National Audit Office

May 2010

Independent Supplementary Review

Yorkshire Forward

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Part One: Preface

1.1 At the request of the Department for Business, Innovation and Skills, the National Audit Office has undertaken Independent Supplementary Reviews of each of the eight Regional Development Agencies outside London. The Regional Development Agencies were established under the Regional Development Agencies Act 1998 to further regional economic development and regeneration, promote business efficiency and competitiveness, increase employment and the skills base and contribute to regional environmental sustainability.

1.2 In the last two years, the Regional Development Agencies have faced a number of challenges: to deliver more efficiently in the face of reduced budgets, to demonstrate maximum value to their regions for the projects they choose to support and to demonstrate flexibility in responding appropriately to the changing requirements of their regional economies in the light of the downturn.

1.3 Our reviews address three specific aspects of the Agencies' performance in responding to these challenges. The reviews focus on the strength of the processes and procedures the Agency have put in place. They do not assess the overall impact or value for money of the Agencies. In particular, they assess performance against three questions:

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

1.4 In light of our assessment report the Agency will be required to demonstrate it has plans in place to address any improvements. The National Audit Office will consider the extent to which these plans address the areas for improvement identified in the assessment report and provide the Regional Development Agency with advice.

1.5 We would like to thank the Chair, Board, Chief Executive, Executive Management team and the Agency's staff for their help and assistance during this Independent Supplementary Review. We would also like to thank the numerous stakeholders and partners who have helped us.

Part Two: Summary

2.1 Yorkshire Forward (the Agency) has been marked as follows under the three descriptors for this assessment:

Question	Assessment
How effectively has the RDA prioritised the development/delivery of programmes and projects that offer high value added benefits for the region in the economic downturn and in preparation for the upturn?	The Agency has demonstrated adequate performance against this descriptor.
How effectively is the RDA implementing improvement plans?	The Agency has demonstrated adequate performance against this descriptor.
How effectively has the RDA implemented improvements in performance management processes and procedures to reflect the lessons of evaluation?	The Agency has demonstrated good performance against this descriptor.

Part Three: Context

3.1 The Yorkshire and Humber region is a diverse region with a population of over five million. The region is divided into four sub-regions: North Yorkshire, West Yorkshire, South Yorkshire and the Humber. Over two-thirds of people live in West or South Yorkshire and many are concentrated in the cities of Leeds, Sheffield and Bradford. Other major cities include York, Hull and Wakefield. The region also has a significant rural population and has more National Park land than any other region.

3.2 The regional economy is valued at £86.3 billion, with Gross Value Added (GVA) per head calculated at £16,670 in 2007. GVA growth of 44.7 per cent from 1999-2007 is below the national average of 51.4 per cent and GVA per head is the second lowest of the English regions.

3.3 There were 2.4 million people employed in the region in November 2009, an employment rate of 70.8 per cent. This is a fall of 1.5 per cent compared to November 2008. With the exception of Scarborough, the highest increase in unemployment has been in the south and west of the region. In September 2009, the largest proportion of employment was in public administration, education and health, 30 per cent, followed by distribution, hotels and restaurants with 20 per cent and banking, finance and insurance with 15 per cent.

3.4 The region has 182,000 business units, or 336 businesses per 10,000 people, placing it seventh out of the nine English regions. The largest category of business in Yorkshire and Humber is Distribution, Hotels and Restaurants which accounts for almost a third of all business units (31 per cent), followed by Banking, Finance and Insurance with 27 per cent, and then Construction and Public Administration, Education and Health both with 11 per cent.

3.5 The Regional Economic Strategy (RES) priority sectors have had a mixed performance since 2006. Healthcare has been very successful, increasing output by 10 per cent and employment by 14 per cent per year from 2006 to 2009, whereas the output of Advanced Engineering and Materials has shrunk by 15 per cent with reducing employment in the sector.

3.6 There are 14 unitary authorities, one County Council and seven districts. The region has four functional sub-regions, Hull and Humber Port City Region, Leeds City Region, Sheffield City Region and York and North Yorkshire. Following the implementation of the Treasury Sub-National Review the Agency and a newly formed Strategic Leaders' Board will be responsible for creating an Integrated Regional Strategy.

3.7 The RES for Yorkshire and Humber, agreed in 2006, has an economic vision for the region 'to be a great place to live, work and do business, that fully benefits from a prosperous and sustainable economy'. To achieve this vision the region has the following aims:

- Enhancing and realising the potential of all Yorkshire and Humber's people to achieve a healthy learning region and social inclusion;
- Growing existing and new businesses to achieve sustainable economic growth and jobs; and
- Utilising the full potential of Yorkshire and Humber's physical and cultural assets, maximising resource efficiency and conserving and enhancing its environment to achieve an integrated sustainable economy.

3.8 In 2008-09 the Agency received a single pot allocation of £297 million, and with receipts, the Agency had funds worth £317 million. The Agency will only receive £228 million from the single pot in 2010-11. The Agency is responsible for the management of European Regional Development Funding of £502 million for 2007-13. The Agency currently employs around 460 staff in five Directorates.

Part Four: How effectively has the RDA prioritised programmes and projects that offer high value added benefits for the region in the economic downturn and in preparation for the upturn?

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

We have assessed Yorkshire Forward as having demonstrated adequate performance. The key factors that lie behind this assessment are:

1. The Agency has developed a robust evidence base which clearly identifies the challenges facing the region and has been recognised by partners as a key source of data for their prioritisation.

2. The Agency has played a key role working with local authorities, businesses, regional partners and Government to monitor and assess the impact of the downturn on the economy and disseminate economic intelligence with partners.

3. Stakeholder feedback on the Agency's approach to the downturn has been positive. The Agency has understood the economic challenges facing the region and has acted quickly and positively to put in place initiatives to help short term recovery.

4. The Agency has agreed a number of long term priorities to realise the economic potential within the region. However, we found stakeholders are less clear about the lessons of the downturn for the long term vision of the region.

5. The Agency's geographic programmes have been developed jointly with local authorities and identify mutual investment priorities in local authority areas. They provide a platform for discussion between the Agency and local authorities about priorities at the local level. However, in their current form, Geographic Programmes only contain the Agency's investment and further development is therefore needed to establish full joint investment planning.

6. The Agency has reprioritised the allocation of its funding at a programme level to allow more funding for business support. However, though a project-by-project reprioritisation exercise had been initiated, at the time of our visit it had not been completed.

7. In reprioritising its programmes the Agency consulted widely with partners through various channels during 2008 and 2009. However, the development of the reprioritised programmes was undertaken with less formal consultation than in other Regions and the late nature of the project-by-project reprioritisation means an opportunity has been lost to build an early joint understanding of priorities with partners.

Economic Analysis

4.2 The Agency has a Chief Economist Unit of 12 staff comprising economists, analysts and mapping specialists, led by a Chief Economist. Yorkshire Futures (the regional observatory) and the Office for National Statistics regional team are co-located with the Chief Economist Unit. This co-location of research and analytic expertise creates synergies that add value providing an important source of data and information for the region. The Chief Economist Unit has a research budget of £1.2 million which is used to; undertake economic forecasting, business surveys, collect and monitor household lifestyle data, produce economic and policy briefing materials, fund Geographic Information Systems and the ONS regional statisticians, support strategy development, undertake staff and stakeholder surveys, and for communications.

4.3 Stakeholders we spoke to told us the analysis provided by the Chief Economist Unit is useful and timely and the Chief Economist has a very visible role in disseminating the evidence amongst partners. Local authorities we spoke to have provided positive feedback on the range of data and support available from the Chief Economist Unit.

4.4 The Chief Economist Unit provides intelligence and analysis to help support the needs of the private sector, the Regional Minister's Economic Delivery Group, central Government, the Board, staff, stakeholders and other regional partners. Its economic analysis also contributes to the Agency's appraisal and evaluation processes.

4.5 The Chief Economist Unit uses a range of mechanisms to collect its data. It has developed its own business surveys, and also collects ad-hoc evidence on special topics in response to requests by the Board or the Regional Minister's Economic Delivery Group. Data is regularly updated and includes weekly updates on the Regional Jobs database, quarterly updates to the Composite Survey index and quarterly reviews of the Regional Econometric Model.

4.6 The Chief Economist Unit produces a range of outputs including:

- Policy briefings (monthly);
- Board reports (every six weeks);
- Local authority briefings (six monthly);
- GIS mapping services;

- A business index;
- Updates to staff on the regional position.

4.7 The Chief Economist Unit has sharpened the focus and increased the frequency and scope of its analysis and outputs to ensure they support the regions response to the downturn. It has introduced new analysis of the time taken for the unemployed to move back into the labour market. It has improved its sectoral analysis using the national lifestyle survey; created a regional cost index to support businesses; and taken the lead in producing analysis for the Regional Minister's Economic Delivery Group. The Agency uses a variety of mechanisms to quality assure its economic outputs, but do not submit them to academic review.

4.8 The Board has received economic update papers and a verbal briefing from the Chief Economist at every meeting since June 2008. Prior to this economic updates were provided every six months. Analysis for the Board will typically include a review of the international and national situation, profile of the regional economy, labour market statistics, and claimant counts. Economic reports to the Board are also presented to the Regional Minister's Economic Delivery Group to ensure consistency in message and approach.

4.9 The Chief Economist Unit has played a role in helping local authorities to develop their own capacity to assess the local impact of the downturn and to prepare for local economic assessments. The Chief Economist Unit highlights where gaps exist in local level analysis and encourage local authorities to address these. Local authorities have access to a GIS mapping facility and support of a dedicated member of the economics unit. This tool allows them to measure funding and outputs achieved in their area. The Chief Economist Unit has also developed a local authority portal which contains spatial and sectoral data and analysis. Local authorities can use the portal in developing downturn responses. The Portal is used widely having been accessed to date by 50 local authorities (including 28 from outside the region) and several other regional partners including the Learning and Skills Council, the Government Office and the Environment Agency have used the portal.

4.10 The Chief Economist Unit has developed a business index to collate evidence gathered from business partners and stakeholders, including the Federation of Small Businesses and the CBI. The Agency also uses Key Account Managers to manage the relationship with the top 700 Yorkshire businesses. This is a joint project with local authorities, with the Agency directly managing 150 of these relationships. Information from this source is supplemented by data from Purchase Managers Index and the Economic Survey by the Chamber of Commerce. The Board also receive briefings on the top 50 Yorkshire and the Humber companies. Business Link has identified that gathering real time evidence from their organisation is an area where performance could be improved to ensure intelligence from Business Link customers reaches the Chief Economist Unit in a timely fashion.

4.11 In order to identify lessons that could be learnt from previous downturns, the Agency undertook two pieces of research on the impact of structural changes on employment at local authority level (Oct 2008) and the UK's fiscal position and its impact on the region (June 2009). This work has informed the Agency's response activities, including focusing support on existing businesses rather than new businesses. The Chief Economist Unit has also worked with Business Link and the Manufacturing Advisory Service to consider appropriate responses to the upturn.

4.12 To ensure that information is effectively disseminated and owned, the Chief Economist meets with stakeholders to share intelligence, explain data and brief them on the Agency's activities. The Chief Economist meets regularly with business organisations and sits on several local authority downturn response groups.

Effectiveness of reprioritisation in response to economic downturn and funding constraints

4.13 In July 2008, the Agency jointly published with the Department and HM Treasury "The Yorkshire and Humber Economy": A joint response to changing economic circumstances. In September 2008, the Agency, along with all RDAs, was made aware its budget would be reduced for 2009-11[1]. The Agency responded to both events simultaneously (Figure 1). For the purposes of this report the response to both elements have been assessed separately.

4.14 From April 2008, the Agency has managed its activity through 11 Policy Product Ranges (PPR)[2] and 15 Geographic Programmes[3]. Each PPR is a group of interventions with a common economic rationale used as a basis for planning and delivery. The 12 PPRs are grouped into three categories, Economic Inclusion, Business, and Environment. In February 2008, the Agency began working with local authorities to develop Geographic Programmes. The programmes were launched in April 2009 and show the Agency's planned investment in the locality and act to coordinate the PPRs at a local level. The PPRs were launched prior to the Agency's need to reprioritise its activity and the Geographic Programmes were being finalised during the reprioritisation period. The two mechanisms have been used as a basis to manage prioritisation.

[1] Transfer of funds to the Homes and Communities Agency's Home Buy Direct Scheme.

[2] The 11 Policy Product Ranges are; Skills, Transport, Employment, Competitiveness, Enterprise/Access to Finance, International Business, Low Carbon Economy, Urban Renaissance, Rural Renaissance, Economic Infrastructure, Marketing the Region through Tourism, and Major Events.

[3] The 15 Geographic Programmes correspond to the 15 first tier local authority areas within Yorkshire and Humber; Leeds, Bradford, Calderdale, Kirklees, Wakefield, Barnsley, Sheffield, Doncaster, Rotherham, North Lincolnshire, North East Lincolnshire, East Riding of Yorkshire, City of Kingston upon Hull, York, and North Yorkshire.

Prioritisation following budget reductions

4.15 In November 2008, the size of the Agency's budget reduction was confirmed as £42 million, equivalent to seven per cent of its original Grant in Aid allocation (from £586.6 million to £545.6 million) the majority falling in 2010-11. In March 2009, it was agreed that the Agency would bring forward £23 million from 2010-11 to 2009-10 as part of a national fiscal stimulus programme. This resulted in the Agency facing a fall in total budget[4] between 2009-10 and 2010-11, of £82.7 million, equivalent to 24 per cent (£360 million to £277.6 million). To manage this challenging financial environment the Agency has undertaken a process to reprioritise its expenditure at the programme level to maximise the economic impact of its investment. However, despite having initiated a review of activity at the project level, the Agency had not at the time of this assessment completed a comprehensive review of its activity at the project level.

Figure 1: Timeline

Sept 2007	The Government steps in to help Northern Rock.
Dec 2007	Employment change coordinator recruited.
Feb 2008	Agency began work with local authorities to develop Geographic Programmes.
Early 2008	Rapid Response Partnership Agreement is created between the Agency, Jobcentre Plus, the Learning and Skills Council and others.
June 2008	Young's Bluecrest announces 200 redundancies leading to the Agency setting up a redundancy task group (30 response groups had been established by November 2009).
July 2008	A joint response document with HMT and the Department is published.
Sept 2008	Lehman Brothers file for bankruptcy proceedings.
Oct 2008	Financial Services taskforce set up and led by Agency.
Oct 2008	Board consider allocations for each Policy Product Range.
Nov 2008	Business Link reallocates £6 million of support from business start up to existing businesses.
	The UK economy officially enters recession.
	The Regional Minister's Economic Delivery Group holds

[4] The total budget includes funding from European schemes and from other receipts in addition to the Grant in Aid allocation.

	its first meeting.
Dec 2008	The Board revises its Policy Product Range allocations.
Jan 2009	Economic Response Unit created.
Feb 2009	Local Authority Economic Briefings developed by the Economics team.
Feb 2009	Manufacturing Taskforce set up.
March 2009	Transition loan fund launched.
April 2009	Banking Group launched.
May 2009	Launch of Geographic Programmes.
June 2009	Sustain and Train launched.
	Revised Corporate Plan submitted to the Department (published August 2009).

4.16 Following the publication of the Corporate Plan in July 2008, the Agency undertook a three-stage GVA assessment of the PPRs to measure their potential impact;

- Stage 1 – Assessment based on underpinning economic rationale and outputs and outcome data for each PPR. This assessment is qualitative in nature.
- Stage 2 – Mapped real time impact on businesses supported by the Agency by using employee turnover.
- Stage 3 – Used internal econometric model to assess GVA impact of job creation across PPRs.

4.17 Each stage concluded on whether the economic impact of the PPR would be high, medium or low. The results for each PPR across the three stages were brought together and the overall result used as the basis for recommended funding allocations.

4.18 The reprioritisation exercise was initially limited to the programme level. The Agency did not apply the results of the GVA assessment for each programme to the projects within the programme. Despite having initiated a review at the project level, a fully completed project review would have enabled the Agency to realise further economic impacts by investing in the projects that had a greater economic return.

4.19 The reprioritisation was led by the Agency's Board. The results of the GVA assessment were presented to the Board in October 2008 along with a proposed split of resources between PPRs based on the analysis. The Board requested that the assessment be reviewed in light of the emerging economic downturn and for analysis to identify which PPRs had a direct effect on business and which an indirect effect. The results of this analysis were presented to the Board in January 2009 which agreed target allocations of 17 per cent of resources to Economic Inclusion PPRs, 41 per cent to Business PPRs, and 40 per cent to Environment PPRs.

4.20 The reprioritisation exercise has resulted in the proportion of the Agency's resources going to business initiatives increasing during the Corporate Plan period from 38 per cent in 2008-09 to 47 per cent in 2010-11 with a corresponding reduction in funding for place initiatives during the same period, from 38 per cent down to 26 per cent[5].

4.21 The Agency took the decision not to widely publicise the budget reductions because of concern that it would impact negatively on business confidence in the region. A few of the stakeholders to whom we spoke were aware that the Agency had undergone a reprioritisation exercise but were not aware of the details of the process or the outcome. The development of Geographic Programmes provided a platform for discussion between the Agency and local authorities about priorities at the local level. The timing of the launch of the programmes, after the budget reductions, meant that they were developed to the revised budget.

4.22 At the time of our assessment, the Agency had not yet completed the reprioritisation of its project portfolio that it had initiated in response to budget reductions. The programme reprioritisation exercise determined a forward budget for each PPR. Each PPR is assigned to an Executive Director who is responsible for ensuring that expenditure does not exceed the allocated resources. The budget reduction has been allocated across the PPRs based on the target allocation and it is the responsibility of the Executive Director to reduce or stop individual projects in order to absorb the reduction.

4.23 All other RDAs have conducted a project level review as part of reprioritisation following the budget reductions. Having not yet completed a project by project reprioritisation in response to the budget reductions, the Agency was forecast to be over committed by £139 million for 2010-11[6] in September 2009 (over programmed by 51 per cent) when all other RDAs had completed their reprioritisation. The Agency did not start discussions with partners about the impact of the budget reductions until January 2010.

[5] The Business and Place categories are based on the Public Value Programme categories. The proportion of funding going to people initiative remains roughly consistent at 16 per cent of the Agency resource.

[6] Figures include legal and moral commitments.

4.24 By not conducting an Agency wide project level review until January 2010, it is the NAO's view that the Agency has taken the following risks:

- The Agency's reputation may be damaged when funding is removed from planned projects at short notice, affecting its ability to agree future investment priorities with partners.
- There is less time to find alternative funding sources, including maximising the use of ERDF, for projects that will have funding reduced or removed.
- An opportunity has been lost to build an early joint understanding of priorities with partners by engaging them in the reprioritisation.
- Overspending against budget in 2010-11, but in previous years the Agency has met its budget target.

Responding to the economic downturn

4.25 The downturn impacted on Yorkshire and Humber earlier than other regions. As such, the Agency began responding to the economic downturn in December 2007, well before the onset of recession. This response has included a wide range of interventions to keep viable businesses trading and increase their competitiveness, help individuals remain in work and/or work related training, and maintain momentum of critical regeneration projects.

4.26 Stakeholder feedback on the Agency's approach to the downturn is positive. They told us that the Agency understood the economic challenges facing the region and has acted quickly and positively to put in place initiatives to help short term recovery.

4.27 The Agency's initial response to the downturn commenced in December 2007 with the appointment of an Employment Change Coordinator to work with firms making redundancies. As turbulence within the economy gradually intensified during 2008, from June 2008 the Chief Economist Unit began to produce regular economic updates which were received by the Board at the beginning of every meeting. These provided a timely source of information highlighting key developments within the economy/labour market so that the Board could ensure that the Agencies activities aligned with economic developments as they happened. In the following month, July 2008, the Agency jointly published with the Department and HM Treasury "The Yorkshire and Humber Economy" A joint response to changing economic circumstances, which identified three sectors most at risk; manufacturing, financial and service sector, and property and regeneration sector.

4.28 The Chief Executive and Leadership team had initially taken the lead in coordinating the Agency's early response. However, it was quickly realised that more operational coordination was required to avoid duplication of effort and ensure consistent communication from the Agency. In autumn 2008, the Agency began establishing an Economic Response Unit which was in place from January 2009.

4.29 The Economic Response Unit acts as a hub to coordinate communication to ensure consistent messages about the Agency's response to the downturn. The Economic Response Unit developed a comprehensive project plan that detailed all the downturn activities that the Agency is undertaking and the key partners involved. The plan is broken down into several sections: a summary of support; redundancy update; Banks; Local Authorities and Business Support; Sector Focus; Business Support and Environment update. Progress against the plan is reported monthly to the Leadership team and the Board.

Keeping viable businesses trading and increasing their competitiveness

4.30 Like other RDAs, the Agency took on Business Link in 2007. The effective management of Business Link by Yorkshire Forward was a key priority in ensuring that the Agency supported businesses through the recession and the Agency committed to strengthen the role of the service, including financial health checks, enterprise shows and quality brokerage service.

4.31 Based on economic analysis of the impact of previous downturns on the region, the Agency decided to prioritise support for existing businesses ahead of new businesses. In October 2008, the Agency reallocated £6 million of Business Link's existing budget from business start-up activity to support existing businesses, as evidence demonstrated that support to these businesses would be more beneficial to the regional economy. The split of funding is now £9 million to start ups and £21m to viable businesses. Business Link undertook a £1.6 million marketing campaign in January 2009 to raise awareness of the support available to business, resulting in a 100 per cent increase in the number of enquiries received.

4.32 Business Link has funded 1,513 financial health checks; hosted three Survive and Thrive events attracting 350 delegates, awarded 544 innovation vouchers; and provided every bank manager in the region with a Business Link adviser. It has also updated its fact sheets and introduced a 24/7 customer information centre to ensure businesses can access information quickly.

4.33 The Agency has worked with Business Link and Local Authorities to develop a plan of what Business Link support will be delivered in each Local Authority area. The agreement considers the make up of business stock and provides an agreed target for what Business Link will achieve. This will allow the Agency to measure the impacts of Business Link support in each sub region. Despite this, stakeholders we spoke to provided mixed feedback on Business Link's performance during the downturn; its health checks were well received. However, others were critical and told us it needs to improve its focus and awareness of business needs to be more effective.

4.34 The Agency took measures to address business difficultly in accessing finance. In September 2008, the Agency's Board approved £9.7 million to extend the Venture Capital Loan Fund to December 2009. The extension provided 164 loans, leading to 428 jobs being safeguarded and 163 jobs created. The Agency established a £5 million transition loan fund in February 2009 which had 113 loans drawn between April and December 2009, safeguarding 1,422 jobs.

4.35 In addition to managing effective business support and supporting business to access finance, the Agency has provided support for specific vulnerable sectors. For example, the Manufacturing Advice Service (MAS) held a conference in October 2009 to platform the range of available support including business reviews to identify areas for improvement, consultant support, best practice examples and workshops on technical subjects. The Agency made an additional £3 million available to MAS to increase the subsidy available for consultancy support for SMEs from 50 per cent to 75 per cent. Between April and December 2009, 707 businesses were assisted safeguarding 1,176 jobs.

4.36 A manufacturing taskforce set up in February 2009 has developed a strategy which is the region's vision for the sector for the next 20 years. Despite having established clear Terms of Reference setting out objectives and initial activities for the strategy, some stakeholders told us there was initial confusion over the remit of the taskforce and whether it was to respond to the downturn or be forward looking.

4.37 The large financial services sector located in the Leeds City region was at risk due to the difficulties faced by that sector from late 2007. The sector employs around 240,000 people in the region - 18 per cent of the region's workforce. The Agency responded quickly to the crisis by creating a Financial Services Taskforce in October 2008. This group, chaired by the Agency's Chief Executive drew up a business proposal to secure the future of Lloyds bank in the region. The taskforce proposal drew on commercial arguments including the concentration of financial services skills and training provision within the region and the physical regeneration plans for Halifax totalling £500 million over 10 years.

4.38 The Agency established a Banking Group in March 2009 to bring banks and business together. The Agency commissioned consultants to develop a rapid response application process to allow businesses access to funding within three weeks of application. The Agency currently runs two funds in this way; a £2.5 million Safeguarding jobs in viable businesses, and a £9.5 million Response to redundancies launched in April and May 2009 respectively.

Helping individuals remain in work and/or work related training

4.39 The Agency has established a number of redundancy task groups to respond to large-scale redundancies announced within the region. These organisations included;

HBOS, Bradford and Bingley, Huntsman Tioxide Chemicals, Corus, and Norwich Union.

4.40 The Agency worked closely with One North East to put appropriate resources into dealing with the redundancies at Corus. The Agency had also taken advice from One North East when setting up the taskforce for the financial sector to learn the lessons from Northern Rock, and to ensure that the most effective structures and response were available.

4.41 The Agency established a Cross Agency Partnership Group in July 2008 comprising of; Jobcentre Plus, Learning and Skills Council, Local Authorities, Business Link and the Unions, to ensure that any organisations suffering from large scale redundancies would have access to advice on People/Skills (including re-training, employability, benefits and job search), Business Support (business survival and safeguarding remaining jobs) and Supply Chain (health check, and proactive business support).

4.42 In May 2009, the Agency put in place a Sustain and Train initiative to fund employees under the threat of redundancy to move to a reduced working week so they can access training to improve their chances of gaining new employment quickly. The Agency has provided £2 million of funding to develop an internship programme to encourage public and private organisations to take advantage of graduate placements across the region.

Maintaining the momentum of critical regeneration projects

4.43 The Agency responded to the impact of the downturn on the property and regeneration sector. In summer 2008, the Agency met with leading developers in the region to discuss the impact of falling property prices. In December 2008, the Board agreed a set of criteria to guide the Agency's physical regeneration activity during the downturn including support for private developments, linked to the Agency's priorities, which had stalled due to the downturn. In March 2009, the Agency agreed the projects for a £23 million fiscal stimulus package in the region.

4.44 As part of the recession response, the Agency has also played a key role working with Government and regional partners. The Regional Minister set up an Economic Delivery Group in December 2008. The Agency's Chairman jointly leads the group with the Regional Minister. It is attended by regional bodies including Jobcentre Plus, the Learning and Skills Council, the Federation of Small Businesses, and Local Government Yorkshire and Humber. The Agency's Chief Economist Unit takes a lead in coordinating and producing analysis for the group. Stakeholders have told us the Agency provides leadership within the group and plays a positive role in bringing partners together. The Economic Delivery Group also oversees the work of the sub groups of finance, and manufacturing.

Responding to the upturn

4.45 The Agency has been primarily focused on responding to the downturn in the region, but has started work to lay the foundations for the upturn. The Agency's Board agreed a dual focus of the revision of the Corporate Plan in January 2009:

- 2009-10 – the Agency would respond to the immediate challenges and work with partners to mitigate the negative impacts of the recession on the region's businesses, individuals and communities; and
- 2010 and beyond – not lose sight of the region's long term aspirations for economic prosperity and inclusion.

4.46 The Agency has agreed on a number of long term priorities which include; low carbon, Nuclear, Advanced Manufacturing, and Renaissance. All of these priorities have been identified to realise the economic potential within the region.

4.47 The Agency has also worked in partnership with Local Government Yorkshire and Humber to develop the Joint Regional Board to create an Integrated Regional Strategy for Yorkshire and Humber. This will establish long term priorities for the region to drive sustainable economic growth. The Agency has a taken a lead role in two out of the four sub-groups set up to develop the strategy; whilst the Economics Unit provides intelligence to the Joint Regional Board. The Joint Regional Board has plans to have a draft Integrated Regional Strategy ready for consultation by late 2010.

4.48 Though the Agency has outlined priorities for the long term, the focus has been on responding to short term challenges. As such, stakeholders reported mixed views about the Agency's long term planning. The Agency has identified the investment it will make in each local authority through the Geographic Programmes. Whilst based on agreed local priorities, Geographic Programmes only contain the Agency's investment. Further development is needed to agree full joint investment planning. Many stakeholders to whom we spoke were also unclear on the long term vision for the region.

Stakeholder engagement in prioritisation

4.49 The Agency has engaged with a range of partners and stakeholders at regional, sub-regional and local levels to develop and implement its downturn response activities. However, it has not yet started detailed discussions with partners on the reprioritisation of project and programme expenditure needed to meet the budget reduction.

4.50 Four geographic teams have been in place since 2002. Since 2008, they work with local authorities to identify priorities for inclusion in geographic programmes (of which there are 15 in total). The Agency has a range of mechanisms in place to engage with partners and stakeholders including regular newsletters, Chief Executive

Roadshows, meetings and a quarterly Chief Executive letter to local authorities. The Chief Executive also sent a letter to all local authorities confirming the Agency's budget cuts in July 2009.

4.51 The Agency used several new mechanisms to increase engagement in response to the downturn. It strengthened its joint working with Jobcentre Plus and the Learning and Skills Council through a Rapid Response Partnership Agreement, to allow the partnership to respond quickly to redundancies. The Agency established financial and manufacturing taskforces to generate sector specific responses. The Agency has a central role in the Regional Minister's Economic Delivery Group where key regional partners meet regularly. The Agency also took steps to improve relations between the banks and businesses by creating a forum for the two groups to discuss key issues. The Agency's Executive team have held meetings with local authorities for each of the Geographic Programmes to discuss the impact of the recession in their area.

4.52 The Agency responded positively to stakeholder feedback on the need to improve its overall engagement by developing a Stakeholder Engagement Strategy in October 2009 and establishing a new post with responsibility for external communications.

4.53 The strategy aims to create regular two-way dialogue between the Agency and its partners and stakeholders. The strategy is owned by the Chief Executive, supported by senior management, who will drive activity to achieve effective communications with six key groups: local government, employer representative organisations, business, public, private and third sector organisations, media and staff.

4.54 The Agency continues to engage through the structures put in place to develop the Integrated Regional Strategy. The Agency holds seats on each of the Thematic Boards set up to support implementation: transport; work and skills; spatial planning; and housing and regeneration.

4.55 Stakeholders to whom we spoke told us they have seen improvements in the Agency's communications. We received largely positive feedback on the clarity and timeliness of engagement in response to the downturn; but some partners told us the Agency could engage more widely across the region to ensure it reaches as wide an audience as possible. Local authorities to whom we spoke told us the Agency has invested effort in developing its relations with them, and improvements have been made since the introduction of geographic teams. Staff told us engagement with partners and stakeholders has improved. However, a group of staff to whom we spoke to were unaware of the new stakeholder engagement strategy.

Corporate Planning and Delivery

4.56 In common with other RDAs, the Agency was required to review its Corporate Plan in light of the economic downturn and budget reductions. It submitted its revised Corporate Plan to the Department in June 2009, and it was published in August 2009.

4.57 Although not required to do so, the Agency undertook a consultation on the revised Corporate Plan on its website over a three week period in March to April 2009. The Agency also received responses from four government departments and this helped shape the document to include more information on the NINJ agenda and issues with sustainability. The Agency used the Regional Minister's Economic Delivery Group to discuss the revised priorities with other key partners and stakeholders. The Agency used the updating of the PPRs to update stakeholders on amendments to the Corporate Plan.

4.58 The revised Corporate Plan has a sharper focus on responding to the downturn, including shifting the emphasis from supporting business start-ups to existing businesses and delivering projects which will act as a catalyst for economic growth. It has also maintained its focus on renaissance activities and taking forward changes in the regional structure through the Integrated Regional Strategy. These priorities are rooted in analysis carried out by the Chief Economist Unit looking at the impact of previous downturns on the region, and work to identify the activities that will have the greatest impact in the upturn.

4.59 The revised Corporate Plan has six key objectives:

- Keep as many people as possible in jobs or work related training in 2009;
- Work to maintain and build the number of competitive, innovative and resilient businesses in 2009;
- Sustain the momentum of economic renaissance in priority cities and towns, and support business start ups and growth with a property offer that meets their changing needs;
- Develop new industries and jobs;
- Establish an agreed Integrated Regional Strategy that is distinctive to the Yorkshire and the Humber region, with a low carbon focus; and
- Deploy Yorkshire Forward resources quickly and effectively to help the region get through the economic downturn.

4.60 As a result of the revised Corporate Plan objectives, the Board has revised its funding allocations to better reflect the priorities. This has resulted in increased funding for the Place agenda, with Business retaining the same proportion, whilst the People agenda saw a decrease in funding over five years. Overall, funding for direct support to business was increased 72 per cent over five years as a result of revised allocations.

4.61 Not all partners and stakeholder to whom we spoke were aware of the revised Corporate Plan. However, a majority were aware of the Corporate Plan 2008-11. The Agency has primarily focused on immediate downturn response priorities in its revised Corporate Plan. Long term priorities have been established as set out primarily through the Corporate Objective to develop new industries and new jobs focusing on, amongst other priorities, the low carbon economy, digital technologies and transformational regeneration projects. However, as the main focus of the plan is responding to the downturn, there is arguably less clarity regarding the totality of the Agency's objectives over the longer term. Partners and stakeholders to whom we spoke were unsure of the Agency's long term priorities for the future of the region.

Areas of Good Practice	**Areas for improvement**
• Strong support to build local authorities capacity on economic analysis. • Internal coordination of Agency's response to downturn and external coordination of partner activities undertaken response unit. • The Agency put in place effective initiatives to aid short term recovery.	• Late undertaking of project reprioritisation. • Partners do not have a shared understanding of long term priorities. • Further work required across the region to align delivery priorities and investments.

Part Five: How effectively is the RDA implementing improvement plans?

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

We have assessed Yorkshire Forward as having demonstrated adequate performance.

The key factors that lie behind this assessment are:

1. Although the Agency drew up a continuous improvement plan, initial weaknesses in monitoring progress reduced initial improvement impetus and effectiveness.
2. Some of the Agency's improvement targets were or continue to be insufficiently measurable.
3. The Agency has only recently taken steps to provide more Senior Executive and Board direction and drive.
4. The Agency needs to develop a more cohesive plan for improvement which is better integrated into the Agency's corporate planning and monitoring.

Robustness of IPA Action Plan

5.2 The Agency's Improvement Plan was developed within three months of its Independent Performance Assessment. The plan brigaded improvements under the IPA headings of Ambition, Prioritisation, Capacity, Performance Management and Ambition. Under these key headings a number of sub headings contained individual actions:

- Enhance the influence of the RES on key policies and strategies through the Team Yorkshire and Humber concept;
- Strengthen investment planning as a positive force for integrating funding streams delivering the RES;

- Position the region as a global leader in making the transition to a lower carbon economy;
- Strengthen the linkages between the RES and the Corporate Plan;
- Further focus our investments, activities and relationships on the core business of regional economic development;
- Ensure the flexibility and efficiency of single pot benefits to end users, particularly businesses;
- Ensure the evidence base and evaluation strongly influence single pot investments;
- Improve effectiveness of partnership structures and delivery agencies;
- Build team Yorkshire Forward around our core values;
- Attract and retain energetic, focused and ambitious people to Yorkshire Forward;
- Achieve a 20 per cent productivity improvement in Yorkshire Forward;
- Improve the assessment of regional performance against RES goals;
- Improve the accountability and communication of Yorkshire Forward;
- Improve internal communication and cross directorate working;
- Further develop the skills agenda through the Regional Skills Partnership; and
- Strengthen our economy through targeted Foreign Direct Investment activities;

5.3 At the same time as the IPA, the Agency undertook a seven year review of its activities. The resultant report highlighted a number of areas for further development. The Agency combined all the areas for improvement identified in the two exercises into a single Agency plan, containing 54 individual actions.

5.4 Target dates were set for the completion of the actions. In the first year, the Agency did not prioritise actions in the Improvement Plan except for milestones set. From February 2008, it categorised the actions under Strategic, Operational Communication and Operational Process and then rated individual actions as high, medium and low.

5.5 The Executive team took the decision to hand responsibility for the achievement of actions to Assistant Directors working within relevant directorates. This was to help staff understand the continuous improvement plan (CIP) and assume ownership for delivery and monitoring. The plan identified 18 individuals who in turn passed responsibility down to more junior staff to ensure more widespread ownership of the action plan.

5.6 The Planning and Performance team within the Agency is responsible for coordinating and monitoring the actions within the CIP, using green, amber and red assessments against the CIP targets. The Planning and Performance team met quarterly with Assistant Directors to monitor progress and compile a report for the Executive team.

5.7 Whilst the Board received regular updates on the Action Plan, we found little evidence of the Board driving the improvement process. We did find some evidence of individual activities that have had clear Board intervention. For example, a tourism Board Task and Finish group was set up to oversee the development of activities. However, we would have expected to see the Board have more control over the improvement process as a whole.

5.8 The Agency set up a risk register for its IPA Action Plan, and the Agency's internal audit team undertook a review of the continuous improvement plan in July 2008. The report recommended better definition of the traffic light indicators. In response, the Planning and Performance team established a revised set of definitions and a new reporting template to provide a context of how the actions had evolved; to show how external influences had impacted; provide evidence to demonstrate achievement; provide consistency of approach and an opportunity to discuss and review impact. This has resulted in a qualitative plan which helps to provide an understanding of the context around each action and its impact. It would have been more robust if the final plan provided dates of achievements against the actions so it could be cross referenced to the original plan to identify where milestone targets had been met or missed as appropriate so corrective action could be taken if appropriate.

5.9 We found clear evidence that specific actions had been taken to deliver the IPA improvement plan. An example is the move from a project to a programme approach. The Agency ran a pilot approach in Richmondshire District Council to see how a programme approach rather than individual contracting on projects would work. The pilot examined how the programme approach could develop partnership working as well as providing them with flexibility in how funding was used. The lessons from this pilot fed into the development of the 15 Geographical Programmes that the Agency now operates.

5.10 As a result of a review of Human Resource's policies and procedures, the Agency has developed its performance appraisal process and all staff now have a Professional Personal Development plan. There are formal training processes in which all staff can participate and a number of professional development courses are available to managers.

5.11 All staff to whom we spoke told us about the improved openness within the Agency and the number of communications tools now in use. This includes an open door policy with the Chief Executive, attendance at Executive team meetings, Executive team road shows, an intranet blog, staff suggestions scheme and staff magazines.

5.12 External partners told us that the Agency's communication had improved and was more regular than previously. Partners also told us that the appointment of the new Assistant Director for external communications has been a positive step and they now get more timely and focussed information.

5.13 The Agency produced a comprehensive report on the initial CIP in November 2009. It has identified a number of areas which it will carry forward into its current continuous improvement plan.

5.14 The Agency took the decision to publish its improvement plan in the Corporate Plans in both 2007-10 and 2008-11 to help raise partners' understanding of activities it is undertaking. Several partners and stakeholders told us that they have seen notable improvements in the last three years, specifically around communication and openness.

Updating Improvement plans

5.15 The Agency has learnt lessons from its previous improvement plan, listened to feedback from its staff and partners and has identified ways in which it can strengthen its current procedures including:

- The establishment of a Continuous Improvement Board to monitor progress and bring alignment of wider initiatives across the Agency;
- The Improvement Board will report to the Chief Executive although the Executive Director for Business will Chair the Improvement Board;
- Build on the existing relationship with the non executive Board and ask a specific board member to take the lead on continuous improvement;
- Identified actions will be set against the Agency's core values, to help to demonstrate to staff why they are undertaking particular activities and provide a framework for improvement;
- Rationalise the number of actions, and these will be more tangible and measurable in their wording;
- Specific timeframes will be set against actions which will see the CIP sections change or evolve as the actions adapt to internal and external influences;

5.16 At the time of our assessment only an initial meeting of the Improvement Board had taken place which agreed the terms of reference and short term priorities.

5.17 The Agency's five core values drive a culture of continuous improvement. It is intended that the current areas of improvement will be identified under the relevant value. The values comprise:

- Value for money.
- Openness.
- Teamwork.
- Excellence.
- Diversity.

5.18 Under these core values, there are three workstreams each of which is lead by a director and a named Assistant Director. There are a number of embedded areas of improvement such as value for money, procurement, website and communications. In addition, there are a number of current initiatives which are being developed, which include Regional Select Committees, benchmarking, Personal and Professional Development programme, and evaluation.

5.19 These actions are at various stages of development and all activities are being overseen by the Planning and Performance team. Although there are numerous strands of activity, as yet there is no overarching strategy or plan which sets clear milestones for delivery of specific activities.

Delivering Improvement Plans

5.20 We found evidence that the Agency looks to each team and directorate to constantly review activities to ensure efficiency and effectiveness.

5.21 The Agency has an open culture and regularly seeks feedback from partners and stakeholders on its performance. The Executive team has used the feedback from surveys to develop a number of actions to improve communication. An example of this is the Agency's work with a panel of preferred consultants that provides private sector expertise regarding the renaissance agenda. The Agency drew together the panel to improve the quality of work that consultant undertake for them. The panel was established so that consultants can build a relationship with the Agency and consequently better understand the economic agenda for the region. The panel was specifically set up so that other partners in the region could access and utilise this skill set.

5.22 The Agency undertakes a survey every year to monitor long terms trends. Since its inception, satisfaction rates have increased. Regular reviews have been undertaken to ensure that team structures are relevant to operating environments and can capture best practice.

5.23 The Agency benchmarks the results of its staff surveys. In 2006 and 2007 Yorkshire Forward took part in the Time Top 100 survey which benchmarks 600-700 organisations against each other. In 2006, the Agency was within the top 100 and in 2007 was within the top 250. In 2009, the Agency used consultants to compare staff survey results with other organisations. The analysis showed positive trends with Yorkshire Forward at the higher end of the scale compared to health organisations, energy organisations and financial institutions.

5.24 The Agency holds a number of away-days with directorates to discuss improvement activity. Staff have an opportunity to feed into the continuous improvement programme though a variety of fora including lunch time meetings, open door meetings with the Executive team and specific events looking at improvement.

5.25 The Agency has a clear golden thread that flows from the Corporate Plan down through directorate plans and into staff appraisals. Staff performance is measured against the five core values in the appraisal system on an annual basis.

5.26 The Agency has achieved IIP status. The feedback report from IIP highlighted a number of areas where the Agency could improve its processes. The Agency has responded by addressing all of these areas and one example is updating the separation and timing of training and development review which used to be separate processes and they are now integrated into a single stand of activity which is undertaken during the staff appraisal.

5.27 The Agency has developed stronger relations with the top 150 businesses in the region by improving joint working through the use of key account managers. The Agency has developed a corporate database intelligence system to support the account managers by providing intelligence on the companies, in particular news feeds that help to strengthen existing commercial knowledge. Visits are also logged into the system and this has resulted in a consistency of approach across both the Agency and local authority partners, leading to better informed discussions with businesses.

Areas of Good Practice	Areas for improvement
	• Agency needs to develop a robust measurement system for continuous improvement so progress against targets and milestones can be easily assessed. • Need to embed continuous improvement into overarching strategy and programme of activity.

Part Six: How effectively has the RDA implemented improvements in performance management processes and procedures to reflect the lessons of evaluation?

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

We have assessed Yorkshire Forward as having demonstrated good performance.

The key factors that lie behind this assessment are:

1. The Agency makes good use of the panel of consultants it uses for evaluation to share best practice and create a consistent high standard of evaluation generating useful lessons.

2. However, the Agency's processes do not yet provide for a consistent and strong influence on future investment of the lessons learned from evaluation.

3. The Agency has chosen not to use available regional growth benchmark data from evaluation to test proposals in its appraisals and has yet to develop a standard value for money tool to judge investment proposals in the light of previous experience about the additionality and profile of outputs.

4. The Agency has a consistent and robust approach to sharing and engaging partners in the results of evaluation and improving appraisal.
5.

Effective evaluation

6.2 In February 2006, the Government published an Impact Evaluation Framework (IEF)[7] to govern the approach to evaluation adopted by Regional Development Agencies. Following the publication of the IEF, in December 2007, PriceWaterhouseCoopers (PwC) were appointed by the Department of Business,

[7] DTI Occasional Paper No. 2, Evaluating the Impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework, February 2006.

Enterprise and Regulatory Reform to provide “an independent assessment of the impact of the spending by each of the nine Regional Development Agencies (RDAs) and the RDA network as a whole”, and to assess RDAs’ achievements against the objectives in the RES and Corporate Plans. The impact of the RDA Spending Report was published in March 2009[8].

6.3 The National RDA Impact Evaluation assessed 33 evaluations, covering 63 per cent (£1.2 billion) of the Agency’s project spend between 2002-03 and 2006-07. It found that the return on investments ranged from a high of £7.6 to £1 for business support, to a low of £0.6 to £1 for economic inclusion. The report also identified that the Agency could improve its evaluation approach by providing estimates of cumulative and potential Gross Value Added on all evaluations. The Agency responded to the 22 nationally identified lessons learnt, stating that it had either already addressed the issues or has actions in place to address them.

6.4 The NAO’s 2006-07 Independent Performance Assessments identified weaknesses in the quality and robustness of evaluation across most RDAs. Improving evaluation has been a key focus for RDAs with the adoption of the Impact Evaluation Framework (IEF) and Independent Performance Assessment, and the National RDA Impact Evaluation exercise carried out by PwC to establish the impact of RDA spending, which was published in 2009.

6.5 Evaluation was one of nine drivers behind changes in the Agency’s revised Corporate Plan 2008-11 published in June 2009. The revised Corporate Plan included three areas where the Agency aimed to improve evaluation:

- Improve communication and application within Yorkshire Forward and with their Partners.
- Revise future evaluations in light of the national RDA Impact Evaluation.
- Keeping Yorkshire Forward’s systems and processes up-to-date with best practice.

6.6 In September 2009, the Agency implemented its revised Evaluation Strategy. This is the third version of the Evaluation Strategy which was first introduced in 2004 and then revised in 2006. The recent revisions update the strategy in the light of the National RDA Impact Evaluation and an external evaluation of East Midlands Development Agency, One North East and Yorkshire Forward’s approaches to evaluation.

6.7 The Evaluation Strategy sets out the Agency’s approach to evaluation including how evaluation links with its Performance Management Framework, how evaluations

[8] Department of Business, Enterprise and Regulatory Reform, Impact of RDA Spending – National Report, Vol. 1, Main Report, March 2009.

will be conducted and commissioned in such a way to ensure required standards are met, and how individual evaluations will be disseminated. The Evaluation Strategy is supported by an Evaluation Plan setting out the evaluations to be conducted over the following three year period.

6.8 The Agency has a central Evaluation team consisting of four full-time members of staff. The Evaluation team is responsible for the Evaluation Strategy, ensuring every Business Plan has a robust evaluation plan, that evaluations are conducted to a high standard, and lessons from evaluation are disseminated. The Agency intends to evaluate 100 per cent of its delivery spend and all external impact evaluations will be IEF compliant. The Agency will undertake programme level evaluations for projects from other funding streams.

6.9 The Agency conducts project, programme, and more recently, strategic evaluations. All projects are evaluated but the type of evaluation varies. If a project is below the threshold of the Evaluation Plan, it will undergo a Project Learning Review which takes the form of an interview between the Evaluation team, Project Manager, and where appropriate a Delivery Partner. The results of the Project Learning Review are recorded as part of Project Closure and Evaluation and entered onto the project management system so that they can be accessed by project staff.

6.10 Evaluations that are part of the Evaluation Plan are externally commissioned through the Evaluation Panel of Consultants (The Panel). The Panel was first established in 2005, and is currently made up of 22 Consultancy firms. The Agency holds briefing sessions to update the Panel on developments, latest expectations, and on policy context. It encourages Consultants to work together when they have different skills required for the evaluation. All projects with an investment of over £3 million will be subject to independent external evaluation and some smaller projects which are strategically important, novel or risky will also have an external evaluation undertaken.

6.11 Programme evaluations are based on a sample of project evaluations. The requirements for project evaluations are communicated to the Panel to ensure they provide the information required for programme evaluation. The current Evaluation Strategy contains a work programme of strategic level evaluations covering areas such as their Policy Product Range and the Agency's Response to the Recession.

6.12 We reviewed a sample of evaluations and found them to be well presented, comprehensive and where appropriate in accordance with IEF guidelines. All evaluations assessed performance against the original aims and objectives of the project or programme and included an assessment of the impact from the delivery of these objectives. Where possible the evaluations provide an estimate of impact on GVA, accounting for additionality, as well as social and environmental impact. All evaluations were undertaken independently and we found that where appropriate the reports are critical of the performance of the Agency illustrating the success of the

Evaluation team in ensuring the independence of the evaluators. There was clear evidence to substantiate that the findings had been shared with external partners.

6.13 Unlike all other RDAs, the Agency does not use the National Impact Report to benchmark its activity as it believes the benchmarks being based solely on job created limits their use. It is working on developing its own set of benchmarks based on evaluations and previous Business Plans.

6.14 Training on evaluation is now included in the induction training given to new staff. An evaluation plan is required for all Business Plans following published guidelines. The Evaluation team reviews all Business Plans to ensure that the evaluation plan meets the requirements, and that appropriate evaluations have been consulted while developing the project.

6.15 The Agency has several established mechanisms for sharing the lessons learnt from evaluation. Internally, all evaluations are made available through either the Agency's internet or the project management system. Externally, the Agency posts evaluations on the OffPAT website and also through a "What Works" section on Yorkshire Future's website making the evaluations publicly available. The Agency attends external seminars to present evaluation findings.

Effective appraisal process

6.16 The Agency manages projects through its Performance Management Framework (PMF) which we found to be GRADE compliant. The PMF process consists of seven stages:

- Initial Concept.
- Outline Business Plan.
- Full Business Plan.
- Investment Approval Decision.
- Procurement and Contracting.
- Management and Monitoring.
- Closure and Evaluation.

6.17 At the time of the assessment, the PMF was under review. Although the key stages will not change there are plans to change a number of the forms, update guidance and clarify the roles within the process.

6.18 The Agency manages its activity through 11 Policy Product Ranges (PPRs) and 15 Geographic Programmes (one for each higher tier local authority). The PPRs were developed by the Agency and the Geographic Programmes together with local authorities. Ideas for new projects come from within this framework and are entered onto the project management system at the beginning of the Initial Concept stage. The Agency has not developed a joint commissioning approach but the Geographic Programmes do provide partners in a local area the knowledge to align funding.

6.19 Any project applying for Single Pot funds is assigned a Project Manager from the Agency who is responsible for developing the project. Applications solely for ERDF funding are completed by the applying body with the assistance of the Agency's ERDF team and using guidance on the Agency's website.

6.20 The staff we spoke to were knowledgeable about the PMF process. All staff are trained on the PMF process as part of their induction with refresher courses rolled out following developments in the process. Guidance on the process is available for staff on the Agency's intranet pages, including detailed guidance on completion of the Business Plans with links to more detailed guidance on individual sections of the plan, for example, what is required of the evaluation plans.

6.21 Project development takes place during the first three PMF stages. The Assistant Director for both the PPR and the Geographic Programme will agree if an initial concept project will be developed into a Business Plan. The Business Plan is developed over two stages. The Outline Business Plan which focuses on the strategic and economic case for the investment, and the Full Business Plan which focuses on the financial, commercial and management case for investment. Any additional ERDF requirements are built around the standard process.

6.22 Both the Outline and Full Business Plans undergo an appraisal before approval from a project panel in the first instance and then the Executive team. The project panel will have appropriate representative from different support teams depending on the PMF stage, but as a minimum will include representatives of the PMF and Strategy or Economics teams. Any investment over £3 million requires Board approval with investments greater than £10 million going to CPRG.

6.23 Appraisals of Business Plans are conducted by the PMF team. Following submission, Business Plans are distributed to the relevant support teams for their review including the Chief Economist Unit. The support teams are available to the project manager while they are developing the Business Plan. The appraiser compiles the comments of the support teams and completes an appraisal scoring the different sections of the Business Plan following set guidance clearly identifying where further work is needed. The appraisal is given to the Panel ahead of decision making.

6.24 The feedback from Stakeholders to whom we spoke was that the Agency makes a good economic justification for interventions but that the appraisal process was too long and could be more transparent.

6.25 The Agency has a 30 day target for an appraiser to initially assess a Full Business Plan. For the first 75 projects in 2009-10, the average appraiser time was 14 days for Single Pot only projects, 9 days for Single Pot and ERDF projects, and 14 days for ERDF only projects. Appraisal times have increased since 2008-09, which the Agency says is due to more stringent appraisal to drive up the quality of Business Plans. The total appraisal time is longer, 23, 40 and 68 days respectively, reflecting applicant response times. The Agency does not set a target for total appraisal time as key factors are outside their control.

6.26 During March 2009, BERR and PwC economists visited the RDAs to review a sample of five project appraisals as part of the 2009 Central Projects Review Group (CPRG) appraisal back check. They recognised that the appraisal process had improved since their visit in 2007. Feedback from the review noted that the rationale for interventions had improved but more detail was required for options appraisal, and that evaluation was embedded in appraisal but that evaluation plans could be improved.

6.27 Unlike all other RDAs, the Agency does not benchmark when assessing the value for money of interventions. The full Business Plans present the cost per output for each project in a useful table, but in order to demonstrate value for money this needs to be compared to a benchmark. The Agency has reservations about the use of the benchmarks from the National Impact Report which focuses solely on jobs created or safeguarded. It is working on developing its own set of benchmarks based on evaluations and previous Business Plans.

6.28 Our review of appraisal files found examples of well completed forms but there were areas of inconsistency in the quality of the information recorded, in particular one case for market failure and the exploration of alternative options for delivery.

6.29 The guidance for completing Business Plans has an annex explaining the different types of market failure and there are links to detailed guidance from OffPAT. Though the case for market failure is clearly stated the evidence base is not always clear and in cases would benefit from referencing supporting research and evaluations.

6.30 As a minimum, a Business Plan requires a “do nothing”, “a viable alternative”, and “a preferred option” to be presented but more options are often included. The forms have been improved recently to ensure that the options are presented in a way that allows easier comparison.

6.31 Each Business Plan includes an evaluation plan stating the type, the cost of the evaluation and when it will take place. Guidance is available to project managers on the requirements of an evaluation plan and the Evaluation team review all evaluation plans.

6.32 The Business Plan includes a table that must be completed to show how the project will measure Strategic Added Value (SAV). The Plan must specify categories of SAV will be demonstrated, how SAV will be measured, and the baseline from which it will be measured.

Benchmarking and sharing best practice

6.33 The Agency uses benchmarking as a tool to assess performance and develop specific activities but has not adopted a strategic approach to the use of benchmarking.

6.34 The Agency undertakes research to benchmark future initiatives in certain sectors. For example, the Agency commissioned research through Yorkshire Futures to compare the different interventions used to reduce carbon emissions. This research will be used as part of the evidence base for the Integrated Regional Strategy to help achieve the Agency's objective to develop a low carbon economy.

6.35 There are a number of mechanisms that allow the Agency to share best practice internally. These include lunchtime seminars and a Corporate Development Programme. Process developments, particularly for the PMF, are followed by a series of training programmes. The Agency was reaccredited with Investors in People status in August 2007, having first achieved the status in 2002.

6.36 In order to measure the performance of its Renaissance programme the Agency developed a Framework of 15 Indicators. Through its membership of the Quality of Place and Economic Performance Network the Agency has shared the Framework with a range of bodies including Government Departments, other RDAs, and private sector developers.

6.37 The Agency shares best practice externally through the RDA Network groups. Evaluations of the Agency's past activity are posted on the OffPAT library and on Yorkshire Future's website.

6.38 When the Agency identifies an area for improvement it seeks the experience of other RDAs to guide its improvement. This includes the following examples:

- Discussions with One North East (ONE) to learn from their response to Northern Rock and Nissan ahead of establishing the Financial Services Task Group;
- Visiting Advantage West Midlands to learn how about their approach to Continuous Improvement Planning;
- Visited both North West Development Agency and ONE to look at their appraisal systems during the review of the PMF; and

- Undertaking an external review of evaluation approaches with ONE and East Midland Development Agency.

Efficiency and effectiveness in administration and programmes

6.39 Value for Money is one of the Agency's five core values. It published its current Efficiency Plan as an annex in the Revised Corporate Plan 2008-11.

6.40 The CSR 2007 required value for money savings of £91 million over three years (Figure Two). These savings comprise a £43 million reduction in the Grant in Aid received from Government, and £47 million in recyclable efficiency savings.

Figure Two: Required Value for Money savings

£'000	2007-08	2008-09	2009-10	2010-11	3 years
CSR07 baseline	310,423				
Grant in Aid reduction		7,341	14,537	21,557	43,435
Cash Releasing Savings		7,778	15,840	23,760	47,378
Savings required each year from 07-08 Baseline		**15,119**	**30,377**	**45,317**	**90,813**

Source: NAO Analysis of Agency documents

6.41 The Agency produced a Value for Money Strategy in September 2008. The strategy presented the savings that were required, the cash releasing savings allocated to Directorates along with a responsible Officer and some high level detail on how they would be achieved. A Value for Money Strategy Implementation Board was established to manage the monitoring and progress of activities to achieve the target.

6.42 The Grant in Aid reduction is being managed through the Agency's existing budget monitoring processes. The Agency's budget setting process is both top-down and bottom-up. The Board set the desired budget for each Policy Product Range which forms the basis of Directorate budgets. Budgets are cascaded down to the level of cost centre managers.

6.43 The Agency has one of the lowest administration budgets as a percentage of its total budget in the RDA Network. The Agency has an internal target to keep administration costs below eight per cent. This target was met in 2008-09 when administration costs were 7.6 per cent of total costs and is forecast to be met in 2009-

10. The Agency completed the recent Government review of back office functions. The Agency was found to be in the best performing quartile of public bodies for eight of the 10 indicators. We found the Agency has taken limited action to investigate areas where it did not perform as well as other public bodies.

6.44 The Value for Money Strategy allocated the £47 million cash releasing savings to Directorates (Figure Three). The largest savings were from the Business Support Simplification programme and the new Business Link Contract, and from the Environment Directorate through a reduction in operational property costs. The Agency is currently exceeding output targets in business support and business start-up but under performing against regeneration outputs. The Agency forecasts that it will meet its targets.

Figure Three: Cash Releasing Savings: Directorate Targets

£'000	2008-09	2009-10	2010-11	3 years
Business	2,852	5,812	8,718	17,382
Economic Inclusion	1,216	2,477	3,716	7,409
Environment	2,966	6,044	9,066	18,076
Finance	139	278	417	834
Strategy	559	1,137	1,705	3,401
Corporate Management team	46	92	138	276
Total	**7,778**	**15,840**	**23,760**	**47,378**

Source: NAO Analysis of Agency documents

6.45 A key element of the Agency's approach to efficiency has been the use of Value for Money Surgeries. These have been conducted across all services in the Agency and take the form of a series of workshops with staff, including the Assistant Director and Executive Director, followed by a meeting with the service's Assistant Director to agree actions. This approach allows the Agency to identify and gather ideas for efficiency from a large range of staff and form actions to deliver the efficiencies. Potential efficiencies identified include the more efficient deliver of services by reducing intermediaries, and the more effective use of staff by removing or combining roles.

6.46 The Agency is aware that more savings will be required in the future but in the timeframe specified for this assessment had not undertaken any scenario planning to test how it would respond to such cuts.

6.47 The Agency is committed to the Prompt Payment Code and had achieved 95 per cent of payment of undisputed invoices within 10 days by November 2009 and payment of 99 per cent of all invoices within 30 days.

Areas of Good Practice	Areas for improvement
• The Agency works with external panel of consultants to identify and share areas of good practice to produce a consistently standard of individual evaluations. • Evaluations provide clear messages and have been critical of the Agency's approach providing lessons learnt. • Business cases have clear consideration of SAV including how it will be measured for the project. • The Agency demonstrates a consistent and comprehensive approach to sharing findings of evaluation with partners.	• Agency is developing its own benchmarking framework but in the interim does not use available national benchmark data as part of assessing the value for money of investment.

Part Seven: Technical Appendix

Independent Supplementary Review Methodology

Background

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

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

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

Approach

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

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

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

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

- The range of assessment scores against each question is:
- Inadequate Performance.
- Adequate Performance.
- Good Performance.
- Strong Performance.

Evidence

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

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

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

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

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

Consistency

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

- The assessments are of performance as at 23rd November 2009.
- The same period for document review and site visit at each Agency.
- A single team of NAO staff were used to undertake all the assessments.

- An independent consultant was appointed to undertake consistency checks of the underlying evidence and the reports and to provide advice to consistency and moderation panels.
- Internal consistency panels considered the evidence, reports and grades.
- All Agencies were provided with opportunities to provide additional evidence on draft reports.
- An independent consistency panel chaired by an Assistant Auditor General met twice to consider 4 RDA reports and grades.

13 A final moderation panel considered all the reports against each other and agreed the final assessment grade.