

Key messages

The role of community planning partnerships in economic development



Prepared for the Auditor General for Scotland and the Accounts Commission
November 2011



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Key messages

Background

1. Community planning is the process by which councils and other public sector bodies work together, with local communities, the business and voluntary sectors, to plan and deliver better services and to improve the lives of people who live in Scotland.

2. Community planning was given a statutory basis by the Local Government in Scotland Act 2003 (the Act). Under the Act:

- councils have a duty to initiate, facilitate and maintain community planning
- NHS boards, the police, fire and rescue services, and enterprise agencies (Scottish Enterprise and Highlands and Islands Enterprise (HIE)) have a duty to participate in community planning. This duty was later extended to Regional Transport Partnerships
- Scottish ministers (through the Scottish Government and its agencies) have a duty to promote and encourage community planning.

3. Councils can invite other bodies, such as colleges, higher education institutions, business groups, voluntary organisations and community groups to take part in community planning, although these are not statutory partners.

4. All councils have established a community planning partnership (CPP) to lead and manage community planning in their area. CPPs are not statutory committees of a council, or public bodies in their own right. They do not directly employ staff or deliver public services.

5. The structure of CPPs and the areas they cover vary considerably, depending on the size and geography of the council area, its economy, socio-demographic factors and local political priorities.

6. There have been significant changes to the environment within which CPPs operate since they were given a statutory basis in 2003. In 2007, the Scottish Government and the Convention of Scottish Local Authorities (COSLA) signed a concordat, which had a direct impact on community planning, in particular:

- the removal of ring-fenced funding to local government
- the introduction of Single Outcome Agreements (SOAs). SOAs outline each CPP's strategic priorities, expressed as local outcomes, and set out how CPPs will contribute to achieving the Scottish Government's national outcomes.

7. In addition to these policy changes, the economic downturn and subsequent reductions in public sector funding present further challenges for CPPs and their local communities.

Our work

8. Our audit aimed to assess whether CPPs have made a difference to local communities. As CPPs cover a wide range of activity, we focused our audit on examining their contribution to economic development. We chose this policy area because CPPs have an important role in coordinating local economic development activity and it has a direct link to the Scottish Government's purpose of increasing sustainable economic growth.

9. Using this specific focus allowed us to look in more depth at how CPPs operate in one policy area. The findings in our report primarily relate to CPPs' role in economic development, although there are some messages which can be applied more generally to all CPP activity.

10. In 2006, Audit Scotland published *Community planning: an initial review*, which found there had been some progress with community planning but the complexity of community planning structures and different accountabilities could be a barrier to effective working. Performance management also needed to improve. While this audit was not intended to be a direct follow up to the 2006 report, it provides an update on how these issues have been addressed within the context of CPPs' role in economic development.

11. Our evidence is based on a survey of all 32 CPPs, a detailed examination of partnership working in four CPPs and interviews with a range of other stakeholders. We also reviewed CPPs' SOAs and economic development strategies, and analysed economic data.

Key messages

1 Economic development covers a wide range of activities from local training initiatives to major inward investment. CPPs have an important role in planning and coordinating improvements to local economies. Other aspects of economic development are better planned at a national or regional level. This means a more joined-up approach is needed to deliver the Scottish Government's overall purpose of achieving sustainable economic growth.

12. Economic development covers a number of different activities including: large-scale inward investment projects; support for businesses; employment, skills and training programmes; tourism; environmental and transport projects; and regeneration.

13. It contributes towards a number of national outcomes in the Scottish Government's National Performance Framework, and three in particular:¹

- We live in a Scotland that is the most attractive place for doing business in Europe.
- We realise our full economic potential with more and better employment opportunities for our people.
- We are better educated, more skilled and more successful, renowned for our research and innovation.

14. A large number of bodies are directly involved in economic development, and operate at different levels (Exhibit 1). We estimate that the main public sector bodies involved

in economic development (colleges, councils, HIE, Scottish Enterprise, Skills Development Scotland and VisitScotland) spent around £1.3 billion on this in 2009/10.²

15. The activities of many other public bodies also contribute to economic development, for example Jobcentre Plus. However, it is not possible to estimate what proportion of these bodies' expenditure can be attributed to economic development, so it is difficult to calculate the total public sector expenditure on economic development across Scotland.

16. The range of national and local bodies in Scotland and the diverse nature of economic development mean that CPPs have adopted different structures to take forward local economic development (see paragraphs 36–40 of the main report):

- Over two-thirds of CPPs have one economic theme group reporting to the CPP board, that coordinates all economic development activity.
- In five CPPs, responsibility for economic development activity is split between two or more theme groups, for example separating out responsibility for employability and regeneration.
- Five CPPs have established other arrangements, for example adopting a regional approach across more than one CPP.

17. In 2007, the Scottish Government introduced reforms to support its national economic strategy.³ These changes to the enterprise structure have had a significant impact on CPPs and their economic theme groups (Exhibit 2, overleaf). In particular, there was an initial loss of economic

development skills to support CPPs and councils in improving local economies. (See paragraphs 41–43 of the main report.)

18. Economic growth is dependent on activity that may take place at national, regional or local levels. Some economic development activity is more effective when planned on a regional level, for example transport infrastructure projects. Other developments may be more focused on local communities.

19. Developments which are particularly effective when targeted at a local level include improving employability and providing skills advice to local businesses and people. These services are currently delivered by a range of different bodies (Exhibit 3, page 5). CPPs have an important role in bringing these services together in a way which maximises the benefit to the local economy, minimises duplication and ensures public investment is effectively targeted.

20. As well as the 32 CPPs and the national bodies, there are a range of national and regional partnership approaches. For example, the National Economic Forum brings together senior business groups, the Scottish Government and the wider public sector, to debate issues that affect economic growth throughout Scotland.

21. The different levels of planning, the wide range of activities and the various bodies and partnerships involved create risks that services may be duplicated or there may be gaps in provision. It also emphasises the importance of ensuring that there is effective coordination of activity at national, regional and local levels. (See paragraphs 49–52 of the main report.)

1 In 2007, the Scottish Government established a National Performance Framework setting out 15 national outcomes which all parts of the public sector should work towards. The Scottish Government tracks progress towards these outcomes through 45 national indicators.

2 Figures taken from *Survey of National Economic Development Investment in Scotland*, the Scottish Local Authorities Economic Development Group (SLAED), January 2011. Spend by colleges – *Main Grant Letter, Main grants to colleges for academic year 2009-10*, Scottish Funding Council, April 2009.

3 *The Government Economic Strategy*, Scottish Government, 2007. The Scottish Government updated its economic strategy in September 2011.

Exhibit 1

The main public sector bodies involved in economic development

Economic development is the responsibility of a number of national, regional and local bodies.

National economic development

Scottish Government

Develops Scotland's economic strategy. Funds major economic development projects.

Jobcentre Plus

UK-funded organisation – provides support and advice to individuals looking for work.

VisitScotland

Works with businesses and public bodies to maximise the economic benefits of tourism.

Skills Development Scotland

Delivers the Scottish Government's skills strategy.

Provides support and training programmes to individuals and businesses.

Transport Scotland

Improves transport networks to attract businesses and to enable people to get to work.

Scottish Development International

Promotes international trade and encourages overseas companies to invest in Scotland.

Higher Education Institutions

Provide learning to help people secure high-quality jobs.

Scottish Enterprise

Helps Scotland become more globally competitive by: supporting high-growth companies; building globally competitive sectors; and building a business environment which supports growth and attracts investment.

Regional economic development

Highlands and Islands Enterprise (HIE)

Supports the Highlands and Islands to be a competitive region by: supporting businesses; strengthening communities; and developing key sectors.

Strategic Development Planning Authorities

Prepare strategic development plans for four city regions, to coordinate infrastructure planning for cross-boundary land use.

Regional Transport Partnerships

Plan and deliver regional transport activity to help develop the economy by: improving connectivity for businesses; and providing access to employment and education.

Regional Advisory Boards

Advise Scottish Enterprise on the best way to maximise the contribution of each region to economic growth.

Ensure the private sector and key stakeholders have a role in developing Scottish Enterprise's strategy.

Local economic development

Councils

Responsible for local economic development and regeneration, including local transport projects, licensing and planning.

Business Gateway services

Delivered through 12 lead councils in lowlands Scotland and six councils in the HIE area.¹ The service, which is currently outsourced to a number of suppliers, includes advice to businesses, start-up courses, workshops and marketing events.

Colleges

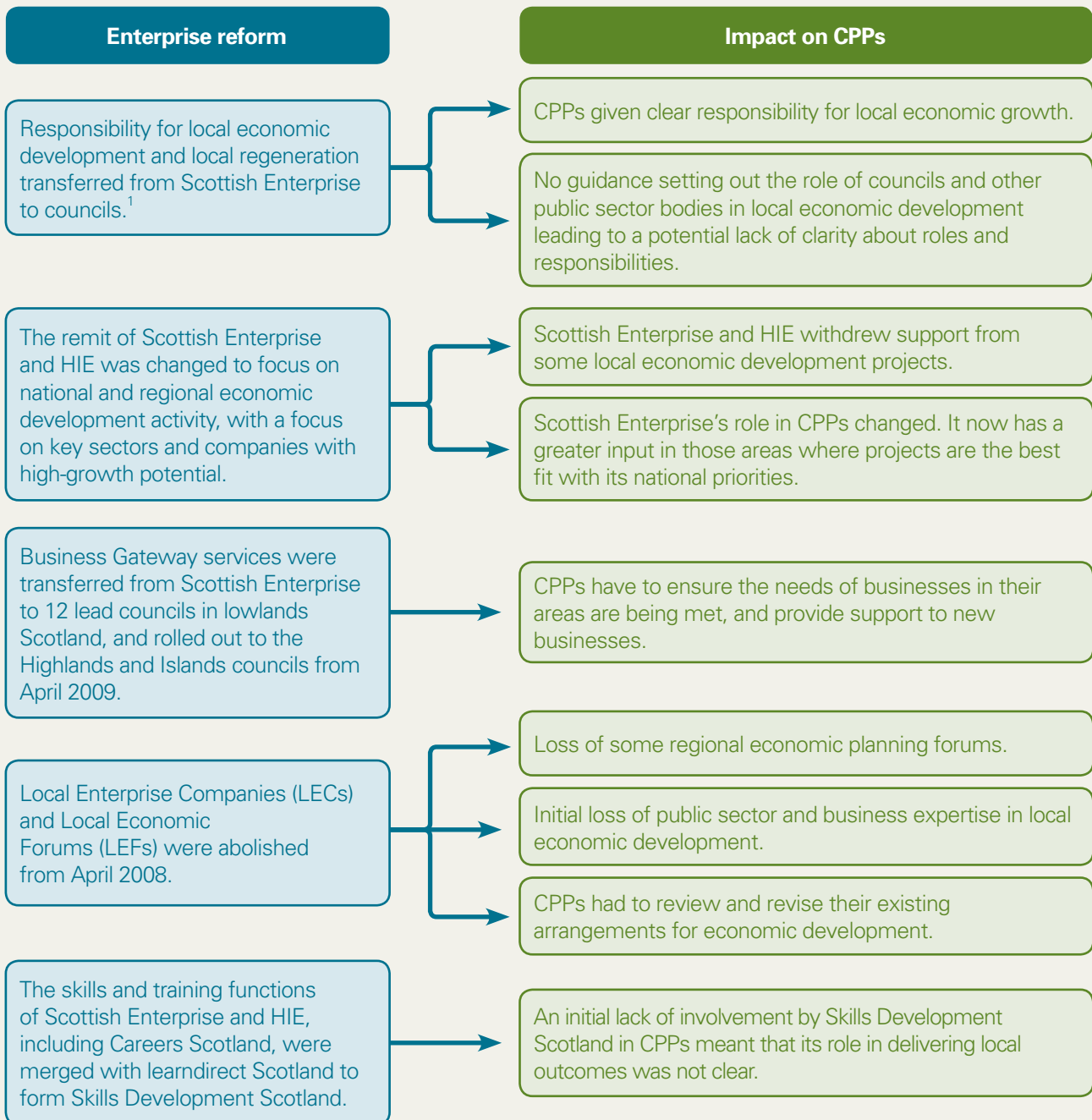
Provide education to over 16s, including school-level, degree-level and vocational qualifications, to improve job prospects.

Note: 1. Aberdeenshire, City of Edinburgh, Dumfries & Galloway, Dundee City, Falkirk, Fife, Glasgow City, North Ayrshire, North Lanarkshire, Renfrewshire, Scottish Borders, West Dunbartonshire; Argyll and Bute, Highland, Moray, Orkney Islands, Shetland Islands and Western Isles.

Exhibit 2

The impact of Scottish Government enterprise reforms on CPPs

The enterprise reforms reduced national bodies' role in providing local economic expertise and support.



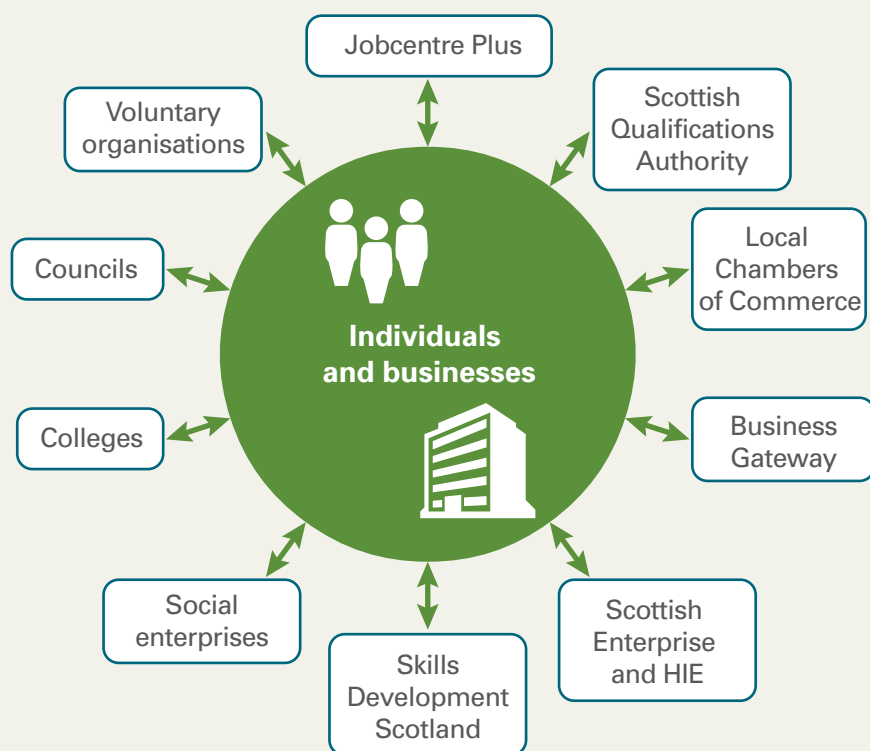
Note: 1. HIE has retained responsibility for local regeneration under its 'Strengthening Communities' remit.

Source: Audit Scotland, 2011

Exhibit 3

Bodies that provide employment and skills advice to individuals and businesses

CPPs have an important role in coordinating services for individuals and businesses.



Source: Audit Scotland, 2011

2 The economic development component of SOAs and local economic development strategies need to be better aligned and based on good information about local economies. They should include outcomes and indicators that enable progress to be assessed and managed. SOAs and economic development strategies should also be developed in close consultation with local businesses. While there are examples of CPPs performing well in these areas, this is not consistent across Scotland.

22. In developing their strategies for improving local economies, CPPs need to have a good understanding of the economic needs of their areas. Each strategy should be based on analyses of social, economic and

environmental conditions that set out the future economic challenges and opportunities for the area.

23. We reviewed the economic development content of all SOAs and all the available local economic development strategies. We found variation in the coverage and quality of the analysis underpinning these documents. Although economic analysis was more comprehensive in economic development strategies than in SOAs, there were weaknesses in both sets of documents. For example, we found:

- limited or inconsistent use of comparative information to identify areas for improvement (for example, comparisons against Scotland or other CPPs)

- limited analysis of the needs of different population groups (for example, the needs of long-term unemployed people)
- little use of trend analysis.

24. Some CPPs demonstrated a good use of economic data in their SOA. East Ayrshire is an example of how local research and consultation can be used to develop a more detailed understanding of the economic needs of the local area. (See paragraphs 53–58 of the main report.)

25. Links between SOAs and economic development strategies are not always clear. Many economic development strategies pre-date the introduction of SOAs. However, even where they were developed after the SOA, there are often poor connections between them.

26. CPPs have chosen a wide range of local outcomes for the three national outcomes that relate to economic development. These are supported by an even wider range of local indicators to measure progress. The 32 SOAs include a total of 274 local outcomes and 574 local indicators linked to the three national outcomes relating to economic development.

27. We found limited links between the economic profile of the CPP areas and the outcomes and indicators in their SOAs, and only a small number of local outcomes address the needs of local businesses or specific groups (with the exception of children and young people).

28. SOAs are intended to reflect local circumstances and priorities and they were never intended as a way of comparing performance across different CPPs. However, as a result there is currently no mechanism to assess how effectively CPPs are performing in relation to economic development. The variability of local economic outcomes also means that CPPs' performance cannot be

aggregated to assess their overall contribution to achieving national outcomes. (See paragraphs 61–65 of the main report.)

29. The Scottish Local Authorities Economic Development Group (SLAED) has developed a series of economic indicators to help measure the impact of economic development activity across Scotland. Use of these indicators could help improve consistency and allow performance to be compared across CPPs.

30. Engagement with local businesses is important in helping to improve local economies. However, the involvement of the business sector in community planning varies among CPPs. There is a business representative on half the CPP boards and on 27 out of 31 economic theme groups.⁴

31. CPPs reported that they often found it difficult to engage effectively with the business sector; and business sector representatives reported that the way community planning is managed did not always encourage their involvement. We identified a number of ways CPPs could improve business sector engagement. For example, by:

- demonstrating that views are being listened to and acted upon, so businesses know they are not wasting their time and effort
- reducing bureaucracy by streamlining and summarising paperwork
- arranging meetings at times that fit in with business hours, for example business breakfasts. (See paragraphs 68–75 of the main report.)

3 CPPs have supported successful local economic developments. However, the reduction in ring-fenced funding and the current economic climate increase the need for CPPs to improve their understanding of the costs of delivering agreed outcomes and what this means for individual partners' budgets. The introduction of SOAs led to improvements in how CPPs monitor and report performance. However, partners need to share responsibility for managing performance against the SOAs.

32. CPPs have supported successful local economic developments. For example, in Dumfries and Galloway, businesses in the food and drink industry were supported by a number of initiatives that have created new jobs and protected existing ones.

33. In the current financial climate, partner bodies need to understand the cost of delivering agreed local priorities and what this means for their individual budgets. However, there is limited evidence that CPPs understand either these costs or what resources are available locally. There is limited, if any, joint financial planning and CPP managers report that there needs to be better alignment of partners' budgets, resources and activity if agreed local outcomes are to be achieved. (See paragraphs 76–80 of the main report.)

34. The introduction of SOAs improved how CPPs monitor and report performance. In our survey, nearly all CPPs reported that they had made improvements to performance monitoring as part of their overall approach to improving

governance. However, the extent to which performance is actively managed is not clear.

35. We reviewed the minutes of a number of CPP board meetings and found that almost all economic theme group reports submitted to the board were only 'noted'. Few of the minutes identified any action taken as a result of these reports or presentations, although there were exceptions, for example East Ayrshire and West Lothian CPP boards.

36. Performance management within individual organisations has traditionally focused on improving how efficiently and effectively resources are used to achieve agreed objectives, usually within that organisation's control. Managing performance in a partnership context, where improvements require input by several different organisations, is more complex.

37. CPPs differ in how they manage performance. For example, some CPPs acknowledge that some outcomes are not being achieved as effectively as planned but take little further action. Sometimes this is because they consider that the reasons for lack of progress are outwith the CPP's control. In other CPPs, members of the CPP board may work 'behind the scenes' to find out why outcomes are not being achieved, often by using long-standing relationships among partners, and may informally agree actions to address this.

38. We also found that some CPPs adopt a more collective and transparent approach to managing performance. CPP board and/or theme group members work together

⁴ Aberdeen City and Aberdeenshire CPPs have one joint economic theme group.

to try and understand why outcomes are not being achieved and identify what further support different partner organisations can provide to address the problem. Building a culture of mutual respect and trust to enable partners to challenge each other when action is not being taken in relation to agreed outcomes increases collective responsibility for SOAs.

39. Audit Scotland has previously commented on the good governance principles for partnership working.⁵ These are set out in [Appendix 3](#) of our main report and CPPs should consider these principles when reviewing their performance. (See paragraphs 81–87 of the main report.)

4 Existing accountability arrangements should be used to hold all statutory partners to account for their contribution to delivering SOAs. However, the tensions, between national and local priorities mean this does not always happen in practice. These tensions, and the differences in accountability, mean there are limits to the extent to which CPPs can hold partners to account for their contribution to agreed outcomes or be held to account themselves for delivery of their SOA.

40. The statutory guidance supporting the Local Government in Scotland Act 2003 makes it clear that the process of community planning should not alter the basic accountability structures already in place for individual partner bodies. This was further clarified in guidance prepared in 2008 following the introduction of SOAs.⁶

41. In 2009, the Concordat Oversight Group published further advice on the governance and accountability for SOAs. This stated that statutory

public sector partners are ultimately accountable on an individual basis to ministers and Parliament, or elected members, and not to the CPP. It highlights that, upon signing, statutory partners agree to:

- sign up to the whole SOA
- adopt the SOA as a formal corporate commitment
- support delivery of the SOA compatible with duties and responsibilities
- review pre-existing structures/ processes and resource deployment to optimise delivery of outcomes.

42. Holding partner bodies to account for their contribution towards achieving local economic development outcomes is therefore expected to be undertaken through existing, statutory arrangements.

43. All CPP partners have their own responsibilities and duties clearly articulated in their corporate plans, which are agreed with their governing bodies and/or the Scottish Government. Councils use SOAs as the basis for their corporate plan and prepare an SOA annual report, on behalf of their CPP, outlining progress against local outcomes. This report is considered by elected members and made publicly available. Council officers and members consider that these arrangements demonstrate clear accountability to their electorate in relation to SOAs.

44. We also reviewed a number of corporate plans of other CPP partners that had signed SOAs and found that few of them contained any detailed commitments to achieving

the agreed local outcomes. Without a clearly articulated commitment to the SOA in their corporate plans, it is difficult to see how those partners are being held to account for the SOA through the existing accountability arrangements outlined in [Exhibit 4 \(overleaf\)](#).⁷ (See paragraphs 88–93 of the main report.)

45. Since 2007, the Scottish Government has given an increased role to CPPs as the main vehicle for delivering improvements to local communities and thereby contributing to national outcomes. This has been welcomed by those working locally to deliver better services. However, there are inherent tensions between local and national priorities which CPPs have to deal with.

46. Another area of tension is linked to the different local and national democratic structures operating in Scotland. This is reflected in the different accountability arrangements faced by CPPs. Councils are accountable through local democratic processes while other partners are accountable to ministers and ultimately to the Scottish Parliament.

47. However, little has been done to address the inherent tensions between national and local priorities and national and local accountability arrangements. CPPs are therefore limited in the extent to which they are able to hold partners to account for their contribution to achieving agreed outcomes. While partners work together under the statutory guidance, the partnerships themselves are not statutory bodies. This means that the extent to which they can be held to account for the delivery of SOAs is limited to the individual partners' own governance arrangements.

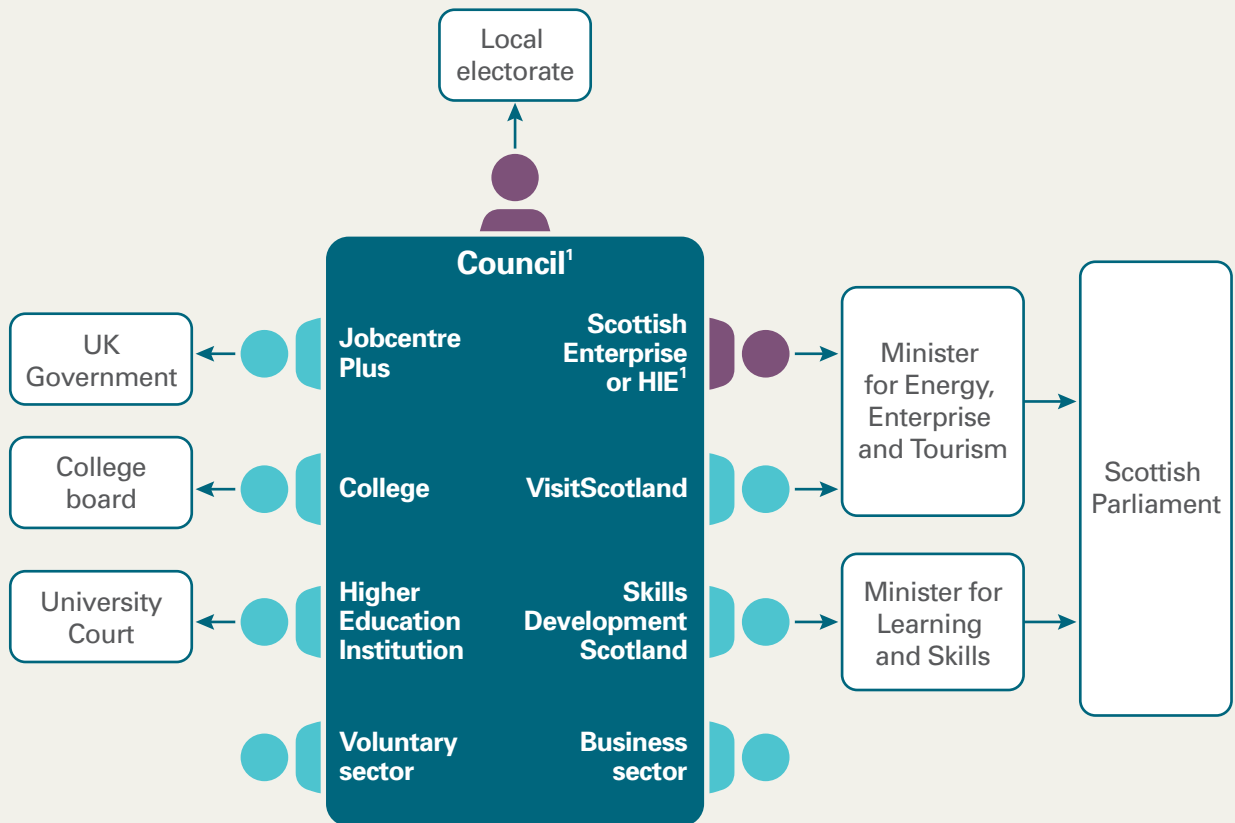
⁵ *Review of community health partnerships*, Audit Scotland, June 2011.

⁶ *Single Outcome Agreements – Guidance for Community Planning Partnerships*, High Level Steering Group, October 2008.

⁷ The 2009 governance and accountability guidance provided some clarity on the role of HIE and Scottish Enterprise in SOAs. It stated that these bodies should contribute to the delivery of local outcomes where national and local outcomes are complementary.

Exhibit 4

The accountability arrangements for CPP partners typically involved in economic development
Partners involved in CPP economic theme groups have different accountabilities.



Note: 1. Bodies highlighted in purple represent statutory partners and those in blue represent non-statutory partners. The business and voluntary sectors have various accountability arrangements

Source: Audit Scotland, 2011

48. Different governance and accountability arrangements for individual partners are still considered by CPP managers to be a barrier to effective partnership working. Around 70 per cent of CPP managers reported this as an issue which creates challenges at CPP board level, while around the same percentage reported that this issue also affects the success of their CPP economic theme group.

49. *The Commission on the Future Delivery of Public Services* (Christie Commission) report also highlighted this area of tension. It recommended that the Scottish Government should work with local government and other partners to put in place an appropriate set of common powers and duties, focused on the common pursuit of outcomes.⁹ (See paragraphs 94–98 of the main report.)

50. CPPs' annual reports on progress against their SOAs are intended to provide the Scottish Government with a summary of the local contributions towards national outcomes. Following submission of the first set of SOA annual reports in 2009, the Scottish Government published an overview report in February 2010.

51. This report summarised CPP activity to support each national outcome. It noted that it will take time before progress can be robustly measured against each of the 15 national outcomes, and that future SOA reports should increasingly allow the Scottish Government to measure progress on CPPs' contribution to the national outcomes. However, our findings showing the variation of economic outcomes and indicators used in SOAs demonstrate that this will continue to be difficult to measure.

52. We found little evidence of action taken by the Scottish Government as a result of any SOA annual report. A number of CPPs reported that they received no feedback from the Scottish Government following submission of their 2009/10 annual report.

53. The current limitations associated with the availability of robust performance information and an absence of accountability for delivery of SOAs, combined with a lack of a clear picture of SOAs' contribution towards achieving the national outcomes, create significant challenges for Scotland in achieving its national economic priorities. (See paragraphs 99–105 of the main report.)

About our recommendations

54. Our recommendations can be divided into those which apply to CPPs as a whole and those which are specific to their role in economic development. Our more general recommendations relate to:

- clarifying the role of CPPs in achieving national outcomes
- the need for better use of data and more consistency in the use of local indicators in SOAs

- the particular challenges associated with managing performance in a partnership context
- the need to resolve the tensions between national and local priorities and between different accountability arrangements.

Summary of key recommendations

The Scottish Government should:

- ensure that central government and NHS bodies that are involved in CPPs are held to account for their performance in community planning and contribution to SOAs
- further clarify its expectations on the alignment of local and national priorities, and the contribution of CPPs to achieving national outcomes
- work with CPP partners and other relevant bodies to improve the coordination of economic development at national, regional and local levels. This should support the national priority of increasing sustainable economic growth.

CPPs should:

- challenge lack of progress in meeting agreed local outcomes identified in the SOA
- develop a better understanding of the costs of delivering agreed outcomes and what this means for individual partners' budgets
- ensure they are working effectively both within and across CPP boundaries, where appropriate, to help improve local economies

- take a more systematic approach to understanding their local economies and use this as a basis for developing evidence-based local economic development outcomes
- improve the quality and consistency of economic indicators used in SOAs and economic development strategies, for example by using the indicators developed and agreed by the Scottish Local Authorities Economic Development Group (SLAED)
- align local economic development strategies with outcomes in the SOA
- ensure that they engage effectively with businesses to improve local economic development.

All CPP partners should:

- ensure that SOA commitments are reflected in their own plans.

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