



National Audit Office

Independent Performance Assessment

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South East England Development Agency

CONTENTS	PAGE
Preface	2
Summary	3
The context for SEEDA's activities	5
Ambition	7
Prioritisation	10
Capacity	12
Performance management	15
Achievement	17
TECHNICAL ANNEX	21

1 Preface

1.1 The National Audit Office (NAO) has undertaken this Independent Performance Assessment of the South East England Development Agency (SEEDA) at the request of the Department of Trade and Industry (DTI), which is the sponsor department for Regional Development Agencies. SEEDA 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 how well each RDA has responded to these common challenges.

1.4 SEEDA 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 areas for improvement identified in the assessment report and provide SEEDA with advice. SEEDA will then formally adopt the plan.

1.5 As part of the IPA process, each Regional Development Agency 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 their Regional Development Agencies in continuous

improvement and will alert departments and Ministers to any issues of concern that may arise.

1.6 We are grateful to SEEDA'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 John Tatham, Finance Director at the East Midlands Development Agency, who gave valuable time to serve on our team.

2 Summary

2.1 The South East England Development Agency (SEEDA) has scored 21 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. The technical annex describes the methodology for arriving at this assessment. Section 3 sets out the context to SEEDA's activities while sections 4 to 8 provide more detail about the five themes.

Theme	Assessment	Score
Ambition	Performing strongly	4
Prioritisation	Performing well	3
Capacity	Performing well	3
Performance management	Performing well	3
Achievement (double weight)	Performing strongly	4 (8)
OVERALL	Performing strongly	21

2.2 SEEDA's self-assessment gives a clear picture of the challenges facing South East England and of SEEDA's approach to tackling them. The document shows a high degree of self-awareness and an openness to reflect and learn from experience. The draft improvement plan provides a sound basis for a more developed plan, which SEEDA will produce in the light of this report.

2.3 SEEDA uses the concept of the South East as a "world-class region" to help define the region and its goals. This is a successful strategy, providing an impetus for continual improvement by benchmarking against other high performing regions across the world as the challenge the South East must face.

2.4 Regional Economic Strategies have become progressively clearer and more focused, drawing on a robust evidence base about regional needs. The draft 2006-2016 strategy has achieved widespread buy-in following a highly

praised consultation process. The new strategy encapsulates its aims in just three key challenges. It introduces a stronger emphasis on sub-regional needs and takes the bold step of declaring the need to invest to protect success as well as continuing to tackle deprivation. There is a high profile commitment to contain and reduce the regions' ecological footprint.

2.5 Some stakeholders would like more feedback about what has happened as a result of consultation and smaller stakeholders would value practical help in engaging with consultation, such as clear signposting about the most relevant parts of large documents.

2.6 The draft 2006-2016 Regional Economic Strategy clearly indicates the contributions partners are expected to make to the delivery of outputs, and SEEDA has established very effective partnership working arrangements. Area Investment Frameworks provide a useful mechanism to support SEEDA in adopting a strategic leadership role in delivering strategy objectives. SEEDA holds structured reviews with many of its partners to ensure delivery.

2.7 SEEDA's Corporate Plan shows clearly the funding split across programmes and sub-regions. The link is not explicit between the three objectives in the current Corporate Plan and the five objectives in the corresponding 2002-2012 Regional Economic Strategy. However, annual divisional plans, together with Area Investment Frameworks, link individual programmes and projects with their contribution to Regional Economic Strategy objectives.

2.8 SEEDA has opted for a relatively high ratio of staff numbers to budget. This reflects the strong desire and need for high-level strategic influencing and partnership working, combined with a close involvement in direct delivery where necessary, to support the capacity of other partners. SEEDA's staff members are held in high regard, being seen as competent and highly committed.

2.9 SEEDA has established an effective board that provides robust challenge. The Executive Board exercise effective control of SEEDA's operations. SEEDA's Chair and Chief Executive form an effective partnership, with a visible presence in the region. Area directors help to give SEEDA a stronger presence in the sub-regions, and their impact could be developed further to give sub-regions a stronger voice within SEEDA.

2.10 SEEDA's decision-making is highly inclusive, with extensive consultation. This provides the opportunity to reach the best decisions on the basis of the widest possible information sources but it also creates uncertainty, particularly over timing, when viewed from outside. A single reference point on corporate governance arrangements would assist board and staff members and give more transparency externally about SEEDA's processes.

2.11 SEEDA's partnership working is a real strength, with an emphasis on building strategic delivery and partnership capability. SEEDA is particularly effective in helping partners to work together to achieve outcomes that would not have happened without SEEDA's involvement. Partnership working with the voluntary and community sector remains a challenge.

2.12 SEEDA's performance management has improved in recent years, due in large part to the introduction of new project management and accounting systems. Board members have appreciated a consistent improvement in performance information presented to them. The board now receives a single report on SEEDA's overall performance, instead of separate reports from different divisions, with a traffic light presentation that clearly shows progress towards targeted outcomes.

2.13 Delivery plans with partners address performance measurement issues. Area Investment Frameworks provide a structure that supports information flow between SEEDA and its partners.

2.14 There is scope for SEEDA to improve the choice and definition of its targets, including measures of organisational capacity. SEEDA could take further steps to embed performance management more uniformly across the organisation and to undertake more systematic analysis of reasons for variances.

2.15 SEEDA has a highly impressive record of achievement on a small budget. Its success is characterised by imaginative integration of the three Corporate Plan themes of strategic influencing, sustainable economic growth and sustainable communities. Regeneration work is often coupled with projects in areas such as higher education and tourism, to secure the longer term future of investments. Examples include the Chatham dockyard site, Oxford prison and University Centre Hastings.

2.16 Partners are positive about SEEDA's support to new and emerging businesses, meeting the differing needs of organisations depending on their maturity, market sector and production requirements. Enterprise Hubs and the Innovation Advisory Service are notable examples of successful support. SEEDA is heavily involved in supporting the link between research and entrepreneurial activity. It supports six sector consortia, which have introduced a shared marine manufacturing facility and inter-regional collaboration on sustainable construction.

2.17 SEEDA has made a firm commitment to sustainability, which is at the centre of its approach to growth. Its Integrated Regional Framework, developed with other regional bodies, provides a set of objectives to guide other strategies and projects. SEEDA's direct work on sustainability includes BREEAM and EcoHomes 'excellent' ratings for its housing projects and a conference on energy efficiency in housing to raise regional awareness. SEEDA could make further progress in being an exemplar on sustainability, for example in developing a green travel policy.

2.18 SEEDA's investment team has attracted 273 international companies to the region, resulting in a net increase of 15,000 jobs.

2.19 Feedback has been very positive from the DTI and other Regional Development Agencies on SEEDA's lead role activities. There is particular praise for SEEDA's work on enterprise, with scope now to focus more attention on innovation.

3 The context for SEEDA's activities

3.1 The South East of England is a relatively new administrative region that stretches around London from Banbury and Milton Keynes in the north to the New Forest and the Isle of Wight in the south west and on to Thanet and Dover in the east. It has the largest population of all the English regions. There were previously no regional structures other than the Government Office and the region's constituent parts had no strong tradition of working together. Against this backdrop, SEEDA has worked to build a regional identity and develop a unifying vision.

3.2 The South East of England is regarded as one of the UK's most successful regions and has regularly achieved high growth rates in gross value added (GVA), high economic activity rates and low unemployment rates compared to other regions. This economic success is characterised by the South East making the largest net contribution to the Exchequer (£11 billion in 2004/05, or approximately 50 per cent of the total net take). The region has a strong concentration of higher education institutions. This has led to a concentration of highly skilled and specialist workers in a region that supports world class research and knowledge transfer. In addition, the region is the principal hub for international travel to and from the UK. The South East is the 31st largest economy in the world and home to a high concentration of global headquarters for multinational businesses.

3.3 This view of economic success hides considerable variation in economic performance across the region. In fact it includes the widest variation in gross domestic product per head of any region outside London. While GVA per head in the Thames Valley is 60 per cent above the national average, the levels in areas such as Kent, East Sussex and the Isle of Wight are similar to those found in the North East of England. Similarly high levels of deprivation are apparent in these counties and one million people across the South East lack basic literacy and numeracy skills. Indeed, these areas of the South East together have a population equal in size to the North East and with at least as high deprivation.

3.4 This complex picture highlights three distinct economic contours within the South East of England:

A relatively wealthy core to the west and south of London;

A rural land mass (80 per cent of the region) with high economic activity rates and business start-up rates, but with dispersed patterns of rural deprivation; and

A coastal region of major environmental assets, but with an ageing population and substantial untapped potential in terms of productivity, economic activity, skill levels and infrastructure.

3.5 SEEDA notes in its self-assessment that if the region is to achieve smart growth and sustainable prosperity SEEDA has to:

meet the growing global challenge;

reduce the level of economic inactivity in the region;

- raise the existing levels of enterprise;
- manage the demographic shift;
- influence investment in infrastructure;
- stimulate innovation and creativity;
- fill the skills gap;
- encourage a more sustainable approach to resource consumption and production; and
- support the growth of sustainable communities.

3.6 SEEDA has the second-lowest budget overall of the English Regional Development Agencies, and the lowest budget per head of population.

3.7 Like most Regional Development Agencies, SEEDA has undergone substantial growth and internal reorganisation since its inception. The move to a thematic approach within the current Corporate Plan and the sharing of objectives across divisions has been used to increase cross-team working within SEEDA. In addition, area teams have been introduced with the aim of providing a "one-stop shop" for partners and stakeholders. The executive team has evolved to a focused team consisting of the Chief Executive supported by five Executive Directors and a senior Area Director. SEEDA believes that the emergence of a more balanced and capable executive team has allowed the board to concentrate on the strategic direction of the Agency.

3.8 The period of the Independent Performance Assessment has coincided with SEEDA's responsibility as "Chair of Chairs" across the Regional Development Agencies from April to September 2006. This period of stewardship has coincided with the additional responsibility for co-ordinating the RDA input to the 2007 Comprehensive Spending Review.

4 Ambition

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

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SEEDA is performing strongly in relation to ambition.
(SCORE 4)

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

4.1 Since 1999, SEEDA has used the concept of the South East as a “world-class region” as a focal point to help define the region and its goals. The concept has helped to establish an identity for the South East that is clearly distinct from London. It has provided an impetus for continual improvement by using other “world-class regions” as the challenge, rather than other English regions, against which the South East is already performing well. Through a series of strategy documents, SEEDA has provided a pathway towards sustainable economic growth.

4.2 SEEDA has worked hard to develop and embed an identity for a region formed from a disparate geographical area. Overall, partners and stakeholders report that substantial progress has been made in achieving a sense of identity. This is directly related to the increased emphasis SEEDA has placed on generating a sense of place and belonging within the region. This has been characterised, for example, by SEEDA’s involvement in Tourism South East and Culture South East, demonstrating SEEDA’s recognition of the contribution these sectors make to economic growth ambitions stated in the Regional Economic Strategy.

4.3 The 2002-2012 Regional Economic Strategy, itself about to be superseded, is regarded by partners and stakeholders as a clear improvement on its predecessor. The strategy identified five interlinked elements of “smart growth”, underpinned by 18 priorities. Members of staff at SEEDA refer to it frequently to explain the rationale for their actions, demonstrating how firmly the strategy is embedded in the organisation. The strategy is based on a robust evidence base, provides an overarching vision for the region and sets challenging ambitions that are clearly linked to objectives. The strategy contains some analysis of sub-regional needs and identifies underlying areas of structural weakness within an economy that is performing strongly overall. There is a perception across the region that the goals are right, setting a level of ambition that is appropriate to the region. The overarching ambition, to improve the region’s world rating from 31st to 15th over the lifetime of the strategy, is seen as challenging.

4.4 The aim of the draft 2006-2016 Regional Economic Strategy is to provide greater focus by identifying three key challenges for the region. These are global competitiveness, smart growth and sustainable prosperity. SEEDA has conducted a good depth of analysis in identifying the underlying economic characteristics of the region. The new strategy has a much clearer focus on specific sub-regional needs. SEEDA has taken the bold step of declaring the need to invest in more successful parts of the region, as well as continuing to tackle deprivation. This new emphasis is consistent with SEEDA’s and partners’ overall message to national bodies about the need to invest in the South East to sustain economic performance in support of the whole country. The strategy links sustainable economic development more clearly with a sense of place and quality of life, emphasising the importance of culture in delivering growth to the region.

4.5 The inclusiveness of the consultation process that has accompanied the development of the latest iteration of the Regional Economic Strategy attracted near unanimous praise from partners and stakeholders. The strategy pulls together the strands of skills generation, innovation and business growth, effective infrastructure, vibrant communities and sustainable use of natural resources as the economic drivers of success. It maintains a balance between the competing needs of respective sectors and provides a positive direction of travel. SEEDA and the Regional Assembly have managed the policy differences that emerged on housing growth and aviation,

maintaining their positions whilst respecting each other's views, and SEEDA has won the Regional Assembly's support for the Regional Economic Strategy.

4.6 Some stakeholders told us they would like more feedback about what has happened as a result of their contribution to the Regional Economic Strategy consultation. This is particularly important for members of staff in smaller organisations, who need to point to clear results to justify their time commitment. In a similar vein, some of the smaller sectors would value practical help in engaging in consultation, such as clear signposting about where to focus their efforts when faced with large documents for comment.

4.7 The Regional Economic Strategy clearly indicates the contributions partners are expected to make to the delivery of outputs, and SEEDA has established very effective partnership working arrangements across many sectors. This collaborative approach has been used effectively in major regeneration programmes, for example in Medway, and in smaller scale rural projects, such as that in the market-town of Battle. Area Investment Frameworks have provided a useful mechanism to support SEEDA in adopting a more strategic leadership role in delivering the objectives in the Regional Economic Strategy. SEEDA's contribution to delivering the strategy's shared vision is summarised in their self-assessment as:

- providing the catalyst for action;
- influencing and working with partners across the region; and
- directly delivering programmes.

4.8 Members of staff at SEEDA are committed to working with partners to deliver the Regional Economic Strategy through open and sustained dialogue. SEEDA will need to manage the impact of the new Regional Economic Strategy on sub-regional partners who may have local pressures that constrain their ability to align fully behind the strategy. This will require active communication at an appropriate senior executive level to ensure SEEDA and its partners remain informed of the issues and challenges that each organisation has to consider in delivering its contribution to the strategy.

4.9 SEEDA works with neighbouring Regional Development Agencies in a variety of ways. It has been instrumental in forming a relationship in the "Greater South East" with the London

Development Agency and the East of England Development Agency. This initiative recognises the economic interdependency of the three regions and a concordat underpins joint activities. SEEDA is involved in a further collaboration with the East of England Development Agency and the East Midlands Development Agency to exploit the potential of the Oxford to Cambridge arc. A further example is SEEDA's work with Advantage West Midlands in seeking to develop the rail freight route from Southampton ports to the Midlands and beyond.

4.10 SEEDA's preferred operating mode is to delegate a number of key delivery responsibilities to partners. The strength of these relationships attracted considerable praise and the introduction of area directors is seen as a further step forward in partner engagement and delivery of Regional Economic Strategy goals.

4.11 The draft 2006-2016 Regional Economic Strategy includes the commitment to reduce the rate of increase in the region's ecological footprint, stabilise it and reduce it by 2016. The commitment is underpinned by SEEDA's sustainability checklist, which was recognised by the Egan review as an example of good practice. The checklist has been successfully applied to programmes throughout the region. A recent South East England Regional Assembly select committee report on the sustainable use of natural resources acknowledged the strong regional leadership that the SEEDA board and Chief Executive have provided on sustainability. SEEDA places high sustainability standards at the heart of building developments that it supports.

Strengths	Areas for development
<ul style="list-style-type: none"> • Inclusive and consultative approach in developing the ambitions for the region in the new Regional Economic Strategy • Continuous improvement in successive Regional Economic Strategies, with goals that reflect the needs of the region • Comprehensive intelligence base underpins the development goals contained in the Regional Economic Strategy • Consistently strong buy-in from stakeholders and partners to the goals of the Regional Economic Strategy • Reference to world-class regions provides focus and challenge • Members of staff refer to the Regional Economic Strategy when explaining the role they play 	<ul style="list-style-type: none"> • Partners would value more feedback on what has happened as a result of their input to the development of the Regional Economic Strategy • Special interest groups would appreciate more support to enable them to contribute more fully to the Regional Economic Strategy drafting process • Ongoing communication with partners will help SEEDA to appreciate the impact the Regional Economic Strategy has on local issues

5 Prioritisation

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

SEEDA is performing well in relation to prioritisation.
(SCORE 3)

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

5.1 The 2002-2012 Regional Economic Strategy sets out five objectives for the South East of England. Supporting these objectives are 18 economic priorities with associated actions. The draft 2006-2016 Regional Economic Strategy builds on its predecessor and identifies three challenges the region must address and sixteen targets to be met if the vision of being a world-class region achieving sustainable prosperity by 2016 is to be delivered. The basis of this vision is a robust and comprehensive evidence base which has been analysed effectively and ambitious targets derived.

5.2 SEEDA's contribution to the objectives contained in the 2002-2012 Regional Economic Strategy and outputs required by Government are contained in its Corporate Plan. The link between SEEDA's activities and national Public Service Agreement targets is clearly evident.

5.3 SEEDA has used its Corporate Plan to focus the attention of staff under a series of new headings that link back in general terms to the 2002-2012 Regional Economic Strategy. SEEDA has communicated the Corporate Plan highly effectively internally and externally with a leaflet that unfolds to form a wall chart for high visibility.

5.4 Partners are generally clear about SEEDA's priority areas of activity for the region. In particular, SEEDA has demonstrated decisive leadership in its new approach of investing in successful parts of the region as well as parts that are more deprived, an approach that attracts broad support despite not being unanimously welcomed. Partners see SEEDA as sensibly prioritising some activities that provide easy early

wins and build confidence, although there is concern that SEEDA still sometimes spreads itself too thinly over small projects.

5.5 The relationship between the five objectives contained in the 2002-2012 Regional Economic Strategy and the three objectives of SEEDA's 2005-2008 Corporate Plan is not explicit. The lack of clearly articulated links between the Regional Economic Strategy and the Corporate Plan was a consistent message received from staff and partners. The Chair and Chief Executive see the issue as a matter of timing, because the 2002-2012 Regional Economic Strategy does not reflect the emphasis on a "sense of place" that has emerged since the strategy was produced, and which is reflected in the Corporate Plan. The Corporate Plan is more focused, helping staff to make choices about priorities.

5.6 The Corporate Plan shows clearly the funding split across programmes and sub-regions. Annual divisional plans and area investment frameworks provide the bridge linking individual programmes with their contribution to regional objectives set out in the Regional Economic Strategy.

5.7 The new draft 2006-2016 Regional Economic Strategy clearly assigns the lead organisations responsible for delivering different aspects of the strategy. SEEDA intends to develop this detail further in an implementation plan and to provide a very explicit link from the 2006-2016 Regional Economic Strategy to the next Corporate Plan. This will help to promote the impact of the new strategy by providing a clear leadership example to others in using the Regional Economic Strategy to mould organisational plans.

5.8 Annually prepared divisional plans identify the key activities that SEEDA must manage throughout the year. There is currently no process, equivalent to an annual business plan for the whole organisation, sitting between these divisional plans and the Corporate Plan. SEEDA is currently considering, as part of its LEAN office process described later, whether to introduce some organisation-wide process along these lines.

5.9 Delivery of the Regional Economic Strategy by SEEDA is achieved through three principal mechanisms: strategic influencing, innovative solutions and direct delivery. The draft 2006-2016 Regional Economic Strategy provides clear direction on who does what, in response to

concerns previously expressed by the board. SEEDA holds structured reviews with many of its partners to ensure delivery of the strategy. An annual extended period of reviews with learning and skills partners is an example. SEEDA has also demonstrated adaptability in developing solutions dynamically in response to problems being encountered; for example in re-negotiating contracts for building work on St Mary’s Island.

5.10 The internal Project Advisory Board conducts robust questioning of the financial viability of proposed projects and raises issues to be addressed in the economic appraisal. This forms the basis either for decision by the appropriate delegated authority or for presentation to the main board’s Major Projects Committee, depending on the size of the project. This ensures a rigorous examination of each individual bid, prioritising expenditure within divisions. The Project Advisory Board’s effectiveness could be enhanced by comparing the value for money of proposed projects across different divisions in relation to the priorities of the Regional Economic Strategy and Corporate Plan.

5.11 SEEDA is developing a LEAN office initiative to evaluate critically the effectiveness of delivery mechanisms. SEEDA is making the approach available to other organisations in the regions and it is applying it internally. The review is extensive and addresses processes and procedures. Comments received from staff confirmed buy-in to this initiative, which is seen as an opportunity to contribute to improving the planning and delivery processes. It is at an early stage and has not yet led to tangible change.

Strengths	Areas for development
<ul style="list-style-type: none"> • Lead organisations clearly assigned in the new Regional Economic Strategy • Positive targeting of resources on the basis of impact and emphasis on investing in success • Divisional plans provide clear direction within functional areas • Corporate Plan refers clearly to PSA targets • Lean initiative provides a corporate focus on improvement 	<ul style="list-style-type: none"> • Explicit linkage between Regional Economic Strategy and Corporate Plan • Examination of the potential need for a process sitting between the Corporate Plan and annual divisional plans

6 Capacity

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

SEEDA 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 ambitions and priorities?
- Does SEEDA, with its partners, have the capacity to achieve change and deliver its priorities?

6.1 SEEDA has grown substantially since its inception to a point where the ratio of staff numbers to budget is high compared to other Regional Development Agencies. This reflects the demands of balancing the need for strategic influencing and partnership working wherever possible with the need to support direct delivery in certain circumstances where capacity would otherwise be lacking. Such a balance is necessary because SEEDA covers the largest English region with the lowest budget per head of population. Partners strongly approve SEEDA's strategic influencing role and would endorse an even greater emphasis on it.

6.2 Partners and stakeholders hold SEEDA's staff in high regard. Staff members are seen as competent and highly committed. Our meetings confirmed this picture of staff members with a firm belief in what SEEDA is doing and great enthusiasm for it.

6.3 SEEDA has established an effective board that subjects the executive team to robust challenge. Meetings are long, typically up to six hours, reflecting the wide variety of ways that SEEDA has chosen to use its board. Agendas include detailed updates to keep the board informed about particular topics or areas of the region, open-ended discussions of current relevant topics to help inform the executive's future action, matters requiring board decisions and reports on SEEDA's performance. Tours of parts of the region, to see opportunities, challenges and current or proposed projects, are often appended to meetings. Minutes now include a register of past actions to help the board keep sight of outstanding issues.

6.4 Several committees support SEEDA's board. We observed the Audit Committee and Major Projects Committee in action. Both committees show a clear understanding of their purpose. They hold the executive robustly to account and review their own actions critically.

6.5 Induction for new board members involves a course arranged by the Department of Trade and Industry and meetings with each executive director. SEEDA plans to develop a formal induction course for all new board members.

6.6 The Executive Board is SEEDA's overall decision-making body below the main board, and was constituted 18 months ago in its current format. The Directors' Performance Review Group, with a similar but slightly broader membership, also meets every month to hold directors to account and disseminate information. The Executive Board exercises effective control, identifies areas of concern and puts in place clearly-assigned actions. Executive Board minutes, like those of the main board, now include a register of past actions to keep outstanding issues in sight.

6.7 SEEDA's Chair and Chief Executive form an effective partnership, with a visible presence in the region. They are keen to re-strengthen this presence now they have completed their recent tenure of the "Chair of Chairs" role within the Regional Development Agency network. The Chair and Chief Executive also represent SEEDA internationally, reflecting SEEDA's emphasis on promoting and enhancing the South East as a "world-class region". The Chair meets executive directors frequently as part of his non-executive role in holding the executive to account.

6.8 SEEDA has introduced area directors to enhance the organisation's reach. An area director sits on the executive board. Partners very much welcome this approach, which makes it easier for them to find a ready way into SEEDA. It helps overcome a perception of SEEDA being divided into functional silos. Partners hope the area structure will be developed further to give areas a stronger voice within SEEDA as well as giving SEEDA a communication channel to areas.

6.9 SEEDA's decision-making is highly inclusive. Staff members consult partners and stakeholders widely about possible activities. The executive brings potential projects to the board and its committees early for outline discussions and "in principle" decisions.

6.10 The advantage of this inclusive approach, particularly given SEEDA's clear emphasis on partnership working, is the opportunity to reach the best decision on the basis of the widest possible information sources. The disadvantage is uncertainty about the decision-making process when viewed from outside, including over the likely timing of decisions. We observed these advantages and disadvantages at play in the same major project proposal that was under discussion at the time of our assessment.

6.11 A single reference point on corporate governance arrangements would assist board and staff members and help to give more transparency externally about SEEDA's processes. There is scope for greater clarity on a range of issues. Surveys have shown that staff members have not fully understood the role of the Executive Board or aspects of the main Board, such as the Major Projects Committee or the Remuneration Committee. The recently formed Continuous Improvement Board represents a positive step in developing a learning culture within SEEDA but it would benefit from more focused direction and monitoring by the Executive Board. The Information Systems Strategy runs to 2004 and has not been updated, while the terms of reference for board committees and other structures are not collected together in a single readily-accessible place.

6.12 Communication within SEEDA is variable and dependent on the willingness of each line manager to communicate decisions downwards. Staff members acknowledge and value improved access to training and regard it as high quality, although there is a need for refresher training on systems that are used infrequently. Much IT training is delivered in-house using a "train the trainer" approach, although that this leads to a higher than average outflow of trained personnel. There is an expressed need for more guided career development for middle managers.

6.13 SEEDA's partnership working is a real strength. SEEDA has placed great emphasis on building strategic delivery and partnership capability across the region. This has included examples such as embedding development managers within the Learning and Skills Council, office sharing with the Medway Council team and engaging local authorities to participate in a regional Design Champions Club. It is reflected in collaborative delivery plans that provide direction to partners and encourage innovative solutions. SEEDA is particularly effective in helping neighbouring local authorities to work together in ways that would not have happened without

SEEDA's involvement, for example the PUSH initiative covering Portsmouth, Southampton and nine neighbouring local authorities. Partners recognise and value SEEDA's ability to make an impact across a range of issues. In particular, there has been impressive progress on regeneration projects.

6.14 Partnership working with the voluntary and community sector remains a challenge. SEEDA helped to establish RAISE to aid communication with the sector and recently invited the organisation to give a presentation to the board. The sector welcomed this step and has seen increased engagement from some parts of SEEDA as a result. There is scope for further advances if SEEDA and the sector establish more clearly what are reasonable mutual expectations, and define with greater clarity what each may offer.

6.15 Where SEEDA is involved directly in delivery there is a robust appraisal of options, ensuring that resources are used where they are needed.

6.16 SEEDA is on course to exceed its efficiency plan targets. The Executive Board has addressed efficiency issues raised by staff in surveys and through monitoring wastage from training.

6.17 SEEDA has recently introduced a LEAN office initiative to improve efficiency and added value. Staff members are highly enthusiastic about the initiative, recognising the opportunities it presents to simplify procurement systems and refine the budget allocation processes. The initiative involves a fundamental review of all SEEDA's processes and how they add value. It provides an ideal opportunity to address some of the areas for development identified in this section, such as the need to communicate corporate governance arrangements and decision-making processes more clearly. It is too early to see clearly the benefits from this initiative.

Strengths	Areas for development
<ul style="list-style-type: none">• Partners see staff as competent, committed and enthusiastic• Board provides robust challenge in decision-making process• Inclusive approach to decision-making• Area director approach valued by partners• Effective partnership working	<ul style="list-style-type: none">• Stakeholders and partners uncertain over decision-making process• Internal communications could be further developed to address the perception of silo working• Greater clarity over issues of corporate governance

7 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

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

- Is there a consistent, rigorous and open approach to performance management?
- Do SEEDA 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 SEEDA's performance management has improved in recent years, particularly over the last two years. Much of this improvement is due to the introduction of new project management and accounting systems. Information provided by these systems underpins the performance information that SEEDA collects. This information gives senior management and other staff members a view of progress against key performance indicators.

7.2 Board members have appreciated a consistent improvement in performance information presented to them. They see financial outturn against agreed budget and outcome measures in relation to targets. The presentation of outcome measures uses a traffic-light system to identify easily what areas are most at risk. The board now receives a single report on SEEDA's overall performance, which is a distinct improvement on the previous arrangement involving separate reports from different divisions. The board also sees reports of progress against specific projects. Individual members use their own contacts throughout the region to build on the formal picture of performance that they gain from board meetings.

7.3 Delivery plans, agreed with sub-regional partners, consistently address performance measurement. They include clear measures of success, with milestones and review dates. Some partners use a scorecard system to give balanced reporting across a range of measures.

7.4 Area Investment Frameworks and delivery plans provide a structure that supports the flow of performance information between SEEDA and its partners. SEEDA's area teams conduct initial health checks of partners' ability to deliver proposed projects, and they offer advice on how improvements might be made. A more consistent approach to agreements with sub-regional partners could further improve information exchange.

7.5 There is scope for SEEDA to improve the choice and definition of targets that it uses to measure performance. Reports to the board focus on targets agreed with the DTI as part of the national "tasking framework" for all Regional Development Agencies. These may not be sufficient to assess performance against all needs that are specific to the South East. There would be benefit in translating SEEDA's Corporate Plan objectives for the South East into annual measures against which the board could assess SEEDA's overall performance. Information on measurement methods often lacks sufficient detail and some targets are not quantified. Stakeholders commented to us on variability in the quality of targets and metrics.

7.6 SEEDA could do more to help the board consider likely performance beyond the current year. This would include routine consideration at board level of the main strategic risks, in addition to the six-monthly review of the risk register that the Audit Committee undertakes. Measures of organisational capacity factors, such as human resources, would provide early warning of threats to future performance. Projections of outcome targets and expected performance across the whole Corporate Plan period would help to safeguard longer-term delivery and identify areas at risk.

7.7 SEEDA could take further steps to embed performance management more systematically and uniformly across the organisation. Many members of staff find the new information systems difficult to use and would benefit from further training. In the meantime, many members of staff maintain their own approaches to accessing information outside the monthly reporting cycle, potentially giving inconsistent views of performance.

7.8 Some written records of the reasons for variances from expected performance are of limited depth. While senior members of staff pursue further explanations in order to gain a clearer understanding, the subsequent fuller explanations are not recorded. This poses a risk

that SEEDA will lose corporate understanding of where it needs to take action to ensure it delivers as promised.

7.9 SEEDA’s self-assessment outlines the development of the risk strategy and how it has been implemented throughout the organisation. A systematic review process has been established at divisional level and these divisional reviews support the corporate risk register that has been introduced in the last two years.

7.10 SEEDA has undertaken some sound evaluations of past individual projects and has now developed a coherent policy and framework for systematically conducting and monitoring its evaluation activity. It is too early to assess whether the new framework has delivered its intended benefits.

Strengths	Areas for development
<ul style="list-style-type: none"> • Improvements in performance reporting over the last two years • Introduction of new project management and accounting systems • Area Investment frameworks aid information exchange with partners • Implementing an evaluation framework 	<ul style="list-style-type: none"> • Limited systematic analysis of causes of financial variances and corrective actions at working level • Could do more to help board consider likely future performance, including regular consideration of key strategic risks

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 stakeholders

SEEDA is performing strongly in terms of achievement.
(SCORE 4)

- Has SEEDA delivered its contribution to achieving the ambitions identified in the Regional Economic Strategy as set out in the Corporate Plan?
- Has SEEDA made progress in achieving its ambitions in sustainable development?
- Has SEEDA made progress in leveraging investment into the region against the priorities set out in the Regional Economic Strategy?
- Has SEEDA made progress towards achieving its ambitions and priorities for its lead role for trade and industry?

8.1 SEEDA has a highly impressive record of achievement on a small budget. Success is particularly characterised by imaginative and innovative integration of the three Corporate Plan themes of strategic influencing, sustainable economic growth and sustainable communities. Much of its regeneration work under sustainable communities is coupled with projects promoting sustainable economic growth in areas such as higher education and tourism. SEEDA's major projects are built on strategic influencing, reflecting SEEDA's need to work in partnership to leverage maximum impact from its own financial input. Regional partners consistently praise SEEDA's strategic achievements in helping them to find an effective way of working together and to re-start projects that have stalled.

8.2 SEEDA has made demonstrable progress against the "five elements of Smart growth" stated in the 2002-2012 Regional Economic Strategy and the aims contained in the Corporate Plan. Successful delivery of programmes has been confirmed by many partners and stakeholders who endorse SEEDA's self-assessment claims. Much of this success is attributed to the effective partnerships that SEEDA has nurtured. The examples of achievement that follow area all clearly linked to objectives stated in the 2002-2012 Regional Economic Strategy.

8.3 SEEDA's exemplary approach to partnership working is characterised by the extensive regeneration programme it has undertaken in collaboration with Medway Council. This programme has built on the achievements and lessons learnt from the Chatham Dockyard site, which are now two-thirds complete. SEEDA has led the development of a major housing project that has been recognised for its high-quality design and build standards. In addition, the site has attracted three universities and a higher education college which addresses the sub-regional need for a higher skills base in the area and is complementary to the aims of the Regional Economic Strategy.

8.4 SEEDA has successfully applied the principles of joint working across the region as demonstrated by the recently completed restoration of the Oxford prison site. This has opened up a new area of the city to tourism, is providing sustainable employment opportunities and used local companies wherever possible to complete the project.

8.5 Examples of SEEDA's ability to draw together regional economic objectives into a coherent programme of sub-regional activities include the development of the University Centre Hastings (UCH), supported by four regional universities. The Centre's courses are specifically targeted to recruit students from the local population. Examples of how this initiative has been linked to local business support and incubator schemes include "White Leaf Design", a small graphics company formed by graduates of UCH which has utilised the various tiers of SEEDA's business support as demand for its services has grown.

8.6 SEEDA has exercised influence over issues outside its traditional areas of activity. This includes bringing together the Hastings and Bexhill Task Force, comprising three local authorities, two local MPs, English Partnerships, the Government Office and SEEDA, to generate an alternative solution to the acute market failure in the area when an application for a bypass was rejected. So far the task force has redeveloped several sites in Hastings town centre and the surrounding area, providing a range of facilities for supporting start-up and early-stage companies in key sectors, as well as collaboratively creating the University Centre described above. A number of other redevelopment projects are currently under way in the area.

8.7 SEEDA has also worked with partners in Kent and East Sussex to secure improvements to

the Ashford and Brighton via Hastings rail link; an improved service was introduced in 2005-2006 and is a precursor to further development as part of the Hastings five-point plan.

8.8 Partners provided extremely positive feedback about SEEDA's support to new and emerging businesses in the region. Considerable thought and effort have been applied to providing a service that meets the differing needs of organisations depending on their maturity, market sector and production requirements. SEEDA's network of Enterprise Hubs is widely recognised as an innovative and successful programme of support for existing and potential high growth businesses, and the format is now being used as a model by other Regional Development Agencies.

8.9 Through its Innovation Advisory Service SEEDA has developed a diagnostic toolkit which assesses the feasibility of concept and business opportunities for emerging new businesses. This has been successfully applied throughout the region and is used to provide a bespoke service appropriate to new business ventures. This activity has had significant impact on the development and growth of new companies, as illustrated by a number of examples when we visited the South Oxfordshire Enterprise Hub, and it is recognised and valued by strategic partners in the region.

8.10 SEEDA has made a considerable commitment to strengthening the links between research and entrepreneurial activity. This has involved establishing science parks that provide access to generic research and development equipment. This enables entrepreneurs to develop concepts into commercially viable business ventures without having to make significant up-front capital investment in expensive technical equipment.

8.11 SEEDA provides core funding to six sector consortia that have been created as companies limited by guarantee. These represent leading market sectors in the South East and provide a conduit for shared business information. In their first year, their achievements include the introduction of a shared marine manufacturing facility and the establishment of an inter-regional collaboration on sustainable construction with European funding.

8.12 SEEDA has also introduced an effective and active rural community programme. Local communities develop their own proposals, submit them to SEEDA and implement what they have

proposed with SEEDA's support. The improvement programme at Battle is typical of these relatively small projects that are seen as invaluable by the community, emphasising SEEDA's commitment to engage and develop vibrant rural communities within the region.

8.13 The 2002-2012 Regional Economic Strategy commits the region to becoming one of the world's leading environmental economies through investment in capital resources, securing sustainable land management and breaking the link between economic growth and environmental degradation. SEEDA's Corporate Plan aligns with this central theme and allocates resources appropriately. This message cascades through much of the documentation that SEEDA produces. SEEDA's commitment to maintaining a focus on sustainability is apparent from their involvement in developing an Integrated Regional Framework, produced in collaboration with the South East England Regional Assembly, the Government Office South East and other bodies. The framework provides a shared regional vision and set of objectives to help minimise conflicts or overlaps and maximise opportunities to achieve the shared vision for sustainable development.

8.14 The draft 2006-2016 Regional Economic Strategy provides an even clearer commitment to environmental sustainability by setting out a headline target to reduce the rate of increase in the region's ecological footprint, stabilise it and seek to reduce it by 2016.

8.15 Feedback from partners across the region presents a positive picture of SEEDA's work on sustainability, with SEEDA's emphasis on delivering quality sustainable solutions recognised and supported by many strategic partners. Partners also acknowledge that given the ambitious growth plans for the region the sustainability targets are challenging and they look to SEEDA to provide additional leadership and direction to address this issue.

8.16 Many of SEEDA's redevelopment projects include achievements in sustainability. An example is the Ropetackle site in Shoreham-by-Sea, West Sussex. SEEDA invested £2 million in the project, which leveraged a private sector investment of £25-£30 million to create a development of 180 homes, business space, community arts and education space, business conference facilities, a new town square and public open spaces. All of the homes have a BREEAM and EcoHomes 'excellent' rating, and the development is being used as a model for the redevelopment of other sites.

8.17 SEEDA has increased regional awareness of sustainability issues including a conference on energy efficiency in housing which was the first in the region. SEEDA requires suppliers and contractors to meet environmental sustainability standards. Staff members would like to see more progress in developing a green travel policy, and in seizing the opportunity to act as an exemplar for the region in this and other sustainability issues.

8.18 In the last year, SEEDA has levered £261 million of public and private funding into the region. This includes £50 million of European funding for transport projects. SEEDA believes it is the only Regional Development Agency to have secured European Regional Development Fund money in this way. Other notable successes have been £52 million in support of Thames Gateway investment, £15 million to develop multiversities, and £13.5 million to complete the redevelopment of Kent Coalfields. The Regional Assembly acknowledges the substantial sums sourced from the private sector in support of major projects backed by SEEDA (510). Much of the levered funding has been used to facilitate collaborative working in the learning and skills sector, regeneration, and gaining financial support for enterprise hubs.

8.19 The inward investment team has attracted 273 international companies to the region, resulting in a net increase of 15,000 jobs across the region. Greater publicity of these achievements would help stakeholders to understand SEEDA's achievements in accessing international sources of funding.

8.20 SEEDA has taken a conscious decision to give prominence to partners' roles when publicising activities it has supported. SEEDA could build further on this, enhancing partners' standing locally and so aiding its own future work with them. Partners across the region would also like to see SEEDA make more of its unique opportunity to take a lead in disseminating good practice, both between different projects in which SEEDA is directly involved, and between regional bodies more generally.

8.21 Feedback from the Department of Trade and Industry (DTI) and other Regional Development Agencies regarding SEEDA's lead role activities has been very positive, with wide acknowledgement of the broad and complex role which SEEDA faces. SEEDA has identified key individuals responsible for specific elements of the lead role activity, as well as a lead role co-

ordinator. These contacts are seen as accessible and responsive.

8.22 There is particular praise for SEEDA's work on the enterprise agenda, for which it became responsible during 2005. The DTI notes that it has taken the role extremely seriously and has invested considerable senior management time in this area. Several Regional Development Agencies commented on SEEDA's effective leadership of the Enterprise Directors' group, with good communication and opportunities to feed into the development of the lead role work plan through regular meetings. The DTI also states that SEEDA leads by example, often being one of the first to adopt and put in place a new approach or initiative.

8.23 There is a general view that SEEDA could now focus more attention on its innovation lead role. SEEDA should harness the positive work that it has undertaken within its own region and use this to drive the cross-RDA Innovation agenda forward.

8.24 Comments regarding SEEDA's lead role communications were generally favourable: SEEDA communicates well through a number of mechanisms; papers are circulated well in advance; communications are regular and appropriate. Complex issues would benefit from earlier and fuller information in advance of discussions.

Strengths	Areas for development
<ul style="list-style-type: none">• Impressive delivery of regeneration initiatives across the region• Systematic approach to business support, in particular Enterprise Hubs• Revitalising previously stalled initiatives• Use of the skills agenda in support of sustainable regeneration and innovation• Delivery through partnership• Effective rural delivery programme• Leverage of investment into the region	<ul style="list-style-type: none">• Increased impact of lead role activity in relation to innovation• Scope to provide more examples of good practice, especially in sustainability

9 TECHNICAL ANNEX

Independent Performance Assessment Methodology

Background

9.1 The National Audit Office (NAO) has undertaken this Independent Performance Assessment of the South East England Development Agency (SEEDA) 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. SEEDA 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); and
- 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 SEEDA's awareness of its own position by referring to the self-assessment and improvement plan that SEEDA prepared before we undertook our assessment. We sought views from other Regional Development Agencies and the Department of Trade and Industry on how well SEEDA has conducted its lead role and its relationship with other central government organisations. We invited external stakeholders to respond to a survey. We consulted our colleagues who visit SEEDA 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 SEEDA 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 400 documents and reviewed over 100 of them in depth;
- consulted 62 SEEDA staff, in 31 in-depth interviews and 3 focus groups covering
 - board members
 - management
 - employees;
- consulted 73 external stakeholders in 13 in-depth interviews and 9 focus groups covering
 - voluntary and community sectors
 - business sector
 - enterprise hubs
 - economic partnerships
 - transportation sector
 - rural sector
 - housing and development sector
 - learning and environmental sector
 - environmental sector;
- observed the following meetings
 - Board
 - Executive Board
 - Audit Committee
 - Continuous Improvement Board
 - Major Projects Committee
 - Project Advisory Board
 - Sector Consortia Meeting;
- made site visits to Hastings, Battle, Chatham and Oxfordshire, meeting further internal and external stakeholders;
- received 67 questionnaire returns from stakeholders (out of 240 who were given the opportunity to respond);
- received comments from seven other Regional Development Agencies and the

Department of Trade and Industry regarding SEEDA's lead role; and

- received comments from the Department of Trade and Industry on behalf of all government departments with an interest in SEEDA.

9.9 To ensure wide coverage of external stakeholders we:

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

Consistency

9.10 We held a consistency panel, chaired by a member of the NAO Management Board, on 17th October 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.

Actions following issue of report

9.11 SEEDA 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.