



The role of community planning partnerships in economic development

Supplement - economic analysis of CPP areas



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

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Introduction

Background

1. This report supplements part 2 of our report on *The role of community planning partnerships in economic development*. This supplement looks at some of the economic challenges facing community planning partnerships (CPPs). We have produced four maps showing the economic health of each CPP area (known as heat maps) using 15 indicators (described in appendix 1). The first map illustrates the relative economic situation in the 32 different CPP areas. The other three maps provide a more detailed picture of different aspects of the economies of the CPP areas.
2. Our report found that not all CPPs are making the best use of available economic information in their SOAs. This supplement provides an example of some of the analysis that CPPs could use while developing economic strategies. This would need to be supplemented by a more in-depth analysis of some of the individual indicators used to create the maps and an analysis of the variations in the economy within the CPP.
3. The Scottish Local Authority Economic Development Group (SLAED) has developed a series of economic indicators to help measure the impact of economic development activity across the country. These are intended 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 Authorities Chief Executives (SOLACE). This supplement has used many of the indicators recognised by SLAED and SOLACE together with other indicators in order to capture the wide definition of economic development used in our report.

Interpreting the results

4. When interpreting the results of this analysis a number of factors need to be considered:
 - This analysis does not measure CPP performance. The results are presented by six different colours in the heat maps and represent the economic challenges facing each CPP. The analysis is not a judgement about the effectiveness of the council/CPP, but a description of economic reality facing the CPP as reflected by the selected indicators.
 - The analysis is based on a particular set of indicators. A different set of indicators would produce a different (although similar) result.
 - The analysis provides a snapshot of the economy at a point in time. We used most up-to-date information available for the analysis. The majority of the 15 indicators relate to 2010 and 2011, but a few relate to 2009. Therefore some of the effects of the recession may not be fully shown.
 - Our analysis is based on CPP areas (council boundaries) as they are relevant to our report. However they are not self-contained economies. An alternative analysis might be to look at regional economies based on travel to work areas or city regions.

- The analysis has treated all of the indicators as being equally important. We acknowledge that CPPs may decide to apply weights and attach more importance to certain economic issues, such as, labour market skills and / or business growth indicators.
- We used an equal distribution method to categorise each CPP area into the six different colours shown on the map. This method divides CPPs into groups based on equal intervals between the highest and lowest values. Although this gives a good representation of the actual distribution of the data, its disadvantage is that CPPs are not split equally between the groups. Details of the methodology are included in [Appendix 1](#).

Economic analysis of community planning partnership areas

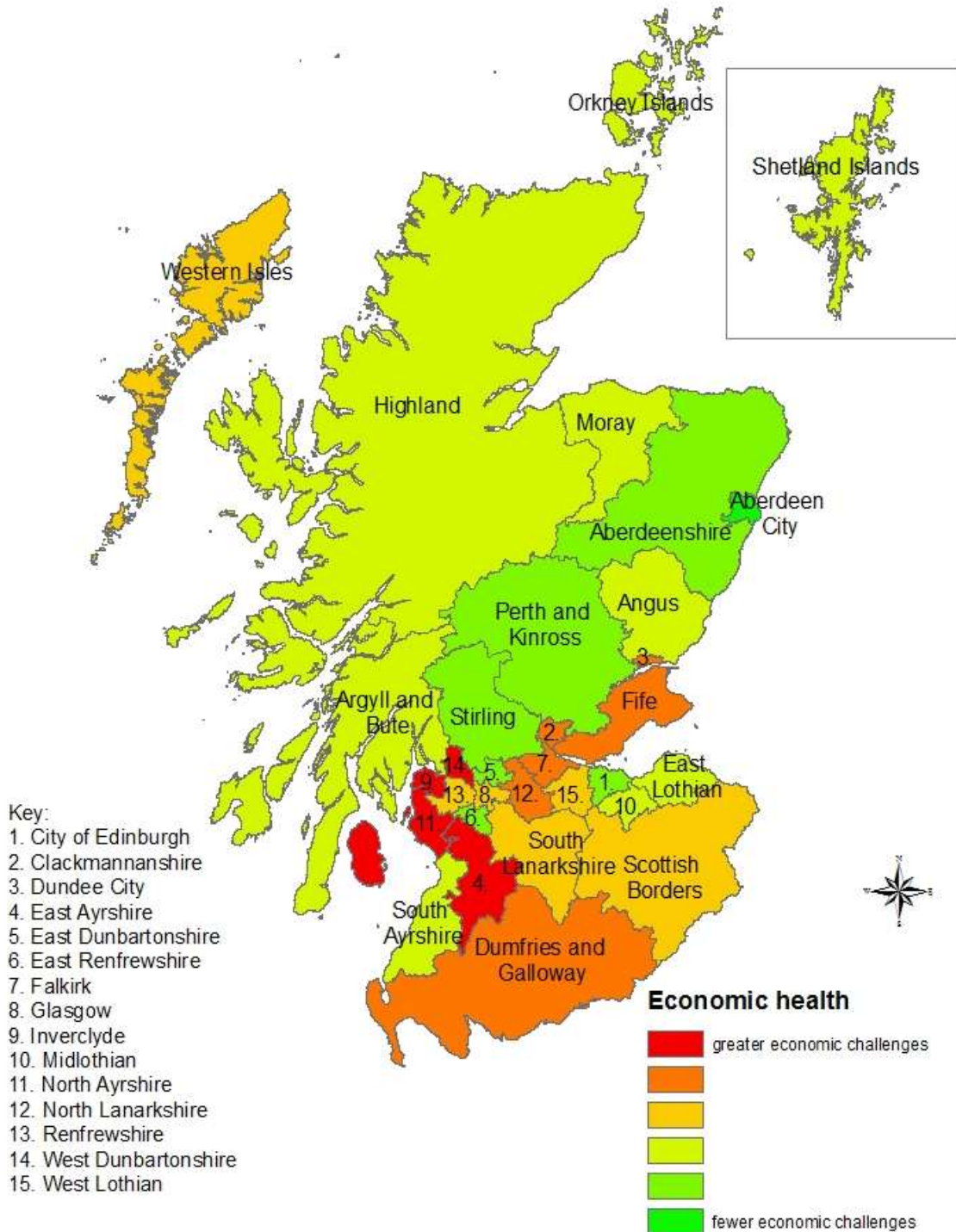
The overall economic challenges facing CPPs

5. The economy of a CPP area is based on a number of different elements. We analysed 15 economic indicators to produce a map showing the relative economic challenges of each CPP area ([Exhibit 1](#)). Details of the methodology and a full list of the indicators are given in [Appendix 1](#). [Appendix 2](#) shows the position of each council for each indicator. The indicators we used covered three categories:
 - place (for example, geography, inequalities within the CPP area, and skills in the CPP area)
 - employment challenges (for example, unemployment and earnings statistics)
 - business growth and enterprise (for example, business start-up and survival rates and job density).
6. Although the map provides a good illustration of the overall scale of the economic challenges faced by CPPs, it will need to be supplemented by more detailed analysis to determine the specific priorities CPPs need to address, both in relation to the whole CPP area and in relation to specific population groups or particular local communities. The set of indicators shows that:
 - The City of Edinburgh has a relatively healthy local economy, but it has a large variation in the level of unemployment between different local areas and only has an average business survival rate.
 - North Ayrshire is shown to face greater economic challenges than many other areas in Scotland. It has a low business start-up rate and high unemployment levels relative to other areas, but has signs of a strong business base, attracting a high proportion of foreign-owned businesses.
 - Aberdeenshire has a strong local economy with low unemployment and high business start-up rates, but has fairly low workplace-based average earnings. Job demand in the area is fairly low, meaning that residents tend to commute to other nearby areas for work.
 - Moray appears to sit almost in the middle range in the map, with a mixture of moderate self-employment rates, low levels of unemployment and deprivation. However it has a lower proportion of high level occupation jobs and low average earnings. Since the indicators were produced, the closure of the RAF Kinloss air base may present additional challenges for the local economy.

Exhibit 1

The overall economic health of CPP areas

There is considerable variation in local economies in the economic challenges facing CPPs



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Source: Audit Scotland 2011, based on a similar methodology developed by Experian Limited

A more detailed analysis of the economic challenges facing CPPs

7. We created three additional maps for each of the broad category of indicators that make up [Exhibit 1](#). These provide detailed information about the economy of each CPP area. An explanation of the indicators that make up these categories is given in [Exhibit 2](#).

Exhibit 2

Category of indicators used in analysis

The indicators used in the overall analysis have been grouped into three categories.

Category	Looks at indicators that reflect the challenges around:
Place	Geographical access to services, inequalities (deprivation, variation in the level of unemployment within the area), education and skills.
Employment	Overall unemployment, youth unemployment, long-term unemployment, earnings and proportion of public sector employment.
Business growth and enterprise	The survival rates of new businesses, business start-up rates, foreign-owned businesses, self-employment and job density.

Source: Audit Scotland, selection of indicators from: General Register Office, NOMIS official labour market statistics, Office of National Statistics, SG Corporate Sector tables, and Scottish Index of Multiple Deprivation

8. The series of maps in [Exhibit 3 to 5](#) provide a more detailed illustration of the different economic challenges faced by each CPP, and can be used to identify the influence of each indicator set on the overall assessment of the area.

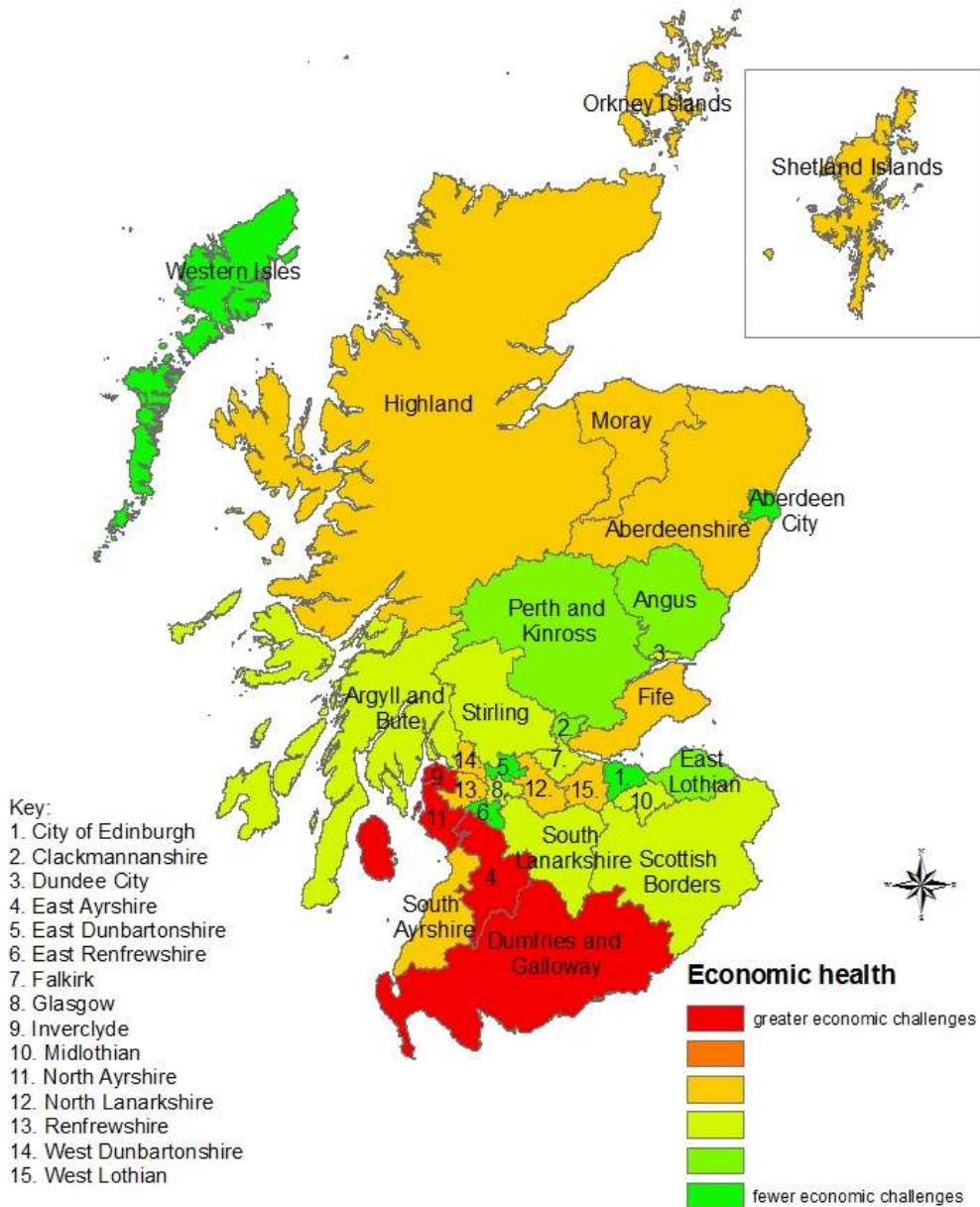
Economic place challenges

9. The five indicators under the category of place have been used to produce a map showing the relative challenges faced by each CPP area compared to other areas of Scotland in terms of geographical access, scale of inequalities within the CPP area, education and workforce skills ([Exhibit 3](#)). The set of indicators shows that:
- Dumfries and Galloway appears to face greater economic challenges because they have fewer people in high level occupations and a fairly high proportion of the population with no qualifications. However, it does compares favourably with other areas in having fewer areas of deprivation than other parts of Scotland.
 - Perth and Kinross appears to face fewer economic challenges than other CPPs because of a combination of low deprivation, and an above average geographical access to services. However, it only has average proportion of high-level occupation jobs.
 - Western Isles faces fewer economic challenges with regard to deprivation, the skill base of its workforce, and the proportion of the population with no qualifications. However it has significant issues regarding geographical access to services for its residents.

Exhibit 3

The place challenges facing CPP areas

There is considerable variation in local economies



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Source: Audit Scotland 2011, based on a similar methodology developed by Experian Limited

Employment challenges

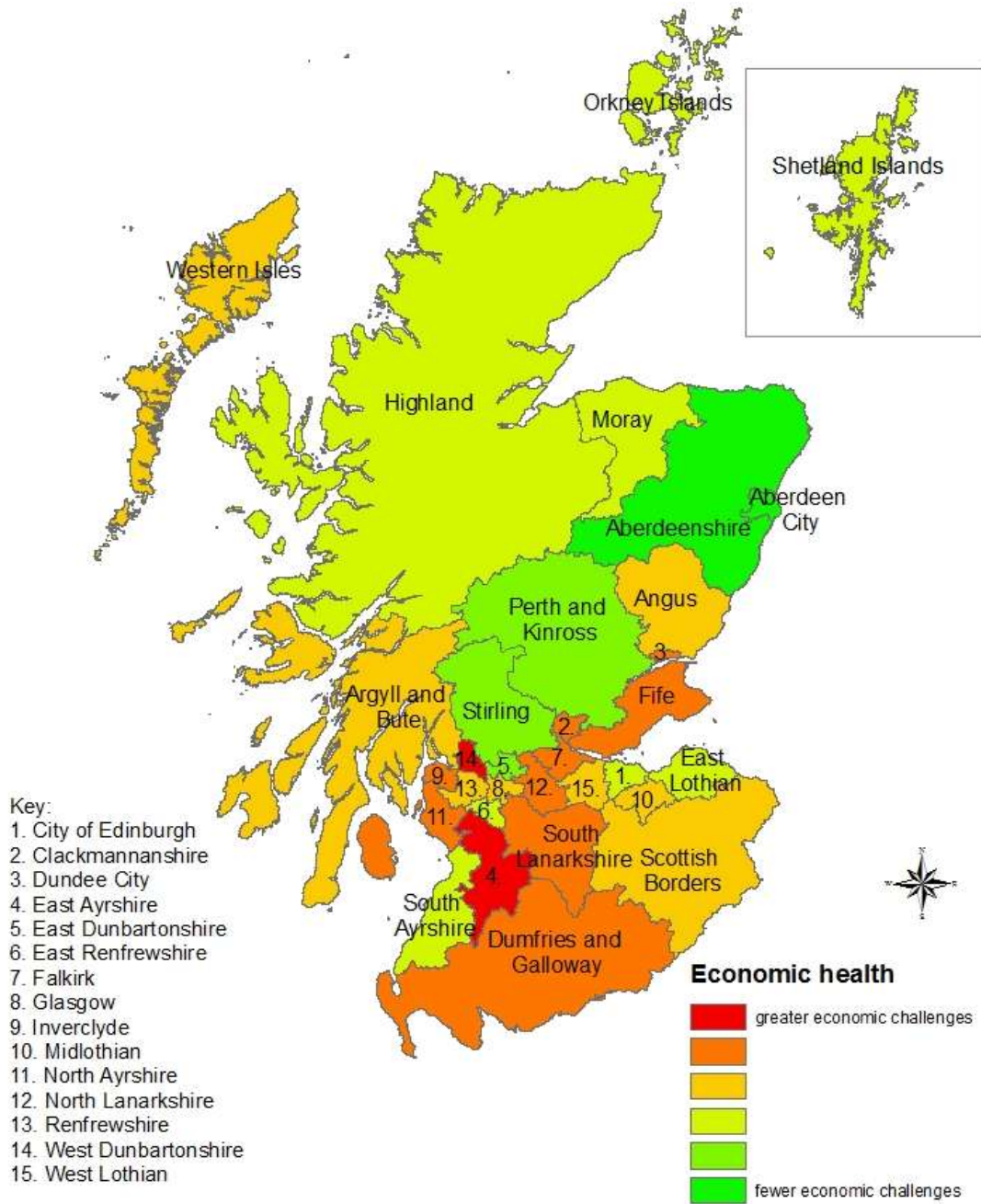
10. The five indicators under the category of employment challenges have been used to produce a map showing the relative challenges faced by each CPP compared to other areas of Scotland in terms of unemployment, earnings from people working in the area, and size of the public sector, (Exhibit 4). The set of indicators shows that:

- Orkney Islands has very low levels of unemployment overall, but it depends heavily on public sector employment.
- West Dunbartonshire faces greater economic challenges in terms of employment than most other CPP areas. It has high total unemployment, and fairly high youth unemployment. However, it has an average workplace based average earnings.
- Scottish Borders has relatively low unemployment and long-term unemployment, although average earnings by people who work in the area are low.

Exhibit 4

Employment challenges facing CPP areas

There is considerable variation in local economies.



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Source: Audit Scotland 2011, based on a similar methodology developed by Experian Limited

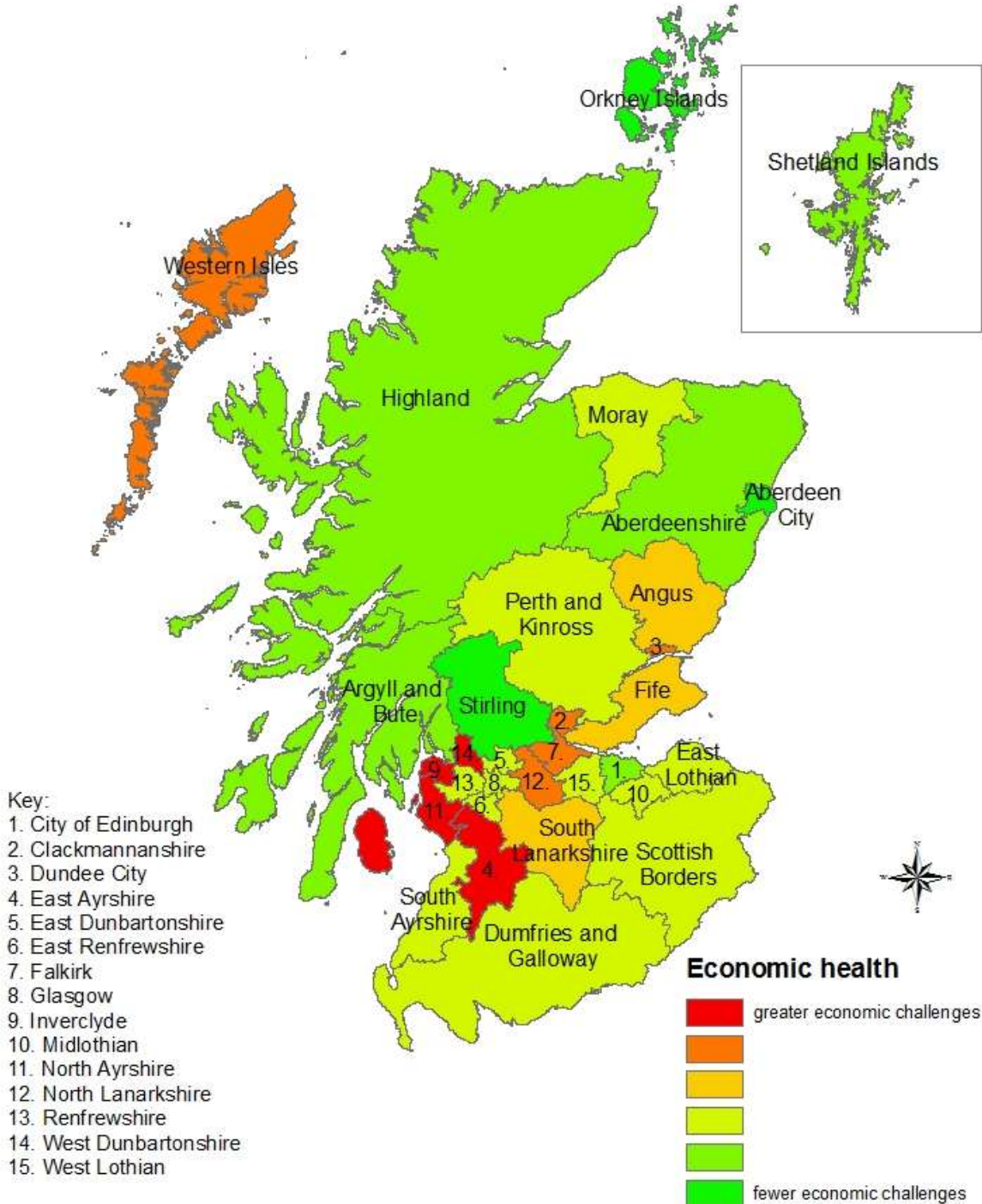
Business growth and enterprise challenges

11. The five indicators under the category of business growth and enterprise challenges have been used to produce a map showing the relative challenges faced by CPP areas compared to other CPP areas of Scotland. The indicators include business start-ups, business survival rates, the proportion of foreign-owned businesses, and the rate of self-employment ([Exhibit 5](#)). The set of indicators shows that:
- Glasgow City appears to face fewer challenges in terms of business growth and enterprise; it has a high level of business start-ups and attracts a large share of foreign-owned businesses to the area indicating that the local business base is strong. Glasgow also has a high level of job demand or job density, so it provides employment for people who live outside the area.
 - North Lanarkshire appears to face greater challenges; it has a low three-year business survival rate, below average business start-up rate, and a below average job density in the area. However, it attracts a large share of foreign-owned businesses to the area indicating that the local business base is strong. Many residents travel to neighbouring areas to work.
 - Stirling appears to face fewer challenges; it has very high business start-up rates, high self-employment rates, and an above average level of business survival rates. It attracts a fairly large share of foreign-owned businesses to the area. Stirling provides employment for people who live outside the area.

Exhibit 5

Business and enterprise challenges facing CPP areas

There is considerable variation in local economies



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Source: Audit Scotland 2011, based on a similar methodology developed by Experian Limited.

12. The maps in [Exhibit 3 to 5](#) provide an illustration of the different economic challenges facing CPPs in the three categories chosen for analysis. [Exhibit 1](#) aggregates the results from these three maps. Taken together they show that each CPP faces different challenges and will need to develop different strategies to respond to them, for example:
 - Western Isles appears to face significant economic challenges overall, but faces fewer challenges under the place category (apart from geographical access), moderate challenges under the employment category and greater challenges under the business growth and enterprise category. The particular issues around business growth and enterprise are business start-up rates and business survival rates.
 - Although Glasgow City appears to face fewer economic challenges in terms of business growth and enterprise, it faces significant challenges in the categories of place and employment. In particular, the very high rates of unemployment and long-term unemployment, linked to high levels of deprivation, are major challenges for the CPP.
 - Edinburgh City has a relatively healthy economy, and faces fewer economic challenges overall, and for each of the three categories. However there are challenges in the place and business growth and enterprise category, including low business survival rates and the large variation in the level of unemployment within the CPP area.
 - North Ayrshire faces greater economic challenges than many areas in Scotland with relatively high unemployment and long-term unemployment. However there are some positive indicators, including a fairly high proportion of foreign owned businesses, a low reliance on the public sector for employment and fairly high average workplace-based earnings.
13. CPPs need to undertake a detailed analysis of their local economy and make the best use of the available economic information to inform their economic strategies and plans and set targets in their SOAs. This should include the types of information outlined above. They also need to engage with others, for example local businesses, in developing their strategies to ensure that the views of stakeholders are taken into account.

Appendix 1

Analysis methodology

The economic heat maps summarise a number of different economic and social indicators. The indicators used to create the heat maps are set out in [Exhibit A](#).

An aggregated score was calculated for each CPP area relative to the other CPP areas for each of the indicators. For example, the four CPP areas with the highest unemployment rates are given the lowest score; the four CPP areas with the lowest unemployment rates are given the highest score. This was repeated for each indicator. The scores are aggregated and the results were presented on a map by grouping the scores, using an equal interval distribution between the highest to the lowest aggregated scores.

The equal distribution method was used to present the overall results. This method divides the intervals into equal sizes making the categories unbiased, and it gives a good representation of the distribution of the data. The main disadvantage of this method is that if the values are not evenly distributed they will not be split equally under the categories.

CPPs are compared relative to each other rather than against a baseline. To test the results of our analysis we performed a sensitivity analysis, including using different indicator weightings and scoring the areas against a baseline. This did not substantially alter the overall findings.

Exhibit A

Economic indicators used in the analysis

Indicators and source	Significance of indicator	Scoring method
Place		
Average Geographic Access domain 2009 score (SIMD 2009)	Those CPP areas with better geographical access ranking will have a relatively better transport infrastructure, better connectivity to amenities such as schools, doctor surgeries, and shops etc. This indicator captures the CPP areas geography and the proximity of its residents to key services.	CPP areas with better geographical access will score higher
Deprivation (proportion of local data zones in the 15% most deprived category) (SIMD 2009)	Using deprivation as a measure of the inequality within the area. Identifies the most deprived areas in Scotland, using a range of different indicators under the theme of employment, income, health, crime, and access to services amongst others.	CPP areas with the least deprived areas will score higher
Unemployment variation within council area	A second measure of inequality within the area. It looks at unemployment at the smaller	CPP areas with the least variation in

Indicators and source	Significance of indicator	Scoring method
(NOMIS & GROS 2009)	data zone level of each area. The coefficient of variation was used to measure the size of the spread between the data zone unemployment levels.	unemployment will score higher.
Qualifications - percentage of working population with no qualifications (ONS annual population survey [Jan 2009-Dec 2009])	A measure for the educational attainment and a partial measure of the skills base for the workforce. An area with a workforce which have qualifications are more adaptive, flexible, better ability to find employment, seek high paid jobs.	CPP areas with good education levels (i.e. low % of no qualifications) will score higher.
High level occupations SOC groups 1 to 3: managers, senior officials, professional occupations, and associate professional & technical. % of total employees (ONS 2011)	Very similar to the above, measuring the skills base of the workforce. Skills include many elements, and can be developed from formal and informal training, and work experience which makes the direct measurement difficult. Occupation has been used in this instance as a proxy for skills, as it is a more comprehensive measure than only formal qualifications.	CPP areas with a high proportion of high-level occupations employees will score higher.
Employment and employability		
Salary (Gross hourly median earnings, ONS annual survey of hours and earnings - resident analysis [2009])	Average high salary in the workplace for an area will attract skilled workers into the area. The hourly rate was used as different local authorities differ slightly in the number of hours the average individual works per week.	CPP areas with high average salary will score higher.
Unemployment total JSA (Job Seeker Allowance) claimant count rate (ONS August 2011)	The proportion of individuals claiming Job Seeker Allowance (JSA) from the working age population has being used to capture the level of unemployment at a local authority level. However this may not necessarily measure the wider rate of worklessness in an area. Other out of work benefits, such as incapacity benefits/ ESA (Employment Support Allowance) would apply and could constitute as part of the "hidden" unemployed.	CPP areas with low unemployment will score higher
Unemployed - young 18-24 – proportion resident population same age	The proportion of individuals claiming JSA aged between 18 and 24 out of the resident population of the same age. Youth	CPP areas with low youth unemployment will score higher

Indicators and source	Significance of indicator	Scoring method
(ONS claimant count - age and duration [August 2011])	unemployment has the potential to have long term effect on employability prospects.	
Unemployed - long term over 12 months – proportion of working age population (ONS claimant count - age and duration [August 2011])	The proportion of individuals who have been claiming JSA for more than 12 months out of the working age population. This also has the potential to have long term effects on employability prospects.	CPP areas with low long term unemployment will score higher
Public sector employment size (Business Register Employment Survey - ONS 2010)	There is a potential future risk that areas which are dependent on the public sector for employment will be more vulnerable, as public sector more likely to suffer cuts to budgets.	CPP areas with least public sector employment will score higher
Business growth and enterprise		
Foreign owned businesses (Scottish Corporate Sector tables March 2010 - non Scottish based enterprises)	Gives an indication of the strength of the local business base, and ability for the area to attract foreign investment. Foreign owned businesses pay more per worker, are less dependent on local markets, and tend to control the most efficient parts of the Scottish Economy. ¹	CPP areas with a high proportion of foreign owned business will score higher
Three-year business survival rates (ONS Business Demography 2009)	Provides a measure on the sustainability / success rate of new businesses. As there is often a time lag effect when looking at only annual changes, three-year survival rates considered a better measure. New businesses may of course fold for good economic reasons, e.g. a sole trader or individual receives a better job offer. However, we are using this indicator as a measure on the sustainability and success rate of new businesses.	CPP areas with a high business survival rates will score higher
Business start-ups (Scottish Neighbourhood Statistics - ONS 2011)	Provides a measure on the growth of new businesses in the area. It is the VAT/PAYE registrations per 10,000 adults for each area.	CPP areas with high business start-ups will score higher
Job density	The jobs density figures that ONS produce refers to the number of jobs per resident of	CPP areas with high job density will score

¹ Scottish Annual Business Statistics 2009, Scottish Government (2011)

Indicators and source	Significance of indicator	Scoring method
(ONS 2010)	working age (16-59/64). It gives a measure of the mismatch between the supply and demand for labour in an area. If job density is high, there will be more jobs than residents or a high job demand in the area. In such cases you would expect a degree of inward commuting to the area for work.	higher.
Self-employment (ONS 2011)	This indicator is used as a proxy measure for entrepreneurial attitude provided we assume that all those self-employed are demand led. However, in some cases self-employment might be induced from poor labour market conditions, e.g. individuals might be forced into self-employment because there are no jobs available, and therefore count as part of the false self-employed.	CPP areas with high self-employment will score higher.

Source: Audit Scotland 2011

Appendix 2

List of indicators and scores

The numbers in the cells of the table reflect the colour category shown on the heat maps, with 6 relating to fewer economic challenges and 1 relating to greater economic challenges.

	Category 1: place challenges					Category 2: employment challenges					Category 3: business growth and enterprise challenges				
	Average geographic access to services, 2010	Deprivation: 15% most deprived areas local share %, 2010	Inequality: unemployment variation, 2010	Education: % with no qualifications 2011	Skill base in workforce: high level occupations employees, 2011	Earnings: hourly pay workplace based, 2011	Total unemployment: JSA, Aug 2011	Youth unemployment: JSA, Aug 2011	Long term unemployed: JSA, Aug 2011	Public sector employment, 2010	three-year business survival rates 2006-2009, 2011	Estimated foreign owned enterprises in Scotland, 2010	Business start-ups per population, 2010	Self employment: rate % of employment, 2011	Job density / Job demand 2010
Aberdeen City	6	5	1	4	4	6	5	6	6	6	4	5	6	1	6
Aberdeenshire	4	6	1	4	3	2	6	6	6	6	6	3	6	6	2
Angus	5	6	2	4	3	1	4	3	5	5	4	4	2	4	2
Argyll & Bute	3	5	3	4	3	3	4	5	5	3	5	3	3	6	3
Clackmannanshire	5	4	4	1	3	5	2	1	2	4	1	6	2	2	1
Dumfries & Galloway	4	6	3	2	1	2	4	3	5	4	4	3	2	5	3
Dundee City	6	2	3	3	2	3	1	3	3	4	1	6	2	1	4
East Ayrshire	5	4	3	1	1	3	1	1	4	3	3	4	2	2	2
East Dunbartonshire	5	6	1	5	6	4	5	4	6	5	5	4	3	4	1
East Lothian	5	6	4	4	3	4	4	4	5	5	3	5	4	3	1
East Renfrewshire	6	6	1	4	6	2	5	5	6	4	3	6	4	3	1
Edinburgh, City of	6	5	1	5	6	6	4	6	5	4	2	5	6	3	5
Eilean Siar	1	6	6	4	3	3	5	5	4	2	2	3	2	4	3
Falkirk	5	5	3	4	2	3	3	3	3	5	3	5	2	2	2
Fife	5	5	2	4	2	3	3	3	4	4	4	5	2	1	2
Glasgow City	6	1	4	1	2	4	1	3	1	6	1	6	5	1	5
Highland	3	6	3	5	2	2	5	5	6	4	4	3	6	5	4

	Category 1: place challenges					Category 2: employment challenges					Category 3: business growth and enterprise challenges				
	Average geographic access to services, 2010	Deprivation: 15% most deprived areas local share %, 2010	Inequality: unemployment variation, 2010	Education: % with no qualifications 2011	Skill base in workforce: high level occupations employees, 2011	Earnings: hourly pay workplace based, 2011	Total unemployment: JSA, Aug 2011	Youth unemployment: JSA, Aug 2011	Long term unemployed: JSA, Aug 2011	Public sector employment, 2010	three-year business survival rates 2006-2009, 2011	Estimated foreign owned enterprises in Scotland, 2010	Business start-ups per population, 2010	Self employment: rate % of employment, 2011	Job density / Job demand 2010
Inverclyde	4	1	3	3	2	3	2	2	5	5	1	6	1	2	2
Midlothian	5	6	4	3	2	4	4	3	4	5	3	5	4	3	2
Moray	4	6	4	5	1	1	5	5	6	5	4	4	3	4	3
North Ayrshire	4	3	2	3	1	4	1	1	3	5	2	5	1	2	1
North Lanarkshire	5	4	4	1	1	3	2	2	4	5	1	6	2	1	2
Orkney Islands	1	6	4	4	1	2	6	6	6	1	6	1	5	6	4
Perthshire & Kinross	4	6	2	3	3	1	5	5	6	6	3	4	5	4	3
Renfrew shire	6	4	2	2	3	4	2	3	4	6	2	6	4	2	3
Scottish Borders	4	6	2	4	3	1	5	3	5	4	4	3	3	5	3
Shetland Islands	1	6	4	6	1	3	6	6	6	1	4	3	1	5	6
South Ayrshire	5	5	2	3	3	5	3	3	5	5	3	5	3	3	3
South Lanarkshire	5	4	4	2	3	3	3	3	4	6	3	5	4	2	2
Stirling	5	6	1	3	3	5	4	5	5	5	4	5	6	5	4
West Dunbartonshire	5	3	4	1	2	3	1	2	3	2	1	5	1	1	2
West Lothian	5	5	4	3	2	2	3	3	5	6	3	5	3	2	3

