

# The role of community planning partnerships in economic development



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# Summary



All councils have established a community planning partnership to lead and manage community planning in their area.



## 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, the fire and rescue services, and the 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<sup>1</sup>
- 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, socio-demographic factors, the local economy and local political priorities.

**6.** CPPs are required to engage with communities, report on progress, and publish information on how they have implemented their duties and how outcomes have improved as a result.

**7.** Councils are the only public bodies that are statutorily held to account for the exercise of their community planning functions. This is carried out through the Best Value audit process. Since 2006, Audit Scotland has published Best Value audit reports for each council which include an assessment of how well it is leading and facilitating community planning.<sup>2</sup>

**8.** Between 2011/12 and 2014/15, the Scottish Government's spending will fall by 5.5 per cent (£1.5 billion) in real terms.<sup>3</sup> Reductions of this scale present a significant challenge for the Scottish public sector. This highlights the importance of public bodies working together, and with the private and voluntary sectors, to ensure services are delivered in the most efficient and effective way.<sup>4</sup> CPPs have a key role in bringing this about for their local communities.

### About the audit

**9.** The overall aim of our audit was to assess whether CPPs have made a difference to local communities. As CPPs cover a wide range of activity, we focused our audit work on examining CPPs' contribution to economic development. We chose this policy area because:

- CPPs have an important role in coordinating local economic development activity

- it has a direct link to the Scottish Government's purpose to create a more successful country through increasing sustainable economic growth
- it plays an important role in Scotland's recovery from the recession.

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

**11.** In 2006, Audit Scotland published *Community planning: an initial review*, which found there had been some progress with community planning but highlighted the following issues:

- The complexity of community planning structures and different accountabilities could be a barrier to effective working.
- Performance management and monitoring processes were not well developed.
- Community engagement could be more sustained and systematic.
- CPPs should be clearer about the actions and resources required to achieve their outcomes.<sup>5</sup>

**12.** 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.

<sup>1</sup> Transport (Scotland) Act 2005.

<sup>2</sup> See Audit Scotland website, [www.audit-scotland.gov.uk/work/bestvalue\\_home.php](http://www.audit-scotland.gov.uk/work/bestvalue_home.php)

<sup>3</sup> *Scottish Spending Review 2011 and Draft Budget 2012-13*, (Table 6.02 – Departmental Expenditure Limits, applying the following GDP deflators: 2012/13 = 2.5 per cent; 2013/14 = 2.7 per cent; 2014/15 = 2.7 per cent), Scottish Government, September 2011.

<sup>4</sup> *The Commission on the Future Delivery of Public Services*, Christie Commission, June 2011.

<sup>5</sup> *Community planning: an initial review*, Audit Scotland, 2006.

**13.** In carrying out this audit, we:

- surveyed all 32 CPPs and their economic development theme groups
- looked in detail at partnership working to support economic development in four CPP areas (Aberdeen City, Aberdeenshire, North Lanarkshire and Orkney)
- interviewed a wide range of other stakeholders, including the Scottish Government
- reviewed CPP documents, including Single Outcome Agreements (SOAs) and economic development strategies
- analysed economic development data.

**14.** [Appendix 1](#) provides further details of our methodology. [Appendix 2](#) lists the members of our project advisory group who gave independent advice and feedback at key stages of the audit. [Appendix 3](#) sets out good governance principles for partnership working. [Appendix 4](#) provides a self-assessment checklist for CPP board members.

**15.** This report is in three parts:

- [Part 1](#). Setting the scene.
- [Part 2](#). How CPPs plan local economic development.
- [Part 3](#). Performance and accountability.

### Summary of key messages

- Economic development covers a wide range of activity 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.
- 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 the country.
- 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.

- 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.

### About our recommendations

**16.** 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.

# Part 1. Setting the scene



CPPs have an important role in planning and coordinating local economic development.



## Key messages

- CPPs have an important role in planning and coordinating local economic development. A number of organisational and structural reforms have meant that CPPs have had to review and revise their approaches to improving local economies.
- Economic development covers a wide range of activity from local training initiatives to major inward investment. This means that some aspects of development are planned at a national or regional level rather than by CPPs. Regardless of the scale of activity, a more joined-up approach is needed to deliver the Scottish Government's overall purpose of achieving sustainable economic growth.

## There have been significant changes to the environment in which CPPs operate

**17.** The context within which CPPs operate has changed significantly since they were given a statutory basis in 2003. In 2007, the Scottish Government agreed an overarching purpose 'to create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth'. It also established a National Performance Framework to monitor progress towards this purpose.<sup>6</sup> The Framework sets 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.

**18.** As part of this new approach, the Scottish Government and the Convention of Scottish Local Authorities (COSLA) signed a concordat, elements of which had a direct impact on community planning, in particular:

- the introduction of SOAs
- the absorption of £2.4 billion of ring-fenced funding into the overall local government settlement.

**19.** As part of the concordat, each council developed an SOA. The SOA for each council area should outline the strategic priorities, expressed as local outcomes, and identify how these will contribute to achieving the Scottish Government's 15 national outcomes. Since 2009/10, CPPs rather than councils have been responsible for developing SOAs.

**20.** The removal of a number of ring-fenced funding streams, some of which had previously been directed through CPPs, gave councils more flexibility in the way they spend money. This, combined with the introduction of SOAs, placed greater emphasis on the need for partners to work together and use their collective resources more effectively to meet the needs of their local communities.

**21.** 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.

**22.** Given the wide range of activities that CPPs are involved in, our audit focused on one specific area – economic development. CPPs have an important role in planning and coordinating activities to improve the local economy, which in turn supports other priorities including health improvement, crime reduction and reducing inequalities.

## Economic development involves many bodies and activities

**23.** 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. It contributes towards a number of the Scottish Government's national outcomes, and three in particular:

- 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.

**24.** Exhibit 1 (overleaf) shows progress against these economic development related outcomes. The only areas where performance is worsening is in relation to increasing the business start-up rate and increasing the percentage of Scottish domiciled graduates from Scottish Higher Education Institutions. Achievement of all these national outcomes will be through the actions of the Scottish Government, other central government bodies, CPP partners, and other bodies in the private and voluntary sectors.

**25.** The Scottish Government published a national economic strategy in 2007. This set out what the public sector, in collaboration with the private and voluntary sectors, should do to achieve sustainable economic growth.<sup>7</sup> The strategy stressed the importance of better and closer working of the main bodies involved to make Scotland the most competitive place to do business and to ensure that everyone has the opportunity to work, improve their skills and make a positive contribution to society. The Scottish Government published an updated strategy in September 2011 which includes transition to a low carbon economy as a new strategic priority.<sup>8</sup>

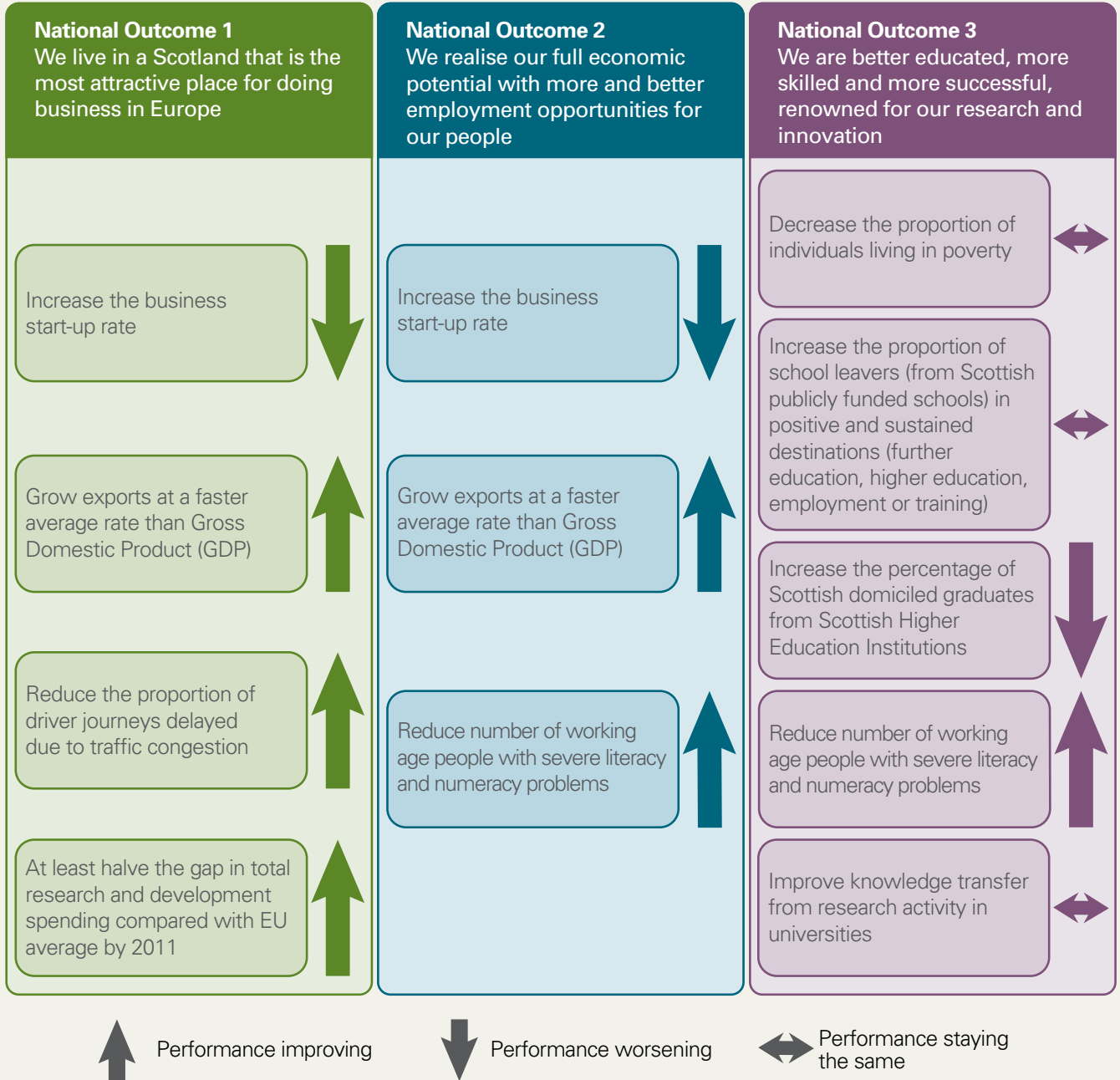
6 [www.scotland.gov.uk/About/scotPerforms](http://www.scotland.gov.uk/About/scotPerforms)

7 *The Government Economic Strategy*, Scottish Government, November 2007.

8 *The Government Economic Strategy*, Scottish Government, September 2011.

**Exhibit 1**

National indicators for each of the three main economic development outcomes at 19 October 2011  
 Performance is improving, or staying the same, for seven out of the nine national indicators.



Notes:

1. The same indicator is used for more than one outcome. For the purpose of this exhibit we have excluded five national indicators that sit under National Outcome 3, as they are not directly related to economic development.
2. Performance against the National Performance Framework is reported through the Scotland Performs website: [www.scotland.gov.uk/about/scotPerforms](http://www.scotland.gov.uk/about/scotPerforms). Data for each indicator is updated when it becomes available.

Source: Scottish Government, October 2011

**26.** A large number of bodies are directly involved in economic development, some of which have national responsibilities, some regional and some operate locally (Exhibit 2, overleaf). In addition, many public sector bodies employ large numbers of people and purchase goods and services, all of which contribute to local economies.

**27.** A range of bodies funded by the private sector also provide support to businesses, including:

- Chambers of Commerce – offer a range of services for businesses including networking, business training, mentoring and specialist services (for example, legal and employment advice)<sup>9</sup>
- the Confederation of British Industry (CBI) Scotland – a business lobbying organisation which seeks to influence government, policymakers and legislators to get the best deal for business
- the Federation of Small Businesses – a pressure group promoting and protecting the interests of the self-employed and owners of small firms.

**28.** Third sector organisations, including social enterprises, are also involved in economic development; for example, through supporting the public sector in delivering employability initiatives.<sup>10</sup> These include national bodies such as Apex Scotland, the Wise Group and Momentum Scotland, along with smaller local bodies.<sup>11</sup>

They offer a range of services and support to help particular groups enter the labour market. In addition, there are independent bodies such as the Scottish Council for Development and Industry (SCDI) which aim to facilitate economic growth.<sup>12</sup>

**29.** This range of organisations and activities creates a complex landscape which CPPs need to work within and emphasises the need for effective partnership working.

### The funding available for economic development is reducing

**30.** 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.<sup>13</sup> In addition, the activities of many other public bodies also contribute to economic development, for example:

- Jobcentre Plus – provides support and advice to individuals looking for work and refers individuals to the UK Government's Work Programme<sup>14</sup>
- NHS boards – are significant employers and ensure people are fit for work
- Transport Scotland – improves transport networks to enable people to get to work, facilitate tourism, and attract investment and business opportunities

- Higher Education Institutions – provide learning and skills to help people secure high-quality jobs and attract investment through research.

**31.** However, it is not possible to estimate what proportion of these bodies' expenditure can be attributed to economic development. This makes it difficult to calculate the total public sector expenditure on economic development across Scotland.

**32.** In 2010, the Scottish Local Authorities Economic Development Group (SLAED) carried out a study of councils and four of the main national economic development bodies, with the aim of producing a more accurate estimate of investment in economic development across Scotland.<sup>15</sup> Excluding colleges, SLAED estimated that between 2007/08 and 2009/10 the level of economic development investment fell from £977.5 million to £876.2 million a year (cash terms), a fall of 14 per cent in real terms.<sup>16</sup>

**33.** Budget reductions across the public sector will result in further reductions in funding for economic development. In real terms, over the period 2011/12 to 2014/15, the Scottish Government's spending plans include:

- a nine per cent reduction in the Finance, Employment and Sustainable Growth portfolio, which includes funding for enterprise, energy and tourism

9 Chambers of Commerce also receive public sector funding to deliver some of the services listed.

10 Social enterprises are businesses that trade specifically for social and/or environmental purposes.

11 Apex Scotland is a voluntary organisation that supports ex-offenders and young people at risk into employment, education or training. The Wise Group is a social enterprise that helps people gain new skills and find employment. It also offers support for businesses and services which help to regenerate communities. Momentum Scotland is a not-for-profit organisation that provides rehabilitation and training services for people with disabilities to help them gain the skills that they need to live independently and to gain access to employment.

12 SCDI is an independent membership network aimed at strengthening Scotland's competitiveness by influencing government policies to encourage sustainable economic prosperity.

13 Spend by councils, Scottish Enterprise, HIE, VisitScotland and Skills Development Scotland – *Survey of National Economic Development Investment in Scotland*, SLAED, January 2011. Spend by colleges – *Main Grant Letter, Main grants to colleges for academic year 2009-10*, Scottish Funding Council, April 2009.

14 The Work Programme is the centrepiece of the UK Government's plans to reform welfare-to-work provision. The programme will be delivered by private and social enterprises which will be paid according to outcomes, with payments being made for helping people into sustained jobs.

15 To calculate councils' expenditure, SLAED carried out a survey asking for details of expenditure on economic development activities in 2008 and 2010. For the purpose of the survey, economic development was defined as 'those activities delivered and/or funded through economic development or regeneration (or similar) departments'. Expenditure of the four national public bodies in the study was calculated by SLAED using the operating and capital costs in each of the organisations' annual accounts.

16 Figures taken from *Survey of National Economic Development Investment in Scotland*, SLAED, January 2011. This includes spend by councils, Scottish Enterprise, HIE, VisitScotland and Skills Development Scotland.

## Exhibit 2

### 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.<sup>1</sup> 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 Dumbartonshire; Argyll and Bute, Highland, Moray, Orkney Islands, Shetland Islands and Western Isles.

- a three per cent reduction in the Education and Lifelong Learning portfolio, which includes funding for Skills Development Scotland, Higher Education Institutions, colleges and employability programmes
- an 11 per cent reduction in local government funding, which includes funding for local economic development activity.<sup>17, 18</sup>

**34.** In addition, European Structural Funds, which are used to support economic development projects, were reduced by 40-45 per cent between 2000-06 and 2007-13.

**35.** The Scottish Government has adopted a number of measures in its 2011 spending review aimed at supporting economic growth. For example, it plans to transfer £750 million from its revenue expenditure to support its capital investment programme, and is funding 25,000 Modern Apprenticeship places.

**CPPs have different approaches to supporting economic development**

**36.** The range of national and local bodies in Scotland, the diverse nature of community planning and the different local economic and political priorities mean that the membership and structures of CPPs vary. All CPPs have a board to provide strategic leadership for community planning in the local area and most have an executive group to oversee the implementation of priorities agreed by the board. Thirty out of 32 CPP boards are chaired by a council representative, usually the council leader.<sup>19</sup>

**37.** Within this overall structure, CPPs have established theme groups covering different policy areas, such as economic development, community

safety, health and wellbeing, and the environment. The remits and membership of theme groups vary but they are the main forum for agreeing and implementing activities within their specific remits. In relation to economic development:

- Most CPPs (over two-thirds) have one economic theme group to coordinate all economic development activity.
- In five CPPs, economic development activity is the responsibility of two or three theme

groups.<sup>20</sup> Where this is the case, the most common separation is employability, learning and regeneration.

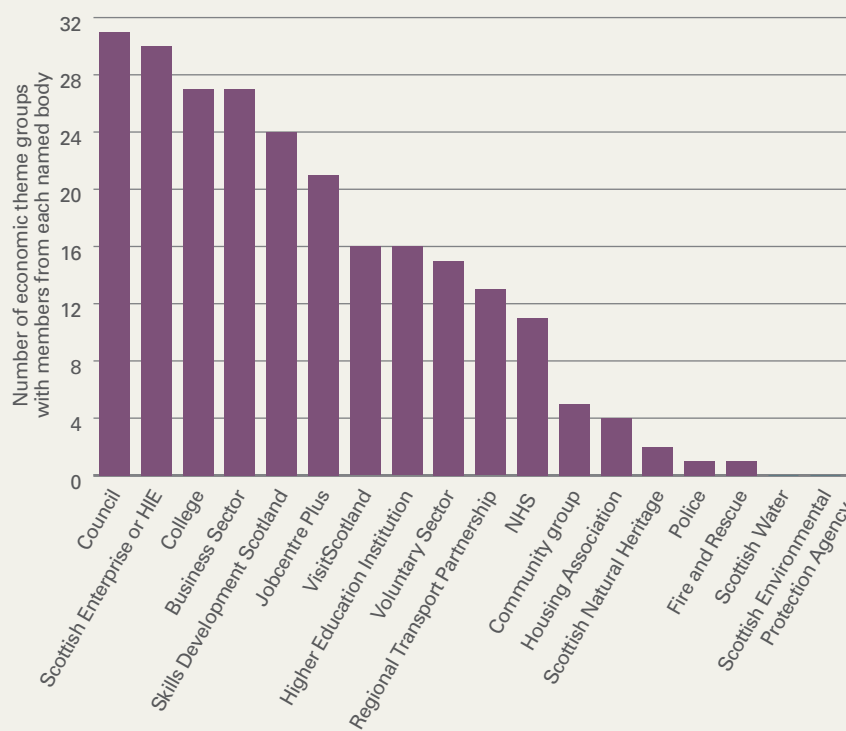
- Five CPPs have established other arrangements to address economic development issues.<sup>21</sup>

**38.** Membership of CPPs' economic theme groups varies and reflects local circumstances and priorities (Exhibit 3).<sup>22</sup> For example, VisitScotland is more likely to be a member of CPPs that have a priority to increase the role that tourism plays in the local

**Exhibit 3**

**Members of CPP economic development theme groups**

Not all national bodies are members of economic development theme groups.



Notes:

1. Aberdeen City and Aberdeenshire CPPs have one joint economic theme group.
2. Organisations not represented on the main economic theme group may be involved in another economic development related theme group, or on a subgroup.

Source: Audit Scotland survey of community planning partnerships, 2011

17 *Scottish Spending Review 2011 and Draft Budget 2012-13*, (Departmental Expenditure Limits, Annex D, applying the following GDP deflators: 2012/13 = 2.5 per cent; 2013/14 = 2.7 per cent; 2014/15 = 2.7 per cent), Scottish Government, September 2011.

18 The 11 per cent reduction in local government funding is however partially offset by increases in non-domestic rate income and other grants.

19 Twenty-four CPPs were chaired by the council leader, four by a senior councillor and two by the council chief executive. At the time of our survey (March 2011), the Aberdeen City and Scottish Borders CPPs had an independent chair. The Aberdeen City CPP is now chaired by the council leader.

20 Inverclyde, Midlothian, North Lanarkshire, Orkney and South Lanarkshire.

21 Aberdeen City, Aberdeenshire, East Dunbartonshire, Glasgow City and Shetland. For example, Aberdeen City and Aberdeenshire have a joint economic development theme group, Aberdeen City and Aberdeenshire Economic Future (ACSEF), covering both councils.

22 For the five CPPs which split economic development activity over more than one theme group, we asked the CPP to identify which one of these theme groups is their 'main' economic theme group for the purposes of our survey.

economy. Most groups have between eight and ten members, with Scottish Enterprise, HIE, representatives from the local college and the business sector, and Skills Development Scotland being the most common.

**39.** All CPP economic theme groups also have a number of subgroups to deal with a range of specific economic development issues, for example tourism, business support and youth unemployment.

**40.** While the structure and remits of economic theme groups need to reflect local circumstances, CPPs should ensure that members have a relevant contribution to make towards achieving local priorities, and that the size of different theme groups facilitate effective meetings. A further factor that affects membership of CPPs and their theme groups is the capacity that some national and regional bodies may have to support and effectively contribute to all the CPPs across Scotland or within their region.

### **The 2007 enterprise reforms had a major impact on CPPs**

**41.** In 2007, the Scottish Government introduced reforms to support its national economic strategy. These changes to the enterprise structure have had a significant impact on CPPs and their economic theme groups (Exhibit 4). The enterprise reforms reduced national bodies, role in providing local economic expertise and support. In particular, there was an initial loss of skills to support CPPs and councils in improving local economies. This had less impact on those CPPs where councils had strong economic development services, such as West Lothian. In evidence to the Scottish Parliament's Economy, Energy and Tourism Committee review of the enterprise reforms in 2011, some businesses reported that, as a result of the reforms, fewer public sector

economic development staff were employed locally, resulting in a decline in knowledge about the needs of the local economy.<sup>23</sup>

**42.** The change in Scottish Enterprise's remit particularly affected CPPs as it no longer has responsibility for a number of functions that are important to local economic development, for example skills and Business Gateway. While Scottish Enterprise still attends CPP board and economic theme group meetings, the Scottish Government's national priorities now drive its activity.<sup>24</sup> This means it engages differently with individual CPPs depending on the extent to which economic development projects in their area are related to national priorities, such as energy and creative industries. For example, Scottish Enterprise plays a key role in the economic theme group in Aberdeen City and Aberdeenshire as projects in this area fall into priority sectors. In other areas, Scottish Enterprise may be less involved because the CPP economic theme groups are primarily focused on issues which are outwith Scottish Enterprise's remit.

**43.** Other reforms also affected CPPs. For example, as part of the reforms a new national body – Skills Development Scotland – was established to provide local support and training programmes. While it has no statutory duty to participate in community planning, it has a role in ensuring its services meet local needs. Initially, Skills Development Scotland found it difficult to build relationships with each CPP because of the range of different local arrangements. However, Skills Development Scotland now has an annual agreement with each CPP which sets out the skills and training services it will provide in the area and how these contribute to achieving the outcomes in the SOA.

### **CPPs are not the most effective mechanism for some aspects of economic development**

**44.** Economic growth is dependent on activity that may take place at a national, regional or local level. Some economic development is more effective when planned on a regional level, for example transport infrastructure projects. Other developments may be focused on people living in particular local communities, for example improving skills or employability. CPPs are not self-contained and the economy of any CPP area is dependent on the surrounding areas. CPPs may therefore not be the most effective mechanism for planning some activities that will contribute to improving local economies.

**45.** The different levels of planning needed for effective economic development, combined with the range of organisations involved, has resulted in a complex partnership landscape across Scotland. Some partnerships work at a national level, some at a regional level, and others within smaller areas. Some involve CPPs, while others operate separately from community planning. For example:

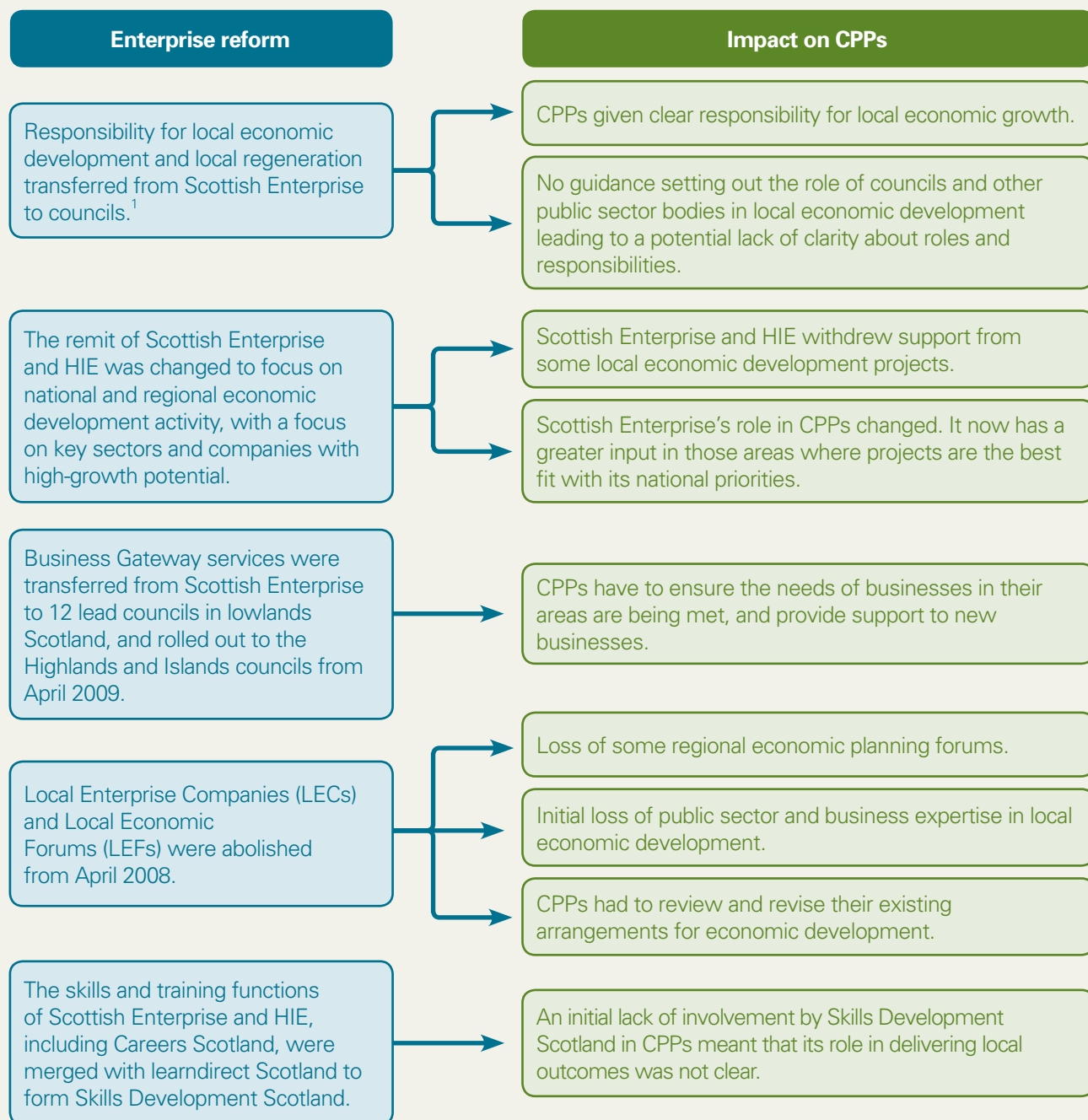
- The National Economic Forum brings together senior business groups, the Scottish Government and the wider public sector, to debate issues that affect economic growth throughout Scotland.
- The West of Scotland Loan Fund is a partnership of 12 councils that work together to support the development and growth of businesses in the West of Scotland by providing them with access to finance.
- Forth Valley Area Tourism Partnership brings together a range of business and public

23 *A fundamental review of the purpose of an enterprise agency and the success of the recent reforms*, 2nd report, Economy, Energy and Tourism Committee, 2011 (Session 3).

24 Scottish Enterprise is a member of all CPP boards (except Clackmannanshire) and all economic theme groups.

**Exhibit 4****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

sector bodies from across three CPP areas to plan and promote tourism across the region.

- Alloa Town Centre Business Improvement District (BID) and the Business Park BID (Clacksfirst) are partnerships of local businesses and Clackmannanshire Council to make these areas more attractive places for businesses to operate in.

**46.** Exhibit 5 illustrates the range of partnerships that operate both within and wider than one CPP area (West Lothian). Ensuring there is effective coordination and alignment across

this range of partnership activity can be challenging for both CPPs and individual partners.

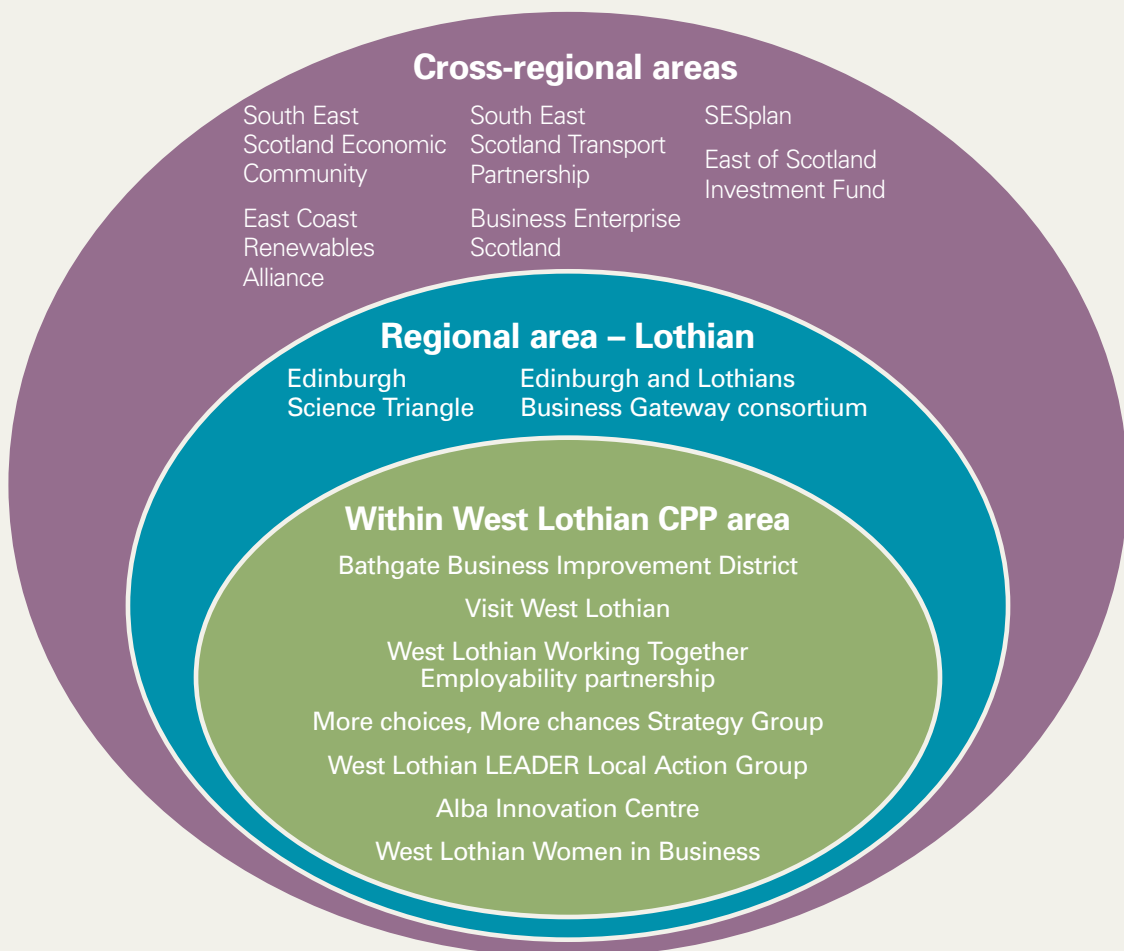
**47.** The abolition of Local Enterprise Companies (LECs) and Local Economic Forums (LEFs) in 2008 resulted in the loss of formal arrangements for regional economic development. Five business-led Regional Advisory Boards (RABs) were introduced to ensure that engagement with the business sector at a regional level was retained.<sup>25</sup> The Scottish Government envisaged that RABs would provide a link between local, regional and national economic

development activity. However, in their evidence to the Scottish Parliament’s Economy, Energy and Tourism Committee review of the enterprise reforms, businesses indicated that, in their view, the link between local, regional and national activity is weak.<sup>26</sup>

**48.** During our fieldwork, interviewees reported that the loss of a formal regional economic planning forum had resulted in a gap in economic development planning in some areas. However, some CPPs chose to retain the economic forum as a focus for regional economic planning (for

**Exhibit 5**

An example of the range of partnerships involved in economic development Partnerships operating within and outwith the CPP area in West Lothian.



Source: Audit Scotland, 2011

25 The Regional Advisory Boards are based in the following regions: Aberdeen City and Aberdeenshire; Tayside; East of Scotland; West of Scotland; and South of Scotland.

26 A fundamental review of the purpose of an enterprise agency and the success of the recent reforms, 2nd report, Economy, Energy and Tourism Committee, 2011 (Session 3).

example, the Lanarkshire Economic Forum and the Ayrshire Economic Partnership) although these CPPs also have their own economic theme group. In Aberdeen City and Aberdeenshire, the local economic forum became the RAB for the area with the CPPs choosing not to have individual economic theme groups and using this group for all the economic planning in that region.<sup>27</sup>

### CPPs are well placed to coordinate local training and employability initiatives

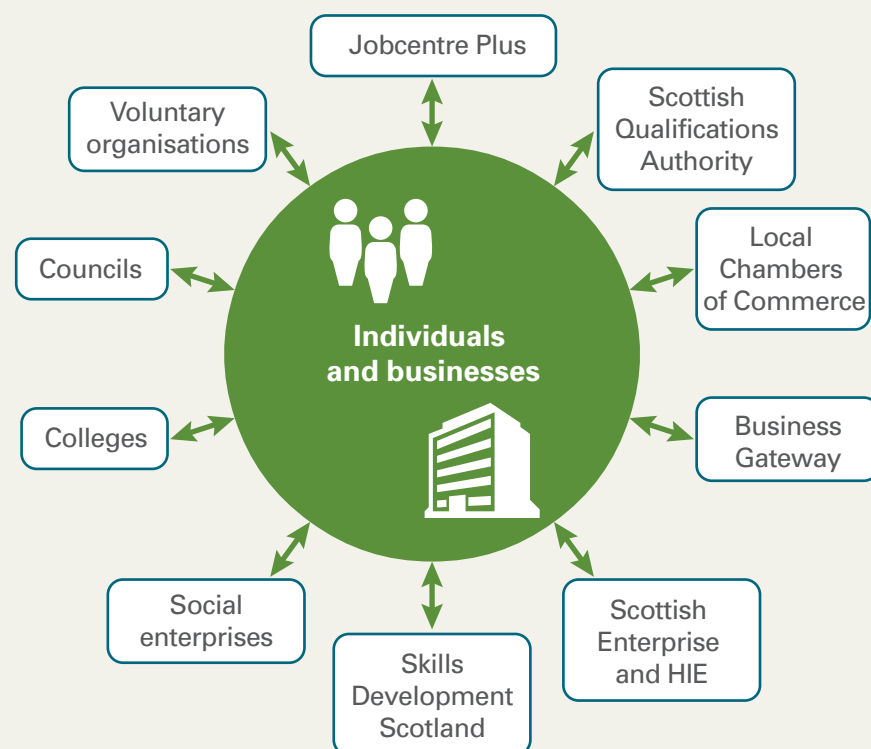
**49.** Some aspects of economic development are most effectively planned and delivered locally, for example improving employability and providing advice to local businesses and individuals. These services are currently delivered by a range of different bodies (Exhibit 6). CPPs have an important role in bringing these different bodies together in a way that maximises the benefit to the local economy, minimises duplication and ensures public investment is effectively targeted. All CPPs have established an employability group to coordinate services and therefore reduce duplication, focus partners' resources on activities that will make the most difference to individuals and minimise the risk of gaps in services.<sup>28</sup> Some CPPs have also chosen to establish working groups to coordinate business support services (Case study 1, overleaf).

**50.** The different levels of planning, the wide range of activities and the various bodies and partnerships involved in economic development create risks that some services may be duplicated, or there may be gaps in provision.

### Exhibit 6

#### 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

**51.** These risks to effective economic development arising from this complex landscape were also highlighted by the Scottish Parliament's enterprise review, which concluded that:

- the 2007 enterprise reforms have not assisted, or decluttered, the delivery landscape
- greater clarity is required on the roles and responsibilities of all public and private sector bodies involved in economic development

- there is a potential gap in support for businesses – between the services offered by Scottish Enterprise and HIE (high-growth companies) and those services delivered through Business Gateway (support for smaller businesses).<sup>29</sup>

**52.** This environment, together with the reduction in budgets, makes it even more important that CPPs ensure they are working effectively both within their area and across CPP boundaries where appropriate, and are clear where they can add most value in improving local economies.

<sup>27</sup> The Scottish Parliament's enterprise review highlighted the Aberdeen City and Aberdeenshire RAB (the Aberdeen City and Shire Economic Future (ACSEF)), as a model of good practice.

<sup>28</sup> The Scottish Government provides a range of support for these employability partnerships, for example through the Scottish Employability Forum, which oversees local employability approaches and helps to provide solutions to common problems.

<sup>29</sup> A fundamental review of the purpose of an enterprise agency and the success of the recent reforms, 2nd report, Economy, Energy and Tourism Committee, 2011 (Session 3). The Scottish Government has responded to this report.

## Recommendations

The Scottish Government should:

- 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:

- ensure they are working effectively both within and across CPP boundaries, where appropriate, to help improve local economies.

## Case study 1

Examples of coordinating employment and business support activity

### Glasgow CPP – the Glasgow Works Partnership Group

The Glasgow Works Partnership Group was established in 2006 to integrate the public and private sector bodies involved in reducing unemployment in Glasgow. The Partnership group is chaired by the private sector and includes the council, the health board, Jobcentre Plus, Skills Development Scotland and the local Chamber of Commerce.

The aim of the partnership is to reduce the number of workless residents in Glasgow through:

- simplifying the decision-making structures
- pooling resources and expertise
- developing services that address key labour market issues
- avoiding overlap and duplication of services.

Between 2008/09 and 2010/11, the partnership received around £23.5 million of funding to deliver its employability programme which has supported over 21,000 workless individuals.<sup>1</sup> As a result:

- 4,365 individuals have gained full-time employment
- 2,000 have gained a qualification
- 1,500 have entered further or higher education.

### Renfrewshire CPP – the Employer Support Group

This group is chaired by a representative from the local Chamber of Commerce and brings together a number of partners involved in supporting businesses in Renfrewshire, including the council, Skills Development Scotland, Jobcentre Plus and Business Gateway.

The group meets monthly to discuss local business issues with the aim of attracting new businesses to the area and supporting existing businesses. The group discusses issues such as new initiatives and funding to ensure that all partners are aware of what support and opportunities are available to businesses. This coordinated approach is reported to make access to support and information more straightforward for businesses and also saves time and resources for the partners.

**Note:** 1. Includes funding from the Department of Work and Pensions as part of its City Strategy initiative to resource local partnerships in areas of high worklessness, plus Fairer Scotland Funds, European Social Funds and resources from Glasgow City Council and NHS Greater Glasgow and Clyde.

Source: Audit Scotland, 2011

# Part 2. How CPPs plan local economic development



CPPs could make better use of available economic data.



## Key messages

- Not all CPPs are making the best use of the available economic information when developing their SOAs and economic development strategies, and these two documents are not always aligned.
- As SOAs are intended to reflect local priorities, there is wide variation in the local economic outcomes included in SOAs and the indicators used to measure progress against these outcomes. As a result it is not possible to compare performance of CPPs or measure their collective contribution to achieving national outcomes.
- Engaging with local businesses in planning economic development is essential to improving local economies. While the majority of CPPs have a representative from the business sector on their CPP board or economic theme group, the extent to which CPPs engage more widely with local businesses differs.

### Most CPPs could make better use of available economic data when developing SOAs and economic development strategies

**53.** The local economy of CPPs areas varies according to many different factors, for example the local business base, the socio-demographic profile and the wider Scottish economy. CPPs need to take all of these factors into account when developing their approaches to economic development. For example:

- Aberdeenshire has a strong overall economy with low unemployment and high average earnings, but its business start-up rate is fairly low.

- The City of Edinburgh has a relatively healthy local economy, but it has a high percentage of residents in some areas who are long-term unemployed and increasing levels of youth unemployment.
- North Ayrshire has a low business start-up rate and few businesses per resident working age population relative to other areas, but business insolvency rates are lower.

**54.** We have analysed a range of economic development indicators to create a profile of the economies of each CPP area. These are available on the Audit Scotland website ([www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)), along with further details about our methodology. This analysis gives an indication of the health of local economies using the most recent data available. It also illustrates the range of factors CPPs should consider when they develop their SOAs and economic development strategies.

**55.** We reviewed the economic development component of all SOAs and all available local economic development strategies to assess the extent to which these documents demonstrated that the CPP had a good understanding of the economic needs of the area. At the time of

our review (February/March 2011), almost two-thirds of CPPs (19) had an economic strategy and a further eight CPPs reported that they used an action plan linked to their SOA as their economic strategy. The remaining five CPPs were revising their existing economic development strategies at the time so were not included in this review.<sup>30</sup>

**56.** We identified variation in the coverage and quality of the analysis used to underpin SOAs and economic development strategies. 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 (for example, comparisons against Scotland or other CPPs) to identify areas for improvement
- limited evidence of a systematic approach to the collection and analysis of relevant economic indicators
- limited analysis of the needs of different population groups (for example, the needs of long-term unemployed people)

## Case study 2

### Use of evidence-based local outcomes

East Ayrshire's SOA draws upon a full statistical area profile that contains economic, social and environmental indicators and also findings from the CPP's residents survey. The data are clearly presented to show how East Ayrshire is performing over time and compares to the rest of Scotland.

The local outcomes that emerge from the comprehensive analysis and survey findings are then set out against the corresponding national outcomes in the SOA.

Source: Audit Scotland, 2011

- little use of trend analysis
- implications from the economic analysis were not always clearly evident.

**57.** Some CPPs demonstrated a good use of economic data analysis 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 (Case study 2).

**58.** The detailed economic analysis that is necessary to inform the production of economic development strategies requires particular skills and expertise which may not be available to all CPPs. The Scottish Government provides analytical support to CPPs, for example by providing feedback on indicators included in SOAs, advising on the availability of data and publishing guidance on statistics. However, there is potential for greater sharing of expertise both within and among CPPs.

### The quality of local economic development strategies could be improved

**59.** Economic development strategies should be based on analyses of social, economic and environmental conditions that set out the future economic challenges and opportunities for the area (commonly referred to as an area profile). The majority of economic development strategies contained an area profile, but the links between the area profile and the priorities in the economic development strategy were not always clear. We also found that the quality of economic development strategies varied, for example:

- few action plans outlined the expected impact of the actions taken to achieve strategic objectives
- only 13 of the 19 strategies set any targets and only four set milestones to measure progress towards targets
- fourteen of the 19 strategies provided details on partners involved, typically by stating the 'lead partner' or a list of the partners involved in each action
- only five strategies attempted to prioritise actions and only one outlined how these priorities had been set.

**60.** The Improvement Service, in partnership with the Scottish Government and SLAED, produced a guide for councils in October 2011 to support them in improving the quality and impact of local economic development.<sup>31</sup> While this is designed primarily for use by councils, there are a number of elements that relate to economic development theme groups. Using this framework, particularly the checklists for developing an economic profile and an economic development strategy, could help CPPs to improve the quality and consistency of their economic development strategies in the future.

### Links between SOAs and economic development strategies are not always clear

**61.** In 2008, CPPs were provided with additional guidance on the development of SOAs. This guidance reflected the learning gained from the development of the first set of SOAs, and was expected to be used by CPPs when developing their SOAs from 2009/10 onwards.<sup>32</sup> The

SOA guidance states that 'a golden thread needs to run from the high-level outcomes in the SOA through to the underlying planning, delivery and performance systems of all partners'. SOAs are expected to be high-level, strategic documents that provide clear links to relevant plans to support the delivery of agreed local outcomes.

**62.** 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 these two key documents. We found few economic development strategies contained priorities that are clearly linked to the outcomes in the SOA.

### Economic development outcomes in SOAs are variable and do not help measure the performance of CPPs

**63.** The SOA guidance provides a clear template to assist CPPs in setting out indicators, targets and milestones to measure performance towards local outcomes. It is used by the majority of CPPs. Each of the local outcomes chosen by CPPs should be supported by one or more robust and measurable indicators, and CPPs are free to select the indicators which best reflect their local priorities and economic environments.

**64.** CPPs have chosen a wide range of local outcomes for the three national outcomes that relate to economic development (Exhibit 7, overleaf). These are supported by an even wider variety of local indicators to measure progress against these outcomes. There is often no clear link between the outcomes and the economic profile of the CPP area and only a small number of local outcomes address the needs of local businesses or specific population groups (with the exception of children and young people).

31 The Improvement Service was set up in 2005 to help improve the efficiency, quality and accountability of local public services in Scotland by providing advice, consultancy and programme support to councils and their partners. The economic development guide can be found at [www.improvementservice.org.uk/economicdevelopment/](http://www.improvementservice.org.uk/economicdevelopment/)

32 *Single Outcome Agreements, Guidance for Community Planning Partnerships*, High Level Steering Group, October 2008. The High Level Steering Group consisted of Audit Scotland, COSLA, the Improvement Service, the Scottish Government and the Society of Local Authority Chief Executives. It is now called the Concordat Oversight Group.

## Exhibit 7

Range of local outcomes selected by a sample of four CPPs for the three national outcomes that relate to economic development

The range of local economic outcomes chosen by each CPP means that there is no consistent base against which to track or compare progress across all CPPs.

Outcome	Aberdeen City	Aberdeenshire
<p><b>National Outcome 1</b> We live in a Scotland that is the most attractive place for doing business in Europe</p>	<p>Aberdeen has a fully integrated transport network</p> <p>Anchor the oil and gas industry</p> <p>Diversification of the economy</p> <p>Aberdeen has an up-to-date Development Plan which promotes efficient, high-quality decisions on planning applications</p>	<p>Aberdeen City and Shire is ranked top of the Quality of Life league table</p> <p>Growth rate of Gross Value Added (GVA) within Aberdeen City and Shire makes progress towards ACSEF target of 2.5 per cent per annum by 2025</p> <p>A fully integrated transport network</p> <p>A pro-development approach to planning with a streamlined, fast and efficient decision-making process</p> <p>Aberdeenshire provides an environment which encourages the establishment of businesses and growth</p>
<p><b>National Outcome 2</b> We realise our full economic potential with more and better employment opportunities for our people</p>	<p>Aberdeen has high-quality employment opportunities for citizens</p> <p>The provision of affordable, accessible, quality childcare is available across all sectors, with priority given to developing provision in regeneration areas</p> <p>Sufficient numbers of skilled people are available to meet the demands of the local economy</p>	<p>Be known as the location for innovative, energy-related technology</p> <p>To be the premier visitor destination in Scotland for the discerning leisure and business visitor throughout the year</p> <p>Be nationally recognised for the self-sufficient and inclusive communities in the area</p> <p>People with appropriate skills to meet the future needs of the economy</p> <p>Strengthen the local economy and local communities through contributions of volunteers</p>
<p><b>National Outcome 3</b> We are better educated, more skilled and more successful, renowned for our research and innovation</p>	<p>People of all ages take an active part in their own learning to achieve their full potential Learning and training is appropriate and accessible to learner's needs</p> <p>There is a defined, strong intellectual capital base to support our key industries, growth companies, universities and research institutes</p>	<p>Improved attainment and achievement for all</p> <p>People in Aberdeenshire are better educated and skilled</p> <p>There is a defined, strong intellectual capital base to support our key industries, growth companies, universities and research institutes</p>

North Lanarkshire	Orkney
Improved support to North Lanarkshire’s business and social enterprise sectors	Orkney’s people and businesses achieve their full potential on a long-term, sustainable basis
High-quality infrastructure which attracts investment and drives regeneration	Orkney’s fragile communities have a sustainable economic base
Development of Ravenscraig and our existing town centres as centres of economic and social activity	Orkney’s economy is fully integrated within the global economy
Strong, sustainable communities and more attractive places to live and visit	A culture of enterprise which provides the right economic conditions for businesses to achieve dynamic and sustainable growth
Improved safety, effectiveness, sustainability and accessibility of our transport systems across North Lanarkshire	A learning culture in which everyone develops enthusiasm and motivation for learning, determination to reach high standards of achievement, and an openness to new thinking
Improved support to progress people towards learning and training opportunities and sustainable employment	Orkney’s people and businesses achieve their full potential on a long-term, sustainable basis
Improved safety, effectiveness, sustainability and accessibility of our transport systems across North Lanarkshire	A culture of enterprise which provides the right economic conditions for businesses to achieve dynamic and sustainable growth
Increased skill levels to improve productivity in work	Orkney’s fragile communities have a sustainable economic base
Improved support to North Lanarkshire’s business and social enterprise sectors	
High-quality infrastructure which attracts investment and drives regeneration	
Development of Ravenscraig and our existing town centres as centres of economic and social activity	
Increased number of learning opportunities for adults	Learning is for all
Improved access to e-learning	Learning is for life
Increase skill levels to improve productivity in work	
Improved buildings and facilities fit for 21st century learning purpose	
Increased number of young people in education, employment and training	
Improved support to progress people towards learning and training opportunities and sustainable employment	
Improved learner accreditation within national qualifications	

**65.** The 32 SOAs include a total of 274 local outcomes and 574 local indicators linked to the three national outcomes relating to economic development. SOAs are intended to reflect local circumstances and priorities and to demonstrate how the activity of an individual CPP is contributing to national outcomes. They were never intended to compare performance across different CPPs. However, this means it is not possible to assess whether a CPP is performing effectively in comparison with other areas. The variability of local economic outcomes chosen also means that CPPs' performance cannot be aggregated to assess their overall contribution to achieving national outcomes.

**66.** It is not clear the extent to which there is any independent challenge when CPPs set the economic development outcomes in SOAs. For example, by assessing whether they are the most appropriate outcomes for that area. A challenge process using peer review or independent experts, for example Scottish Enterprise, could help CPPs to develop a more manageable and meaningful number of evidence-based local outcomes, supported by robust and measurable indicators. CPPs could also ensure that they make full use of their partners' skills and knowledge when developing and reviewing their local economic outcomes.

**67.** SLAED has developed a series of economic indicators to help measure the impact of economic development activity across Scotland. The purpose of the indicators is to support improvement and consistency across councils in measuring performance. The SLAED indicators complement the menu of local indicators developed by a project board led by the Society of Local Authority Chief Executives (SOLACE). CPPs can choose to select from these sets of indicators or develop their own indicators if they

are considered more appropriate. Use of the indicators developed by these groups could help improve consistency and allow performance to be compared across CPPs.

### **Engagement with local businesses is essential for effective planning to improve local economies**

**68.** One of the key findings of *Community planning: an initial review* was that community engagement could be more sustained and systematic. Given the importance of the business sector in economic development, in this audit we looked at how well CPPs are engaging with local businesses.

**69.** The extent to which the business sector is involved 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.<sup>33</sup> While the involvement of a business representative on these groups provides an opportunity for the private sector to engage with the CPP, it is difficult to identify a single business representative who can fully reflect all the views of the local business community.

**70.** It is therefore important that CPPs adopt a range of approaches to engage with the different businesses in their area. Most CPPs engage with representative groups, such as the local Chamber of Commerce; two-thirds (21) hold focus groups and 13 have conducted surveys to gather the views of local businesses.

**71.** CPPs reported a number of benefits from establishing good relationships with local businesses. These include:

- access to expertise and local knowledge, which increases understanding of the local economy

- access to networks and contacts
- learning different practices and techniques
- the business sector's ability to progress actions quickly
- potential access to external funding where private sector involvement is a requirement
- establishing credibility within the business sector.

**72.** Business representatives also identified a number of potential benefits from their involvement in community planning, for example:

- the ability to influence decisions that may affect local businesses
- improving their understanding of statutory obligations and other constraints
- raising the profile of local businesses within the community
- the opportunity to contribute to community development
- improved networking opportunities.

**73.** In Clackmannanshire and Fife CPPs, the business sector plays a key role in planning and coordinating economic development (*Case study 3*).

**74.** However, we identified a number of challenges in engaging with the business sector, such as:

- Cultural differences between the public and business sectors.
- The time required may deter businesses from getting involved.
- There is not always a clear benefit for businesses.

- Businesses may only be interested in specific issues.

**75.** Business sector representatives reported that the way community planning is managed did not always encourage their involvement, and

suggested a number of ways CPPs could improve business sector engagement. For example, by:

- clearly setting out the role for businesses

- ensuring meetings are worthwhile and minimise the time required
- 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
- using alternative methods for communicating with the business sector, for example, social networking sites.

### Case study 3

#### Business sector involvement in Clackmannanshire and Fife CPPs

##### Clackmannanshire CPP

In Clackmannanshire, a local businessman chairs the CPP's economic theme group and is also a member of the CPP board. The chair of Clackmannanshire Business Ltd, a public/private partnership that supports the local business community, is also a member of the CPP board. The contribution from the business sector to community planning has reportedly had a positive impact on a number of initiatives, including *Imagine Alloa 'Better for Business'*. This campaign to attract business was started in January 2011 and is led by the two CPP business sector representatives. It aims to capitalise on more than half a billion pounds of recent infrastructure investment (for example, the new Clackmannanshire bridge) by attracting new businesses to Alloa, boosting the local economy and creating jobs. The campaign has been successful in attracting businesses to the area, resulting in potentially, 130 jobs being created. Business sector involvement on the CPP is viewed positively by both the public and private sectors. The reported benefits include: improved relationships; appreciation of the strengths of each partner; and access to information and networks.

##### Fife CPP

Fife CPP's economic theme group is chaired by a local businessman. As a result of business sector involvement on this group and feedback from the business community, one of the key priorities in Fife's economic strategy is to 'make Fife the easiest place to do business'.

In June 2011, Fife economic partnership organised a conference, free to all businesses in Fife, to help assess progress against the theme group's priorities. It included a combination of presentations and discussions with the aim of gathering business sector feedback on:

- the challenges faced by businesses
- practical ways of overcoming these challenges.

The conference included an interactive survey to gather business sector views on how easy it is to do business in Fife and what the main priorities should be for the economic partnership. The conference was an important platform for business leaders, policymakers and politicians to discuss the issues that affect them and will:

- help the economic partnership decide how to support local businesses
- contribute to the business outcomes for Fife.

Source: Audit Scotland, 2011

### Recommendations

CPPs should:

- take a more systematic approach to understanding the economic development needs of their area 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.

# Part 3. Performance and accountability



All partners need to have collective ownership for delivering improvements and challenging lack of progress.



## Key messages

- CPPs have supported successful local economic developments. However, many of these were initially supported by ring-fenced funding. To continue improving local economies, CPPs need a better 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. Managing performance within a partnership should be a shared responsibility and all partners need to have collective ownership for delivering improvements and challenging lack of progress.
- 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. 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.

### CPPs have supported successful local economic developments

**76.** A significant amount of funding has been directed through CPPs in recent years to support local communities and economic regeneration, including:

- £435 million from the Fairer Scotland Fund (FSF) between 2008/09 and 2010/11. This was rolled up into local authority general revenue funding for the final year (2010/11).
- Approximately £53 million of European Social Funds (ESF) and £17 million of European Regional Development Funds (ERDF) between 2007 and 2013.<sup>34</sup>

**77.** Funds directly allocated to CPPs have delivered successful initiatives and supported some innovative approaches that have made a difference to local communities (Case study 4, overleaf).

**78.** The Scottish Government reported that allocating European funding for employability services through CPPs had a number of benefits, including:

- innovation in the way services are delivered
- increasing the provision of services
- better value for money through reduced duplication and allowing partners to focus on what they do best
- improvements in the effectiveness of services.<sup>35</sup>

**79.** Most ring-fenced funding has now been removed, including those funds that were directed towards CPPs. This means that partners need to understand the cost of delivering agreed local priorities and what this means for individual partners' 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 told us that there needs to be better alignment of partners' budgets, resources and activity if agreed local outcomes are to be achieved.

**80.** However, it is difficult to align budgets to outcomes, as highlighted in our report *Scotland's public finances: preparing for the future*. This report emphasised the need to improve understanding of the links between cost, activity, performance and outcomes.<sup>36</sup> More recently, the Improvement Service also had difficulty in mapping the spending of community planning partners in Fife and Aberdeen City in relation to their priority outcomes and key client groups.<sup>37</sup>

### The introduction of SOAs improved how CPPs monitor and report performance

**81.** Our 2006 report concluded that many CPPs had only recently started to focus on monitoring and reporting performance. We recommended that CPPs should develop processes for managing performance and agree indicators to track progress on key local issues. The majority of CPPs report that improvements have been made to performance monitoring.

**82.** The introduction of SOAs has been an important driver for these changes. On reviewing the 2009/10 SOAs for all CPPs, we found that most included information about how they will monitor progress against their targets and milestones. The majority of economic theme groups report performance to the CPP board or executive group, although the frequency of reporting varies, ranging from monthly to annual reporting, and performance reports to CPPs can

<sup>34</sup> These funds were allocated to 13 CPPs in lowlands Scotland and to all CPPs in the Highlands and Islands region under two priorities: ESF Priority 1 (Progressing into employment) and ERDF Priority 3 (Urban regeneration).

<sup>35</sup> *Evaluation of the Contribution of European Structural Funds to Community Planning Partnerships*, Scottish Government, February 2011.

<sup>36</sup> *Scotland's public finances: preparing for the future*, Audit Scotland, November 2009.

<sup>37</sup> 'Outcome budgeting in the Scottish public sector', Improvement Service, unpublished. This is the first phase of the outcome budgeting project, which looked at spending and performance data in three thematic areas: health and social care for older people; community safety; and education, early years and employability. The project is jointly funded by the Improvement Service and the Scottish Government.

## Case study 4

### Examples of successful initiatives delivered by CPPs

#### Orkney CPP

**Community wind turbines** In Orkney, Community Energy Scotland has supported six community development trusts to develop their own wind turbines. The project is facilitated by the CPP, and aims to secure the long-term sustainability of the island communities by providing them with an income stream from the sale of energy to the national grid. The income will be used by island communities to support local development plans, which will benefit the economy and social well-being of the islands.

#### Clackmannanshire CPP

**Future Jobs Fund** This was a UK Government-funded scheme to create employment opportunities for young people and other disadvantaged groups across the UK. The CPP's economic theme group received funding for 52 posts. The business representatives on the economic theme group identified vacancies for these 52 posts, using their connections with the local business community. Twenty-five of those taken on through this scheme now have a permanent job.

#### Dumfries and Galloway CPP

**Savour the Flavours** This is a two-year LEADER-funded project which supports, advises and encourages new and existing food and drink businesses in Dumfries and Galloway.<sup>1</sup> The project, which involves public and private sector bodies working in partnership, has organised and promoted a number of events with the aim of encouraging business growth in the industry. There have been a number of achievements which have supported the local economy including:

- introducing a region-wide farmers' market, which has supported 26 jobs and injected around £212,100 into the local economy
- delivering a 'Flavours Fortnight' event that involved 46 local businesses and injected around £300,000 into the local economy
- signposting 16 businesses over 12 months to a small business finance scheme, which has protected 21 jobs, created 16 new jobs, and supported local businesses with a combined turnover of £823,000.

Note: 1. LEADER (Liaison Entre Actions de Développement de l'Économie Rurale) is part of the EU funded Scottish Rural Development Programme and supports community-based economic development.

Source: Audit Scotland, 2011

be long and detailed. CPPs need to ensure that the frequency and quality of performance reports facilitate effective scrutiny of performance.

### Managing performance is a shared responsibility

**83.** 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.

**84.** We found CPPs differ in how they manage performance in this more complex environment. For example, some CPPs acknowledge that some outcomes are not being achieved as effectively as had been 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 agree informal actions to address this.

**85.** 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 to try and understand why outcomes are not being achieved and identify what further support different partners 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.

**86.** 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, such as East Ayrshire and West Lothian CPP boards. Audit Scotland’s *Overview of local government in Scotland 2010* concluded that councils need to work with community planning partners to improve the performance management, monitoring and reporting processes of CPPs.<sup>38</sup>

**87.** Partnership working is challenging because of differences in individual partners’ priorities, their approaches to planning and decision-making, and their financial and accountability frameworks. These challenges and what needs to be done to address them are well known and have been identified in previous Audit Scotland reports, most recently in our report on community health partnerships.<sup>39</sup> For example, effective partnerships demonstrate strong inclusive leadership, a shared vision, collective agreement on objectives and good governance. These principles are set out in [Appendix 3](#). In our fieldwork we found that these principles remain highly relevant within the context of CPPs.

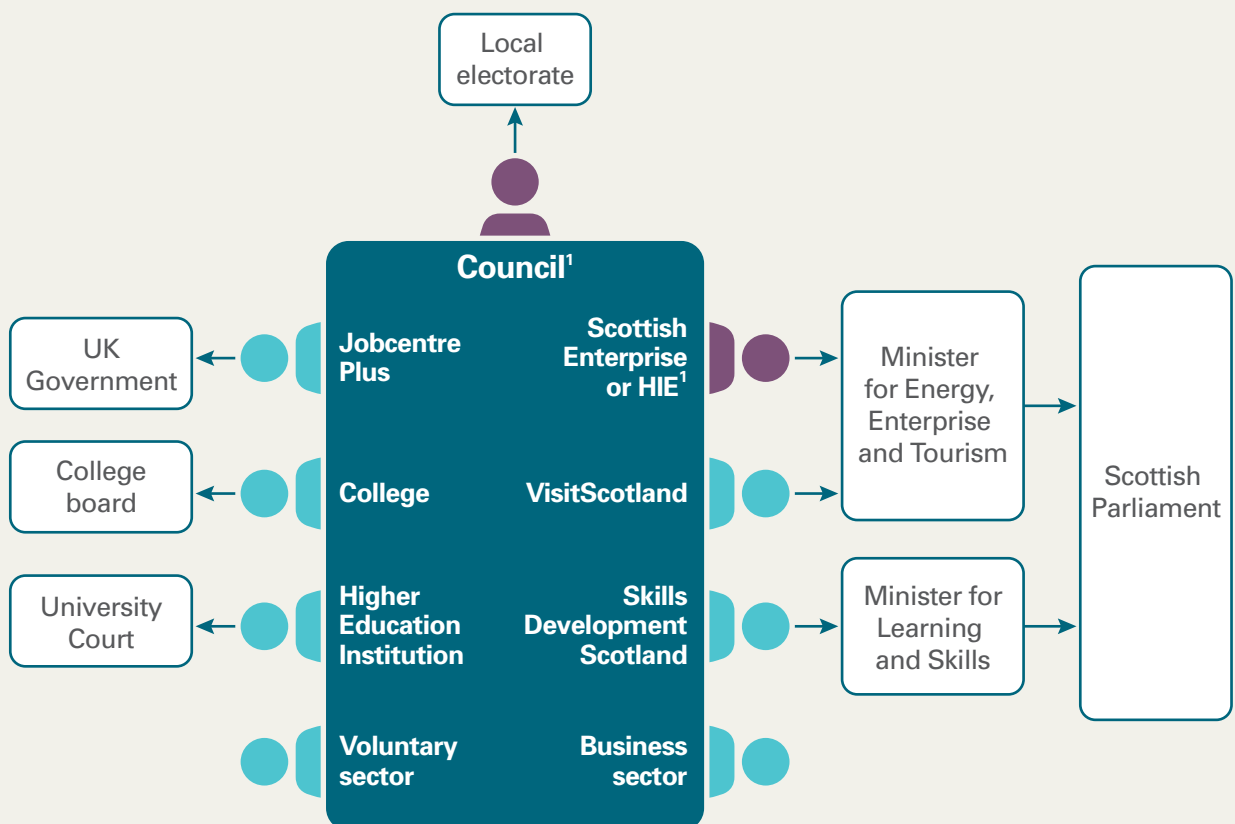
**Not all partners are held to account for delivering SOAs and there may be tensions between national and local priorities**

**88.** 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.<sup>40</sup>

**89.** The accountability arrangements for partners typically involved in CPP economic theme groups vary ([Exhibit 8](#)).

**Exhibit 8**

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

38 *An overview of local government in Scotland 2010*, Audit Scotland, January 2011.

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

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

**90.** In 2009, the Concordat Oversight Group published further advice on the governance and accountability for SOAs.<sup>41</sup> This states that statutory public sector partners are ultimately accountable on an individual basis to ministers and Parliament, or elected members, and not to the CPP. The guidance 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.<sup>42</sup>

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

**92.** 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 their 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 reported that in their view these arrangements demonstrate clear accountability to their electorate in relation to SOAs.

**93.** We 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 outcomes. Without a clearly articulated commitment by partners to the SOA, as demonstrated in their corporate plans, it is difficult to see how they are being held to account through the existing accountability arrangements outlined in [Exhibit 8](#).<sup>43</sup>

#### **Greater clarity is needed about what is expected of CPPs and what they can deliver**

**94.** 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 potential tensions between local and national priorities which CPPs have to deal with.

**95.** Another area of tension is linked to the different local and national democratic structures in Scotland. This is at the root of the different accountability arrangements faced by CPPs. Councils are accountable through local democratic processes while other partners are accountable through the Scottish Government and ultimately to the Scottish Parliament. 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.

**96.** 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 to be 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.

**97.** The ability of CPPs to achieve their potential in improving services and communities will not be fully realised until these areas of tension are resolved.

**98.** *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.<sup>44</sup>

#### **The Scottish Government's role in the SOA process is unclear**

**99.** The SOA annual report is 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, the Scottish Government published an overview report in February 2010.<sup>45</sup> 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

41 *Governance and Accountability for SOAs*, Concordat Oversight Group, February 2009.

42 The guidance states that the other non-statutory partners in the CPP may be invited to sign the SOA, as can third sector and private sector partners, however they cannot be held publicly or politically accountable for its delivery.

43 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.

44 *The Commission on the Future Delivery of Public Services*, Christie Commission, June 2011.

45 *Single Outcome Agreement – Overview Commentary, Progress in 2008/09*, Scottish Government, February 2010.

reports should increasingly allow the Scottish Government to measure progress on CPPs' contribution to national outcomes. However, our findings about the variation of economic outcomes and indicators used in SOAs demonstrate that this will continue to be difficult to measure (see paragraphs 64-65).

**100.** More recently, COSLA and the Scottish Government published a joint overview commentary on the 2009/10 SOA annual reports.<sup>46</sup> This summary focused on progress more generally in implementing the SOA approach and in achieving the Government's overarching purpose. It also highlighted a number of challenges to improving the local outcomes approach, including the need for better information about performance.

**101.** However, we found little evidence of action taken by the Scottish Government as a result of either any SOA annual report or the summaries of overall progress. A number of CPPs reported that they have received no feedback from the Scottish Government following submission of their 2009/10 annual reports.

**102.** When SOAs were first introduced, the Scottish Government assigned responsibility for liaising with individual CPPs to a number of its senior managers (location directors). This was intended to provide a direct link between each CPP and the Scottish Government, and:

- build and maintain strong relationships with local partners
- challenge Scottish Government's partners on their local delivery of national outcomes
- share intelligence and analysis on local outcomes.

**103.** An important aspect of the role of location directors was to challenge CPPs during the development and revision of their SOA and in monitoring progress against local outcomes. CPPs generally found this role helpful during the early implementation of the SOA process. However, we found the extent to which location directors continue to exercise this challenge function varies across CPPs. There has also been some turnover of staff in these roles which has affected the opportunity for CPPs and location directors to establish effective working relationships.

**104.** The Scottish Government needs to set out its role in the SOA process more clearly. As well as clarifying the role of location directors, it needs to clarify its own role in:

- agreeing SOAs with CPPs
- monitoring the progress made by CPPs through the annual reporting process
- holding central government and NHS bodies that are involved in CPPs to account for their SOA commitments.

**105.** The current limitations associated with the availability of robust performance information and an absence of accountability for the delivery of SOAs, combined with a lack of a clear picture of SOAs' contribution towards achieving the national outcomes, pose significant challenges for Scotland in achieving its national economic priorities.

## Recommendations

The Scottish Government should:

- ensure that central government and NHS bodies 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
- encourage greater consistency in the way location directors engage with CPPs
- clarify its role in the SOA process.

CPPs should:

- challenge lack of progress in meeting agreed local outcomes identified in the SOA
- evaluate themselves against the good governance principles in [Appendix 3](#) and use the checklist in [Appendix 4](#) to assess their effectiveness as a partnership and take appropriate action as required.
- develop a better understanding of the costs of delivering agreed outcomes and the implications of these costs on individual partners' budgets.

All CPP partners should:

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

# Appendix 1.

## Audit methodology

### Survey

Where published information was unavailable, we collected information through a survey of all 32 CPPs across Scotland about:

- structures and governance arrangements
- performance management
- the CPP arrangements for economic development.

### Interviews

We interviewed a number of staff in selected CPPs about CPP board level arrangements and activity in economic theme groups. We interviewed staff about the:

- model for economic development in Aberdeen City and Aberdeenshire based on Aberdeen City and Shire Economic Future (ACSEF)
- CPP arrangements for economic development in Orkney and North Lanarkshire
- arrangements for liaising with local businesses in Clackmannanshire
- Scottish Government arrangements for CPP liaison and holding central government and NHS partners to account.

### Document review

We undertook a detailed document review and surveyed all CPPs, collecting information about their partnership structures, performance management arrangements and approaches to supporting economic development. We commissioned the University of Glasgow's Training and Employment Research Unit (TERU) to review documents relating to economic development strategies including:

- the economic content in the SOAs for all 32 CPPs
- the economic development strategies and/or action plans for all 32 CPPs
- the corporate and/or service plans for the key relevant partners in a sample of six CPPs.

The review of economic development strategies and SOAs was based on three key questions:

- Are CPP priorities based on a good understanding of local needs?
- Do CPP plans and strategies clearly set out how they will achieve their outcomes?
- What arrangements have CPPs put in place to monitor and report on performance?

### Analysis of economic indicators

We analysed key economic indicators to examine the economic challenges facing CPPs. A more detailed analysis of these indicators and description of our methodology are included on our website ([www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)).

# Appendix 2.

## Project advisory group members

Audit Scotland would like to thank members of the project advisory group for their input and advice throughout the audit.

Member	Organisation
Gwen Barker	East Ayrshire Council
Jane Broderick	Scottish Government
Liz Cameron	Scottish Chamber of Commerce
Bob Christie	Improvement Service
Fiona Garven	Scottish Commission for Community Development
Jon Harris	Convention of Scottish Local Authorities
Marion McCormack	Scottish Government
Lorraine McMillan	Society of Local Authority Chief Executives (SOLACE) lead for community planning, and East Renfrewshire Council
Veronica Noone	Scottish Enterprise
Robin Presswood	Chair of the Scottish Local Authorities Economic Development Group (SLAED), until January 2011, and Fife Council

Note: Members of the project advisory group sat in an advisory capacity only. The content and conclusions of this report are the sole responsibility of Audit Scotland.

# Appendix 3.

## Good governance principles for partnership working

Key principles	Features of partnerships when things are going well	Features of partnerships when things are not going well
<b>Behaviours</b>		
<p>Personal commitment from the partnership leaders and staff for the joint strategy</p> <p>Understand and respect differences in organisations' culture and practice</p>	<p>Be willing to change what they do and how they do it</p> <p>Leaders agree, own, promote and communicate the shared vision</p> <p>Leaders are clearly visible and take a constructive part in resolving difficulties</p> <p>Behave openly and deal with conflict promptly and constructively</p> <p>Adhere to agreed decision-making processes</p> <p>Have meetings if required but focus of meetings is on getting things done</p>	<p>Be inflexible and unwilling to change what they do and how they do it</p> <p>Lack of leader visibility in promoting partnership activities (both non-executive and executive)</p> <p>Adopt a culture of blame, mistrust and criticism</p> <p>Complain of barriers to joint working and be unwilling to change from the status quo</p> <p>Take decisions without consulting with partners</p> <p>Have numerous meetings where discussion is about process rather than getting things done</p>
<b>Processes</b>		
<p>Need or drivers for the partnership are clear</p> <p>Clear vision and strategy</p> <p>Roles and responsibilities are clear</p> <p>Right people with right skills</p> <p>Risks associated with partnership working are identified and managed</p> <p>Clear decision-making and accountability structures and processes</p>	<p>Roles and responsibilities of each partner are agreed and understood</p> <p>Strategies focus on outcomes for service users, based on analysis of need</p> <p>Have clear decision-making and accountability processes</p> <p>Acknowledge and have a system for identifying and managing risks associated with partnership working</p> <p>Agree a policy for dealing with differences in employment terms and conditions for staff and apply these consistently to ensure fairness</p> <p>Review partnership processes to assess whether approaches are efficient and effective</p>	<p>Roles and responsibilities of each partner are unclear</p> <p>Unable to agree joint priorities and strategy</p> <p>Lack of clarity in decision-making processes</p> <p>Partnership decision-making and accountability processes are not fully applied or reviewed often enough</p> <p>Risks are not well understood or managed through an agreed process.</p> <p>Deal with differences in employment terms and conditions for staff on an ad hoc basis</p>

Key principles	Features of partnerships when things are going well	Features of partnerships when things are not going well
<b>Performance measurement and management</b>		
<p>Clearly defined outcomes for partnership activity</p> <p>Partners agree what success looks like and indicators for measuring progress</p> <p>Partners implement a system for managing and reporting on their performance</p>	<p>Understand the needs of their local communities and prioritise these</p> <p>Have a clear picture what success looks like and can articulate this</p> <p>Have clearly defined outcomes, objectives, targets and milestones that they own collectively</p> <p>Have a system in place to monitor, report to stakeholders and improve their performance</p> <p>Demonstrate that the actions they carry out produce the intended outcomes and objectives</p>	<p>Prioritise their own objectives over those of the partnership</p> <p>Be unable to identify what success looks like</p> <p>Fail to deliver on their partnership commitments</p> <p>Don't have agreed indicators for measuring each partner's contribution and overall performance or do not use monitoring information to improve performance</p> <p>Be unable to demonstrate what difference they are making</p>
<b>Use of resources</b>		
<p>Identify budgets and monitor the costs of partnership working</p> <p>Achieve efficiencies through sharing resources, including money, staff, premises and equipment</p> <p>Access specific initiative funding made available for joint working</p>	<p>Integrate service, financial and workforce planning</p> <p>Have clear delegated budgetary authority for partnership working</p> <p>Identify, allocate and monitor resources used to administer the partnership</p> <p>Understand their service costs and activity levels</p> <p>Plan and allocate their combined resources to deliver more effective and efficient services</p> <p>Assess the costs and benefits of a range of options for service delivery, including external procurement</p> <p>Have stronger negotiating power on costs</p> <p>Achieve better outcomes made possible only through working together</p>	<p>Don't integrate service, financial and workforce planning</p> <p>Be unable to identify the costs of administering the partnership</p> <p>Deliver services in the same way or change how services are delivered without examining the costs and benefits of other options</p> <p>Have duplicate services or have gaps in provision for some people</p> <p>Plan, allocate and manage their resources separately</p> <p>Fail to achieve efficiencies or other financial benefits</p> <p>Be unable to demonstrate what difference the partnership has made</p>

# Appendix 4.

## Checklist for CPP board members

Key points to consider	How are we doing now?	What do we need to do to improve?
CPP board members have an agreed vision for the area and a shared understanding of what needs to be done to achieve that vision.		
Senior decision-makers from each partner organisation regularly attend CPP board meetings. CPP board meetings are strategically focused, effectively chaired, have manageable agendas and result in agreed actions.		
The CPP has a good understanding of the needs and aspirations of local communities. Community and business engagement is strategically managed and coordinated by the CPP board; and results are reflected in the CPP's planning and decision-making.		
The CPP understands the wider regional and national strategic context it operates within, and ensures its activities are effectively planned and coordinated with other bodies and partnerships, where appropriate.		
The SOA reflects the CPP's vision and needs of the area, contains evidence-based outcomes that are clearly articulated and enable progress to be tracked over time.		
The SOA is supported by relevant and evidence-based strategies and action plans that are clearly aligned to the SOA.		
The CPP board understands both the resources available locally and the resources needed to achieve agreed outcomes. Partners can demonstrate how they are using their funding, assets and staff to support achievement of these outcomes.		

Key points to consider	How are we doing now?	What do we need to do to improve?
Individual partners' corporate and local plans and strategies include relevant outcomes agreed in the SOA.		
<p>Progress towards achieving the SOA is monitored using clearly defined indicators and milestones, which:</p> <ul style="list-style-type: none"> <li>• are linked to the outcomes in the SOA</li> <li>• enable the CPP's performance to be compared with other similar areas or tracked over time</li> <li>• enable partners to demonstrate the impact of their activities.</li> </ul>		
Performance information provided to the CPP board is relevant, strategically focused and presented in a way that supports effective scrutiny and decision-making.		
The CPP board demonstrates a collective and transparent approach to managing performance and takes decisive action if progress is not being made.		
The CPP board regularly reviews its governance arrangements to ensure they meet agreed good practice, has agreed schemes of delegation where appropriate, regularly undertakes shared risk assessments, and has agreed arrangements for managing identified risks.		

Separate checklists have been developed by the Improvement Service, in partnership with the Scottish Government and SLAED, which may be helpful to economic theme groups in supporting local economic development. These checklists can be found at [www.improvementservice.org.uk/economicdevelopment/](http://www.improvementservice.org.uk/economicdevelopment/)

# The role of community planning partnerships in economic development

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