re-establishment of relationships following staff changes • Focus on developing the capacity of the Chief Executive’s team to compensate for its small size and relatively recent establishment • Approval process to be refined to minimise delays in approving activities and to provide better communications • ICT functionality to meet users requirements better

Z Performance management

Key sources: *Corporate Plan, business plans, performance management framework, Government Office performance report, risk management strategy, evaluation framework, communications strategy, internal and external stakeholders*

EEDA has made clear progress, particularly following a new appointment at Director General level, in developing a visual dashboard that captures and communicates in-year performance. This is widely publicised within the organisation, however internal understanding of the information could be improved. There is a need for greater reciprocal sharing of performance information with partners and greater application of lessons learnt. EEDA is now performing adequately in terms of performance management. (SCORE 2)

- Is there a consistent, rigorous and open approach to performance management?
- Do EEDA 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 performance dashboard is a key element of internal in-year performance management within EEDA, and provides a focus for EEDA's activities. It represents substantial progress from what existed previously. Further development of a more robust system that will encompass the performance of its key strategic partners has been tabled for action in EEDA's self-assessment. The dashboard is highly visual, widely publicised within EEDA and is clearly embedded within the culture. It is easily assimilated in a short time. Many staff and board members view the dashboard as a way of establishing EEDA's current position and providing a statement of what is to be delivered during the current financial year. The dashboard is an element within the employee appraisal system and linkages can be made with personal objectives. It also covers the four core products and various measures of internal efficiency and is reviewed at Chief Executive and board level to establish how EEDA is progressing against the dashboard targets.

7.2. EEDA has commissioned and worked on studies to improve the regional knowledge base. It has identified in its self-assessment various areas

that it intends to improve. These include analysis of its impact with disadvantaged groups and in different geographical areas, an improved evaluation framework and knowledge forums to share learning.

7.3. The performance dashboard currently emphasises internal processes and EEDA's own activities as opposed to broader regional outcomes. So, while the dashboard is starting to embed performance management in the organisational culture, the link with EEDA's overall ambitions is not strong. EEDA does not consider the dashboard an appropriate tool for assessing progress on outcome, instead using six monthly reports and developing internal processes for this function.

7.4. The dashboard appears to be popular with staff members and is an effective method of providing feedback on performance. Individual performance management includes regular staff appraisal and direct linkage to elements of the dashboard. There have been some recent problems with delayed appraisals that EEDA considers are temporary and related to unusual circumstances.

7.5. Staff members tend to interpret variances of spending to date against budget profile on the performance dashboard as acceptable provided they remain below profile. In 2005-06 EEDA introduced a capital reserve list as a contingency against potential programme slippage. It has introduced a revised budgeting process for 2006-07 and an element of controlled "over-programming" in its budget setting to counter the effects of programme slippage.

7.6. EEDA has made significant improvements to its performance management over the last 12 months but acknowledges that further improvements are needed to improve targets, forecasting accuracy and control. We noted that Investing in Communities showed as green or satisfactory at the time of our assessment work despite the acknowledged problems with delivering the programme. In particular, developing more robust targets would indicate the degree of stretch and improvement sought by management and provide a more robust indication of the utilisation of capacity within the organisation. The alignment of the dashboard more closely to the delivery aims in the Business Plan, and the further development of targets and measures, would give the dashboard greater impact as an internal management tool and in support of developing similar processes with partners.

7.7. The dashboard is the repository of EEDA's performance information and represents

achievement against internal processes and outputs. The level of awareness of the dashboard shown by partners was variable, resulting in a small number of partners expressing a lack of confidence in EEDA's monitoring processes. This perception indicates that future development should focus on engaging partners more closely in the alignment of performance and delivery of outputs.

7.8. The performance dashboard does not cover the work of funded partners, although EEDA has now started work to develop a system. EEDA acknowledges that it needs appropriate monitoring arrangements for each partnership, with a clear statement describing the relationship, monitoring and reporting timescales and processes. More comprehensive performance monitoring coverage will help EEDA to add strategic value, addressing concerns of insufficient engagement with partners who would like a better understanding of what EEDA is doing or planning.

7.9. EEDA provides its scrutiny partners at the Government Office and Regional Assembly with performance information. There is limited exchange of performance dashboard information and external performance monitoring with other partners to drive the business forward, improve delivery and generate learning. Reports about regional goals for the Regional Assembly Liaison Panel generally lack measurable outcome-based achievements and so do not create a good picture of how well EEDA and region are performing against ambitions and priorities. EEDA has agreed a process to develop a performance feedback system for funded partners.

7.10. Partners believe that a strong culture of reinvention exists across EEDA. The introduction of product groups and a knowledge audit represent part of EEDA's response to this concern. Some partners commented they would appreciate the opportunity to contribute more to EEDA's planning and delivery activities, and to decisions about how regional performance is measured. Communication with partners currently focuses on relationship managers, who need to have a consistent approach to sharing performance information with their clients.

7.11. EEDA has various stakeholder and customer surveys in place to collect feedback. There are good examples of where EEDA has acted on the results and favourable comments from stakeholders on those actions. However, some partners expressed the view that learning from experience was on occasions inhibited by separations within EEDA. Some partners consider EEDA does not always act quickly on criticism or

engage in open debate with all partners, for example on concerns about confusion over Investing in Communities.

7.12. EEDA has systems in place to evaluate projects and is developing evaluation procedures at programme level, for example for Investing in Communities. Completion reports will be requested for all projects, with more comprehensive evaluation where funding levels are higher. These more comprehensive evaluation reports are thorough. EEDA has identified successful projects and re-run them, for example Responding to Redundancies. Revised project evaluation arrangements have been established and will provide a basis for learning and evaluation for the first time.

7.13. Risk reviews are conducted at regular intervals. The frequency of review is driven periodically without taking account of the degree of risk in individual areas and the lead time for remedial action. This reflects a similar need for more awareness of individual activities and their performance drivers as previously expressed by partners.

7.14. EEDA conducts an annual exercise to allocate resources to product groups and incorporates the negotiation of performance criteria with project managers. This is enabling EEDA to generate improvements in its resource and performance management, and it will be setting more stretching performance targets in the new financial year.

Summary:

Strengths	Areas for development
<ul style="list-style-type: none"> • Much improved monitoring of internal processes through high profile performance dashboard readily accessible to staff • Implementation of 360 degree performance appraisal • Identification of successful completed projects and responding to calls to re-run them • Awareness of some areas that require improvement such as the spend profile, project and programme management and regional knowledge 	<ul style="list-style-type: none"> • Targets in dashboard should be more stretching and better aligned with actions on Business Plan to provide a greater spur for action • Need to improve two way communication, monitoring and recording of performance information with partners • More realistic budget profiling and identification of risks in order to highlight divergences earlier and take remedial action • More action on lessons learnt in disseminating information on good and bad practice throughout EEDA and partners

8 Achievement

Key sources: *Annual report and accounts, Government Office performance reports, achievements reports, sustainable development framework, feedback from departments and other Regional Development Agencies, external and internal stakeholders*

EEDA has achieved some successes within its core products and legacy outputs. It has yet to achieve consistency across all products and activities. EEDA needs to provide information and analysis on outcomes linked to Regional Economic Strategy goals. It has achieved some notable successes in Enterprise Hubs and regeneration activities. EEDA's lead role work is generally well received. Greater engagement with regional partners is needed. EEDA is performing well in terms of achievement. (SCORE 3)

- Has EEDA delivered its contribution to achieving the ambitions identified in the Regional Economic Strategy as set out in the Corporate Plan?
- Has EEDA made progress in achieving its ambitions in sustainable development?
- Has EEDA made progress in leveraging investment into the region against the priorities set out in the Regional Economic Strategy?
- Has EEDA made progress towards achieving its ambitions and priorities for its lead role for the environment, food and rural affairs?

8.1. EEDA defines its aims as:

- building on the region's strengths
- improving areas of average or poor performance
- capitalising on the region's distinctive opportunities and challenges and
- embedding underlying principles

8.2. Progress has been made towards the eight regional goals since the Regional Economic Strategy was published in November 2004 but there is a lack of hard quantitative evidence to demonstrate that regional targets are consistently met. This is in part due to the lack of measurable targets in the strategy and Corporate Plan, a point also noted in the sustainability proofing review of

the strategy before publication. There is also little view of timescales either for past achievements or future actions. There is a clear risk, for reasons discussed in relation to the performance dashboard, of wider regional goals losing profile within EEDA as the focus moves to EEDA's own product groups.

8.3. Stakeholders see Enterprise Hubs as the most developed and successful of EEDA's four core products. EEDA has established six branded hubs and intends to support the development of at least four more during 2005-2008. The hubs aim to give small and medium enterprises the support they need to grow rapidly. They aim to contribute towards increasing entrepreneurship within the region in support of Regional Economic Strategy goal two. It is apparent, from comments by some stakeholders and EEDA's product group, that more clarification of the role and definition of Enterprise Hubs would provide better focus and improve EEDA's activity and impact within the region.

8.4. EEDA's Regional Renaissance product has received praise for a number of its regeneration activities, including some that have been carried forward from the Single Regeneration Budget. Examples of regeneration successes highly regarded by stakeholders are Ipswich Waterfront, Felaw Maltings, Colchester Visual Arts centre and the development of the region's ports' infrastructure. Stakeholders appreciate EEDA's role as an innovator in developing the idea of Regional Cities East, which helped to influence the government's focus on cities and city regions and in engaging the higher education sector to expand provision in the region, including new campuses in Ipswich and Southend. There is consensus that EEDA has contributed substantially to a greater sense of regional identity.

8.5. Investing in Communities is perceived at regional and national level as a highly innovative programme. EEDA decided that it wanted a strong evidence base, so that interventions are targeted at solutions that will deliver effective and sustainable impacts. This preferred route has resulted in delay in approving business plans, which has led some partners to voice frustration. Those partners affected by the delay believe this situation may have been avoided through clearer communications about EEDA's aims, with explanations of the reasons for delay.

8.6. The Business Support product has achieved mixed results to date. Running the Gauntlet, which aimed to stimulate new ideas to business development, and Ideas East are both seen as successes. The value delivered as a result of creating of a partnership with East of England

International (EEI) is regarded by stakeholders as a success. The work of EEI in bringing together inward and outward elements of international trade is highly commended. Its achievements include attracting the Kodak European laboratory to England and the Japanese pharmaceutical company EISEI to Hatfield/St Albans. EEDA inherited the Business Link operation in April 2005 and is introducing a reshaped and reorganised service. This has received mixed reactions from stakeholders, with some seeing the consultation exercises as closed processes. The EEDA board reviewed three options in November 2005 and requested that a fourth option be developed before making a decision in March 2006.

8.7. EEDA has responded well to economic shocks. The most recent is the fire at Buncefield fuel depot, where EEDA worked quickly with partners to put a recovery plan in place. The lessons emerging from the Buncefield experience are being shared and developed with partners.

8.8. A view from stakeholders and staff alike was that EEDA has missed opportunities to publicise its activities and success within the region and should take a considerably more proactive approach. For example, we received comments that some large businesses with interests in the Buncefield fuel depot had been unaware of EEDA or its involvement, suggesting that greater emphasis on publicising the contribution EEDA makes to these events would enhance further its impact within the region.

8.9. Evidence provided by the DTI shows that EEDA has levered additional resources into the region from public and private sources equivalent to approximately 66 percent of its own budget. Partners have praised EEDA's successes in attracting investments from other sources with examples like higher education campuses at Ipswich and Essex Southend University, the Breckland Community regeneration project, the venture capital involved in Running the Gauntlet, and port development. Felaw Maltings secured substantial private industry funding and all the projects at Great Yarmouth attracted European funding. Stakeholders believe the higher education development in Ipswich would not have happened without EEDA's input. EEDA attracted £9.5 million from private industry for deprived communities in order to hit its target for the last report year (2004-05).

8.10. The Department for Environment Food and Rural Affairs (DEFRA) considers that EEDA has performed well in its lead role, citing in particular a national help desk for the red meat industry and the

transfer of Countryside Agency responsibilities. DEFRA expressed disappointment that the Regional Development Agencies developed five strategic priorities with only limited reference to rural or sustainable development.

8.11. Other Regional Development Agencies are broadly supportive of EEDA's lead role approach, although an evaluation revealed that understanding about DEFRA among Regional Development Agencies' staff had dropped recently. There are concerns that EEDA aligns itself so closely with DEFRA that agreements are made before wider discussion with other Regional Development Agencies. EEDA produces a regular newsletter and chairs a rural affairs group of representatives from the Regional Development Agencies and DEFRA. The development of a three-year business plan has helped all Regional Development Agencies to be comfortable with future proposed actions. Co-ordinating the response to the report on Modernising Rural Delivery is widely seen as a success, now that capacity issues have been addressed. There is still a need to fill internal vacancies on the rest of the lead role. Other Regional Development Agencies are currently taking on part of EEDA's lead role activities.

8.12. Regional stakeholders would like more information about EEDA's lead role and how they can contribute, although EEDA points out that it must not act in a way that seems to favour its own region when carrying out this national work.

8.13. EEDA's approach to sustainability is closely linked with its lead role. EEDA contributed substantially to the development of the regional sustainable toolkit and has worked with other Regional Development Agencies to establish it in their regions. EEDA has published "Smart Growth" illustrating how Regional Development Agencies are taking account of sustainability issues. EEDA has provided examples of the Investing in Communities delivery plans and the Suffolk Ski Facility being altered to reflect sustainability issues and of the Lowestoft Renewable Energy Centre using the sustainable development toolkit. EEDA highlights its involvement with the region's Sustainable Development Round Table, although we were told that better use could be made of other network resources. Three EEDA projects were recently marked in the top five of eighty four Regional Development Agency projects for sustainable development.

8.14. The extent to which EEDA has implemented sustainability into its own projects, policies and ways of working remains unclear. The full project appraisal form contains a box on

sustainability to cover the full range of economic and environmental impacts, but the application form makes no reference to either economic or environmental sustainability. It also does not require more than numerical detail on outcomes, for example the skills level required for jobs created, or request any information on procurement policy, although it does require statements on diversity. Examples of evaluations shown to us contained minimal references to sustainability and no clear definition of it. Several partners suggested that EEDA could and should do more to make itself, as an organisation, an exemplar for sustainability. They believe EEDA has opportunities to embed more environmentally friendly working practices.

Summary:

Strengths	Areas for development
<ul style="list-style-type: none"> • Successes with Enterprise Hubs and regeneration activities • East of England International is seen as successful in leveraging in overseas investment • Responses to economic shocks such as Buncefield • Broad approval for smooth administration of lead role work • Development of sustainability toolkit 	<ul style="list-style-type: none"> • More information is required across the region about results linked to Regional Economic Strategy goals, with greater emphasis on outcomes in reporting mechanisms • Better management of large programmes such as Investing in Communities and reorganising of Business Links, for example on inclusive communication on strategy and changes, and stronger decision making • More consistency needed on partner relationships and communication across the region, which includes maintaining staff contacts • Integrating sustainability fully into EEDA’s activities through better appraisal and evaluation mechanisms • Becoming an exemplar for sustainable development in EEDA’S own processes

TECHNICAL ANNEX

Independent Performance Assessment

Methodology

Background

1.1. The National Audit Office (NAO) has undertaken this Independent Performance Assessment of the East of England Development Agency (EEDA) 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. EEDA 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.

1.2. 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

1.3. 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)

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

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

- performing strongly (score 4)

1.5. 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

1.6. 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 EEDA's awareness of its own position by referring to the self-assessment and improvement plan that EEDA prepared before we undertook our assessment. We sought views from other Regional Development Agencies and the Department for Environment Food and Rural Affairs on how well EEDA has conducted its lead role. We obtained information from the Department of Trade and Industry giving a collective view of EEDA from a range of central government organisations. We invited external stakeholders to respond to a survey. We consulted our colleagues who visit EEDA 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 EEDA and, as a further check, our assessment team included a senior director from another Regional Development Agency.

1.7. 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.

1.8. During our assessment we:

- reviewed 200 documents
- consulted 65 EEDA staff and board members, in 16 in-depth interviews and 3 focus groups covering
 - management
 - employees
 - Joint Staff Council
- consulted 55 external stakeholders in 9 in-depth interviews and 6 focus groups covering
 - voluntary and community sectors
 - business sector
 - transport sector
 - rural sector
 - environmental sector
 - regeneration sector
- observed the following meetings
 - Board
 - Audit Committee
 - Chief Executive Group
 - Enterprise Hub Core Product
 - Risk workshop
- made 11 site visits meeting further internal and external stakeholders
- received 38 questionnaire returns from stakeholders (out of 135 who were given the opportunity to respond)
- received comments from 7 Regional Development Agencies and the Department for Environment Food and Rural Affairs regarding EEDA's lead role
- received comments from the Department of Trade and Industry on behalf of all government departments with an interest in EEDA

1.9. To ensure wide coverage of external stakeholders we:

- invited EEDA to propose an initial list
- added to the list after analysing of the organisations included in the Regional Economic Strategy consultation process
- added further to the list on advice from the Government Office

Consistency

1.10. We held a consistency panel, chaired by a member of the NAO Management Board, on 24 April 2006. 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.